



شركة الأهلي للتكافل  
ALAHLI TAKAFUL COMPANY

# Corporate Governance Manual

May 07, 2017

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## Glossary of Terms

AC:	Audit Committee
AMGA:	Annual Meeting of the General Assembly
AML:	Anti Money Laundering
ATC:	AlAhli Takaful Company
Board:	Board of Directors
Board Charter:	Charter of the Board of Directors
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
CG:	Corporate Governance
CMA:	Capital Market Authority
EC:	Executive Committee
EMGA:	Extraordinary Meeting of the General Assembly
GCC:	General Computer Controls
IA:	Internal Audit
IC:	Investment Committee
IFRS:	International Financial Reporting Standards
KSA:	Kingdom of Saudi Arabia
MOCI:	Ministry of Commerce and Industry
NRC:	Nomination and Remuneration Committee
SAMA:	Saudi Arabian Monetary Authority
SB:	Shari'ah Board
SMT:	Senior Management Team
The Company:	AlAhli Takaful Company
The Manual:	ATC's Corporate Governance Manual

## SECTION 1: GOVERNANCE INTRODUCTION

### 1.1 Preamble

Corporate Governance is a set of relationships between a company's management, its board, its Committees, its shareholders, the regulators and other stakeholders. The primary goal of the Company's corporate governance policy is to create and sustain increased value in the Company for the stakeholders. To achieve this goal, it is necessary amongst other things, to clearly set forth the principles of appropriate supervision and good management. The Company believes that it is important that these principles of governance are made transparent to all the stakeholders for safeguarding their rights and promoting their participation in the Company's corporate governance process.

### 1.2 Objectives of Corporate Governance Framework

The objective of Corporate Governance Framework is to promote the Company as a strong, viable and competitive entity by creating a strong control environment and an integrated risk management culture, which are fully aligned with governing Shari'ah principles.

Corporate governance focuses on the conduct of, and relationships between the Board, management and the Company's shareholders. It is designed to:

- a. Enhancing the role of the Company's shareholders and facilitating the exercise of their rights;
- b. Stating the competencies and responsibilities of the Board and the Executive Management;
- c. Enhancing the role of the Board and the committees and developing their capabilities to enhance the Company's decision making mechanisms;
- d. Enhance public reputation through increased transparency and accountability;
- e. Permit entities to demonstrate the effective discharge of legal, shareholders and ethical obligations;
- f. Provide a mechanism of benchmarking of accountability;
- g. Assist in detection and prevention of fraud, dishonesty and unethical behaviour;
- h. Provide strategic direction and approve corporate strategies;
- i. Monitor management performance;
- j. Monitor financial performance; and
- k. Ensure that the Company has well defined policies, procedures and processes for risk management and internal control.

### **1.3 Access, Amendments and Approval of the Corporate Governance Manual**

- a. The Manual is drafted in compliance with the laws of the Kingdom of Saudi Arabia, including the Corporate Governance Regulations, the Insurance Corporate Governance Regulations, the Audit Committee Regulation in Insurance and/or Reinsurance Companies, and the New Companies Regulation.
- b. The Manual should be adopted by the Board and must be presented to the General Assembly of Shareholders for review and approval. The Corporate Secretary will be the custodian of the Manual.
- c. The Company must submit the Manual to SAMA within twenty-one (21) business days from obtaining the approval of the General Assembly of Shareholders.
- d. The Board shall review the Manual at a minimum once every year to incorporate necessary amendments and updates as the Board deems appropriate.
- e. All amendments to the Manual should be channeled through Corporate Secretary to the Board for approval. The Board shall submit any amendments to SAMA within twenty-one (21) business days of approving any amendments.
- f. The Manual is to be read in conjunction with the Company's bylaws and the laws of the Kingdom of Saudi Arabia. In the event of any conflicts between the Manual and the Company's bylaws and/or any applicable laws, the latter should prevail over the Manual. Conflict of any of the provisions noted in the Manual with any existing/future Company documents, if any, should be referred to the Corporate Secretary for necessary clarification.
- g. The Manual will be available on the Company's website for referral and guidance.

## SECTION 2: THE BOARD OF ALAHLI TAKAFUL

### 2.1 Board of Directors' Charter

#### 2.1.1 Purpose

- a. The Board has a primary responsibility to foster the Company's short term and long term success consistent with the Board's responsibility towards its shareholders, contributors (policyholders), government, regulatory authorities, employees and other stakeholders.
- b. The Board is a fully functioning governing body. Its role is fiduciary and includes a wide range of tasks and responsibilities including strategic planning, risk management, management oversight, implementing internal controls, and corporate ethics and values among others.
- c. The Board has the responsibility to oversee the conduct of the Company's business and to supervise management, which is responsible for the day-to-day operations of the Company. In supervising the conduct of the business, the Board, through the CEO, will set the standards of conduct for the Company.

#### 2.1.2 General Provisions

- a. The Charter of the Board ("Board Charter") regulates:
  1. the Board's authority;
  2. the rights, duties, and responsibilities of the Board and its members;
  3. Board composition;
  4. term of office of Board members (hereinafter Directors);
  5. procedures for the election of Directors, including their nomination;
  6. the Board's working procedures and its relationship with the other governing bodies of the Company;
  7. Board structure, including committees;
  8. director liability;
  9. remuneration;
  10. Procedures for the dismissal of directors prior to the expiration of their term of office.
- b. The Board should act in accordance with the Law, the Board Charter and other internal corporate documents.

### 2.1.3 Objectives of the Board

- a. The Board functions as stewards of the Company and has statutory authority and an obligation to manage the affairs and business of the Company.
- b. While the fundamental objective of the Board is to act in the best interest of the Company, the Board also has responsibility to ensure harmony between shareholder expectations, corporate plans and management performance.
- c. It is important to note that delegation of responsibility by the Board to a Committee does not absolve the full Board from responsibility for a committee's work or decisions.

### 2.1.4 Composition of the Board

- a. The Board should be comprised of no less than five (5) and no more than eleven (11) members. The Company's bylaws shall specify the number of members on the Board.
- b. The Board must have a minimum of two (2) independent directors or one-third of the Board, whichever is greater.
- c. A majority of the Board members shall be non-executive directors.

### 2.1.5 Term of Office

- a. The General Assembly appoints the Members of the Board for a term not to exceed three (3) years. Unless otherwise provided for in the Company's bylaws, members of the Board may be reappointed.
- b. The newly elected Board assumes office immediately after the previous Board's term ends.
- c. The departing Board will sign on the financial statements for the year just ended. This is in line with their fiduciary responsibilities as the governing Board for the period of the financial statements that was managed under their stewardship.
- d. In the event a General Assembly meeting is not held prior to expiration of the existing Board's term, the existing Board shall remain until such time as the General Assembly meeting takes place to elect the new Board.

### 2.1.6 Nomination

- a. All candidates who are considered for membership to the Board will be required to provide general background information that will be used for the consideration of their candidacy to the Board. This information should be submitted to the Board in the form of the pre-established independence questionnaire contained in Appendix 1.
- b. The Company should receive details and the completed form for any candidates to the Board within 90 calendar days prior to the end of the existing Board's term in order to prepare, call, and conduct the General Assembly meeting.
- c. The nomination proposal should be made in writing and should include:
  1. Last, first, and middle name of each proposed candidate, and their date of birth;
  2. Name of the body for which candidates are nominated (the Board);
  3. Name(s) of the shareholder(s) submitting the proposal;
  4. Number, types, and classes of shares held by the submitting shareholder(s);
  5. Education received, including continuing professional education (name of educational establishment, date of completion, qualification received);
  6. Professional experience, including positions held for the past 10 years, management positions occupied by the candidate in the governing bodies of other legal entities for the past 5 years;
  7. List of legal entities in which the candidate participates or has an interest, including the number of shares or units held in the paid up capital of such legal entity;
  8. Persons with whom the candidate is affiliated, and the basis for such affiliation;
  9. Relation of the candidate to the affiliated persons and major counterparties of the Company, and the statement of candidate's affiliation with the Company;
  10. Statement of any previous civil and criminal convictions and administrative disqualifications; and
  11. Details of affiliation with current or proposed directors and current employees of the Company and affiliates and related parties.
- d. Upon the recommendations of the NRC, Board should review the submitted proposals and decide whether the nominees are to be included into the list of candidates for election to the Board within five days the deadline set for receipt of proposal from shareholders.

- e. A decision of the Company's Board to accept or refuse a nominee in the list of candidates should be sent to the nominating shareholder(s) within three days following the relevant decision. In the case of a refusal, a full explanation for the refusal should be provided to SAMA.
- f. The nominees should be included in the list of candidates except when:
  - 1. The shareholder(s) failed to observe the timeline set forth;
  - 2. The shareholder(s) does not hold the requisite number of Company's voting shares; and
  - 3. The proposal does not meet the requirements.
- g. A candidate to the Board should have the right to withdraw before he is included in the list of candidates.
- h. Nominations to the Board of Directors require the prior approval of SAMA and shall be in accordance with the Requirements for Appointments to Senior Positions in Financial Institutions.
- i. The number of Board candidates presented to the General Assembly of Shareholders shall exceed the number of available positions. In the event that the number of candidates is equal to or less than the number of available positions, the Board may utilize the services of an external party to find suitable candidates.

### 2.1.7 Election

- a. Directors shall be elected by the shareholders using the accumulative method.
- b. In connection with the elections to the Board, the shareholders should be provided with information on:
  - 1. The shareholder/group of shareholders proposing such candidate;
  - 2. The candidate's age and education;
  - 3. Professional experience, including positions held during the past five years;
  - 4. The position held as of the time of nomination;
  - 5. The nature of the candidate's relations with the Company;
  - 6. The candidate's directorships and other positions held by the candidate in other legal entities;

7. Nominations to the Board or to positions in governing bodies of other legal entities;
  8. The candidate's relations with the Company's affiliates;
  9. The candidate's relations with the Company's major contractors;
  10. The candidate's status and other circumstances which may affect his ability to perform his duties as a director; and
  11. The candidate's refusal to provide information requested by the Company.
- c. As per the concerned regulations, the company may not nominate a member to its board of directors or to a position of a director without the prior written approval by SAMA.
  - d. In case the number of directors becomes less than the number required to constitute a quorum, the Board shall call an ordinary Meeting of the General Assembly within sixty (60) days to elect a new Board member. The remaining directors should not have the right to make any decisions other than calling the meeting of the General Assembly.
  - e. In the event of a vacancy on the Board, the Board may appoint a temporary replacement to complete the remaining term of the previous director, subject to obtaining SAMA's no-objection and presenting the candidate to the General Assembly of Shareholders at the next scheduled AMGA.
  - f. A member of the Board for the Company cannot be a member of the board or committee member of, or an employee in another insurance or reinsurance company, a competing business or of any company in a similar line of business.
  - g. A member of the Board cannot be a member of more than five Boards of Directors of publicly listed companies.
  - h. The Board shall collectively have the appropriate diversity with respect to qualifications, knowledge, experience, and skills in various areas of the Company's business and operations.
  - i. Each Board Member shall possess the appropriate level of qualifications, knowledge, experience, skills, and the integrity to perform its duties and responsibilities.
  - j. The Company shall notify the Authority of the names of the Board members and description of their memberships within five business days from the commencement date of the Board term or from the date of their appointment,

whichever is shorter,, as well as any changes that may affect their membership within five business days from the occurrence of such changes.

- k. The Board shall annually evaluate the extent of the member's independence and ensure that there are no relationships or circumstances that affect or may affect his/her independence.

### 2.1.8 Orientation, Directors' Handbook, and Continuing Education

#### a. Orientation

1. The Corporate Secretary should organize a formal induction session for the newly appointed Board members to explain the roles and responsibilities of the members, how the Board is managed, corporate governance obligations and relevant requirements of SAMA, CMA and any other regulatory requirements within the Kingdom of Saudi Arabia applicable to the Company.
2. The orientation should cover without limitation:
  - i. This Manual
  - ii. Introduction to the Chairman and other members of the Board of Directors;
  - iii. Roles and responsibilities of the Directors;
  - iv. Introduction to the CEO and executive management with an overview of their roles and responsibilities;
  - v. An overview of the Board structure and process including relevant financial, statistical and operational information and other material as may be deemed appropriate.

#### b. Directors' Handbook

As part of the orientation, the Corporate Secretary will provide the Board members a Directors' Handbook that was developed to assist the members in performing their fiduciary responsibilities. The Directors' Handbook covers the following topics:

1. Introduction
  - a) The legal Constitution of ATC
  - b) Articles of Association
  - c) Bylaws
  - d) Agency Agreement – ATC and NCB,
2. Historical References of ATC

- a) Brief Written History of ATC
- b) Listing of Past Board Members
- c) Organizational Structure of ATC
- d) Takaful Products Offered by ATC (existing and planned products)
3. Strategic Framework of ATC
  - a) Mission and Vision Statement
  - b) Long Term Plan
  - c) Current Annual Operating Plan
4. Calendar of Meetings
  - a) Calendar of Board Meetings
  - b) Calendar of Various Committee Meetings
  - c) Calendar of Regulatory Requirements
5. Reference
  - a) Board of Directors' Contact Information
  - b) Board Committee Contact information
  - c) Senior Managements' Contact Information
  - d) Corporate Governance Manual of ATC
  - e) Capital Market Authority – Corporate Governance Regulations in KSA
  - f) SAMA Regulations
  - g) AML Regulations
  - h) Policies for Finance, HR & Administration and Information Security
- c. Continuing Education and Training
  1. The Company should also facilitate participation of Directors in relevant continuing education programs when requested by a Director or when the Board concludes that such education would be of significant benefit to a Director.
  2. All the Directors should keep their skills and knowledge up-to-date. Board Performance Evaluations and individual Directors appraisals should be used to identify the development needs. Particular areas might include changes in the legal, regulatory and accounting environments as well as industry information i.e. insurance/Takaful products.

### 2.1.9 Termination of the Membership of the Board

- a. Membership of the Board shall terminate upon:
  1. Expiration of the Board's term
  2. Resignation of a Board member
  3. Death of a Board member

4. A Board member becoming physically or mentally impaired in a way that could severely limit his/her ability to perform his/her role.
  5. A Board member being declared bankrupt or insolvent
  6. A Board member being convicted of an offense involving moral dishonesty or a violation of the laws of the Kingdom of Saudi Arabia or any other jurisdiction
  7. A Board member failing to fulfill his/her obligations in a manner that harms the Company (in which case the General Assembly must approve the termination).
  8. A Board member fails to attend three (3) Board meetings in one year without a legitimate and acceptable reason.
  9. A Board member is unable to continue performing their role based on applicable laws and regulations in the Kingdom of Saudi Arabia.
- b. The General Assembly may dismiss the Board prior to the expiration of its term of office. In case of dismissing the Board prior to the expiration of its term of office, the newly elected directors should be in office until the election of the new Board at the next General Assembly.
  - c. In case of resignation of any directors, such director should remain liable under the laws of the Kingdom of Saudi Arabia. Such director should inform the Board of his intention to resign in writing at least 30 days in advance.
  - d. Should a Board member resign within the year, he will be compensated on a pro rata basis for the term served as a Board member and the new member will also be compensated for his term on a pro rata basis.
  - e. The Company must notify SAMA when a member of the Board resigns or is terminated (other than for expiration of his/her term) within five (5) business days from the date on which the member resigns.

### 2.1.10 Meetings

- a. A meeting of the Board may be called by the Chairman of the Board, or by any 2 board members submitting a request to the Chairman of the Board, or by the Secretary of the Board on the direction of the Chairman of the Board.
- b. The request of the person initiating the meeting of the Board should be made in writing to the Corporate Secretary. The date of the request to call a Board meeting should be determined by the date of receipt of the request by the Corporate Secretary.

- c. The request should contain:
  - 1. The name of the person requesting the meeting;
  - 2. Wording of the agenda items; and
  - 3. Form of the meeting.
- d. Within ten (10) business days after the receipt of the request, the Chairman should call the Board meeting. In case of unjustified refusal or inability of the Chairman to call the Board meeting, any other director may call such meeting.
- e. If the Board member does not attend more than 3 consecutive meetings; the Board may consider terminating the membership of the member, in the best interest of the Company.
- f. Non-Executive members of the Board shall hold closed meetings without the presence of Senior Management at least once a year and may invite representatives from Internal control functions.
- g. The first Board meeting should be held no later than 1 month after the election of the Board. The agenda of the first meeting should include the following items:
  - 1. Election of the Chairman;
  - 2. Determining business priorities of the Company; and
  - 3. Establishing or reconfirming committees of the Board.

### 2.1.11 Frequency

The Board of Directors should meet as often as deemed necessary by the Directors in order to fulfill their duties and responsibilities as Directors and as dictated by the needs of the business. At a minimum, the Board should meet on a quarterly basis, at such places and at such times as may be determined by the Board.

### 2.1.12 Notice of Board of Directors Meeting

Notice of the Board of Directors meeting should be circulated by the Corporate Secretary to all Board Members at least ten (10) business days before the Board meeting. The notice for meeting should accompany a detailed agenda of the Board of Directors meeting along with the information package discussed below. The Corporate Secretary should maintain log of all Board notices / correspondence sent along with the evidence of the notices / correspondence acknowledged.

### 2.1.13 Submission of Information to Board of Directors

a. The Information required to be submitted to the Board of Directors may include but not be limited to:

1. Agenda
2. Minutes of last Board of Director's Meeting;
3. Status of action / steps taken against Board resolutions;
4. Minutes of Meetings of the Audit Committee, and other Board Committees;
5. The company's financial and non-financial key performance indicators, as set by the Board and prepared by the CEO;

Board Responsibilities with respect to: <sup>1</sup>	Governance Responsibility (Director/Committee)	Issue Identified (Date)	Issue Resolved (Date)	Management Responsibility (Name)	Expected Date of Resolution
<b>Internal Audit</b>					
<b>External Audit</b>					
<b>Internal Control Framework</b>					
<b>Compliance with Corporate Governance Framework</b>					
<b>Risk Management</b>					
<b>AML Compliance</b>					
<b>Ethical Conduct</b>					
<b>Communication with Shareholders</b>					
<b>Performance Measurement and Accountability</b>					
<b>Corporate Citizenship</b>					
<b>Board Evaluations</b>					

<sup>1</sup> Any other responsibilities as identified by the ATC Board

<b>Performance Measurement</b>					
<b>Approval of Shari'ah compliant products</b>					
<b>Investment policies and strategies</b>					

6. Information related to recruitment, resignation, service termination, and remuneration of key employees;
7. Important notices related to punishments and penalties, indicating their causes;
8. All significant risk-management matters, including financial, operational and compliance;
9. Any serious breach of the Company's financial liabilities towards third parties, or failure to recover its entitlements;
10. Material matters related to eventual judicial actions, or court cases related to the Company's business activities; and
11. Sample roster of various activities of the Board (given below) with action plans for the identified issues.

- b. The Secretary of the Board should ensure that all the directors are supplied with all necessary information no less than ten (10) business days prior to the meeting.

### 2.1.14 Participation

The meetings should be presided over by the Chairman of the Board, or the Vice Chairman in the absence of the Chairman.

### 2.1.15 Quorum

- a. A Board of Directors meeting should not be valid unless it has been attended by at least two thirds  $\frac{2}{3}$  of the members of the Board of Directors in person or by proxy, provided that at least four (4) members attend in person.
- b. A Board member may delegate another Board member to attend the meeting on his/her behalf by providing a proxy to the delegated Board member. The Proxy must be presented to the Corporate Secretary no later than the start of the Board meeting. No other person other than another Board member may attend the Board meeting on behalf of a Board member.

### 2.1.16 Voting

- a. Board resolutions should be passed by the affirmative vote of at least 2/3 of the members present at a Board meeting in person or by proxy. Each director should have one vote.
- b. In the event of a tie vote, the Chairman should have the casting vote to break the tie.

### 2.1.17 Agenda for the Meeting

- a. Once the meeting Agenda is circulated to all Board members, members have the right to add items on the agenda provided that such additions are sent to the Corporate Secretary at least 6 business days prior to Board meeting and the Corporate Secretary will collate the comments of all Board members and send out a revised agenda to the Board member no later than 5 business days before the Board meeting.
- b. Once the meeting is convened, the Board should approve the agenda; should any member of the Board raise any objections to this agenda; the details of such objection should be entered in the minutes of the meeting.
- c. Management presentations, during the meetings may be made by the CEO or Director responsible for the issue or a specific subject matter expert. Following the presentation and the answering of questions, the Board of Directors may choose to deliberate the respective issue without the presence of management.

### 2.1.18 Minutes for the Meeting

- a. The Corporate Secretary must prepare and distribute minutes of the Board meeting within fifteen (15) business days after the meeting.
- b. Minutes of the Board meetings should contain at least the following information:
  1. Full legal name and location of the Company;
  2. Place (address), date and time of the meeting;
  3. Agenda of the meeting;
  4. Persons attending the meeting and quorum;
  5. Directors who did not attend the meeting but submitted their written opinions;
  6. Issues put to vote and the voting results on an individual basis, including objections and abstentions from voting (with reasons, if any);
  7. Decisions made.

8. An attachment of all documents presented during the Board meeting;  
and
  9. Identify the person(s) responsible for implementing the resolutions taken by the Board.
- c. Minutes of the Board meetings shall be recorded, signed by the Chairman, the Secretary of the Board, and all members who participated in the meeting.
  - d. The Board should, at the beginning of each year, set a specific timetable for receiving reports from the committees concerned and internal and external auditors, and shall ensure that the mechanism for the collection, preparation and submission of reports and data is in place and in line with the internal adopted policy.
  - e. The Board, through the Corporate Secretary, should provide the Board's minutes to the External Auditors upon request. In addition, the Board will also make available, subject to reasonable notice, copies of the Board minutes to the shareholders at the registered office of the Company. This information will be available for the shareholders during normal business hours, and will be for their review purposes only.
  - f. The Company should keep minutes of the Board meetings at the registered office of the Company.

### 2.1.19 Remuneration

The members of the Board shall be remunerated as per the remuneration set forth in the Remuneration Policy.

## 2.2 Duties of Directors

Directors, including the Chairman, while exercising their rights and performing their duties, should:

- a. In all their decisions act reasonably, and in good faith, and in the best interests of the Company and its shareholders collectively. This means careful consideration of all available information, and making careful and balanced decisions that may be expected of a good director in similar circumstances;
- b. Actively take part in the meetings and work of the Board and the committees to which they have been elected;
- c. Seek clarifications and ask questions on issues that are unclear or not understandable or require further clarification in their judgment;
- d. Notify the Board in advance of their inability to attend the Board meetings stating the reasons for such absence;

- e. Act in accordance with the following conflicts of interests rules and regulations:
  1. Immediately inform the Chairman in writing about any personal commercial or other interest (direct or indirect) in the transactions, contracts, or projects involving the Company, including intentions to enter into transactions with the securities of other Company in which they are directors in;
  2. Not accept from individuals or legal entities any gifts, services, or benefits, which are, or may be perceived an act to influence decisions or actions made by the director in his official capacity, with the exception of symbolic tokens of goodwill in accordance with the generally accepted norms of politeness or exchange of souvenirs during official events;
  3. No member of the Board or Senior Executives may accept gifts from any person who has entered into commercial transactions with the Company if such acceptance of gifts may lead to conflicts of interest.
  4. Not disclose confidential, insider, and other official information, that became known to him in the course of performing his duties as a director, to persons who do not have access to such information, nor use such information in their own personal interests or in the interest of third parties both during the term of their office and for the period of 3 years after they leave the Company. An annual confidentiality form should be signed by all Board members and all Board committee members as part of the confidentiality policy of the Company;
  5. Act in compliance with all the rules and procedures set forth by policies of the Company on ensuring security and protection of the confidential information about the Company; and
  6. Independent directors should refrain from actions as a result of which they would cease to be independent. If, as a result of a change in circumstances, an independent director ceases to be independent, he should inform the Board thereof in writing within 10 business days.

### 2.3 Authority & Responsibilities

- a. The Board is a governing body of the Company responsible for setting the Company's strategy and business priorities, as well as guiding and controlling the management of the Company. It is responsible for providing leadership and vision to the Company and supervises the management in the best interests of the shareholders.
- b. While the Board delegates authority to the company's management, under the direction of the CEO, to attend to the routine running of the company's business, the Board retains the ultimate fiduciary responsibility to shareholders to ensure the proper operations of the company.

- c. Without prejudice to the powers conferred on the General Assembly, the Board of Directors should be vested with full powers to manage the business of the Company and supervise its affairs within and outside the Kingdom of Saudi Arabia.
- d. In the context of being ultimately responsible for the management of the company, the roles and responsibilities of the Board of Directors includes, but are not limited to:
  1. The authority of the Board in the area of strategic governance should include:
    - i. Guiding, setting, and monitoring the Company's strategy and business priorities, including the annual financial and business plans, operating goals, operating budget, performance indicators of the Company upon the recommendation of the Executive Committee;
    - ii. Setting rules and procedures for internal control and generally overseeing them,
    - iii. Setting forth specific and explicit policies, standards and procedures for membership in the Board, without prejudice to the mandatory provisions of these Regulations, and implementing them following approval by the General Assembly;
    - iv. Developing a written policy that regulates the relationship with Stakeholders
    - v. Setting policies and procedures to ensure the Company's compliance with the laws and regulations and the Company's obligation to disclose material information to shareholders and Stakeholders, and ensuring the compliance of the Executive Management with these policies and procedures;
    - vi. Supervising the management of the Company's finances, its cash flows as well as its financial and credit relationships with third parties;
    - vii. Preparing the Company's interim and annual financial statements and approving them before publishing them;
    - viii. Forming specialized committees of the Board pursuant to resolutions that shall specify the term, powers and responsibilities of such committees as well as the manner used by the Board to monitor such committees. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members;
    - ix. Specifying the types of remunerations granted to the Company's employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares without prejudice to the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies;

- x. Appointing, evaluating and managing the performance of the CEO, taking appropriate action as warranted, and to provide for effective succession planning;
  - xi. Establishing and liquidating branches and representative offices, (and approving the policies and procedures of branches and representative offices); and
  - xii. Review and approve proposals for major business development initiatives, including mergers or acquisitions;
  - xiii. Ensuring that the company adopts the right balance between short term profitability and long term sustainability and shareholder and policy holder value creation; and
  - xiv. Approval of the management's organizational structure, composition and status of departments, and functional divisions of the Company, which shall be submitted to SAMA within twenty-one (21) business days of its approval.
  - xv. Promoting higher standards of corporate governance and ensuring compliance with applicable laws and regulations.
2. The authority of the Board in the area of preparing and conducting the Annual Meeting of the General Assembly (AMGA) should include:
- i. Deciding on the form of the AMGA;
  - ii. Determining the date, place, and the starting time of the AMGA, beginning and ending the registration of shareholders, and postal address to which voting ballots must be sent;
  - iii. Approving the agenda for the AMGA;
  - iv. Setting procedures for the notification of shareholders about the AMGA;
  - v. Determining the list of information (materials) to be made available for shareholders during the preparation for the AMGA and the procedures for providing access to such information;
  - vi. Approving the form and the text of the voting ballot;
  - vii. Reviewing the shareholder proposals to the agenda of the General Assembly and any potential list of candidates that may have been nominated for elective positions within the agenda;
  - viii. Ensuring that the Agenda contains all items that are considered important and should be highlighted for the attention of the General Assembly;
  - ix. Including candidates in the list of candidates for election to the Board and the Counting Commission in case of the absence or insufficient number of candidates proposed by shareholders;
  - x. Calling the AMGA at the request of the External Auditors, the Audit Committee, or shareholder(s) holding at least 5% of voting shares;

- xi. Reviewing proposals on calling Extraordinary Meeting of General Assembly (EMGA) and making a decision on calling or refusing to call such a meeting within five days after the receipt of the request;
- xii. Notifying the interested parties of the decision to call an EMGA or of the reasons for refusing such a request, not later than three days after making such decision;
- xiii. Providing shareholders with access to comprehensive, adequate, accurate, and timely information to be made available for the AMGA or EMGA, including at the location of most major groups of shareholders;
- xiv. Proposing the following issues for the AMGA consideration (based on the recommendation of the Board):
  - The reorganization of the Company, the form of such reorganization, and other issues related to the Company's reorganization;
  - The liquidation of the Company, appointment of the Liquidation Commission and approval of the relevant documents;
  - The recommendation on the amount of dividends to be distributed to shareholders, as well as the procedures for their distribution;
  - The approval of the annual report;
  - The increase of capital in the Company;
  - Splitting and consolidating shares;
  - The approval of extraordinary transactions involving assets the total value of which is in excess of 25% of the book value of the Company's assets;
  - The approval of related party transactions in cases where the Board may not approve such a transaction due to the fact that all members are related parties and/or are not independent directors, as well as in cases where the number of disinterested directors is less than the quorum for a Board meeting as specified in the charter;
  - The buyback by the Company of its own shares;
  - The remuneration of the External Auditor's fee.

Preparing the Board report and approving it before publishing it.

3. The authority of the Board in the area of securities and assets should include:
  - i. Approving reports on the results of a share buyback by the Company for decreasing the paid up capital by retiring such shares;
  - ii. Deciding on non-convertible bonds issue;
  - iii. Deciding on purchasing bonds issued by the Company in cases specified by the Charter;

- iv. Determining the monetary value of assets, issue price, and redemption price of securities;
  - v. Making available to shareholders the list of assets to be used as payment for shares and the report on valuation of such assets if the agenda of the AMGA includes an item on placement of additional shares, payment for which is to be made in kind;
  - vi. Recommending to the shareholders the amount and procedures for the payment of dividends;
4. The authority of the Board in the area of its working procedures should include:
- i. Establishing permanent and/or interim Board committees;
  - ii. Developing criteria for evaluating Directors' performance;
  - iii. Authorizing Directors or CEO to enter into employment contracts, with external parties and potential employees in the ordinary course of business;
  - iv. Determining the terms of employment of the CEO and the Corporate Secretary;
  - v. Approving the CEO and the Corporate Secretary to hold positions in the governing bodies of other companies;
  - vi. Review the minutes and decisions of Board Sub-Committees and either ratify or over-rule these decisions;
  - vii. Recommending to the shareholders the remuneration of the External Auditor's fees;
  - viii. Requesting an extraordinary inspection of financial and business operations of the Company;
  - ix. Requesting oral or written reports, as well as any documents and information necessary for it to perform its functions, from the CEO and other Company staff as may be required;
  - x. Approving the following internal corporate documents:
    - Company policy on Risk Management;
    - Company policy on Information Technology;
    - Policies and procedures for the governance of operation of Branches and Offices;
    - Procedures for internal control over financial and business operations of the Company; and
    - Other internal documents of the Company, other than those to be approved by the shareholders via the AMGA or Executive Committee in accordance with the requirements of the charter.
5. Making decisions on the approval of transactions outside the financial and business plan (non-standard transactions).

6. Issues falling within the competence of the Board may not be delegated to the CEO.
7. Directors should have the right to receive from the executive bodies and heads of the main structural units of the Company all information necessary for them to perform their duties.
8. Participate in identifying the principal risks of the business in which the Company is engaged, to achieve a proper balance between risks incurred and potential returns and to oversee the implementation of appropriate systems to manage the risks.
9. Adopt policies and processes to enable effective communication with the shareholder, stakeholders and the public.
10. Ensure the integrity of the Company's internal control and management information systems.
11. Develop practices to ensure that the Board functions independently of management.
12. Other duties and responsibilities as mandated by the Company's bylaws.
13. Approve the financial entitlements for employees of the Company.
14. Review the performance of the company against plans and budgets and seek explanations or provide guidance where performance is in line with the goals set.
15. Be alert for changes in the regulatory environment which might impact the company.
16. Preparing the report on compliance with SAMA regulations.
17. Inform the CMA and other regulatory authorities whenever any director ceases to act as a director for any reason.

## 2.4 Other Board Responsibilities

### 2.4.1 Audit Committee

- a. The Board is fully responsible for the Audit Committee's business in pursuance of the regulations and instructions under which the Company operates. The Board is also responsible for ensuring the efficiency and effectiveness for the control and financial reports and for safeguarding the assets of the Company. The Board shall:
  1. provide all that is required from them in order to facilitate the work of the Audit Committee, internal audit department and compliance control department;
  2. ensure that the Company has in place an appropriate organizational structure, internal policies, and regulations that must be periodically reviewed, and the system and methodology for reporting within the

Company on the different issues that fall within the remit of the Audit Committee;

3. formulate the responsibilities and functions of the Audit Committee and incorporate them in the minutes of the Board meetings including the authority to investigate any activity within its terms of reference and have access to any info;
4. follow up the Audit Committee's work;
5. ensure that it performs its assigned responsibilities and duties;
6. discuss relevant issues with the Audit Committee, including the reports and findings of the Audit Committee;
7. ensure that the Audit Committee keeps up-to-date with developments in accounting standards; and
8. ensure that the Audit Committee plays an oversight and supervisory role and does not exercise executive functions or make administrative decisions.

#### 2.4.2 Risk Management

The Company will implement Risk Management Policy approved by the Board, which details the Company's risk management framework and provides oversight on senior management's activities in the managing of operational, investment, legal, reputation and other risks of the Company.

#### 2.4.3 Statutory Financial Statements

The Board is responsible for the preparation of the Annual Report and the Company's financial statements. The Board is required to prepare and sign financial statements for ATC in accordance with regulatory requirements by the various regulators in KSA i.e. CMA, SAMA and MOCI.

#### 2.4.4 Internal Audit

The Board, through its Audit Committee will ensure that the Company's internal audit function is able to provide objective and independent advice to the Company's senior management as well as to the Board itself. This advice will seek covering the Company's management of business risk, validation of the design and operation of its controls, and adherence to policies and procedures and codes of conduct.

#### 2.4.5 Internal Control Framework

The Company should operate a system of internal control that is effective in ensuring compliance with laws and regulations and internal policies and procedures.

#### 2.4.6 External Audit

##### a. Objective

Boards of directors and audit committees are facing ever increasing expectation that they should assume more responsibility for overseeing the financial reporting process. Heightened regulatory scrutiny is placing greater pressure on all levels of corporate management. Given these challenges, it's more important than ever for the Company's Board to engage highly trusted external auditors.

##### b. Appointment

The Board of Directors should appoint two audit firms as its External Auditors to the General Assembly, on the recommendation of the Audit Committee. At least one of the proposed audit firms should be a leading international audit firm but both the firms should be licensed to practice in the Kingdom of Saudi Arabia. A minimum of four such firms will be invited to act as the Company's External Auditors, and two of the firms will be selected to act as the Company's External Auditors.

#### 2.4.7 Ethical Conduct

##### a. Definition of acceptable behavior for offices and other personnel

The Company seeks to set forth the principles associated with its policy regarding a code of ethics for members of the Board of Directors and all employees and further to develop position statements in support of a culture of ethical conduct within the Company.

It is the policy of the Board of Directors and all employees to demonstrate the highest level of ethical behavior for them and others associated with the Company pursuant to its Code of Ethics and Business Conduct.

#### 2.4.8 Corporate Citizenship

##### a. Environmental Policies

The Company should comply with all applicable Environmental, Health and Safety (EHS) laws and regulations. The Company should conduct reviews of and

implement practices to ensure compliance with these requirements and establish EHS goals, objectives and targets to continually improve performance. The Company should integrate EHS into business decisions to proactively ensure the health and safety of the employees and promote environmentally sustainable practices.

#### b. Policies on Community Service and Social Responsibilities

Community and social responsibility is the continuing commitment by the Company to behave ethically and contribute to economic development while improving the quality of life of its workforce and its families as well as of the local community and society at large.

The Company aims to find ways of capacity building to ensure sustainable livelihoods e.g. via sponsorship of events and charity work. The Company respects cultural differences and seeks to find the business opportunities where it can build on the skills of employees and the larger community.

Some of the corporate citizenship incentives adopted by the Company include:

1. Saudization;
2. Handicap employment; and
3. Charity and corporate sponsorship.

### 2.4.9 Performance Measurement and Accountability

#### a. Managing Company Performance

The Board should implement a formal and rigorous annual evaluation of its own performance and that of its committees, individual Directors and senior executives. Individual evaluation should aim to show whether each Director continues to contribute effectively and demonstrate commitment to their role (including commitment of time for Board and committee meetings and any other duties).

The Chairman should act on the results of the performance evaluation by recognizing the strengths and addressing the weaknesses of the Board and where appropriate proposing new members be appointed. The Board should state in the annual report how such performance evaluation is conducted and provide a commentary on the results of the most recent evaluation.

### 2.4.10 Compliance with Corporate Governance Framework

a. Define Monitoring Mechanism

An effective, professional, and independent Board is essential for good corporate governance. While the Board cannot substitute for talented professional managers, or change the economic environment in which a company operates, it can influence the performance of the Company through its strategic oversight and control over management. Board activities may go entirely unnoticed when an economy is strong, share prices are rising, and everything appears to be going well. On the other hand, when things go badly, the Board becomes the center of attention and the importance of the Board becomes clear.

The Board of Directors delegates oversight of key areas of responsibility to Board Committees who report to the Board with their analyses and recommendations.

In addition the Board delegates the responsibility to implement and execute the business objectives and plans to the management of the Company. At the same time the Board develops and implements various governance, oversight and monitoring tools and frameworks to fulfill its governance responsibilities.

#### 2.4.11 Compliance with Regulatory Requirements

The Board, as part of its duties with respect to compliance with regulatory requirements will ensure the following:

- a. On an on-going basis, the Board should ask the CEO, committees, and/or the Corporate Secretary to provide updates about any changes in the regulatory requirements affecting the Company and should ensure that the Board is kept up to date with the latest developments in the regulatory environment and the market;
- b. The Board is updated by the CEO and/or the Corporate Secretary about any notices relating to regulatory warnings /penalties if any; and
- c. The Board reviews the findings, if any, of an examination by a regulatory agency, and any audit observations.

#### 2.4.12 Fraud Prevention

The Board through its Audit Committee evaluates the management's identification of fraud risks, implementation of anti-fraud measures to reinforce management's commitment to creating a culture with "zero tolerance" for fraud.

The Board will also ensure that senior management (in particular, the CEO) implements appropriate fraud deterrence and prevention measures to better protect investors, employees, and other stakeholders.

## 2.5 Access to and Communication with Management and Independent Advisors

- a. The Directors should have complete and open access to the members of management. The main channel for communication with the Board would be the CEO. The Board should execute its supervisory responsibilities by monitoring the company performance via the CEO. However the Board, at its discretion, may choose to contact any member of the Company's management in respect of any matter under their review.
- b. The Board should also develop a Board activities roster to manage & monitor progress on various issues, challenges, plans etc., which tracks the Board's performance as part of their supervisory responsibilities in relationship with management.
- c. In order to properly discharge its functions, duties and responsibilities, if it is necessary, in the opinion of the Board, that the Board or any Committee of the Board obtains the advice and counsel of internal or external advisors, the Board should engage the necessary advisors. The expenses should be borne by the Company.
- d. When engaging auditors sound business practices will be followed including but not limited to obtaining of quotations for work, the floating of tenders, etc. as required.

## 2.6 Reporting & Confidentiality

- a. The Board of Directors should present an annual report to the general assembly that contains the following information:
  1. The activities of the Company;
  2. The Company's financial position;
  3. Statements relating to the profit / loss for the period;
  4. The Company's economic situation;
  5. A statement pertaining to the rewards and remuneration for the Company's employees;
  6. A statement pertaining to the Directors' compensations; and
  7. Suggestions as to the distribution the profit of the Company.

- b. Directors should maintain the confidentiality of information entrusted to them. They should also maintain confidentiality of information about the Company that comes to them, from whatever source, in their capacity as a Director, except when disclosure is authorized or legally mandated.
- c. No Director should use confidential information for his or her personal benefit or to personal benefit of the persons or entities inside or outside the Company. The Directors should regard the confidentiality of information as highly important. When the Directors are serving on the Board's of other companies and undertaking private transactions, they should uphold their confidentiality obligation at all times. All the Board of Directors and employees of the Company should sign a confidentiality undertaking form in this regard.
- d. All deliberations of the Board; corporate records, material and information obtained by a member of the Board or the Corporate Secretary and not generally available to the public; should be considered confidential.
- e. Board members and the Corporate Secretary should maintain the confidentiality of such deliberations and should safeguard such records and information from improper access.

## 2.7 Conflict of Interest

Once a Director is elected to the Board, he/she cannot obtain employment, serve as a consultant or become a Board member of any competitors of AlAhli Takaful. Should such a situation arise, the Board member should notify the Chairman of Board within 5 working days and the Board should review the Directors independence to the Company.

## 2.8 Board Annual Report

The Board's report shall include the Board's operations during the last fiscal year and all factors that affect the company's businesses , such report shall include the following:

- 1) Implemented and non-implemented provisions of these Regulations, and justifications therefore;
- 2) Names, qualifications, and experience of the Board and committees members and Executive Management;
- 3) Names of the companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board member or manager;

- 4) Composition of the Board and classification of its members, as follows: Executive Directors, Non-Executive Director, or Independent Director;
- 5) Procedure taken to the Board to inform its members , Non-Executive Directors in particular, of the shareholders' suggestions and remarks on the Company and its performance.
- 6) A brief description of the competencies and duties of the committees, such as the audit committee, the nomination committee and the remuneration committee indicating their names, names of their chairmen, names of their members, the number of their respective meetings, dates of those meetings and the members' attendance details of each meeting;
- 7) Where applicable, the means used by the Board to assess its performance, the performance of its committees and members and the external body which conducted the assessment and its relation with the Company, if any;
- 8) Disclose the remuneration of the Board members and Executive Management as stated in Article (93) of these Regulations;
- 9) Any punishment, penalty, precautionary procedure or preventive measure imposed on the Company by the Authority or any other supervisory, regulatory or judiciary authority, describing the reasons for non-compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future;
- 10) Results of the annual review of the effectiveness of the internal control procedures of the Company and the opinion of the audit committee with respect to the adequacy of the Company's internal control system;
- 11) The audit committees recommendation on the need for appointing an internal auditor for the Company, if there is no internal auditor.
- 12) The audit committees recommendation with conflict with Board resolution or those which the Board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external auditor, as well as justifications for those recommendations and reasons for disregarding them.
- 13) Details of the Company's social contributions, if any;
- 14) A list of the dates of the General Assembly meetings held during the last fiscal year and the names of the Board members who attended them.
- 15) A description of the main scope of business of the company and its affiliates. If there are two or more, a statement showing each activity and how it affects the company businesses and results shall be attached.

- 16) A description of the company's significant plans and decisions (including changes to the structure, expanding the company's operations or halting them) and the future expectations.
- 17) Information on any risks facing the company (operational, financial or market related) and the policy of managing and monitoring these risks.
- 18) A summary in a form of table or graph showing the company's assets, liabilities and results of the last five fiscal year or since the incorporation date, whichever is shorter.
- 19) Geographical analysis of the company's and its affiliates' revenues.
- 20) Any material differences in the operational results compared to the preceding year's results, along with any expectations announced by the company.
- 21) Any inconsistency with the standards approved by the Saudi Organisations for Certified Public Accountant.
- 22) Name of each affiliate company, its capital, the company's ownership percentage, the main scope of business, country of operation and country of incorporation.
- 23) Details of shares and debt instruments issued for each affiliate company.
- 24) Descriptions of the dividends distribution policy.
- 25) A description of any interest in a class of voting shares held by persons (other than the company's directors, Senior Executives and their relatives) who have notified the company of their holdings pursuant to Article 45 of Listing Rules, together with any change to such interests during the last fiscal year;
- 26) A description of any interest, contractual securities or rights issue of the Board members, Senior Executives and their relatives on shares or debt instruments of the company or its affiliates, and any change on these interest or rights during the last fiscal year.
- 27) Anformation on any loans (payable upon request or not), a statement of the total indebtedness of the company and its affiliates, any amounts paid by the company in repayments of loans during the year, the amount of the principal debts, the creditor name, the loan term and remaining amount. In case there is no debts, a declaration thereof shall be presented.
- 28) A description of the class and number of any convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the company during the fiscal year, as well as stating any compensation obtained by the company in this regard.

- 29) A description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the company;
- 30) Description of any redemption, purchase or cancellation by the company of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the company and those purchased by its affiliates.
- 31) The number of Board meetings held during the last financial year, their dates and the attendance record of each meeting listing the names of the attendees.
- 32) Numbers of company's requests of shareholders records, dates and reasons thereof.
- 33) A description of any transaction between the company and any Related Party.
- 34) Information relating to any business or contract to which the company is a party and in which a director of the company, a Senior Executive or any person related to any of them is or was interested, including the names of persons in relation, the nature, conditions, durations and the amount of the business or contract. If there are no such businesses or contracts, the company must submit a statement thereof.
- 35) A description of any arrangement or agreement under which a director or a Senior Executive of the company has waived any remuneration.
- 36) A description of any arrangement or agreement under which a shareholder of the company has waived any rights to dividends.
- 37) A statement of the value of any paid and outstanding statutory payment on account of any zakat, taxes, fees or any other charges that have not been paid until the end of the annual financial period with a brief description and the reasons therefor.
- 38) A statement as to the value of any investments made or any reserves set up for the benefit of the employees of the company.
- 39) Declarations that:
  - a. Proper books of account have been maintained;
  - b. The system of internal control is sound in design and has been effectively implemented; and
  - c. There are no significant doubts concerning the company's ability to continue its activity.

- 40) If the external auditor's report contains reservations on the annual financial statements, the Board report shall highlight this mentioning the reasons and any relevant information.
- 41) If the Board recommended replacing the external auditor before the end of its term, the report shall indicate this mentioning the reasons for the replacement recommendation.

## 2.9 The Chairman of the Board

### 2.9.1 Election

- a. The Chairman of the Board (hereinafter the Chairman) should be elected by the Directors from among themselves by a majority vote of all elected Directors. Only Non-Executive or Independent Members of the Board shall be eligible to be elected as the Chairman or, if elected, the Deputy Chairman of the Board. Appointment of the Chairman and Deputy Chairman shall be subject to the no-objection of SAMA.
- b. The Chairman of the Board shall not hold any other executive position in the Company, such as the CEO, managing director, or general manager position.
- c. The Board should have the right to dismiss and re-elect its Chairman at any time by a majority vote of all the elected Directors. The Chairman of the Board should be elected for a three year period by the Board and should preferably be an independent Director.
- d. In case of the absence of the Chairman, another Director should perform his functions by the Board's decision, made by a majority vote of Directors participating in the meeting.

### 2.9.2 Role

- a. The Chairman should build an effective Board, and, with the help of the NRC, plan succession to Board appointments. The Chairman should ensure that the Board has within its membership relevant knowledge of the Takaful industry together with financial & accounting expertise.
- b. The Chairman should always promote the highest standards of corporate governance and ensure that the Board discharges its duties and complies with relevant laws and regulations.
- c. The Chairman should establish a close relationship and trust with the Chairmen of the individual subcommittees of the Board, especially the Executive Chairman of the EC, and should be available to provide support and advice to them.

### 2.9.3 Responsibilities of the Chairman

The responsibilities of the Chairman shall be limited to a supervisory role and shall not overlap or extend to the executive responsibilities reserved for the CEO. The

Chairman shall ensure the Board does not interfere with the Company's operational activities. The Chairman's responsibilities shall include:

- a. Organize the work of the Board, ensuring conditions for the free exchange of opinions by all Directors, and open discussion of agenda items;
- b. Arrange for a fixed schedule and call Board meetings, prepare the agenda for and preside over the meetings, as well as ensure that all absentee votes are considered in any vote of the Directors in accordance with the provisions of the Charter;
- c. Organize meeting minutes and sign the minutes;
- d. Ensure for efficient decision-making on all agenda items, including sufficient background materials, proper discussions and voting;
- e. Ensure the efficiency and timely performance and discussion of any and all main issues raised by the Board;
- f. Provide all Directors with the information necessary for the meetings in a timely manner, with the intention to deliver not less than 10 business day(s) before the meeting;
- g. Assist the Board in establishing Board committees, lead the discussion on nominating Directors to such committees, and coordinate the relations between the committees and the officers and executives of the Company;
- h. To allow efficient participation of the Non-Executive Directors in particular and to promote constructive relations between Executive and Non-Executive Directors.
- i. Represent the Company before judicial authorities and supervising the relationship between the Board and internal and external parties;
- j. Assist the Board in its review of the composition of the Board and committees prior to each AMGA;
- k. Facilitate the Board's efforts to create and maintain measures that accommodate feedback from the shareholders;
- l. Receive written proposals of shareholders on calling an EMGA and nominating candidates to the governing bodies of the Company;
- m. Preside over the AMGA except when, under the law, persons and bodies calling the shareholders meeting have the right to appoint the Chairman of the Board;
- n. Prepare reports on the activities of the Board for the year to be included in the annual report of the Company, including updating the roster of Board activities;

- o. Take the proper actions for ensuring efficient communication with Shareholders; and
- p. Discharging other responsibilities as are assigned, from time to time, by the Board or which are requested by the committee thereof;
- q. Coordinate the activities of the Board committees.

## 2.10 The Secretary of the Board (Corporate Secretary)

### 2.10.1 Appointment

The Board shall appoint the Corporate Secretary from a member of the Board or from the Company's staff for the duration of the Board's term.

The Board shall determine the competencies and remuneration of the Corporate Secretary.

- a. The Secretary of the Board shall have adequate experience and knowledge of the Company's business and activities, possess strong communication skills, and well-informed of applicable laws and regulations and best practices in corporate governance.
- b. The Corporate Secretary should have either of the following:
  - a. he/she holds a bachelor degree in law, finance, accounting or administration or their equivalent, and has relevant practical experience of not less than three years; or
  - b. 2) he/she has relevant practical experience of not less than five years.
- c. From a functional point of view the Corporate Secretary reports to the Chairman of the Board; from an administrative point of view the Corporate Secretary reports to the CEO.
- d. The Secretary of the Board may not be dismissed except pursuant to a decision of the Board

### 2.10.2 Duties and Responsibilities

- a. Board and Committees
  - 1. Facilitating the smooth operation of the Company's formal decision making and reporting mechanisms
  - 2. Organizing Board and Board Committees' meetings (audit, compensation, etc);
  - 3. Formulating meetings' agendas with the Chairman and/or CEO;
  - 4. Providing the Board members with the agenda of the Board meeting and related worksheets, documents and information and any additional information, related to the topics included in the agenda items, requested by any Board member;

5. Ensuring that the Board members comply with the procedures approved by the Board;
6. Ensuring documenting and preparing the Board meetings and preparing minutes of the place, date, times on which such meetings commenced and concluded.
7. Notifying the Board members of the dates of the Board's meetings within sufficient time prior to the date specified for the meeting;
8. Presenting the draft minutes to the Board members to provide their opinions on them before signing the same;
9. Recording the decisions of the Board and voting results and retaining them in a special and organized register, and including the names of the attendees and any reservations they expressed (if any),. Such minutes shall be signed by all of the attending members
10. Retaining the reports submitted to the Board and the reports prepared by it
11. Ensuring that the Board members receive, fully and promptly, a copy the minutes of the Board's meetings as well as the information and documents related to the Company;
12. Coordinating among the Board members;
13. Regulating the disclosure register of the Board and Executive Management
14. Approved and signed minutes are properly archived and secured;
15. Ensuring that all Board Committees are properly constituted and provided with clear terms of reference;
16. To ensure, where applicable, that the standards and/or disclosures required by regulators are observed and where required, reflected; e.g. in the annual report of the directors;
17. To induct new Directors into the business and their roles and responsibilities;
18. Assist in developing an effective system of corporate governance;
19. Demonstrate the Company's commitment to corporate governance by monitoring compliance with these policies, and informing the Board of any breaches;
20. As regards offences under regulations, ensuring that the Board is fully aware of its responsibility to ensure that it does not mislead the market by putting out or allowing the release of misleading information about its financial performance or trading condition, or by omitting to state information which it should state, or by engaging in a course of conduct which could amount to misleading the market;
21. Act as an advisor to Directors on regulatory matters, and legislation related to corporate governance.
22. Assist the Board at the beginning of each year with setting the schedule and process for receiving reports from the committees and internal and external auditors.

b. Shareholders

1. Ensure that the Annual Meeting of General Assembly (AMGA) is held in accordance with the requirements of the Regulators and the Company's AoA/By-Laws;
  2. Obtain internal and external agreement to all documentation for circulation to shareholders; prepare and issue notices of meetings, and distribute proxy forms;
  3. Preparing Directors for shareholder questions and assisting them create briefing materials; ensuring that proxy forms are correctly processed and that the voting is carried out accurately coordinating the administration, minuting of meetings and maintaining records;
  4. Serve as a point of contact for shareholders;
  5. Prepare and keep a register of shareholders and directors;
  6. Provide shareholders with access to the minutes of the AMGA and an explanation of the minutes.
- c. Company
1. Compliance with the continuing obligations of Regulators' rules, e.g. ensuring publications and dissemination of Report and Accounts and interim reports within the period laid down in the rules;
  2. Coordinating the publication and distribution of the Company's annual report and accounts and interim statements, in consultation with the Company's officers and external advisors;
  3. Ensuring that the procedures are in place for the correct administration of subsidiary companies and that correct information is given to the holding company; maintaining a record of the group's structure;
  4. Authentication of documents, certificates, resolutions or proceedings of the Company;
  5. Ensure that the governing bodies of the Company follow existing internal corporate rules, policies, procedures, standards and guidelines;
  6. Suggest amendments to existing internal corporate rules and policies where appropriate;
  7. Assists in establishing and maintaining clear communication between the various governing bodies of the Company in Company's Charter, By-Laws and other regulations;
  8. Assist in ensuring that the governing bodies adhere to all applicable regulatory requirements;
  9. Review the Company's policies on a regular basis by keeping abreast of the latest developments in corporate governance, changes in the legal and regulatory framework, and international best practices;
  10. Maintain all material, corporate documents and registries;
  11. Ensuring the safe custody and proper use of any Company seals;
  12. Liaise with government bodies.
- d. Meeting Minutes

1. The Corporate Secretary shall prepare, circulate, and maintain the minutes of the Board and the Committees (other than for the Audit Committee) in accordance with the Board Charter and the committee charters.

### SECTION 3: BOARD COMMITTEES

#### a. Board's authority to establish committees

1. Pursuant to Article 89 of the Corporate Governance Regulations, the Board may establish ad hoc committees to extend its oversight into particular areas of the Company's activities and delegate the necessary powers to them.
2. Pursuant to Article 90 of the Corporate Governance Regulations, the Board, at a minimum, shall establish an Executive Committee, Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, and Investment Committee.
3. The Board may at any time establish by formal resolution other committees, and specify the authority, objectives and reporting lines of such committees.

#### b. General rules for committees

1. Members of the committees shall act in accordance with the particular committee's charter, in good faith and in the best interest of the Company's policyholders, stakeholders and shareholders, with due diligence and in compliance with applicable laws and regulations.
2. Members of the committees shall perform their roles in the best interest of the Company and free from any external influence and without any conflicts of interest.
3. Members of the committee shall not make any disclosures to the shareholders or the public (other than to the General Assembly of Shareholders) and shall not use any information about the Company for its own benefit.

## 3.1 Executive Committee Charter

### 3.1.1) Purpose

The Executive Committee (the “Committee” or “EC”) of the Board of Directors of the Company is formed by the Board to facilitate actions during intervals between meetings of the Board. The Committee is appointed by the Board to act for the Board, to the extent permitted by law.

### 3.1.2 General Provisions

- a. This Charter for the Board’s Executive Committee has been drafted in accordance with the laws of the Kingdom of Saudi Arabia, the charter of the Board and other internal corporate documents.
- b. This Charter should:
  1. Define the authority of the Board’s Executive Committee and its members;
  2. Define the duties and responsibilities of the Committee’s members including its election, composition, and the dismissal of Committee members;
  3. Define the meeting procedures of the Committee; and
  4. Set out the rules relating to the remuneration of Committee members.

### 3.1.3 Election, Composition, and Dismissal

- a. Members of the Committee should be appointed and replaced at the discretion of the Board and should consist of between three (3) to five (5) members who may be composed of Executive Directors and Non-Executive Directors from the Board. The Chairman of the Committee should be elected by the members of the Committee.
- b. Members of the Committee who do not attend more than 3 consecutive meetings of the Committee per year may be dismissed from the Committee upon recommendation of Chairman of Committee subject to the ratification of this decision in the next Board meeting. The tenure of the committee will coincide with the tenure of the Board.
- c. The Board may dismiss any Executive Committee member at any time, and appoint a new Executive Committee member prior to the expiry of the Executive Committee’s term of office by a three quarter majority vote of all Directors.

### 3.1.4 Authority

- a. The Executive Committee (EC) is authorized to act for the Board, to the extent permitted by law, if Board action is required and a quorum of the Board cannot be convened on a timely basis in person or video or audio conference. The EC should have all of the powers of the Board as authorized by this Charter, to the extent permitted by law.
- b. The Executive Committee should have the right to make decisions on other operational issues, with the exception of issues that under the Law and the charter fall within the exclusive authority of the Company's other governing bodies. Specifically the Executive Committee will not have power to:
  1. Declare dividends or distributions of stock;
  2. Issue stock or authorize or approve the issuance or sale, or contract for sale, of stock or determine the designation and relative rights, preferences, and limitations of a series or class of stock, except that the Board may direct the Committee to fix the specific terms of the issuance or sale or contract for sale or the number of shares of stock to be allocated to particular employees under an employee benefit plan;
  3. Recommend to stockholders any action that requires stockholder approval;
  4. Amend or repeal the Charter or By-Laws of the Company;
  5. Approve a plan of merger or share exchange not requiring stockholder approval;
  6. Amend, alter or repeal, or take action inconsistent with any resolution or action of the Board of Directors when the resolution or action of the Board provides by its terms that it should not be amended, altered or repealed by the action of the Committee; and
  7. Take action that the SAMA or CMA or any other law or regulation of Saudi Arabia, the Charter or the By-laws requires be taken by the Board and not a Committee of the Board.
- c. The Executive Committee, via its Chairman, should regularly inform the Board regarding the activities of the Committee.

### 3.1.5 Duties and Responsibilities

- a. The Executive Committee members should act in good faith, with diligence and due care, and in the best interests of the Company and its shareholders.
- b. The EC should have the right to make decisions on:
  1. Development of the strategic directions of the Company, which it should submit for Board approval;

2. Development of financial and business plans, based on the strategic direction of the Company and recommend such plans to the Board for approval;
3. Approval of internal corporate documents on issues that fall within the competence of the Executive Committee, including By-Laws regulating incentive schemes and sanctions, as well as working schedules, and job descriptions or terms of references for senior categories of the Company's employees (department heads and above);
4. Approval of any transactions with fixed assets and receiving loans, unless such transactions fall under the ordinary course of business or fall under the competence of the Board;
5. Recommendation of mergers or consolidations in the course of reorganizing the Company which will be referred to the Board in a confidential manner;
6. On an annual basis, for each year in which action has been taken by the EC, the EC should review its own performance and report to the Board thereon;
7. The Executive Committee members will meet the requirements of independence as required for all Board members; and
8. To the degree that these can be foreseen:
  - i. The Chairman of the EC, in consultation with the committee members, will determine the frequency and length of the committee meeting consistent with requirements of this Charter;
  - ii. The Chairman of the EC, in consultation with the appropriate members of the committee and management, will develop the committee's agenda; and
  - iii. At the beginning of the year, the EC will establish a schedule of agenda subjects to be discussed during the year and furnish the schedule to all directors.
9. Prepare and submit an annual budget in conformance with the Company's budgeting guidelines and timelines. Unforeseen cost overruns must be approved by the Board.

### 3.1.6 Meeting Procedures

- a. The Executive Committee should meet as needed, but at least six (6) times every year. Executive Committee meetings should be called by the Chairman of EC on his own initiative, as well as on the initiative of Executive Committee members or the Board.
- b. The Corporate Secretary of the Company should act as the Secretary of the Committee unless and until another secretary for the committee is appointed.

- c. Meetings should be the principal form utilized for carrying out the work and activities of the Committee.
- d. Meetings may be conducted whenever and as often as necessary to properly carry out the Committee's functions and duties in a timely manner. However, at a minimum, the committee should conduct at least six meetings in a year. If a meeting of the Board of Directors is to be conducted in which the Executive Committee's authority is at issue, then a meeting of the Executive Committee should be conducted at least 5 working days before such meeting of the Board of Directors, unless the Board accepts otherwise.
- e. Meetings may be conducted when the members are physically present and, further, may be conducted in the form of audio or video conferences.
- f. A quorum should be deemed present at any meeting of the Committee if at least 2 members of the Committee members are present. The Committee should make decisions by two thirds (2/3) of votes if there is two thirds (2/3) of votes, the committee may decide either to defer the issue or to present the issue to the Board.
- g. The transfer of an Executive Committee members vote to another person, including another Executive Committee member, should not be allowed.
- h. The Secretary of the Committee should be responsible for giving advance notice to all of the Committee members of the meeting and its agenda, and ensure the availability of all necessary information regarding all of the items included on such agenda not less than ten (10) working days prior to such meeting. Such notice should be given in any form deemed convenient and agreed upon by the Committee members, e.g. by telephone, fax, ordinary, or electronic mail.
- i. The Chairman of EC, in consultation with the CEO, should set the agenda of Executive Committee meetings, send notice and relevant materials to its members, and preside over meetings. Executive Committee members should have the right to propose items to the meeting agenda.
- j. The results of the committee's work should be reflected in written minutes signed by the chairman of the committee. However the draft minutes will be circulated to all attending members of the committee by the secretary of the committee and their comments will be incorporated in the final minutes prior to the chairman of the committee signing these minutes. The signed minutes will be submitted to the Board. The minutes should contain:

1. The location and time of the meeting,
  2. The names of the persons present at the meeting;
  3. The agenda and topics of the meeting;
  4. The results of voting on an individual basis;
  5. Decisions made by the Executive Committee; and
  6. The rationale for the decisions.
  7. Attachments of the documents presented during the meeting.
- k. The Chairman of the Executive Committee should ensure that meeting minutes are prepared, and copies thereof sent to the Board and the External Auditors (if required) within fifteen (15) days following the Executive Committee meeting.

### 3.1.7 Remuneration

The remuneration for the Executive Committee including the Chairman shall be paid in accordance with the Remuneration Policy.

## 3.2 Audit Committee Charter

### 3.2.1 Purpose

The purpose of the Audit Committee ("AC") is to assist the Board in fulfilling its oversight responsibilities relating to:

- a. The Company's compliance with regulatory requirements;
- b. The integrity of the Company's financial statements, financial reporting process and disclosures;
- c. Qualifications and independence of the Company's independent auditing firm (the 'External Auditors');
- d. Evaluation and coordination of the performance of the Company's Internal Audit function and External Auditors; and
- e. Provide assurance to the Board regarding appropriateness and efficiency of the Company's internal controls system.
- f. Assuming responsibilities for Whistle Blowing, Anti Money Laundering Internal Control and Compliance.
- g. Reviewing the Actuary reports and ensuring the Company's compliance with the Actuary's proposals and recommendations.

### 3.2.2 General Provisions

- a. This Charter for the Audit Committee has been drafted in accordance with the laws of the Kingdom of Saudi Arabia, the charter of the Company and other internal corporate documents.

- b. This Charter:
  1. Defines the authority of the Board's Audit Committee and its members;
  2. Defines the duties and responsibilities of the Committee's members including the term of office, election, composition, and the dismissal of Committee members;
  3. Defines the meeting procedures of the Committee; and
  4. Sets out the rules relating to the remuneration of Committee members.
- c. This Charter shall, upon recommendation of the Board, be submitted for approval by the General Assembly of Shareholders in compliance with Article 14 of the CMA Corporate Governance Regulations and Articles 14 and 22 of SAMA's Audit Committee Regulations.

### 3.2.3 Election, Composition and Dismissal

- a. Composition
  1. The General Assembly of Shareholders shall form a committee to be named the "Audit Committee". Its members should not be less than three nor more than five, the majority of which must be from outside.
  2. Only the independent members of the Board may be members of the Audit Committee.
  3. The following shall not be eligible for Audit Committee membership:
    - i. The Chairman of the Board of Directors.
    - ii. Company executives, employees, and consultants.
    - iii. Executives, employees, consultants, and board members of any parties connected to the Company, including but not limited to major shareholders and founders, external auditors, suppliers, customers, and other entities that have a first-degree relationship with the Company's Board or executives or have any financial or business relationship with the Company.
    - iv. Any person who works or has worked in the Company's finance Department, the Executive Management or for the Company's external auditor during the preceding two years may not be a member of the audit committee.
  4. At least annually, the Board should determine whether AC Members are independent of Management of the Company.
  5. A member of the Audit Committee shall not:

- i. Be a member of the board of directors of any company in the insurance industry.
- ii. Be a member of the audit committee of any company in the insurance industry.
- iii. Serve on the audit committee for more than four publicly listed companies at the same time.
- iv. Have any direct or indirect interest in the Company's business and contracts concluded by it.
- v. Take part in any business that might compete with the Company or trade in activities performed by the Company.

b. Pre-qualifications

1. At least two members, including the AC Chairman, shall possess up-to-date and relevant accounting and financial management experience.
2. Members of the Committee must possess the necessary knowledge and experience in the areas of financial accounting and reporting, and skills in interacting with the Company's senior executives, External Auditors, and other relevant parties.

c. Election, Term of Office, and Vacancy

1. After obtaining a no-objection from SAMA, the Board shall appoint the members of the Audit Committee.
2. The Audit Committee members shall serve for a period of three years. The Board has the discretion to renew the term of any Audit Committee member for up to one additional three year term.
3. The Board shall fill any vacancy on the Audit Committee by appointing a new member within thirty (30) days of the vacancy, subject to SAMA's no-objection. The new member shall complete the remaining term of the previous member who exited the committee.
4. If a new Board is elected by the shareholders, upon obtaining SAMA's no-objection, the new Board may elect a new Audit Committee.

d. Chairman

1. The Board shall select one of the members of the Audit Committee to serve as the committee Chairman, subject to obtaining SAMA's no-objection.

2. The Audit Committee Chairman shall not be related to the other members of the Board, either through blood or through association in partnerships, or joint-ventures or substantial ownerships in companies.
  3. The Audit Committee Chairman shall not be related to senior management of the Company
- e. Secretary of the Audit Committee
1. The Audit Committee shall appoint a secretary for the committee from the Company's staff.
  2. The Secretary of the Audit Committee shall handle the administrative tasks of the committee, including but not limited to:
    - i. Coordinating with the committee to set its meetings.
    - ii. Preparing the meeting agendas.
    - iii. Sending invites to external auditors and the Company's employees required to attend the meetings.
    - iv. Preparing and finalizing the minutes of the meetings along with the Chairman.
    - v. Ensure the minutes of meetings are signed.
    - vi. Safeguard and store the minutes of meetings in a special register specifically for the committee.
  3. The Secretary of the Audit Committee shall not serve as a secretary to any other board committees.
- f. Dismissal and Resignation
1. SAMA is entitled to withdraw its no-objection of a member of the Audit Committee.
  2. Upon obtaining SAMA's no-objection, the Board may dismiss a member of the Audit Committee if the member ceases to satisfy the membership terms or is in violation of any regulation or directive.
  3. An Audit Committee member may resign from the committee by providing the Company with thirty (30) days' notice prior to the effective date of resignation.
  4. An Audit Committee member shall automatically be deemed to have resigned for failing to attend three consecutive meetings without providing the Board with a valid excuse.
  5. The Company shall notify SAMA in writing of the resignation of a member of the Audit Committee and provide a copy of the resignation letter to SAMA within five (5) days of the resignation.

6. Membership of the Audit Committee shall automatically terminate upon the occurrence of any event that would breach the terms of the Audit Committee Regulations or any other regulations or directives issued by SAMA.
7. The Audit Committee member shall immediately inform the Company in writing of any change that would terminate the membership on the Audit Committee and shall not attend any meetings of the Audit Committee thereafter.

#### 3.2.4 Remuneration

The remuneration for the Audit Committee including the Chairman shall be paid in accordance with the Remuneration Policy.

#### 3.2.5 Authority

The Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Committee should have the following authority:

- a. Request documents, reports, explanations, and other relevant information from the officers, executives, and employees of the Company [including the Company's strategy advisors];
- b. Invite the Company's officers, executives, and employees, as well as the Company's strategy advisors, to its meetings as observers to question them, and seek explanations and clarifications;
- c. Utilize the services of outside consultants, experts, and advisers as approved by the Board;
- d. Perform special investigations and utilize the services of independent experts in doing so;
- e. Perform any other duties required by the Board within the scope of the authority of the Committee as set forth herein;
- f. The Committee will have full and unconditional access to review all private and confidential books, documents, and records of the Company including but not limited to the Board's minutes of the meetings and its sub committee's meeting minutes to discharge its responsibilities in relation to internal audit, internal control, compliance, AML monitoring, fraud and suspicious activities, investigations and other responsibilities given in their charter or delegated by the Board from time to time;
- g. Contact directly the Board, senior management of the Company, all employees, committees, and legal advisors, internal and external, auditors in the Company's head office and/or branches and other parties related to the Company; and

- h. The right to seek the assistance of any external consultant to do specific tasks in order to assist it in performing its work.

### 3.2.6 Responsibilities and Duties

- a. Responsibility to SAMA, the Shareholders, and the Board.
  - 1. The Audit Committee shall be responsible to the SAMA, the Company's Shareholders, and the Board for implementing its duties and complying with the Audit Committee Regulations.
  - 2. The members of the Audit Committee shall carry out their duties by giving priority to the Company's interests.
- b. The duties of the Audit Committee include the following:
  - 1. Internal and External Audit Function
    - i. To supervise the Company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors, and ensure its independence and authority to carry out its work without any impediments.
    - ii. To review the internal audit procedure and prepare a written report on such audit and its recommendations with respect to it.
    - iii. To review the internal and external audit reports, including those related to internal control procedures, make recommendations to the Board, and pursue the implementation of the corrective measures in respect of the comments included in them.
    - iv. To recommend to the Board of Directors the appointment, dismissal and the Remuneration of external auditors; upon any such recommendation, regard must be made to their independence.
    - v. To coordinate with and supervise the activities of the internal and external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
    - vi. To review the audit plan of the internal auditor and the external auditor and make any comments thereon.
    - vii. To review the external auditor's comments on the financial statements and follow up the actions taken about them.
    - viii. To review the interim and annual financial statements with the external auditors and management prior to presentation to the Board of Directors; and to give opinion and recommendations with respect thereto.
    - ix. To review the accounting policies in force and advise the Board of Directors of any recommendation regarding them.

- x. Provide a mechanism to employees / stake holders / business partners etc., to approach the Audit Committee and disclose unethical / improper practices or any other alleged wrongful conduct in the Company.
- xi. Prepare and submit an annual budget in conformance with the Company's budgeting guidelines and timelines. Unforeseen cost overruns must be approved by the Board.
- xii. Upon obtaining SAMA's written no objection, the appointment or dismissal of the Head of Internal Audit or Internal Auditor.
- xiii. Assessing the efficiency, effectiveness and objectivity of the compliance department.
- xiv. Review intra-group transactions and related parties transactions and provide recommendations to the Board.
- xv. Discuss with management and the External Auditors any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
- xvi. Determine the remuneration, including salary, bonus and other payments, to the Internal Audit department and ensure such amounts are in compliance with the Board's policies.
- xvii. Coordinating and following-up with the External Auditors, including but not limited to, the following:
  - Key amendments made by the Company to its accounting policies.
  - Material conflicts with the management regarding any issue pertaining to the safeguarding of invested assets.
  - Violations of Laws, Regulations and instructions issued by the supervisory and control entities or non-compliance with the Company's policies and procedures.
  - Comments of other auditors (of external, non-Saudi Arabian, branches) on accounting procedures, reports and professional conduct.
  - Deficiencies in the general structure and performance of internal control systems.
  - Material errors in financial statements.
  - Management decisions and the basis on which the external auditors relied to validate critical accounting estimates, such as technical provisions and reserves.

- Accounting principles and standards and disclosure decisions related to extraordinary transactions.
- Any major problems in dealing with the management and whether it has affected the audit.
- Any amendments to the scope of the audit.
- The management letter prepared by the external auditors and the Company's management.

## 2. Compliance Function

- i. To supervise the compliance department to ensure its independence and authority to carry out its work without any impediments.
- ii. Review with the compliance officer and approve, and monitor the compliance plan and its implementation.
- iii. Review the reports of the compliance department and make recommendations to the Board.
- iv. Assessing the efficiency, effectiveness and objectivity of the compliance department.
- v. Upon obtaining SAMA's written no objection, the appointment or dismissal of the head of compliance or compliance officer.
- vi. Determine the remuneration, including salary, bonus and other payments, to the Compliance department and ensure such amounts are in compliance with the Board's policies.

## 3. Actuary

- i. Review the actuary reports and making recommendations to the Board.
- ii. Ensure the Company complies with proposals and recommendations made by the actuary that are required by SAMA.
- iii. Coordinate with the External Auditors to discuss the Actuary's Reports relevant to the Financial Statements and the adequacy of technical provisions and reserves set by the actuary.
- iv. Assess with the External Auditor the internal control and the assessment of the Company's assets and solvency

## 4. Regulatory

- i. Review reports issued by SAMA and other regulators, including reports related to any regulatory violations or required corrective actions, and make the recommendations to the Board.
- ii. Follow-up with the Company regarding regulatory reports and any corrective actions taken, and provide recommendations to the Board.

## 5. Corporate Governance

- i. Develop on an annual basis a detailed action plan that includes key topics to be discussed during the year and meeting dates.
- ii. 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
- iii. Review the reports from management with respect to the Company's compliance with applicable legal and regulatory requirements as well as the Company Code of Ethics.
- iv. ensuring the optimal use and controls of information technology necessary to generate accurate and reliable information and data are in place
- v. Establish procedures for reviewing and handling complaints or concerns received by the Company regarding the internal control process, financial accounting and reporting, or the external audit.
- vi. Enable employees to submit concerns confidentially, and review the disclosure of any frauds that involve management or other employees with significant roles in internal control.
- vii. Review all reports concerning any significant fraud or regulatory non-compliance that occurs at the Company. This review should include consideration of the internal controls that should be strengthened to reduce the risk of a similar event in the future.
- viii. On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies, and submit a periodic report to the Board.
- ix. Ensure appropriate procedures are established and maintained. The AC should ensure risk management policies are developed and undertake regular examination of cases of non-compliance with the same.

- x. Monitor the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.
- xi. Permit the confidential submission by employees of the Company of concerns regarding questionable accounting or auditing matters to the Audit Committee.
- xii. The Audit Committee should conduct an annual review and assessment of this Charter, and make recommendations to the Board regarding any amendments hereto it deems appropriate.
- xiii. The Audit Committee should report to the Board on a regular basis, but not less than once every quarter. The Committee should make such report to the Board as soon as feasible after every meeting. This report should be in the form of AC minutes of the meeting.
- xiv. The members of the Audit Committee shall:
  - Treat all information that became known to them in the course of performing their official duties as confidential information;
  - Inform the Board of any changes in their independent status or any conflict of interest regarding decisions to be made by the Committee; and
  - Conduct annual reviews and assessments of the Committee activities and its members, including a review of the Committee's compliance with this Charter.
- xv. Monitor the systems that management has established to implement the Company's information security and business continuity programs.
- xvi. Perform any other activities consistent with this Charter, the Company's policies and governing law, as the Committee or the Board deems necessary or appropriate.

### 3.2.7 Meeting Procedures

- a. The Committee should be headed by the Chairman. Meetings should be the principal form utilized for carrying out the work and activities of the Committee.
- b. The Committee shall hold at least six (6) regular meetings a year including an annual meeting with the Board of Directors.

- c. Additional meetings may be conducted whenever necessary to properly carry out the Audit Committee's functions and duties in a timely manner. In addition, additional meetings may be held upon the request of the Chairman of the Board, by the Chairman of the Committee, or upon the request of the external or internal auditors, compliance officer, or the actuary, if required. The Audit Committee Secretary shall be responsible for calling such meetings when requested by either an Internal or External Auditors, compliance officer, or actuary..
- d. The Committee should meet periodically with management (including CEO), the Internal Auditor and External Auditors, and have such other direct and independent interaction with such persons from time to time as Committee Chairman deem appropriate to discuss any matter that the Committee or each of these groups believe should be discussed. These meetings will be included within the regular meetings of the Committee.
- e. Meetings may be conducted at a planned time when the members are physically present, and may be conducted in the form of audio or video conferences.
- f. A quorum should be deemed present at any meeting of the Audit Committee only if a majority of the members are physically present. The Audit Committee shall make decisions by a majority of the members' votes. In case of equal votes, the Audit Committee Chairman shall have the casting vote, provided that the Audit Committee Secretary shall record the views of all sides in the meeting minutes. Attendance of the meeting and voting by proxy on behalf of another member is prohibited
- g. The Secretary of the Committee should be responsible for giving advance notice to all of the Committee members of the meeting and its agenda, and ensuring the availability of all necessary information regarding all of the items included on such agenda not less than ten (10) working days prior to such meeting. Additionally, the notice should be given in any form deemed convenient and agreed upon by the Committee members, e.g. by telephone, fax, ordinary, or electronic mail.
- h. The results of the committee's work should be reflected in written minutes signed by the chairman of the committee. However the draft minutes will be circulated to all attending members of the committee by the secretary of the committee and their comments will be incorporated in the final minutes prior to the chairman of the committee signing these minutes within fifteen (15) days of the meeting. The signed minutes will be submitted to the ATC's Chairman. The minutes should contain:

1. The location and time of the meeting,
  2. The names of the persons present at the meeting;
  3. The agenda and topics of the meeting;
  4. The results of voting on an individual basis;
  5. Decisions made by the Executive Committee; and
  6. The rationale for the decisions.
  7. Attachments of the documents presented during the meeting.
- i. If necessary, the Audit Committee may invite whomever it deems relevant from inside or outside the Company to attend its meetings.

### 3.2.8 General Provisions:

- a. The Company shall not issue or renew any insurance policy for any Audit Committee member or parties related thereto before receiving the full payment of the due premium.
- b. Members of the Audit Committee shall be subject to the same claims handling procedures implemented by the Company without any special treatment or preference.
- c. All AC members are required to sign a declaration form stating their financial/ non-financial interest in the Company or the related subsidiaries prior to being appointed as AC Members. This declaration will be renewed annually. Please refer to Appendix 2.

## 3.3 Nomination and Remuneration Committee Charter

### 3.3.1 Purpose

The purpose of the establishment of the Nomination & Remuneration Committee (NRC) is to assist the Board of Directors in performing its guidance and oversight functions effectively and efficiently in the following areas:

- a. To support and advise the Board in fulfilling their responsibilities to shareholders in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the highest standards of governance.
- b. To ensure that the appropriate procedures exist to assess the remuneration levels of the Chairperson, Non-Executive Directors, Executive Directors, direct reports to the CEO, Board Committees and the Board as a whole.
- c. To govern the process identifying qualified senior executives and directors, and ensuring that the Company's policies and practices support the successful recruitment, development, and retention of managers and

directors, and thus help the Company realize its business objectives and sustainable economic development.

- d. To ensure that the compensation and benefit scales and packages across the Company are fair and competitive.

### 3.3.2 General Provisions

- a. This Charter for the Board's Nominations and Remuneration Committee has been drafted in accordance with the laws of the Kingdom of Saudi Arabia, the charter of the Company and other internal corporate documents.
- b. This Charter should:
  1. Define the authority of the Board's Nomination & Remuneration Committee and its members;
  2. Define the duties and responsibilities of the Committee's members including its election, composition, and the dismissal of Committee members;
  3. Define the meeting procedures of the Committee; and
  4. Set out the rules relating to the remuneration of Committee members

### 3.3.3 Election, Composition, and Dismissal

- a. The General Assembly should, upon recommendation of the Board of Directors, issue rules for the appointment of the members of the Nomination and Remuneration Committee, and terms of office and the procedure to be followed by such committee.
- b. The Committee should consist of three (3) members, in which two members must be independent. The Committee members should be elected by a majority vote of all directors. The Chairman of the Committee is elected by the committee members, and cannot be the same as the Chairman of the Board.
- c. No member of Management or Staff of the Company may be a member of this Committee.
- d. Members of the Committee must possess the necessary knowledge, experience, and skills in interacting with the company's key executives and other relevant parties.
- e. If a Committee member does not attend at least 2/3 (66%) of the Committee meetings, the Chairman of the NRC must refer this to the Board and the

members of the Board should consider terminating the Committee members membership in the Committee in the best interest of the ATC. A new Committee member should be elected by the Board as soon as the right candidate is identified. The Board may, at any time, dismiss any member of the Committee, or re-elect the entire Committee.

- f. The term of office of the Committee should coincide with the term of office for the Board.

### 3.3.4 Authority

- a. The Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Committee should have the following authority:
  1. The Committee and its individual members are authorized to make a request to the management, the Board and its Committees to provide all information they require, including notifications, inspections of administrative records, and other documents and securities held by the Company for the performance of their duties. The requested information should be provided as soon as possible.
  2. The Committee has sole authority to retain and terminate outside counsel, any search firm used to identify Director candidates, or other experts, advisors or consultants, as it deems appropriate, including sole authority to approve the firms' fee and other retention terms. In doing so the Committee will follow sound business practices including multiple quotes, tenders, etc.
  3. The Committee may invite the Company's officers, executives, and employees, as well as the Company's strategy advisors, to its meetings as observers to question them, and seek explanations and clarifications;
  4. The Committee can perform any other duties required by the Board within the scope of the authority of the Committee as set forth herein; and
  5. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company and the Committee will take all necessary steps to preserve the privileged nature of those communications.

### 3.3.5 Duties and Responsibilities

The duties and responsibilities of the Nomination and Remuneration Committee include the following:

- a. Recommend to the Board of Directors appointments to membership of the Board and committees in accordance with the approved policies and standards; the Committee should ensure that no person who has been previously convicted of any offense affecting honor or honesty is nominated for such membership.
- b. Annual review of the requirement of suitable skills for membership of the Board of Directors and committees and the preparation of a description of the required capabilities and qualifications for such membership, including, inter alia, the time that a Board member should reserve for the activities of the Board.
- c. Review the performance and structure of the members of the Board of Directors and committees on an annual basis and recommend changes. The Nomination and Remuneration Committee shall evaluate the performance of the board and committees (i.e. overall and individual performance) at least annually, using formal, transparent, and objective criteria.
- d. Determine the points of strength and weakness in the Board of Directors and committees and recommend remedies that are compatible with the Company's interest.
- e. Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company.
- f. Establish policies regarding the indemnities and remunerations of the Board Members and top executives; in laying down such policies, the standards related to performance should be followed, and in particular the performance measure of Senior Management should be based on the long term performance of the Company rather than their annual performance.
- g. Establish a remuneration policy covering all levels and categories of employees, which shall be fair, aligned with the Company's objectives, and in compliance with provisions of the Insurance Corporate Governance Regulations.
- h. Work closely with the CEO and the EC to develop effective staff retention and performance based compensation programs for Board approval.
- i. Prepare and submit an annual budget in conformance with the Company's budgeting guidelines and timelines. Unforeseen cost overruns must be approved by the Board.
- j. Conduct an annual review of the performance and policies relating to Directors' and all Committee Members accounts and prerequisites, which shall be conducted independently of executive management.
- k. Notify SAMA within three (3) days of discovering that any Board Member, committee member, or Senior Management is not fit to carry out their responsibilities in accordance with Article 23 of the Insurance Corporate Governance Regulations.

- l. Ensure that the Company has a performance measurement system in place to evaluate and measure the performance of its employees in a fair and objective manner.
- m. Commission an annual remuneration review for Senior Management.
- n. Coordinate with the Audit Committee regarding the remuneration recommended by the Audit Committee for employees in control functions, such as internal audit and compliance, and ensure no interference from management.
- o. Recommend to the Board the selection and dismissal of Senior Management, and recommendations on various issues related to nomination and remuneration.
- p. Establishing a succession policy and procedures for the CEO and other Senior Management, and monitoring the implementation of the succession plan and process.
- q. Perform an annual appraisal of the business and the performance of the CEO, review the CEO appraisal of his direct reports.
- r. Recommend a performance-based compensation award to the Board for the Company (Bonus Pool) and the specific awards to the CEO and his direct reports.

### 3.3.6 Meeting Procedures

- a. The Committee should be headed by a Chairman who should be elected by a simple majority vote of the Committee's members. Meetings may be called by the Chairman of the Committee, any member of the Committee, or by decision of the Board.
- b. The Corporate Secretary of the Company should act as the Secretary of the Committee unless and until another secretary for the committee is appointed.
- c. Meetings should be the principal form utilized for carrying out the work and activities of the Committee.
- d. Meetings may be conducted whenever and as often as necessary to properly carry out the Committee's functions and duties in a timely manner. However, at a minimum, the committee should conduct at least two meetings in a year. If a meeting of the Board of Directors is to be conducted in which the Nomination and Remuneration Committee's authority is at issue, then a meeting of the Nomination and Remuneration Committee should be conducted at least 5 working days before such meeting of the Board of Directors, unless the Board accepts otherwise.

- e. Meetings may be conducted when the members are physically present and, further, may be conducted in the form of audio or video conferences. Members of the Committee may not give a proxy to another Committee member on their behalf.
- f. A quorum should be deemed present at any meeting of the Committee if at least two thirds (2/3) of the Committee members are present. The Committee should make decisions by two thirds 2/3 of votes. If there is no two thirds 2/3 of votes, the committee may decide either to defer the issue or to present the issue to the Board.
- g. The results of the committee's work should be reflected in written minutes signed by the chairman of the committee. However the draft minutes will be circulated to all attending members of the committee by the secretary of the committee and their comments will be incorporated in the final minutes prior to the chairman of the committee signing these minutes within fifteen (15) days of the meeting. The signed minutes will be submitted to the Company's Chairman. The minutes should contain:
  - 1. The location and time of the meeting,
  - 2. The names of the persons present at the meeting;
  - 3. The agenda and topics of the meeting;
  - 4. The results of voting on an individual basis;
  - 5. Decisions made by the Nomination and Remuneration Committee; and
  - 6. The rationale for the decisions.
  - 7. Attachments of the documents presented during the meeting.
- h. The Secretary of the Committee should be responsible for giving advance notice to all of the Committee members of the meeting and its agenda, and ensure the availability of all necessary information regarding all of the items included on such agenda not less than ten (10) working days prior to such meeting. Such notice should be given in any form deemed convenient and agreed upon by the Committee members, e.g. by telephone, fax, ordinary, or electronic mail.

### 3.3.7 Remuneration

Members of the Nomination and Remuneration Committee, including the Chairman, shall be paid in accordance to the Remuneration Policy.

## 3.4 Investment Committee Charter

### 3.4.1 Purpose

- a. The primary purpose of the Investment Committee of the Board of Directors is to assist the Board in developing investment policies and strategies, approving and supervising investment transactions, and monitoring investment performance of the Company and its subsidiaries against the defined strategies; principles of Islamic Shari'ah (as applicable) and laws and regulations.
- b. The Investment Committee is responsible for formulating the overall investment policies of the Company, subject to approval by the Board, and establishing investment guidelines in furtherance of those policies. The Investment Committee monitors the management of the portfolio for compliance with investment policies and guidelines and for meeting objectives over time.
- c. The Investment Committee will work in close collaboration with the Shari'ah Board ensure that all investment related activities are in compliance with Shari'ah principles.
- d. The Investment Committee would be responsible for investment initiatives for the Company assets as well as assets of the policy holders.

#### 3.4.2 General Provisions

- a. This Charter for the Board's Investment Committee has been drafted in accordance with the laws of the Kingdom of Saudi Arabia, the charter of the Company and other internal corporate documents.
- b. This Charter should:
  1. Define the authority of the Board's Investment Committee and its members;
  2. Define the duties and responsibilities of the Committee's members including its election, composition, and the dismissal of Committee members;
  3. Define the meeting procedures of the Committee; and
  4. Set out the rules relating to the remuneration of Committee members.

#### 3.4.3 Election, Composition and Dismissal

- a. The members of the Investment Committee should be appointed by the Board of Directors. The Investment Committee should be comprised of at least three (3) independent and dependent members who should be free from any relationship that would interfere with exercising his or her independent judgment. The members of the committee will elect its own Chairman.

- b. Members of the Committee must possess the necessary knowledge, experience and skills in interacting with the Company's key executives and other relevant parties. At least one member of the IC must have a strong background in investments as well as Shari'ah compliant investment vehicles.
- c. The term of office of the Committee should coincide with the term of the office for the Board.
- d. The Board may, at any time, dismiss any member of the Committee, or re-elect the entire Committee. If a Committee member does not attend at least 2/3 (66%) of the Committee meetings, the Chairman of the IC must refer this to the Board and the members of the Board should consider terminating the Committee members membership in the Committee in the best interest of the Company. A new Committee member should be elected by the Board as soon as the right candidate is identified.

#### 3.4.4 Authority

- a. In discharging its responsibilities, the Investment Committee should follow the decisions of the Shari'ah Board in relation to the Shari'ah compliant investment transactions.
- b. The Investment Committee should have the authority and responsibility to engage or terminate any outside consultant and to approve the terms of any such engagement and the fees of any such consultant. In engaging any outside consultant, the Investment Committee will follow sound business practice of obtaining quotes, hosting tenders, etc., as necessary.
- c. The Investment Committee may also request that any officer or other employee of the Company, the Company's outside counsel or any other person meet with any members of, or consultants to, the Investment Committee, or provide other assistance to the Investment Committee in the discharge of duties.
- d. The Investment Committee will have full and unconditional access to the Company's books and records in relation to investments. At the same time the Investment Committee will maintain full confidentiality of the information.

#### 3.4.5 Duties and Responsibilities

- a. The Investment Committee should be responsible for developing the Company's Investment Policy with senior management for its own investments as well as policyholders funds. The investment policy should include investment guidelines, asset allocation ranges, asset classes, prohibited investments, risk limits, and delegated authority. The investment

committee should inform the Board of any modifications to the Investment Policy, which shall not take effect except with the approval of the Board.

- b. The Investment Committee shall review the Company's Investment Policy and obtain the Board's approval of it on a yearly basis.
- c. The Investment Committee will ensure that the Company's investment account is clearly split in the company records. It will further ensure that the policyholders' investments are appropriately segregated from shareholders investments in subsidiary and general ledgers. This will be applied and communicated to the investment managers / brokers used by ATC.
- d. The Investment Committee's principal responsibilities are to see that ATC's Investment Policy is followed, modified and executed appropriately so that the long-term goals of the Company are supported. This includes:
  1. Ensuring compliance with Shari'ah laws, rules and principles in all investment activities undertaken by the Company as well as obtaining approval of the Shari'ah Board on the investment vehicles used for investment of policyholder funds.
  2. Ensuring compliance with the provisions as stated in ATC's Articles as well as the applicable provisions of the prevalent laws, rules and regulations in all investment activities undertaken by the Company.
  3. Approve investment and reinvestment of the funds. The Investment Committee may delegate investment functions to officers and employees of the Company, and to external investment managers.
  4. Developing selection criteria, identifying and selecting the Company's Investment Managers / consultants and periodically reviewing their performance and also approve their termination.
  5. Monitoring the management of the funds by reviewing written reports from investment managers / consultants and by discussions with investment managers / consultants at Investment Committee meetings that focus on the primary determinants of returns, including asset allocation and investment strategy.
  6. Evaluating investment performance of the fund based on a comparison of actual returns with the Company's absolute return objective, and with such other benchmarks as the Board or Investment Committee may from time to time select. The evaluation will take into account compliance with investment policies, guidelines and risk levels, and the performance of each asset class.
  7. To review and reassess the adequacy of this Charter as and when required and recommend any proposed changes to the Board for approval.
  8. Attend to such matters as the Board may from time to time determine. Prepare and submit an annual budget in conformance with the

Company's budgeting guidelines and timelines. Unforeseen cost overruns must be approved by the Board.

9. Develop the Investment Policy and review its implementation on a quarterly basis including, but not limited to, monitoring the overall risks of the policy, reviewing the performance of each asset class, and submitting a performance review report to the Board.

### 3.4.6 Meetings

- a. The Committee should be headed by a Chairman who should be elected by a simple majority vote of the Committee's members. Meetings may be called by the Chairman of the Committee, any member of the Committee, or by decision of the Board
- b. The Corporate Secretary of the Company should act as the Secretary of the Committee.
- c. Meetings should be the principal form utilized for carrying out the work and activities of the Committee.
- d. In order to discharge its responsibilities, the Investment Committee should each year establish a schedule of meetings and should meet at least four (4) times a year; additional meetings may be scheduled as the Investment Committee or its Chairman deem advisable.
- e. The Investment Committee should report directly to the Board at each scheduled Board meeting, reviewing investment performance against Investment Policy objectives, including actual returns versus the Company's projected performance. The Investment Committee should also independently report to the Shari'ah Board on an annual basis with respect to Shari'ah compliant investment required under the Shari'ah principles and related to the policyholders funds.
- f. The Chairman of the Investment Committee should be responsible for establishing the agenda for meetings of the Investment Committee. An agenda, together with materials relating to the subject matter of each meeting, should be sent to members of the Investment Committee prior to each meeting. Minutes for all meetings of the Investment Committee should be prepared to document the Investment Committee's discharge of its responsibilities. The Investment Committee should make regular reports to the Board of Directors.

- g. The quorum should be deemed present at any meeting of the Committee if at least two thirds (2/3) of the Committee members are present. The Committee should make decisions by two thirds (2/3) of votes.
- h. The Committee should make decisions by a majority vote of those members participating in the meeting. Any decision or deliberation of the Investment Committee should be produced in writing, including dissenting opinions if any. The Chairman of the IC will have a casting vote in case of a tie.
- i. The results of the committee's work should be reflected in written minutes signed by the chairman of the committee. However the draft minutes will be circulated to all attending members of the committee by the secretary of the committee and their comments will be incorporated in the final minutes prior to the chairman of the committee signing these minutes within fifteen (15) days of the meeting. The signed minutes will be submitted to the Company's Chairman. The minutes should contain:
  - 1. The location and time of the meeting,
  - 2. The names of the persons present at the meeting;
  - 3. The agenda and topics of the meeting;
  - 4. The results of voting on an individual basis;
  - 5. Decisions made by the Executive Committee; and
  - 6. The rationale for the decisions.
  - 7. Attachments of the documents presented during the meeting.
- j. The Secretary of the Committee should be responsible for giving advance notice to all of the Committee members of the meeting and its agenda, and ensure the availability of all necessary information regarding all of the items included on such agenda not less than ten (10) working days prior to such meeting. Such notice should be given in any form deemed convenient and agreed upon by the Committee members, e.g. by telephone, fax, ordinary, or electronic mail.

### 3.4.7 Remuneration

Members of the Investment Committee, including the Chairman, will be paid in accordance to the Remuneration Policy.

## 3.5 Risk Management Committee Charter

### 3.5.1 Introduction

- a. Each entrepreneurial activity accepts, in anticipation of benefits, risks. Risk Management will be defined from an entrepreneurial standpoint more than only an instrument to limit losses; it is seen as an integral instrument to support management decisions about chances of profits versus loss probability.
- b. Pursuant to the Insurance Corporate Governance Regulation (the ICGR) issued by the General Department of Insurance Supervision of the Saudi Arabian Monetary Agency (SAMA), the boards of directors (the Board) of insurance companies operating in Saudi Arabia shall establish certain oversight committees including, *inter alia*, a risk management committee (the RMC).
- c. Pursuant thereto, the Board shall adopt a charter (the Charter) for each oversight committee with procedures laid down specifying the committee's functions, duration, scope of work, powers and duties, and the mechanism through which the Board monitors its activities.
- d. This document constitutes the Charter of the RMC of Al Ahli Takaful Company (ATC or the Company).
- e. Defined terms that are not defined herein shall bear the same meaning otherwise carried in the ICGR.

### 3.5.2 Functions

- a. Appointment of Members
  1. The Board shall appoint the members of the RMC in accordance with the rules issued by the general assembly.
  2. The RMC shall be composed of at least three (3) members headed by a non-executive member as chairman, appointed by the Board. Members of the RMC must have appropriate financial and risk management knowledge.
  3. The majority of the RMC-members has to Board Members.
- b. Appointment of Secretary

The RMC shall appoint a secretary, who is not a member of the RMC, who shall be responsible for providing administrative support. The term of the secretary is the same as that of the RMC (with the right of reappointment). At the discretion of the RMC, the secretary may be asked not to attend proceedings when he or she has a conflict of interest.

c. Meetings and Quorum

1. The RMC shall meet at least once every quarter with authority to convene additional meetings, as circumstances require.
2. For the purposes of conducting its business, the RMC meeting shall have at least a quorum. A quorum shall mean at least a majority of the RMC members present in person or by proxy. Each member in attendance can only hold one (1) proxy.
3. Attendance may be either in person, by telephone, or video conferencing facility.
4. Meetings shall be summoned by the chairperson of the RMC, or at the written request of two (2) RMC members.

d. Control and Influence of Members

Decisions of the RMC shall be made by simple majority of the quorum. In the event of a split vote, the chairman of the meeting shall have the casting vote. In the absence of the RMC chairman appointed by the Board, the quorum present shall appoint an acting chairman for the relevant meeting.

e. Conduct of Members

Members of the RMC shall always be fully informed of the course of business, they have full access to all information and people of the Company and shall act in good faith; with due diligence; in compliance with the applicable laws and regulations; and in the best interest of the Company's shareholders, policyholders, and other Stakeholders and shall perform their duties free from any external influence, whether from within or outside the Company. Members of the RMC 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.

f. Confidentiality

Members of the RMC 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.

g. Minutes of Meetings

Minutes of the RMC meetings shall be recorded, signed by the chairman and the secretary of the RMC, entered into an official register, and 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.

h. Notice of Meetings

The secretary shall give advance notices, send meeting agendas with any relevant materials to RMC members and ensure their delivery within a period of ten (10) working days prior to any RMC meeting.

i. Post-Meeting Requirements; Board Supervision

1. Minutes of RMC meetings shall be distributed to the parties concerned within a period not exceeding fifteen (15) days. The person or entity responsible for implementing the resolutions taken shall be determined and mentioned in the minutes
2. The RMC shall comply with the specific timetable for receiving reports from the RMC implemented by the Board. The RMC shall prepare and submit its reports and data to the Board in line with the Company's internal adopted policy. The RMC shall prepare and present information to the Board on a timely basis.

j. Duration

The duration of the RMC is equivalent with that of the Board not exceeding three (3) years. RMC members shall serve at the discretion of the Board and may be removed or replaced at any time with or without cause by the Board. RMC members can be reappointed upon expiry of their term of appointment.

### 3.5.3 Scope of Work

The RMC scope of work shall include application of the relevant provisions of the ICGR, as well as the Risk Management Regulation (**RMR**) issued by the General Department of Insurance Supervision of SAMA, including but not limited to:

- a. Assisting the Board to design a risk management strategy which is consistent with the Company's commitments to shareholders and policyholders and with regulatory requirements.
- b. Assisting the Board to establish an integrated Risk Management Framework to measure risks, defining risk tolerances and aggregate exposure limits, to mitigate risks, and to monitor and control all risk-related processes. This Framework must include but not be limited to:
  1. Clear identification of the staff positions with delegated responsibility for managing specific risks
  2. Adequate systems to define and for measuring risk.
  3. Effective risk-related controls, separated operational controls and internal audit
  4. An integrated RMC information system, which ensures a timely monitoring and reporting all risks and risk managing processes on all levels of the Company.
- c. Assisting the Board to design a contingency plan to counter external catastrophic events with severe negative impact on the business. This plan should:
  1. Ensure early risk warning signals.
  2. Outline detailed course of action in the event of a negative outcome.
  3. Establish roles and responsibilities for every prescribed action.
- d. Assist the Board to provide SAMA with an annual report detailing the Company's risk management plan and its implementation steps as part of the annual financial reports submitted to SAMA at the end of the year.

#### 3.5.4 Powers and Duties

- a. General Powers and Duties

The duties of the RMC shall include but not be limited to the following:

1. Identifying risks that may imperil the Company
2. Defining and maintaining an acceptable risk profile for the Company;
3. Overseeing the risk management system and assessing its effectiveness;
4. 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 all risk-related developments internal and external to the Company;
5. Reviewing risk management policies;
6. Re-evaluating the Company's tolerance for, and exposure to, risk on a regular basis (e.g., through stress testing exercises);
7. Reporting to the Board details of risk exposures and recommending actions to avoid, mitigate and manage them; and

8. Advising the Board on issues related to risk management.

b. External Professional Advice

The RMC 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.

### 3.5.5 Remuneration

Members of the Audit Committee, including the Chairman, will be paid the Remuneration as per the Remuneration Policy.

## SECTION 4: SENIOR MANAGEMENT

The Senior Management is responsible for supervising the day-to-day activities of the Company.

### 4.1 Chief Executive Officer - CEO

The CEO has the primary responsibility for executing the strategy set forth by the Board and controlled by the EC and is directly responsible to the Chairman and Members of the EC for its performance, and the achievement of annual profit, sales and market share goals and targets. He is the primary link between the management of the company and the EC and is responsible to ensure that the EC is kept adequately informed of the Company's performance and about short, medium and long term challenges faced by the Company. It is the CEO who is responsible for leading an effective executive team in order to maximize long term shareholder value by contributing to the development of appropriate business strategies and ensuring the effective implementation of those strategies.

#### 4.1.1 General Responsibilities

- a. Implement strategic and tactical plans for the development of the Company and enhancing shareholder value;
- b. Implement the decisions of the Board and the General Assembly of Shareholders;
- c. Implementing the Company's internal policies and rules approved by the Board;
- d. Suggesting the Company's comprehensive strategy as well as the principal and interim business plans and the policies and mechanisms for investment, financing, risk management and emergency administrative circumstances management plans and implementing them;

- e. Maintain a close liaison with the Chairman of the EC and keep him abreast of strategic matters;
- f. Proposing the most appropriate capital structure for the Company and its strategies and financial objectives;
- g. Proposing the main capital expenditures of the Company and acquiring and disposing of assets;
- h. Prepare annual budgets for presentation to the EC and the Board of Directors;
- i. Review and approve all Project capital expenditure budgets, and commit such budgets, after ratification by Board of Directors or EC, in accordance with the Company's delegations of authority manual; and
- j. Co-ordinate the development of the five year strategic plans for the Company on a rolling basis, in conjunction with EC.
- k. Preparing periodic financial and non-financial reports in respect of the progress achieved in the business of the Company in light of the strategic plans and objectives of the Company, and presenting such reports to the Board;
- l. Proposing the organizational and human resources structures of the company and presenting them to the Board for approval;
- m. Represent the Company with third parties and regulatory authorities and manage the Company's relations with third parties;
- n. Ensure the establishment and compliance with formal company policies, in all areas of business for of the Company;
- o. Perform the role of an Authorized Person, within the meaning of the Company's Public Communication Policy, in communicating information to the public, including representatives of the media. As an authorized person, the CEO may make such a communication in person, or authorize another individual to make such a communication;
- p. Ensure the development and maintenance of relationships with Key Regulators, Key Governmental Organizations, Key Players in the Industry, Commercial Partners;
- q. Ensure that all reporting requirements of Regulators are met, and authorize the release of any financial or other communication to them and all other regulators or government agencies, if any;
- r. Lead and motivate the executive team of the Company in the sound management of the business;
- s. Coordinate the SMT activities;

- t. Promote and develop the company's operating systems;
- u. Provide clear vision and encouragement to all employees of the Company in achieving its strategies;
- v. Review and enhance the Company's technical skills in all respects;
- w. Support the development of the Company's business by using leading administrative and technical practices;
- x. Communicate a clear vision to Company management of the strategy of the Company;
- y. Manage staff reporting directly to him and maintain a cohesive executive team, with appropriate coaching and guidance as required;
- z. Convene and chair SMT meetings at least monthly;
- aa. Attract and retain a management team of the required caliber to manage the business effectively;
- bb. Proposing the policy and types of remunerations granted to employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares;
- cc. Monitor monthly performance targets of all departments on a continuous basis and initiate corrective action where necessary to ensure targets are met;
- dd. Review and recommend all monthly, quarterly and annual financial reports before submitting them through the EC for Board approval and sign the approved statements and submit to Regulators;
- ee. Ensure quick resolution of any disputes or conflicts between departments and/or individuals.

#### 4.1.2 Corporate Culture

Develop and maintain a corporate culture, which simultaneously focuses on a strong "People-Based Network" as well as the achievement of a "Highly Committed, Result-Oriented Workforce" with the common aim of maximizing the company performance.

#### 4.1.3 Responsibilities to the Board of Directors and the Executive Committee

- a. The CEO is expected to attend all Board and EC meetings, in an *ex-officio* capacity, participating in discussions, but not exercising a vote in the decisions of either the Board or EC;
- b. Ensure that the Board and EC are properly informed about the affairs of the Company, including its performance and other matters of relevance; and

- c. Assist the Board and EC to make informed decisions which are practical and can be readily implemented.

#### 4.1.4 Reporting Lines

- a. The CEO reports directly to the EC, and between EC meetings, to the Chairman of the EC;
- b. The CEO must also ensure that he maintains a close liaison with the Chairman of the EC and keeps him abreast of strategic matters to allow him to perform his responsibilities to the company.

## SECTION 5: CONTROL FUNCTION

### 5.1 Internal Audit Function

The Internal Audit Function is responsible for evaluating, and recommending actions to improve the adequacy and effectiveness of internal controls, policies, processes, and reporting procedures, and the extent of adherence to them.

The Internal Auditor is responsible for providing assurance and recommendations designed to add value and improve the operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

#### 5.1.1 Duties and Responsibilities

The internal auditor will ensure the completion of the tasks and responsibilities below including liaising and following up with the hired audit firm, the management and the audit committee.

- a) Prepares the audit plan and communicates the same to the Audit Committee for their review and approval.
- b) Assures that the operations of the company as a whole complies with the legal and economic requirements.
- c) Assures the compliance of transactions and activities with the company's approved policies and systems.
- d) Verifies the compliance of the departments' expenditures with the annual budget and recommend preventive and corrective actions to ensure that all expenses are in line with the budget.
- e) Performs specific audit procedures and preparing the required documentation, and provides the Audit Committee with an independent

assessment of the quality of the company's assets, the adequacy and effectiveness of the internal control in all areas of the company, and the appropriateness of operating procedures and practices.

- f) Evaluates the adequacy and reliability of information available for management decisions.
- g) Develops recommendations on the systems, policies and procedures being reviewed, and monitor management's response and implementation regarding approved recommendations and upgrading policies.
- h) Coordinates and manages the audit relationships with the regulators (SAMA, CMA) and other external auditors to ensure proper audit alignment and coverage. Conducts special studies of procedures or problems areas as requested or directed by appropriate levels of management.
- i) Assist in developing an effective system of corporate governance;
- j) Demonstrate the Company's commitment to corporate governance by monitoring compliance with these policies, and informing the Audit Committee of any breaches;
- k) Act as an advisor to Audit Committee on regulatory matters, and legislation related to corporate governance.

## 5.2. Compliance Function

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.

The Head of Compliance is responsible for developing and implementing the Company-wide Compliance and insurance regulatory controls and practices within ATC business environment.

### 5.2.1 Duties and Responsibilities

- a) Develops Compliance Department Plan, budget and resources while ensuring alignment with ATC overall strategy and directions.
- b) Drafts compliance policies, procedures, controls, and program documents related to Compliance, & Anti-Money-Laundering and subsequent program updates.
- c) Maintains all company's regulatory documents available and update in accordance with applicable laws and regulations.
- d) Establishes, tests and implements an effective Compliance framework for the Company in line with market and operational, regulatory and Know Your Customer requirements.
- e) Identifies the Company's risk and exposure with respect to size, business lines and customer base and provide early prevention measures to functions in reference to emerging issues.

- f) Report all compliance issues and any potential relevant risks to the concerned person(s).
- g) Develop and provide all required reports to the concerned person as per relevant policies and applicable regulations.
- h) Creates policy for customer identification and verification procedures including checking government lists.
- i) Verifies ATC business reports and relevant documentations to comply with the governing procedures; policy registration records, claims and indemnification reports.
- j) Liaises with internal and external agencies (i.e. regulatory bodies and auditors) to enforce compliance with rules and regulations and to recommend good practices and acts as the contact person before the authorities (SAMA, CMA, etc).
- k) Fully cooperates with the governing assigned inspectors in providing the necessary information and clarifications of the company activities as per relevant policies and applicable laws & regulations.
- l) Reviews all proposed products offerings (line of business, terms & Conditions, sales process, back office, etc) to ensure alignment with regulatory compliance guidelines.
- m) Provides timely necessary advice and support to ATC management and Staff to ensure adherence to Compliance, requirements and standards.
- n) Conducts routine and special focus review programs to evaluate the adequacy and operational effectiveness of the Compliance policies and procedures covering the Company services (including review of engagement acceptance, proposals, work plans, methodologies, deliverables, and underlying work papers).
- o) Ensures that all the Company's employees conduct business transaction according to the highest international standards of ethical business conduct set by ATC, SAMA and CMA code of conduct.
- p) Discusses findings of routine and special focus review programs with the Audit Committee at the conclusion of the review.
- q) Prepares and conducts education and ongoing training on Compliance, requirements and issues to all employees on regular basis.
- r) Ensures timely dissemination and implementation of all regulatory updates to ATC staff through circulars, discussion and workshops.
- s) Provides guidance, support, leadership and management to subordinates to ensure effective and efficient flow of work, and ensures that all employees recognize their fundamental roles to achieve ATC overall organizational objectives.
- t) Conducts annual performance appraisal to review employees' performance, carries out all necessary managerial roles and responsibilities.

### 5.3. Risk Management Function

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 Manager is responsible for identifying possible risks at the ATC and assists the management in implementing strategies to reduce those risks. In support of this, the Risk Manager shall establish, maintain and modify (as necessary) an effective system of risk identification and incident reporting. Additionally, working with other departments, the Risk Manager shall provide leadership in implementing risk reduction measures.

#### 5.3.1 Duties and Responsibilities

- a. Providing the overall leadership, vision and direction for enterprise risk management
- b. Establishing an integrated risk management framework for all aspects of risk across ATC
- c. Developing Risk Management Policies to establish top-down and bottom-up roles and responsibilities around managing risk.
- d. Review existing risk programs determine how the current risk practices can be leveraged to create or improve on ERM framework.
- e. Develop major classifications of risk according to the regulatory requirements.
- f. Establish risk management structure, roles and accountabilities within the company at different management level.
- g. Develop assessment methodology for rating of the key risks and related key controls.
- h. Conduct risk assessments and execute risk-based work plans and provide internal control and process improvement recommendations.
- i. Assessing risks and controls. Assess design and effectiveness of control environments and recommend where controls may be relied upon and assess when more substantive test procedures may be required.
- j. Design and perform compliance tests; assess the results and suggest mitigation plans.
- k. Monitor the schedule of the improvement plan.
- l. Prepare reports, exhibits, and other supporting schedules that detail operations, financial condition and/or compliance with laws and regulations and provide recommendations and enhancements where applicable.
- m. Implement a set of risk matrices and reports, including losses and incident data, key risk exposures and early warning indicators
- n. Improve ATC's risk management readiness through communication and training programs, risk based performance measurement and incentives.

- o. Develop the analytical systems and data management capabilities to support the risk management program.
- p. Compiles statistical data and prepares reports on a wide variety of Risk Management related topics of interest to ATC.
- q. Reviews and analyzes operational activities and makes recommendations to accomplish desired Risk Management goals.
- r. Evaluates insurance coverage's; identifies exposures and assesses liability through evaluation of claim loss statistics and trends.
- s. Develops and maintains systems and records that provide for proper evaluation, control and documentation of assigned function.

In addition to any other regulatory or supervisory requirements, the duties of the risk management function shall include but not be limited to the following:

- 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. Identifying emerging risks and recommending remedial actions to mitigate and control them
- e. Regularly evaluating the Company's tolerance for, and exposure to, risks (e.g., through stress testing exercises)
- f. Establishing a contingency plan
- g. Coordinating with Senior Management to ensure the effectiveness and efficiency of the
- h. risk management system

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.

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.

The risk management function may report to the CEO or other senior management, the risk management officer should also report and have direct access to the risk committee without impediment.

### 5.3.2 Relationships

The Risk Manager will establish and maintain relationships with the following:

- a. Internal
  1. General Manager and his departments
  2. Chief Finance Officer and his departments
  3. Head of Support and his departments
  4. Audit Committee and the internal auditors
  5. The Board
- b. External
  1. External auditors and other consultants
  2. Governmental agencies and institutions
  3. Regulators (CMA, SAMA, MOCI)
  4. Technical Partners

## SECTION 6: APPOINTED ACTUARY

The Appointed Actuary shall discharge his or her responsibilities as stipulated in Article (20) of the Implementing Regulations of the Law on Supervision of Cooperative Insurance Companies and in accordance with the requirements of the Actuarial Work Regulation for Insurance and Reinsurance Companies issued by SAMA.

### 6.1 Appointment of the Appointed Actuary:

The Company shall, after obtaining SAMA's prior written approval, appoint an actuary (Appointed Actuary) who meets the requirements of Article (13) of the Actuarial Work Regulations issued by SAMA. The Company can appoint its Appointed Actuary through employment or by appointing an external Actuary according to Outsourcing Regulation for Insurance and Reinsurance Companies and Insurance Service Provider.

The Appointed Actuary shall be prohibited from being a member of the Board of Directors or being the Chief Executive Officer of the Company or a Related Company.

### 6.2 Conditions and Procedures of Appointment

The Appointed Actuary, at the minimum, shall satisfy the following conditions:

- a. Fellow of an Actuarial Organization that has an examinations based qualification and gets SAMA's approval.
- b. Holds appropriate experience after attaining his or her fellowship to act as the Appointed Actuary for the Company in the types of businesses written by the Company.

- c. Shall not have been issued with any disciplinary action, or has been suspended or cancelled his or her membership at any time of any actuarial organization, or has been suspended or cancelled his or her license, which allows him or her to provide actuarial services, from any regulatory body.
- d. Shall not have been convicted of a felony or a misdemeanor infringing integrity or trustworthiness without being rehabilitated.

### 6.3 Overarching Rules

The Appointed Actuary shall have the right to access the accounting books and other records and documents of the Company and be entitled to obtain from the Board of Directors and Senior Management of the Company the information and explanations deemed necessary for the carrying out of his or her duties and the Company should provide them the same.

The Appointed Actuary shall submit his or her actuarial reports on an urgent basis directly to the Company's Board of Directors and the Compliance Function of the Company in the following cases:

- a. If there are immediate or future threats facing the Company that may adversely affect it, including but not limited to the following:
  - 1. Solvency Margin
  - 2. Obligations of reinsurers and the Company's obligations against the reinsurers
  - 3. Appropriate risk retention levels
  - 4. Profitability of the Company's products
  - 5. Pricing of the Company's products
  - 6. Technical reserves
- b. If the Company has evidently breached the provisions of the Law On Supervision of Cooperative Insurance Companies and its Implementing Regulations and any other regulations or rules issued by SAMA about the Company's financial position or technical provisions, or any matter that may affect the interests of the policyholders or the beneficiaries of insurance policies.
- c. If the Company does not allow the Appointed Actuary to perform the duties and responsibilities assigned to him / her under the Law On Supervision of Cooperative Insurance Companies and its Implementing Regulations and any other regulations or rules issued by SAMA.
- d. The Board of Directors shall examine those actuarial reports and recommend corrective actions, and forward all related information on these actions taken to SAMA within twenty working days of receiving the actuarial report.

The Appointed Actuary shall:

- a. Do the work entrusted to him / her in accordance with actuarial principles and standards issued by the Actuarial Organization that they belong to and be accountable to that Organization as well as to SAMA. Standards issued by the International Actuarial Association are considered to apply to all actuarial work required under these regulations and any actuarial work required by SAMA
- b. Perform his / her duties with honesty, integrity, and competence, and shall not conceal any facts relating to the Company's financial or technical position or provide incorrect information.
- c. Not disclose the Company's confidential information obtained during or after his / her work.
- d. Not to entrust someone else to carry out the actuarial work of the Company on his / her behalf unless the extent of that work and the individual carrying it out are clearly identified in the corresponding report.
- e. Keep records of his / her work, organized according to the relevant Actuarial Organization's professional standards. The records shall include the data and copies of the documents that must be provided to SAMA.
- f. Bear the liability of any professional malpractice resulting from negligence as specified in Article (9) of the Implementing Regulations of the Law on Supervision of Cooperative Insurance Companies.
- g. Only perform professional services if competent and appropriately experienced to do so.

In case there is a deficit in the technical provisions based on the opinion of the Appointed Actuary, the Company shall take the necessary corrective actions to correct the deficit by the end of the following financial quarter that comes after the financial quarter that shows a deficit in the technical provisions for the Company.

#### **6.4 Roles and Responsibilities**

The general roles & responsibilities of the Appointed Actuary shall include (but not be limited to) the following:

- a. Obtain all required information from the previous Appointed 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. Price the Company's Insurance products; and provide recommendations on the Company's premium rates.
- f. Determine and recommend the Company's technical provisions.

- g. Coordinate with the Company's risk management officers on estimating the impact of material risks and identifying appropriate mitigation techniques for those risks.
- h. Assess the adequacy of reinsurance arrangements and the appropriate risk retention levels and provide a recommendation of the optimal retention level.
- i. Provide recommendations to the Company's Board of Directors regarding the Company's investment policy, keeping in view the nature and timing of policyholders' liabilities and the availability of appropriate assets.
- j. Determine the surplus or deficit for the overall Company.
- k. Prepare the appropriate reports in accordance with the financial reporting forms required by SAMA.
- l. Review the underwriting manuals of the Company.
- m. Advise on any other actuarial matters.

In addition to the roles and responsibilities the Appointed Actuary shall undertake the following:

- a. Perform a profit test of the premium rates.
- b. Advise on the terms and conditions of insurance policies.
- c. Determine and ensure the adequacy of the mathematical reserves.
- d. Advise on the determination of the allocation of profits or bonuses to the with-profits to the policyholders.
- e. Determine the amounts payable to the policyholders in case they surrender their policies.

## 6.5 Reports

The Appointed Actuary must ensure that the actuarial report is clear and comprehensive so that another experienced Actuary can follow the report and come to a conclusion.

The report must contain, as a minimum, the following:

- a. A clear statement that he or she is acting in a formal capacity as the Appointed Actuary.
- b. A description of the actuarial guidance that is being followed.
- c. Dates of all prior reports produced by the Appointed Actuary in relation to the client Company.
- d. Comments on all related reports from other actuaries that were produced for the client Company.
- e. If the prior actuarial reports were not reviewed or considered, reasons should be provided for the lack of such review.

- f. Material changes to the methodology and assumptions from prior reports should be summarized and highlighted, and the reasons for such changes should be explained.
- g. Explanation of the selection of all material assumptions and the reason for their choice provided. Any reliance on an external source should be cited.
- h. An explanation of the methodology adopted by the actuary should be included.
- i. Other actuaries who worked on the report should be identified. The peer review process should be explained, and the peer reviewer identified.
- j. Any financial, organizational or other dependency concerning any matter related to the subject of the report, and any relevant information that is not apparent should be disclosed.
- k. A glossary of terms used that may not be clear to the reader.

## 6.6 Data

The Appointed Actuary must take all reasonable steps to ensure the consistency, accuracy and completeness of the data used in the analysis. All formal reports should contain, as a minimum, the following:

- a. Confirmation that the available data allows the desired analysis to be completed in the Actuary's professional judgment.
- b. Disclosure of known material data limitations and their implications.
- c. A full description of the data that was used.
- d. A full description of all data validations carried out.
- e. The precise period of investigation that the data is derived from must be stated.
- f. Reasonableness checks against data in the most recent prior reports should be described.
- g. Any adjustments or filtering of the raw data should be explained, and an attempt made to measure the impact.
- h. If the Appointed Actuary decides that performing a data review is not appropriate, the report should indicate that such a review has not been carried out (and the reason behind that) and should disclose any resulting limitation on the use of the actuarial work produced.
- i. It is not acceptable an actuary's report to include caveats that seek to place full reliance on others for data quality issues. The actuary is expected to carry out sufficient checks to satisfy the actuary in the results of the report presented.

## 6.7 Peer Review Process

The Appointed Actuary shall ensure that his/her work peer reviewed. The aim of the Peer Review process is to detect any problems in the Actuarial Services provided by the Appointed Actuary and correct them in a timely manner;

Specifically, the Peer Review should consider the responsibilities that are set out in this Regulation and the articles 20, 51 and 69 of the Implementing Regulations of the Law on Supervision of Cooperative Insurance Companies. The Peer Review, at the minimum, shall cover the following:

- a. The extent of compliance by the Appointed Actuary in discharging the roles and responsibilities specified in this Regulation and articles 20, 51 and 69 of the Implementing Regulations of the Law on Supervision of Cooperative Insurance Companies.
- b. Used assumptions and methodology.
- c. The conclusions and recommendations presented in the actuarial reports provided by the Appointed Actuary.
- d. A selection of the most critical calculations that have been done by the Appointed Actuary.
- e. The adequacy of the Company's technical provisions.

The Appointed Actuary, who is being peer reviewed, shall be cooperative, willing to examine alternative views, and shall avoid becoming excessively defensive. On the other hand, the Peer Reviewing Actuary shall focus on material issues and broad principles and show respect for alternative views and honest differences of opinion.

If SAMA finds that the Appointed Actuary is unfit to undertake the mentioned responsibilities, SAMA may notify the Company to replace the Appointed Actuary with another competent Actuary, who can better fulfill those responsibilities. In case the Company fails to appoint the replacement Actuary, SAMA shall appoint an Actuary at the Company's expense

The Appointed Actuary shall be professionally liable for the Actuarial Services provided to the Company.

## 6.8 Formal Reports for SAMA

The Appointed Actuary shall submit an annual report to the Company's Management, Board of Directors and SAMA by the end of the second month of the following financial year. The Appointed Actuary shall follow the detailed guidelines that SAMA issues from time to time regarding the contents of the annual report. The report, at the minimum, shall cover the following:

- a. The adequacy of the Company's technical provisions for General business and Health business, in addition to determination of the adequacy of mathematical reserves for Protection & Savings business.
- b. Analysis of the actual investment returns earned by the Company's investment during the financial year.
- c. Expense Analysis. In addition, for Protection & Savings insurance the report should also include a mortality risk analysis and a persistency analysis.
- d. The expense analysis should be sufficient to determine the following assumptions and reserve:
  1. Premium Deficiency Reserves for all General and Health products and short term Protection & Savings products.
  2. Renewal Expense assumptions for long-term Protection and Savings business.
  3. Any expense overrun reserve for long term Protection and Savings business. This reserve may only be adopted for the first three years valuations after the Company commenced writing long term Protection and Savings business. All expenses, zakat and income tax incurred by the Company must be fully allocated. Investment expenses, only, may be excluded and treated as a reduction in yields.
- e. The Company's overall financial position.
- f. Insurance portfolio development analysis.
- g. Recommendations on the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve adequate matching of assets with liabilities.
- h. Positive and adverse underwriting policy development.

The Appointed Actuary shall carry out a mid-year review exercise and submit a report to the Company's Management and Board of Directors, and the Company's Management should submit a report to SAMA by the end of the eighth month of the current financial year. The Appointed Actuary shall follow the detailed guidelines that SAMA issues from time to time regarding the contents of the midyear report. The report, at a minimum, shall cover the Following:

- a. Updated projections for a three-year period taking into account any planned surplus distributions and demonstrating the adequacy of the solvency margin. The projections
- b. should cover at least claims (gross claims and net claims), premiums (gross written premiums, net written premiums, gross earned premiums and net earned premiums), all different expenses
- c. and investment returns. The projections shall be made for at least three different scenarios, including a best or central estimate, a scenario based on pessimistic (adverse) assumptions, and a scenario based on optimistic

- (favorable) assumptions, with analysis of the effect of change in scenarios on the solvency margin.
- d. Analysis and advice on the appropriate risk retention levels. The Company's Board of Directors shall draw from the Appointed Actuary's advice while performing their annual review of the reinsurance strategy document for the Company.
  - e. Pricing adequacy of the products' premium rates.

Perform a profit test of the premium rates being used and provide recommendations on the adequacy of the premium rates, for Protection & Savings Insurance products.

## SECTION 7: GENERAL ASSEMBLY CHARTER

### 7.1 Purpose

- a. The General Assembly (GA) of Shareholders is the supreme corporate body of the Company. The General Assembly of Shareholders is a special event for shareholders. It provides them with an opportunity to participate directly in decision-making by voting on proposed resolutions, regardless of the number of the Company shares they own. The Company is aware of how important the General Assembly of Shareholders is and encourages all of its shareholders to fully exercise their rights at its Assembly through exercising the voting rights.
- b. The General Assembly holds an annual meeting every year. This meeting is called the Annual Meeting of the General Assembly (AMGA). The AMGA gives the Board of Directors the opportunity to discharge their duties regarding matters that need to be decided at the General Assembly level by law or by the Articles of Association, or place matters before the General Assembly for its decision.

### 7.2 General provisions

- a. A Shareholder should be entitled to all rights attached to their shares, in particular, the right to a share of the distributable profits, the right to a share of the company's assets upon liquidation; the right to attend the General Assembly and participate in deliberations and vote on relevant decisions; the right of disposition with respect to shares; the right to supervise the Board of Directors activities, and file responsibility claims against board members; the right 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.

- b. As per CMA's Corporate Governance regulations, the Company in its Articles of Association and by-laws should specify the procedures and precautions that are necessary for the shareholders' exercise of all their lawful rights.

### 7.3 Authority

The following issues fall within the authority of the General Assembly and should be decided upon by a majority vote of shareholders participating in General Assembly:

- a. The election and dismissal of Board members;
- b. The ratification of election & dismissal of AC members;
- c. The approval of the remuneration for Board members;
- d. Upon recommendation of the Board of Directors, issue rules for appointing the members of the Audit Committee and define the term of their office and the procedure to be followed by the Committee.
- e. The delegation of the authority of the Director to a manager not a member of the Board;
- f. The approval of the annual reports, annual financial statements, including balance sheet, profit and loss statements, statement of cash-flows, and notes to the financial statements, as well as the distribution of profits and losses based on the results of the fiscal year;
- g. The declaration and payment of dividends based on the results of the fiscal year;
- h. Predetermined approval by the GA for interim dividends for next year based upon meeting targets;
- i. The election of the External Auditors and approval of their fees;
- j. Approval of procedures for conducting the General Assembly;
- k. The approval of the reimbursement of extraordinary or unusual items;
- l. The approval of extraordinary transactions that are subject to the approval of the Board of Directors in cases where the Board failed to unanimously approve the transaction and transferred the authority for its approval to the General Assembly;
- m. Requesting an extraordinary inspection of the financial and economic activities of the Company.
- n. Any other issue stipulated by law or the Articles of Association.
- o. Approval of related party transactions.
- p. Formation of an Audit Committee, including the charter for the Audit Committee.

## 7.4 Rights

### 7.4.1 Shareholders Rights for General Assembly:

- a. The Annual Meeting of General Assembly (hereinafter the AMGA) must be held annually and at least within the six months following the end of the Company's financial year; upon the request of the Board of Directors.
- b. All Meetings of the General Assembly other than the AMGA should be held as Extraordinary Meeting of the General Assembly (hereinafter the EMGA).
- c. The date, place and agenda of the General Assembly shall be announced at least ten days prior to the date thereof; the invitation shall be published on the website of the Exchange, the Company's website and in a daily newspaper distributed in the province where the Company's head office is located. The Company may invite the General and Special Shareholders' Assemblies to convene using methods of contemporary technologies.
- d. ATC will make arrangements to facilitate the participation of the greatest number of shareholders, including, inter alia, determination of the appropriate time and place of the meeting. The Company should provide the shareholders the opportunity to vote in the General Assembly and should inform the shareholders about the rules governing the meetings and voting procedures.
- e. As per CMA's Corporate Governance regulations, the General Assembly should convene upon a request of the Board of Directors. The Board should invite a General Assembly to convene pursuant to a request of the external auditors or the Audit Committee or a number of shareholders whose shareholdings represent at least 5% of the equity share capital. The external auditor may invite the assembly to convene if the Board does not invite the assembly within thirty days from the date of the external auditor's request.
- f. In preparing the Annual Meeting of the General Assembly's agenda, the Board of Directors should take into consideration matters General Assembly require to be listed in that agenda; shareholders holding not less than 5% of the company's shares are entitled to add one or more items to the agenda upon its preparation.
- g. Shareholders should be entitled to discuss matters listed in the agenda of the General Assembly and raise relevant questions to the board members and to the external auditors, whether these are covered in the agenda or not. The Board of Directors or the external auditors should answer the questions

raised by shareholders in a manner that does not prejudice the company's interest.

- h. Matters presented to the General Assembly should be accompanied by sufficient information to enable shareholders to make decisions.
- i. Shareholders should be enabled to peruse the minutes of the General Assembly; the company should provide the regulators with a copy of those minutes within 10 days of the convening date of any such meeting.

#### 7.4.2 Different types of General Assembly of Shareholders

##### a. The Ordinary or Annual General Assembly

This is the General Assembly of shareholders that is held on an annual basis. It is called the "Ordinary" General Assembly or the "Annual" General Assembly. In this General Assembly, the shareholders review the Board's annual report and discuss the Annual Financial Statements. Once the Financial Statements are approved and the dividend, if any has been declared, the General Assembly may choose to discharge the directors, the Board Committee members and the external auditors. In addition, it may also decide if necessary, whether the members of the Board and the external auditors are appointed or reappointed. Other points may also be included in the agenda for discussion or approval.

##### b. The Extraordinary General Assembly

An Extraordinary General Assembly must be called by the Board when the Board wishes to ask the Company's shareholders to approve decisions when the Company must ask its shareholders to approve decisions related to

1. Amending the Company's bylaws, except for amendments which are deemed null and void pursuant to the provisions of the Companies Law;
2. Increasing the Company's share capital in accordance with the situations provided by the Companies Law and Its Implementing Regulations;
3. Decreasing the Company's share capital if it exceeds the Company's needs or in the event the Company incurs financial losses, in accordance with the situations provided by the Companies Law and Its Implementing Regulations;
4. Resolving to form a consensual reserve for the Company as provided for in its bylaws to be set aside for a specific purpose, and the disposal thereof;
5. Resolving to maintain or liquidate the Company before the end of the term specified in its bylaws;
6. Approving the Company's shares buy-back

7. Issuing preferred shares or approving their buying, or converting ordinary shares into preferred shares or converting preferred shares into ordinary shares as per the Company's bylaws and the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies;
8. Issuing debt instruments or financing deeds convertible into shares, and stating the maximum number of shares that may be issued against these instruments or deeds;
9. Allocate Shares that are issued upon the capital increase or part of them for the employees of the Company, and its affiliates or some of them, or any of them; and
10. Suspending preemptive rights of shareholders in subscribing for the capital increase in exchange for cash or giving priority to non-shareholders in cases as deemed in the interest of the Company if so is provided for in the Company's bylaws.

#### 7.4.3 Participating in the General Assembly of Shareholders

Shareholders can participate in the GA either by participating in person or through proxy.

##### a. Participating in person

In order to attend an Assembly in person, the shareholder must hold shares of the Company which must be registered in the Register of Shareholders on the date the company issues the notice of the meeting.

##### b. Participating through Proxy

A shareholder may participate and vote in the General Assembly through proxy, i.e. having another person attend and vote on the shareholder's behalf. In order to attend by proxy, the shareholder needs to issue a proxy to another shareholder or any person, other than a board member, member of management, or an employee of the Company. A single proxy holder cannot hold proxies for more than 5% of the Company's shares unless they are holding proxy for a group of related companies or one family or its members.

The name of the person attending and identification / passport number must be written on the proxy form and the proxy must contain information specifying the meeting the proxy-holder will attend on behalf of the shareholder.

A shareholder may indicate his voting instructions on the proxy form. He may indicate whom he wants to vote for, against or to abstain from each agenda item which will be voted on during the Assembly.

If the shareholder does not fill out the boxes provided to indicate his preference and send in a blank proxy form, the Company will consider as if no vote has been cast by that shareholder.

#### 7.4.4 Shareholders Voting Rights

Voting is deemed to be a fundamental right of a shareholder, which should not, in any way, be denied. The company must avoid taking any action which might hamper the use of the voting right; a shareholder must be afforded all possible assistance as may facilitate the exercise of such right.

Directors are elected by shareholders voting.

#### 7.4.5 Submission of Information to Shareholders

- a. The following information and documents should be made available to shareholders prior to the AMGA:
  1. The report of the Board of Directors to shareholders;
  2. The annual financial statements, including the balance sheet, profit and loss statement, statement of cash flows, and notes to the financial statements;
  3. The report of the External Auditors;
  4. Information on proposed candidates for the position of the Director;
  5. The draft of amendments to the Charter, if any;
  6. The draft of the new version of the Charter, if any;
  7. Drafts of any internal documents of the Company if same have been submitted for approval from the General Assembly;
  8. The annual report;
  9. The recommendations of the Board on the distribution of profits, including the amount of dividends and the procedure for their payment, and on the distribution of losses of the Company based on the results of the fiscal year;
  10. Remuneration of the Board members
  11. Information regarding the position of the Board of Directors and any dissenting opinions of directors on each agenda item; and
  12. Any other information required by the Law, CMA, SAMA and internal documents of the Company.
- b. If the agenda of the AMGA includes the election of the Board of Directors and the Audit Committee members, individual Director and the approval of the External Auditors, information as to the existence of the written consent of the candidates should also be provided to shareholders.

- c. If the agenda of the AMGA includes items that can trigger redemption rights, the following information and documents should be made available for shareholders during the preparation for the General Assembly:
  - 1. The report of the Independent Appraiser on the market value of shares of the Company, the redemption of which can be requested;
  - 2. Information regarding the value of the net assets of the Company; and
  - 3. The minutes (or an excerpt from the minutes) of the Board of Directors' meeting that determined the redemption price for shares and indicated that redemption price.
  
- d. If the agenda of the AMGA includes the reorganization of the Company, the following information and documents should be made available for shareholders during the preparation for the AMGA:
  - 1. The basis or grounds for the terms and procedures of the reorganization that is contained in the decision on the consolidation, merger, split-up, divestiture, or transformation, or in the contract on merger or consolidation that is approved by the relevant Board;
  - 2. The annual reports and the financial statements of all companies involved in the reorganization for the last three fiscal years, or for all completed fiscal years if the Company was established less than three years ago; and
  - 3. The year-to-date financial statements up to the quarter that precedes the date of the General Assembly.
  
- e. Information and materials that will be submitted to the persons entitled to participate in AMGA will also be made available at the headquarters of the Company to facilitate access to and familiarization of the same. Shareholders also reserve the right, having provided prior written notice, to inspect the books and constitutional documents of the Company at the head office.
  
- f. If the agenda of the AMGA includes the election of members to the Board of Directors or the proposed External Auditors of the Company, the candidates should be present when the General Assembly discusses this issue with the exception of the external auditors when their election is being discussed.

#### 7.4.6 Submission of Information to CMA

The Company shall announce to the public and inform the Authority and the Exchange, as per the rules prescribed by the Authority, of the results of a General Assembly meeting immediately following its conclusion and shall grant the shareholders an access to the minutes of the General Assembly meeting; and the

Company shall provide the Authority with a copy of such minutes within (10) days of the date of any such meeting.

## 7.5 Dividends

- a. The declaration and distribution of dividends shall be in accordance with the Company's bylaws. Shareholders should be informed of that policy during the General Assembly and reference thereto should be made in the report of the Board of Directors.
- b. The General Assembly may approve the dividends proposed by the Board and the date of distribution. These dividends, whether they be in cash or bonus shares should be given, as of right, to the shareholders who are listed in the records kept at the Securities Depository Center as they appear at the end of trading session on the day on which the General Assembly is convened.

## SECTION 8: POLICIES

### 8.1 Code of Ethics and Business Conduct

#### 8.1.1 Honesty and Integrity

The success of the Company's business is dependent on the honesty, integrity and confidence earned from its employees, customers, and shareholders. The Company gains credibility by adhering to its commitments, displaying honesty and integrity and achieving company goals solely through honorable conduct. The Company shall lead by example and will ultimately be judged on its actions.

Employees should ask whether particular actions will build trust and credibility for the Company and whether such action will help create a working environment in which the Company can succeed over the long term. The Board Members, Senior Managers, and employees shall strive to build a reputation for the Company of honor and integrity.

#### 8.1.2 Conflicts of Interest

The Company's Conflict of Interest Policy as approved by the Board of Directors and the General Assembly of Shareholders shall be adopted herein and implemented by the Company.

Members of the Board and Senior Managers who own an interest in an Insurance Service Provider (e.g. brokers, agents, etc.) shall:

- a. disclose to the Board their interest in the insurance-related company, in writing, immediately upon acquiring any interest;
- b. never encourage or solicit dealings with the Company in which they hold an interest; and
- c. refrain from voting in decisions related to dealings with the Company in which they hold an interest.
- d. Notifying the Authority and the public without any delay of that contract or transaction if it equals to or exceeds 1% of the Company's total revenues according to the last annual audited financial statements.

The General Assembly of Shareholders shall be notified of any transactions with any insurance-related company in which a Board Member, committee member, or Senior Manager has any interest. The disclosure to the General Assembly shall be accompanied by a report from an external auditor regarding the conflict of interest.

In addition, the Chairman shall provide the General Assembly of Shareholders with details of insurance contracts in which Board Members or Senior Management or their Related Parties have an interest, including the line of business, size and losses (if any).

### 8.1.3 Disclosure Policy

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.

Any disclosure to the public and the regulatory authorities shall be clear, fair, and not misleading. The Company is under obligation to ensure that it promptly discloses to the public and the regulatory authorities any material developments which are not public knowledge and which may have an effect on the assets and liabilities or financial position or on the general course of business of the Company or its subsidiaries, which lead to movements in the price of its shares, or significantly affects the Company's ability to meet its commitments in respect of debt instruments.

In determining whether a development is material, the Company shall assess whether any investor would likely take into consideration the development when making investment decisions regarding the Company's shares.

The Company will make certain that all disclosures made in financial reports and public documents are full, fair, accurate, timely and understandable. This obligation applies to all employees with any responsibility for the preparation for such reports, including drafting, reviewing and signing or certifying the information contained therein, as well as to Senior Management and Board and Committee members. There is no excuse for misrepresenting facts or falsifying records, which shall not be tolerated for any reason whatsoever.

Employees should inform Senior Management and the Compliance and Audit departments if they learn that any information in any filing or public communication was untrue or misleading at the time it was made or if subsequent information would affect a similar future filing or public communication.

The Company will also not selectively disclose (whether in one-on-one or small discussions, meetings, presentations, proposals or otherwise) any material non-public information with respect to the Company, its securities, business operations, plans, financial condition, results of operations or any development plan. The Company shall be particularly vigilant when making presentations or proposals to customers to ensure that our presentations do not contain material non-public information.

All communications shall be made in compliance with SAMA's Insurance Corporate Governance Regulations and the CMA's Disclosure Rules, the Listing Rules, and other relevant laws.

The Company ensures that all announcements are required to be prepared and endorsed by the Management and approved by Executive Committee Chairman (EC).

#### 8.1.4 Accountability

The Board, its committees, Senior Management and Employees are responsible for knowing and adhering to the values and standards set forth in this Code of Ethics and the Corporate Governance Manual, and for raising questions if they are uncertain about Company policy. The Senior Management shall be accountable to the Board while the Board shall be accountable to the Company's Shareholders and SAMA.

The Company takes the standards set forth in the Code seriously, and violations are cause for disciplinary action up to and including termination of employment or removal from the Board or its committees. Concerns whether the Company's standards are being met or awareness of violations of the Code or Corporate

Governance Manual must be raised to the Compliance and Internal Audit department or the Audit Committee.

### 8.1.5 Compliance with Laws and Regulations

The Company's commitment to integrity begins with complying with laws, rules and regulations in the Kingdom of Saudi Arabia. Directors, executives and employees must have an understanding of the company policies, laws, rules and regulations that apply to their specific roles. In the event of uncertainty whether a contemplated action is permitted by law or the Company's policy, advice and guidance should be sought from the Legal and Compliance departments. The Board, Senior Management, and employees are responsible for preventing violations of law and for speaking up if they discover or know of any possible violations.

The Company shall comply with all laws, regulations, directives, and instructions issued by SAMA, the CMA, and any other regulations applicable in the Kingdom of Saudi Arabia, including the Insurance Corporate Governance Regulation, the Listing Rules, and the Companies Regulations among others.

### 8.1.6 Confidential and Proprietary Information

Integral to the Company's business success is our protection of confidential Company information, as well as non-public information entrusted to us by employees, customers and other business partners. Confidential and proprietary information includes such things as pricing and financial data, customer names/addresses, and financial information and/or non-public information about other companies, including current or potential supplier and vendors. The Company will not disclose confidential and non-public information without a valid business purpose and proper authorization.

It is equally important that the Company respects the property rights of others. The Company will not acquire or seek to acquire improper means of a competitor's trade secrets or other proprietary or confidential information. The Company will not engage in unauthorized use, copying, distribution or alteration of software or other intellectual property.

### 8.1.7 Protection of Company's Assets

Company resources, including time, material, equipment and information, are provided exclusively for business only. Board Members, Senior Managers,

employees and those who represent the Company are trusted to behave responsibly and use good judgment to conserve company resources. Managers are responsible for the resources assigned to their departments and are empowered to resolve issues concerning their proper use.

Generally, Company equipment such as computers, copiers and fax machines shall not be used in the conduct of an outside business or in support of any religious, political or other outside daily activity, except for company-requested support to non-profit organizations or other functions approved by the management. Solicitation of contributions or distribution of non-work related materials during work hours is prohibited.

In order to protect the interests and assets of the Company and our employees, the Company reserves the right to monitor or review all data and information contained on an employee's company-issued computer or electronic device, the use of the Internet or the Company's intranet. We will not tolerate the use of company resources to create, access, store, print, solicit or send any materials that are harassing, threatening, abusive, sexually explicit or otherwise offensive or inappropriate.

Inquiries about the proper use of Company resources should be directed to the Compliance department.

#### 8.1.8 Fair Dealing

Members of the Board and its committees, Senior Managers, and employees shall deal fairly with the Company's customers, suppliers, competitors, independent auditors, Shareholders, and one another and shall not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing or practice.

The work environment shall be an environment where everyone is treated with dignity and respect. The Company is committed to creating such an environment to bring out the full potential of each person, which, in turn, contributes directly to its business success.

The Company is an equal employment employer and is committed to providing a workplace that is free of discrimination of all types from abusive, offensive or harassing behavior. Any employee who feels harassed or discriminated against should report the incident to his or her manager, human resources, or the Compliance department.

#### 8.1.9 Guidelines of Ethical Conduct

At times, Senior Management and employees may be faced with decisions they would rather not have to make and issues they would prefer to avoid. Senior Management and employees of the Company must exercise all reasonable care in taking decisions with the confidence that the Company is committed to acting in an ethical and fair manner at all times. In doing so, this may require the Company to comply with more than the minimum requirements of the law.

While the Company's guidelines of ethical conduct cannot address every issue or provide answers to every situation, it can define the spirit in which the Company intends to do business and will act as a guidance on day-to-day affairs.

Senior Management have the added responsibility for demonstrating, through their actions, the importance of the Code of Ethics and Business Conduct. Ethical behavior is the product of clear and direct communication of behavioral expectations set by the management as an example.

Senior Management must be responsible for promptly addressing ethical questions or concerns raised by employees and for taking the appropriate steps to deal with such issues. Managers should not consider employees' ethics concerns as threats or challenges to their authority, but rather as another encouraged form of business communication.

#### 8.1.10 Policy for Confidential Reporting (Whistle Blowing Policy)

Every employee is a principal resource for the Company to detect and prevent any unethical or unlawful business practices by any employee(s), customer(s) or others. Such practices must be communicated to the senior management. Concealment, avoidance and showing nonchalant attitude towards any misconduct, unethical and or unlawful business practice or activity, which an employee may notice and understand, will complicate the problem and may cause increased pecuniary and reputational damage to the Company. Hence the Company expects the employees to raise their concerns if appropriate, to their superiors or senior management.

The Company has the policy for all shareholders to raise ethical concerns, evidence of misconduct, or violations in a confidential manner and without the fear of retribution. Concerns may include internal accounting controls and questionable accounting matters. A staff member may raise any of their concerns, suspicions or any other claims of violations, which might jeopardize the interests of the Company, by referring to the Company's Whistle blower policy.

#### **ATC's Whistle Blower Policy**

a. Preface

This policy addresses the Company's commitment to conduct the affairs of the Company in a fair and transparent manner, by adopting highest standards of professionalism, honesty, integrity and ethical behavior. This Policy establishes and defines procedures that allows employees of ATC and other interested parties to and confidentially submit their concerns to the Chairman of the AC. The functions of the Whistle Blower Committee will be performed by the AC.

b. Purpose

1. All employees should maintain the highest standards of ethical business conduct in the performance of their Company responsibilities. As employees and representatives of the Company, they must practice honesty and integrity in fulfilling their responsibilities and comply with all the applicable local and federal laws and regulations.
2. Accordingly, every employee, Director and Officer of the Company has an ongoing responsibility to report any activity or suspected activity of which he or she may have knowledge, and which might be prohibited by the Company or which might otherwise be considered sensitive in preserving the interests of the Company.
3. The objectives of the policy are as follows:
  - i. To provide a mechanism to employees / stake holders / business partners etc., to approach the AC of the Company and disclose unethical / improper practices or any other alleged wrongful conduct in the Company.
  - ii. To enable a person, who observes an unethical practice (whether or not a violation of law), to approach the AC without necessarily informing their supervisors.

c. Definitions

1. Audit Committee is a committee appointed by a Company's Board of Directors to assist in their oversight responsibilities relating to the Company's financial accounting and reporting practices and controls, compliance with legal and regulatory requirements, performance of the Company's Internal Auditors and External Auditors.
2. Employee means every employee of the Company (whether working in corporate office or on locations), including the members of the Board of Directors of the Company.

3. Code means ATC Code of Conduct.
4. Protected Disclosure means any non-anonymous communication made in good faith that discloses or demonstrates information that may evidence unethical or improper activity.
5. Subject means a person against or in relation to whom a Protected Disclosure has been made or evidence gathered during the course of investigation.
6. Whistle blower means a person or entity making a disclosure of any unethical activity that they have observed. Whistle blower can be employees, contractors, contractor's employees, clients, vendors, internal or external auditors, law enforcement / regulatory agencies or other third parties.
7. Ethical behavior means being in accordance with the accepted principles of right and wrong that govern the Company's Code of Conduct / Ethics and including but not restricted to financial impropriety and accounting malpractices.
8. Professional behavior means exhibiting a courteous, conscientious and generally businesslike manner in workplace that strives to maintain a positive regard to other while avoiding excessive display of deep feeling.

d. Applicability

This Policy applies to all the employees of the Company. This is also applicable to all the third parties who agree to follow the applicable ATC Policies.

e. Scope of Policy

The Policy intends to cover the following information on suspected unethical and improper practices or wrongful conduct, which employees in good faith believes to exist:

1. Manipulation of company data / records;
2. A substantial and specific danger to public health and safety;
3. An abuse of authority;
4. Leaking confidential or proprietary information;
5. Violation of any law or regulations;
6. Gross wastage or misappropriation of company funds/assets;
7. Questionable accounting or auditing matters;
8. Any material misrepresentation in any written or oral disclosure made by or on behalf of the Company;
9. Instances of corporate fraud;
10. Misleading or coercion of auditors; and
11. Activities violating policies including Code of Ethics and Conduct

The above list is only illustrative and should not be considered as exhaustive.

f. Constitution of Whistle Blower Committee

1. The Chairman of the Audit Committee will be the Chairman of “The Whistle Blower Committee” and members of the AC will also act as members of the Whistle Blower Committee.
2. The Committee should be entrusted with various functions under this Policy including receipt of disclosures and investigation of matters.

**Whistle Blower Procedures**

a) Communication Channels

1. Any employee who observes any unethical and improper practices or alleged wrongful conduct should make a disclosure to the Whistle Blower Committee, the communication channels given below:
  - i. Telephone Call;
  - ii. E – Mail;
  - iii. Send a written concern; and
  - iv. Meeting personally with the Committee.
2. Any Protected Disclosures concerning financial / accounting matters may be addressed to the Chairman of the Audit Committee of the Company for investigation, if the Whistleblower intends to do so.
3. All the disclosures must be in writing and be reported in writing to ensure a clear understanding of the issues raised. If reported orally, the oral reports will normally be documented by the Members / Chairman of the Whistle Blower Committee.

b. Investigation

1. The AC should appropriately and expeditiously investigate all non-anonymous whistle blower reports received.
2. The AC should have the right to call for any information / document and examination of any employee of the Company or other person(s) as they may deem appropriate for the purpose of conducting investigation under this policy.

3. The Chairman of the AC will make a recommendation based on the findings of the members of the committee to the Board of the Company.

c. Recommendation to Board

Once the investigation is considered to be complete by the AC, the AC should report the matter to the Board with recommendation for further actions on a case by case basis.

d. Remedies and Discipline

If the Board determines that a compliance or ethical violation has occurred, it should take the following action to rectify it:

1. Any person found guilty of violation of ATC's Code of Conduct, will be subject to disciplinary action up to and including termination of employment;
2. Appropriate procedures, policies and controls will be established in all departments to ensure early detection of similar violation; and
3. During the investigation period or at any time thereafter, if any employee is found to be (a) retaliating against the complainant, (b) coaching witnesses or (c) tampering with evidence, then it would lead to severe disciplinary action including termination of employment.

e. Documentation and Reporting

1. All documentation pertaining to the complaint including but not restricted to the investigation report, AC report and corrective action taken report will be maintained for such a period as deemed necessary. However, it should be maintained for a minimum period of 10 years.
2. Where possible and where it is determined appropriate by the AC, notice of any corrective action taken will be given to the person who submitted the concern or complaint.

f. Protection

1. No discrimination, harassment, victimization or any other unfair employment practice such as retaliation, threat or intimidation of termination/suspension of service, disciplinary action, transfer, demotion, refusal of promotion, or the like will be adopted against Whistle blowers.

2. A Whistle blower may report any violation of the above clause to the Chairman of the Whistle Blower Committee, who should investigate into the same and recommend suitable action to the management which may inter alia include:

- i. Reinstatement of the employee to the same position or to an equivalent position.
- ii. Order for compensation for lost wages, remuneration or any other benefits etc.

g. Other Matters

1. Anonymous Complaints

This Policy does not allow anonymous complaints. To warrant an investigation, individuals must put their name to any disclosures made.

2. Confidentiality

The Company will treat all disclosures in a sensitive manner and will endeavor to keep the identity of an individual lodging a complaint confidential. However, the investigation process may inevitably reveal the source of the information and the individual making the disclosure may need to provide a statement which cannot be kept confidential, should legal proceedings arise.

3. Untrue / Malicious / Vexatious Allegations

If an individual makes an allegation, which is not confirmed by subsequent investigation and the investigation shows that an individual has made malicious or vexatious allegations for personal leverage or unethical reasons, and particularly if he or she persists with making them, disciplinary action may be taken against the individual. The Disciplinary action may include:

- i. Suspension (with pay);
- ii. Suspension (without pay);
- iii. Written warning;
- iv. Demotion; and
- v. Termination.

4. Notification

All departmental heads are required to notify and communicate the existence and contents of this Policy to the employees of their department. New employees should be informed about the Policy by the Human Resources & Administration department and a statement in this regard should be periodically submitted to the Audit Committee.

#### 5. Annual Review

The AC will review the “Whistleblower” procedures annually and make modifications if required or as deemed appropriate. However, no such amendments or modifications will be binding on the employees unless the same is notified to the employees in writing.

#### 6. Administration

The AC has the responsibility for administration of the policy and procedures set forth herein.

## 8.2 Policy for dealing with Minority Shareholders

### 8.2.1 Definition

Minority shareholders are those shareholders who represent a class of shareholders that do not control the Company and hence they are unable to influence the Company.

### 8.2.2 Purpose

The purpose of this policy is to assure there is effective protection for the rights and interests of all categories of shareholders as well as to prevent any conflict of interests. The policy is intended to monitor the interests of the shareholders and the pursuit of dialogue with respect to corporate governance and ensure the equitable treatment of all shareholders.

### 8.2.3 Responsibilities

- a. The Board of Directors should examine issues coming from minority shareholders; explain the norms of shareholder rights; carry out the role of a go-between in disputes between parties to a corporate conflict.
- b. The Board should supervise the implementation of ATC's executive authorities of its information policy when dealing with the issue of control of accessibility by minority shareholders to channels via which information is disclosed. The Board of Directors should draft recommendations on improving the communication activity, openness and transparency, equality of rights for all shareholders and for the timely receipt of the required information.
- c. The Board should carry out a preliminary examination of all drafts of substantive corporate actions, with respect to protecting the rights of

minority shareholders and assuring extra measures guaranteeing that minority shareholders are provided with the opportunity to influence the pursuit of these actions.

- d. The Board should carry out a preliminary examination of issues relating to the preparation and holding of the meeting of shareholders. It should make recommendations on measures that will assure extra guarantees for the exercise of rights of minority shareholders. The Board, as represented by the majority of its members, should attend the meetings of shareholders in order to carry out a dialogue outside the obligatory rules of procedure of the meeting.
- e. The Board should, from the positions of protecting the rights of minority shareholders, carry out the analysis of:
  1. Charter and internal documents of the company;
  2. the existing legislation and the best practice of its application;
  3. leading norms of corporate governance; and
  4. Draft laws and decisions of regulating authorities.
- f. The results of the analysis carried out should be formalized by reports, conclusions and reviews.

## APPENDICES:

The Board may choose to amend, add or update appendices as and when required in line with business requirements and needs.

## APPENDIX 1:

**Independence Questionnaire for the Candidates Applying for Board Membership and to be signed by all Board members annually:**

### **A) State the companies you have been a Board Member on:**

#### Company 1:

Company Name:

Number of Board Members:

Dates of Board Membership: Time period from year \_\_\_\_\_ to \_\_\_\_\_

Nature of Membership: Executive  Non-Executive  Independent

#### Company 2:

Company Name:

Number of Board Members:

Dates of Board Membership: Time period from year \_\_\_\_\_ to \_\_\_\_\_

Nature of Membership: Executive  Non-Executive  Independent

#### Company 3:

Company Name:

Number of Board Members:

Dates of Board Membership: Time period from year \_\_\_\_\_ to \_\_\_\_\_

Nature of Membership: Executive  Non-Executive  Independent

#### Company 4:

Company Name:

Number of Board Members:

Dates of Board Membership: Time period from year \_\_\_\_\_ to \_\_\_\_\_

Nature of Membership: Executive  Non-Executive  Independent

### **B) Personal Information:**

- Full Name
- Other Names
- Occupation/Job Title
- State your full job description, responsibility and duties for the job you are nominated for and attach your updated CV
- Address
- DOB and the place
- Nationality
- Qualification

**C) Work Experience for the past 10 years: Details including (previous positions, company, dates, responsibility and duty; reasons for leaving)**

**D) Refer to the previous question, where you worked as board members or mangers (provide details)?**

**E) Are you currently a share holder in any company that is currently, or intends to in the future, subject to the governance of the CMA or the insurance regulator in Saudi Arabia (provide details)?**

**F) Refer to C, D, and E: Would any of these companies's have a relation with AlAhli Takaful (provide details)?**

**G) Good conduct information:**

- Do you have any criminal conviction by any court or law enforcement agencies?
- Are you subject to any court decision made against you relating from an action investigating your business or financial activities?
- Have you been questioned about the possibility of your involvement in irregular business or other financial activities; inside or outside Saudi Arabia?
- Have you been a Board member in any company where Board members have been dismissed?
- Have you been a Board member in any company that has gone bankrupt?
- Have you been terminated as a Board member from any company?
- Have you been in a managerial position and your authority has been taken away from you?
- Have you been unable to be paying any debt and if so has any refinance or loan forgiveness occurred in that case?
- Have you been in a bankruptcy situation by court order?
- Have you got any order from the peacemaking authority?

**H) Other information.**

- If selected as a Board member of AlAhli Takaful, will you continue to hold a position where you work for, consult or make decisions for another Company?
- How many shares you or your other relatives hold in the AlAhli Takaful?
- Do you or your other relatives hold a share in ATC as a guardian or on behalf of someone?
- Do you have relatives in the Board of AlAhli Takaful or its group companies?
- Do you have relatives as senior executive members of AlAhli Takaful or its group companies? If yes, then please provide the relationship with that relative.
- During the past three years, have you ever been a major business partner of the Company?
- During the past 3 years, have you been attached to a consultancy company providing consultancy services to the Company or any of its Associated Companies?
- Do you have any associations with, or are you an employee with any of the current or the past External Auditors of the Company or any of its Associated Companies?

**I) Reference Details:**

Reference # 1:

Name:  
Position:  
Phone no:  
Fax no:  
Email:

Reference # 2:

Name:  
Position:  
Phone no:  
Fax no:  
Email:

Reference # 3:

Name:  
Position:  
Phone no:  
Fax no:  
Email:

**All information provided above is true and signed by:**

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Signature:

## APPENDIX 2:

### Statement of non-conflict of interest

This is to certify that I, (except as described below) am not now nor at any time during the past year have been:

1) A participant, directly or indirectly, in any arrangement, agreement, investment, or other activity with any vendor, supplier, or other party; doing business with ATC which has resulted or could result in personal benefit to me.

2) A recipient, directly or indirectly, of any salary payments or loans or gifts (above SAR 1,000 in value) of any kind or any free service or discounts or other fees from or on behalf of any person or organization engaged in any transaction with the ATC.

Any exceptions to 1 or 2 above are stated below with a full description of the transactions and of the interest, whether direct or indirect, which I have (or have had during the past year) in the persons or organizations having transactions with the ATC.

I further certify that neither I, nor any members of my immediate family, have any other financial or non-financial interest that has not been otherwise disclosed to the Board of ATC that could reasonably affect or appear to affect my position.

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Sign \_\_\_\_\_ Date \_\_\_\_\_

Printed Name: \_\_\_\_\_



## APPENDIX 3:

### Board and Directors' Self Evaluation

Section 1- Chairman of the Board					
	Current performance				
	Strongly Disagree	Disagree	Neither disagree nor Agree	Agree	Strongly Agree
During the current governance year the Chairman:	1	2	3	4	5
1. Was recruited, selected and employed by the Board of Directors and that the Board provided clearly written expectations and qualifications for the position as well as reasonable compensation					
2. Was provided with a clear role and he/she acted strictly in the governance capacity focused on governance, monitoring policy and planning					
3. Encouraged open discussion during board meetings					
4. Made available sufficient time for discussion at meetings					
5. Included what is important on the meeting agenda					
6. Provided for sufficient and appropriate material to be sent to Board members in advance of meetings					
7. Encouraged Director participation in meetings					
8. Provided adequate exposure of other key members of management to the Board					
9. Ensured quality presentations are made to the Board and Committees					
10. Adequately oriented new Board members					
11. Adequately communicated with Board members between meeting dates					
12. Ensured adequate financial information is provided to the Board					
13. Ensured adequate competitive information is provided to the Board					
14. Allowed the Board to discuss important issues before plans were set					
15. Made all sides of an issue known to the Board					
16. Was effective overall as a leader					
17. What one change would most improve the Chairman's effectiveness? (Your comments will be typed and summarized to protect your anonymity before being presented to the Chairman)	<b>Note:</b>				

Section 2 – The Board					
	Current performance				
	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
During the current governance year the Board was:	1	2	3	4	5
1. The Board was sufficiently supportive of the CEO					
2. The right number of Board Committees existed to get the work done					
3. Board Committees included qualified people to fulfill their tasks					
4. Provided regular training and information relating to their responsibilities					
5. All Board members were provided with a Director's handbook and were aware of ATC's corporate governance framework					
6. Board Committees kept other Board members Informed					
7. Clear in identifying and making decisions that would effect the goals and organizational targets through relevant and realistic strategic planning					
<b><i>The Board effectively participated in</i></b>					
1. The Company's strategic planning					
2. Monitoring the Company's strategy					
3. Reviewing the company's operating/ financial performance					
4. Reviewing the Company's corporate governance structure and all charters during this governance year					
5. Developing succession plans for key jobs					
6. Evaluating the Chairman					
7. Making compensation decisions					
8. Reviewing management's performance and ethics					
9. Orienting new board members and providing them with ATC's mission, charter, policies, as well as their roles as Board members					
10. Protecting privacy of what occurred at Board meetings					
<b><i>Additional criteria</i></b>					
11. The Board acted as a governing body for ATC on behalf of the shareholders and other stakeholders while carrying out ATC's strategic					

Section 2 – The Board					
	Current performance				
	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
During the current governance year the Board was:	1	2	3	4	5
objectives					
12. The Board refrained from micro-management					
13. The Board has a written policy prohibiting employees and members of employees' immediate families serving as Board members of members of Board committees. The Board has adhere to this policy during this governance year					
14. The Board avoided conflicts of interest and all Board members have reviewed and signed an acknowledgement of ATC's conflict of interest policy and compliance to the same					
15. The Board was made aware of any transactions between Board members or their family and that there was full disclosure made to public and regulators					
16. The frequency of Board meeting were appropriate, and in the least on a quarterly basis					
17. The location of Board meetings was satisfactory					
18. The facilities where the Board meetings occurred were satisfactory					
19. The Board was made up of the right number of people					
20. All Board meetings had written agendas and that materials relating to significant decisions were provided to the Board in advance of the meetings.  Indicate the number of times the materials were not adequate or distributed in a timely fashion					
21. Board meetings facilitated the focus and progress on important organizational matters					
22. The Board was provided with regular reports on finances, budgets, products, programmes, performance and other important matters					
23. The Board regularly monitored and evaluated progress made towards strategic ATC goals and product/ program performance					
24. The Board had an effective process for handling urgent matters that arose between regular Board meetings					
25. The process for selecting new Directors was					

Section 2 – The Board					
	Current performance				
	Strongly Disagree	Disagree	Neither Disagree nor Agree	Agree	Strongly Agree
During the current governance year the Board was:	1	2	3	4	5
appropriate					
26. The Board was made up of a diverse group of people (age, background, experience. etc.)					
27. The composition of the Board, including details of the Chairman and all of the members was adequately disclosed as required by the regulations					
28. Overall, the Board was effective					
29. What one change would most improve the Board's effectiveness? (Your comments will be typed and summarized to protect your anonymity before being presented to the Chairman)	<b>Notes:</b>				

**Section 3 – Individual Board Members - Questions to be answered by individual members for themselves and for other members of the Board**

**Throughout the Current governance year you and other Board members:**

<p><b>1. Attended at least two thirds of all Board Meetings:</b></p> <p>Comments about self:</p>	
<p>Comments about other Board Members</p>	
<p><b>2. Were well prepared for Board Meetings:</b></p> <p>Comments about self:</p>	
<p>Comments about other Board members</p>	
<p><b>3. Actively participated in Board meetings:</b></p> <p>Comments about self:</p>	
<p>Comments about other Board members:</p>	
<p><b>4. Were key contributors to the Board:</b></p> <p>Comments about self:</p>	
<p>Comments about other Board members:</p>	
<p><b>5. Were open to suggestions and ideas:</b></p> <p>Comments about self:</p>	

**Section 3 – Individual Board Members - Questions to be answered by individual members for themselves and for other members of the Board**

Comments about other Board members:	
<b>6. Sufficiently challenged the Chairman:</b> Comments about self:	
Comments about other Board members:	
<b>7. Sufficiently supported the Chairman:</b> Comments about self:	
Comments about other Board members:	
<b>8. Actively participated in the governance, monitoring and planning process:</b> Comments about self:	
Comments about other Board members:	