



## Bylaws

# **SAUDI ENAYA COOPERATIVE INSURANCE COMPANY A SAUDI JOINT STOCK COMPANY**

## **(CHAPTER ONE)**

### **Incorporation**

#### **ARTICLE (1): Incorporation**

Saudi Enaya Cooperative Insurance Company shall be established in accordance with the Cooperative Insurance Companies Control Act Law, the Companies regulations, the Capital Market Law and its implementing regulations and the company's Bylaws as a Saudi joint stock company by and between the shareholders and pursuant to the provisions set forth herein under.

#### **ARTICLE (2): NAME OF THE COMPANY**

The name of the company is "**SAUDI ENAYA COOPERATIVE INSURANCE COMPANY**", (a **Saudi joint stock company**), and hereinafter referred to as ("**the company**").

#### **ARTICLE (3): OBJECTIVES OF THE COMPANY**

Practicing cooperative insurance operations in the health insurance, and the company has the ability to carry out all the operations that needs to be done to achieve its objectives. In addition, the company practices its activities in accordance with the cooperative insurance companies control act and its implementing regulations and provisions issued by the Saudi Arabian Monetary Agency (**hereinafter referred to as the "institution"**) and the applicable rules and regulations In the Kingdom of Saudi Arabia, after obtaining the necessary licenses from the competent authorities, if any.

#### **ARTICLE (4): PARTERSHIPS AND OWNERSHIP IN COMPANIES**

The company may establish a limited liability companies, or joint stock companies from one person. In addition, it may also own shares or proportions in other existing companies or merge with them and has the right to participate with others in establishing joint stock or limited liability companies - provided that, the companies that the company establishing or participates in, or merges with, carry out activities similar to their operations or financial operations or that help them achieve their objectives - after fulfilling the needed regulations and instructions in this regard, and after obtaining SAMA's approval.

#### **ARTICLE (5): HEAD OFFICE**

The Company's head office shall be in the city of Jeddah, KSA. The head office may, with the approval of SAMA, be transferred to any other city in the Kingdom of Saudi Arabia by resolution of the Extraordinary General Assembly. The company may establish branches, offices or agencies for the Company within or outside the Kingdom of Saudi Arabia after obtaining the approval of SAMA.

#### **ARTICLE (6): DURATION OF THE COMPANY**

The duration of the Company shall be ninety-nine (99) Gregorian years commencing on the date of its entry into the Commercial Register. The duration of the Company may be extended by resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of this term.

### **(CHAPTER TWO)**

#### **PRINCIPLES TO BE FOLLOWED BY THE COMPANY IN ITS OPERATIONS AND THE ATTAINMENT OF ITS OBJECTIVES**

#### **ARTICLE (7): THE INVESTMENTS OF THE COMPANY**

The Company shall invest the funds collected from the Policyholders and the Shareholders in accordance with the rules set by the Board of Directors, without prejudice to the Cooperative Insurance Companies Control Act and its implementing regulations and all relevant rules and instructions issued by SAMA or any other concerned authority.

### **(CHAPTER THREE)**

#### **CAPITAL AND SHARES**

#### **ARTICLE (8): CAPITAL OF THE COMPANY**

The share capital of the company is (150,000,000) one hundred and fifty million Saudi riyals, divided into **(15,000,000) fifteen million** registered shares of equal value, each with a value of (10) ten Saudi riyals, all are ordinary cash shares.

## **ARTICLE (9): SUBSCRIPTION OF THE CAPITAL**

The shareholders have subscribed in the company's share capital in full, and the subscription amount has been fully paid.

## **ARTICLE (10): SHAREHOLDER REGISTER**

Trading in the Company's shares shall be in accordance with the Capital Market Law and its implementing regulations.

## **ARTICLE (11): ISSUE OF SHARES**

All the shares of the company are nominal, and they may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the Shareholders' equity and may not be distributed as profits among the Shareholders. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share.

## **ARTICLE (12): TRANSFER OF SHARES**

**(12-1)** The shares subscribed for by the Founders shall not be transferable before publishing the financial statements for two full fiscal year, each consisting of twelve (12) months from the date of incorporation of the Company, and after obtaining SAMA's approval. A notation shall be made on the respective share certificates, indicating the class, the date of incorporation of the Company and the lock-up period.

**(12-2)** However, the title to the shares may still be transferred during the lock-up period in accordance with the legal provisions for the sale of rights from one Founder to another or from the heirs of a deceased Founder to a third party or in the case of execution on the insolvent or bankrupt Founder, provided that the other Founders shall have the right of first refusal.

**(12-3)** This Article shall apply to shares subscribed for by the Founders in case of increasing the capital before the expiry of the lock-up period.

**ARTICLE (13): INCREASE OF CAPITAL**

**(13-1)** The Extraordinary General Assembly may adopt a resolution to increase the company's capital - after the approval of SAMA and the Capital Market Authority, provided that the original capital shall have been paid in full. The company's capital is not required to be paid in full if the unpaid part of the capital belongs to shares issued in exchange for converting debt instruments or financing instruments into shares and has not expired after the period prescribed for converting them into shares.

**(13-2)** The Extraordinary General Assembly in all cases shall allocate the issued shares upon increasing the capital or a part thereof to the employees of the company and the subsidiary companies or some of them, or any of that. Shareholders may not practice pre-emptive rights when the company issue shares assigned to employees.

**(13-3)** The Shareholders shall be notified of the pre-emptive rights, if any, vested in them by notice to be published in a daily newspaper addressing the capital increase resolution, the conditions, duration, commencement and closing dates of subscription.

**(13-4)** The Extraordinary General Assembly shall be entitled to suspend such pre-emption rights in a cash capital increase or grant them to others when deemed to be in the Company's best interest.

**(13-5)** A Shareholder may sell or assign its pre-emption right during the period from the date of the General Assembly resolution approving the capital increase until the subscription closing date, in accordance with the guidelines set by the Capital Market Authority.

**ARTICLE (14): Decrease of Capital**

**(14-1)** Subject to the approval of the concerned authorities, the Extraordinary General Assembly may adopt the resolution to reduce the Company's capital if it proves to be in excess of the Company's needs or if the Company sustains losses - after seeking the approval of SAMA and the Capital Market Authority, provided that the paid-up capital for the insurance company after the capital reduction is not less than **one hundred million (100,000,000) Saudi riyals**. The paid-up capital of the reinsurance company or the insurance company that practices the re-insurance business is also not less than **two hundred million (200,000,000) Saudi riyals**. The reduction decision shall not be issued except after reading a special report prepared by the auditor on the

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reasons for it and on the company's obligations and the impact of the reduction on these obligations.

**(14-2)** If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

## **(CHAPTER FOUR)**

### **BOARD OF DIRECTORS**

#### **ARTICLE (15): MANAGEMENT OF THE COMPANY**

The company shall be managed by a board of directors composed of **eight (8) members** elected by the Ordinary General Assembly for a period not exceeding **three (3) years**. The number of members of the Board of Directors should not be less than **five (5) members** and not more than **eleven (11) members** and the composition of the Board of Directors must reflect the appropriate representation of independent members. In all cases, the number of independent members shall not be less than two or one third of the Board, whichever is greater. As an exception to the foregoing, the constituent assembly has appointed the Company's first Board of Directors for a period not exceeding **five (5) years**, starting from the date of publication of the Ministry of Commerce's resolution to incorporate the company.

#### **ARTICLE (16): Termination of Membership of the Board**

**(16-1)** The membership of the Board of Directors shall terminate upon the expiration of the Board session, resignation or death, or absent from **three (3) meetings** during **one (1) year** without a legitimate and acceptable excuse, or if it is established to the Board of Directors that the Board member has violated his duties in a way that harms the interest of the company, provided that this shall be effected with the approval of the Ordinary General Assembly, or the cessation of his membership in accordance with any law or directives in force in the Kingdom of Saudi Arabia, or if he is adjudged

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bankrupt or insolvent or makes any arrangement with his creditors or he ceases to pay his debts, or suffers from mental illness or physical disability that may lead to the inability of the member to fully perform his role, or if it is proven that he committed an act that violated honesty and morals or was convicted of forgery under a final ruling.

**(16-2)** The Ordinary General Assembly may, at any time, remove all or any of the Board members without prejudice to the right of the removed member to claim compensation from the Company if the dismissal was for unjustifiable reasons or at unsuitable time. The Board member may resign at any time, provided that such resignation is at appropriate time to the Board, otherwise the member shall be liable towards the Company for any damage arising from its resignation.

**(16-3)** If a member of the board resigns and has notes on the company's performance, he must submit a written statement with these notes to the Chairman of the Board of Directors, and this statement must be presented to the members of the Board of Directors.

**(16-4)** SAMA must be informed upon the resignation of any member of the Board or the termination of his membership for any reason other than the end of the Board session within five (5) working days from the date of leaving the work and taking into account the relevant disclosure requirements.

## **ARTICLE (17): VACANCIES**

If the position of a Board member becomes vacant, the Board may appoint a member in the vacant position temporarily regardless of the order of the number of obtained votes and subject to such member having the experience and efficiency to such member having the experience and efficiency and a "No Objection" letter is obtained from SAMA. Such appointment shall be notified to the Ministry of Commerce, as well as the Capital Market Authority, within five (5) business days from the date of appointment and presented before the first meeting of the Ordinary General Assembly. The term of office of the new member designated to fill a vacancy shall only extend to the term of office of his predecessor.

## **ARTICLE (18): POWERS OF THE BOARD OF DIRECTORS**

**(18-1)** Subject to the powers reserved for the General Assembly, the board of Directors shall have the broadest powers in the management of the company - to achieve its purpose, except for what is excluded by company's bylaws or this system of business

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or behaviors that fall within the jurisdiction of the General Assembly. **Which includes but not limited to:**

- Opening, operating, managing, updating, closing, writing off and liquidating all the bank or investment accounts of the company and the companies affiliated with the company and signing all the necessary documents in this regard.
- Sign every and all transactions in all financial and investment banks, companies, institutions and companies inside or outside the Kingdom of Saudi Arabia, for example but not limited to, deposits, withdrawals, internal or external transfers, buying or selling currencies, requesting and receiving checks books, receiving all kinds of checks, receive or exchange or deposit it in the company's account, request the bank statements, and sign all the necessary documents related to those operations.
- Opening letters of credit, requesting the issuance all kinds of bank guarantees, and signing all the commercial documents and papers resulting therefrom.
- Signing all the necessary documents to register the company and certifying the signatures of the commissioners on behalf of the company with the Chamber of Commerce and Industry in the Kingdom of Saudi Arabia.
- Requesting loans and credit facilities in accordance with the legal controls from all banks or government financing institutions or other lenders inside and outside the Kingdom of Saudi Arabia and approving them and signing their contracts and agreements and all the required documents whatever their duration or amounts and the conditions that the Board deems appropriate. In addition, the Board shall exercise all the powers of the company in borrowing and collecting funds, and signing and providing all the necessary guarantees, including legal guarantees, to guarantee the facilities of these loans, such as mortgages, bonds for an order, and other commercial papers, stock certificates, and other guarantees or cash.
- Signing all contracts and agreements on behalf of the company, including but not limited to leasing and/or sale and/or assignment and/or purchase and acceptance and/or mortgages and/or loans and/or customer offers and/or commercial agencies, and other contracts, agreements, and documents with any other party on behalf of the company for the company's interest, including emptying, selling, buying, renting, leasing, mortgage, releasing mortgage and encashment the price, receipt, delivery, extracting, amending, renewing, and replacing the lost or damaged deeds, splitting, dividing, merging, sorting, and marginalizing all of them in front of all the writings of



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justice and the competent authorities for all real estate, buildings and lands and signing all contracts and agreements related to that for the benefit of the company

- Documenting and signing the incorporation contracts and the partners decisions to amend the incorporation contracts in the companies which the company participates, whether they are operating or special purpose companies, and whether they are existing or new companies, which include but are not limited to amending the terms of their management, increasing or reducing their capital or selling, or waiver, purchase, and acceptance of shares, whether in full or in part, or transfer of its legal entity, or any other amendments in front of the notary, as well as signing on the decisions of Boards of Directors or partners, or shareholder's assemblies or partners, as well as representing the company, voting, objecting, discussing, and signing on its behalf in all the necessary documents in all types of assemblies, including the Ordinary General Assembly or the Extraordinary General Assembly and others.

- Appointing employees and/or directors, and/or departments heads and other company employees in all their names and grades, determining their positions and wages, and give them the necessary powers or terminate them without prejudice to their rights.

- Recruiting labor and/or employees and/or consultants and others from outside the Kingdom of Saudi Arabia, submitting requests for obtaining and receiving visas, issuing and/or striking off and/or renewing residence permits, transferring iqamas, reviewing all embassies and consulates and signing all necessary documents.

- Appointment or terminate the consultants and experts, including lawyers, accountants, and arbitrators, to represent the company, act on its behalf, claim, defend, plead, reconcile, assign, comment, deny, accept and deny judgments, request the oath and return of it, hear claims, respond to it, deny lines and seals, and challenge them with forgery and follow-up on every case raised by or against the company or from the companies in which the company is a partner on behalf of the company, in front of all governmental and semi-governmental bodies, committees, courts and judicial authorities with various names and degrees inside or outside the Kingdom of Saudi Arabia, including without limitation, the Board of Grievances (Administrative Courts), Shari'a Courts, Appeal Courts, Arbitration Committees, Workers Committees in various degrees, the Commercial Securities Committee, the Banking Disputes Settlement Committee of the Corporation, the Securities Disputes Resolution

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Committee, the Customs Committees, and all the committees established by any authority or institution, etc., SAMA and the Financial Market Authority, the police, the emirates of the regions, the General Administration of Civil Rights in the Ministry of Interior, the Ministry of Foreign Affairs, the Chamber of Commerce and Industry, the municipalities, the Secretariat, the labor and recruitment offices, the General Directorate of Passports, and telecommunications companies licensed in the Kingdom of Saudi Arabia, the General Organization for Social Insurance, the General Authority of Zakat and Income, and all governmental, semi-governmental and private bodies or and institutions with various names, types and jurisdiction.

-The Board of Directors has the right to delegate any of its authorities to the Chairman and/or to the Managing Director (if appointed) or to any member of the Board of Directors or to any committee composed of members of the Board or to any of the employees working in the company or any third party. In addition, all these people have also the right, together or individually, to empower and/or delegate others.

- The Board of Directors may sell or mortgage the company's real estate and assets for the benefit of the company, **subject to the following conditions:**

**(A)** The Board shall determine in his decision to sell the reasons and justifications for it.

**(B)** That the sale shall be close to the same price.

**(C)** That the sale shall be presented, except in cases of necessity and with enough guarantees.

**(D)** Such behavior does shall not cause suspension of some of the company's activities or the imposition of other obligations.

-The Board of Directors shall determine in the cases to discharge the company's debtors from their obligations accordance to the company's interest, provided that the minutes of the Board of Directors and the reasons for its decision shall include the following conditions, **which are:**

**(A)** The release must be after a full year has passed since the debt had arisen.

**(B)** The release must be for a specified maximum amount per year for one debtor.

**(C)** The release is a right of the Board cannot be delegated.

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**(18-2)** The Board may also - within the limits of its competence – to authorize one or more of its members or from others to undertake a specific business/businesses - in a manner that does not contradict with the relevant rules and regulations.

### **ARTICLE (19): REMUNERATION OF BOARD OF DIRECTORS, THE CHAIRMAN AND THE MANAGING DIRECTOR**

**(19-1)** The remuneration of the members of the Board of Directors shall be a certain amount, an attendance allowance for the sessions, in-kind benefits or a specific percentage of the net profits, and it is possible to combine two or more of these benefits.

**(19-1-1)** BOD Fees to SAR 140,000 per member while keeping the chairman of the board at SAR 180,000.

**(19-1-2)** The members of AC to SAR 120,000 and the Chairman of AC to SAR 150,000.

**(19-1-3)** For independent, external (non-board) members appointed on the Risk Committee, Nomination Committee, they will be eligible for an annual fee of SAR 60,000 as well as the standard sitting fees.

**(19-2)** In case the Company attains profits, it may distribute 10% of the net profit after deducting the reserves determined by the General Assembly in accordance with the Cooperative Insurance Companies Control Act and distributing at least 5% of the Company's paid-up share capital among the Shareholders. Entitlement to such distribution shall be proportional to the number of meetings attended by the member.

**(19-3)** In all cases, a Board member's total remuneration must not exceed **five hundred thousand (500,000 SR) Saudi riyals** per year (the members of the audit committee are excluded from that) according to the controls set by the Capital Market Authority.

**(19-4)** The report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all remuneration made to the members of the Board, attendance allowance and other expenses paid to the members of the Board of Directors within the fiscal year. The report shall also include a statement of the payments received by the members of the Board in return for technical, administrative or consultative services, as well a statement of the number of meetings attended by each member as from the date of the last meeting of the General Assembly.

**ARTICLE (20): POWERS OF THE CHAIRMAN, VICE-CHAIRMAN, MANAGING DIRECTOR AND SECRETARY**

The Board of Directors shall select from amongst its members a Chairman, Vice Chairman. The Board appoint a CEO and may also appoint a Management Director. The Chairman may not also hold any executive position in the Company. The Chairman shall be authorized to sign for the Company and enforce the resolutions of the Board. The Chairman of the Board of Directors is competent to represent the company in its relations with others, governmental and private bodies, in front of the judiciary, arbitration bodies, others, and to appoint or terminate consultants and experts, including lawyers, accountants, and arbitrators, to represent the company and act on its behalf. The Chairman of the Board of Directors may by written decision, delegate some authorities to other members of the Board or from others to perform specific work or actions. The Board of Directors shall determine the salaries, allowances, and remunerations for both the Chairman and the Managing Director in accordance with what is decided in **Article (19)** of this bylaw. The Board of Directors must appoint a secretary to the Board. The Board may also appoint one or more advisors to provide advice in running the various affairs of the Company and the Board shall determine their remuneration. The term of the office of the Chairman, Vice Chairman, the Managing Director, and the Secretary shall not exceed their respective term of service as Directors and may be renewed. The Board may dismiss all or any of them without prejudice to their right in compensation if the dismissal was illegitimate reasons or occurred in inappropriate time.

**ARTICLE (21): BOARD MEETING**

The Board shall meet at the head office of the Company upon a call by the Chairman, if so, requested by any two (2) Board members. Such call shall be in the form chosen by the Board. The Board shall hold meeting on a regular basis and whenever need arises, but in all cases the Board is required to hold at least four (4) meetings in a year, and at least a meeting every quarter.

**ARTICLE (22): QUORUM OF THE BOARD MEETING**

**(22-1)** The Board meeting shall not be valid unless attended by **four (4)** members themselves or by proxy, provided that the number of members present themselves is **three (3)** members at least.

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**(22-2)** If the conditions for convening the Board of Directors are not fulfilled due to the lack of its members below the minimum stipulated in this system, the remaining members must invite the Ordinary General Assembly to convene within **sixty (60)** days to elect the necessary number of members.

**(22-3)** By the resolution of the Capital Market Authority, the Ordinary General Assembly may be convened if the number of members of the Board of Directors are less than the minimum validity of its meeting.

**(22-4)** A Board member may not delegate another to attend the meeting. As an exception to this, a member of the Board of Directors may delegate another member.

**(22-5)** Board resolutions are issued by majority of the opinions of the members present or represented in it, and in case of tie, the Chairman shall have the casting vote

**(22-6)** In urgent cases, the Board may adopt resolutions by circulation unless one Board member requests a meeting for deliberations on such a resolution, in which case such resolutions shall be laid before the Board in its first following meeting.

## **ARTICLE (23): MINUTES OF MEETINGS**

Deliberations and resolutions of the Board shall be recorded in the form of minutes to be signed by the Chairman, Board members in attendance and the Secretary. The minutes shall be entered in a special register to be signed by the Chairman and the Secretary.

## **ARTICLE (24): AGREEMENTS, CONTRACTS, CONFLICTS OF INTEREST AND COMPANY COMPETITION**

**(24-1)** Subject to obtaining a NOC letter from SAMA, the Company may, enter into technical services contracts with one or more companies duly qualified in insurance business.

**(24-2)** A member of the Board of Directors may not have any direct or indirect interest in the business and contracts that are made for the company's interest except with a license from the Ordinary General Assembly, and the member of the Board of Directors must inform the Board of his direct or indirect interest in business and contracts which are done for the company's benefit, and this notification shall be registered in the minutes of the meeting.

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**(24-3)** This member shall not participate in voting on the decision issued in this regard by the Board of Directors and the shareholders Assemblies.

**(24-4)** The Chairman shall notify the General Assembly, when convened, of the transactions and contacts wherein a Board member may have a direct or indirect, and shall attach to such notification a special report prepared by the Company's external auditors.

**(24-5)** If the Board member fails to make the aforesaid disclosure, the Company or any interested person may apply to the competent court to nullify the contract or to order the relevant member to return any profit or benefit or he obtained from such contract(s).

**(24-6)** Responsibility for damages resulting from the works and contracts referred to in paragraph (24-1) of this article rests on the member in charge of the work or contract, as well as on the members of the Board of Directors, if those actions or contracts are in violation of the provisions of that paragraph or if it is proven to be unfair, or involves a conflict of interest and harm the shareholders.

**(24-7)** The members of the Board of Directors opposed to the decision are relieved from liability whenever they demonstrate their objection explicitly in the minutes of the meeting, and the absence from attending the meeting in which the decision is issued is not considered a reason for exemption from liability unless it is proven that the absent member was not aware of the decision or was unable to object on it after learning about it.

**(24-8)** A member of the Board of Directors is not permitted to participate in any work that would compete with the company, or to compete with the company in one of the branches of the activity that it is engaged in. Otherwise, the company may sue him in front of the competent judicial authority for appropriate compensation, unless he has obtained a previous license from the ordinary general assembly, which is renewed every year that allows him to do so.

## **(CHAPTER FIVE)**

### **SHAREHOLDER ASSEMBLIES**

#### **ARTICLE (25): GENERAL ASSEMBLY**

**(25-1)** The duly constituted General Assembly represents all Shareholders and shall be held in the city where the head office of the Company is located.

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**(25-2)** Each Shareholder shall have the right to attend a General Meeting irrespective of the number of the Shares owned by that Shareholder. Each Shareholder may appoint any person, other than the members of the Board or employees of the Company, to attend the General Assembly on its behalf. A shareholder may participate in the General Assembly's deliberations and vote on its resolutions via modern technology in accordance with the controls set out by the concerned authorities.

### **ARTICLE (26): Constituent General Assembly**

**(26-1)** Founders shall call for a Constituent General Assembly within **forty-five (45) days** from the subscription closing date. The period between the date of the invitation and the date of the meeting should not be less than **ten (10) days**.

**(26-2)** Each Shareholder shall have the right to attend the Constituent General Assembly irrespective of the number of the Shares owned by it. The meeting of the Constituent General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be called for within fifteen (15) days from the date of invitation thereto. However, the second meeting may, if so stated in the original invitation, be held after the lapse of one hour from the time fixed for the first meeting. In all cases the second meeting shall be deemed quorate regardless of the number of the Shareholders represented therein.

### **ARTICLE (27): POWER OF THE CONSTITUENT GENERAL ASSEMBLY**

The Constituent General Assembly shall be competent to address the following matters:

**(27-1)** Ascertain that the capital of the Company has been fully subscribed for and the minimum capital requirement has been met in accordance with the provisions of this system.

**(27-2)** Deliberation in the report of the evaluation of the in-kind shares.

**(27-3)** Adopt the final text of the Company's Bylaws. However, the Assembly may not make any material changes to the bylaws without the consent of all subscribers represented thereat.

**(27-4)** Appointing the members of the company's first Board of Directors for a period not exceeding five (5) years and the first auditor unless they have been appointed in the company's contract or Bylaws.

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**(27-5)** Deliberate on the Founders' report on the formalities and expenses incurred for the incorporation of the Company. The Ministry of Commerce, as well as the Capital Market Authority, may send a delegate **(or more)** as an observer to attend the company's founding Assembly, to ensure that the provisions of the system are applied.

### **ARTICLE (28): ORDINARY GENERAL ASSOCIATION**

Except for the matters reserved for the Extraordinary General assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year within the six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

### **ARTICLE (29): EXTRAORDINARY GENERAL ASSOCIATION**

The Extraordinary General Assembly shall have the power to amend the Company's Bylaws, except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

### **ARTICLE (30): INVITATIONS TO GENERAL ASSEMBLIES**

**(30-1)** The Board of Directors shall call for a General Assembly if requested by the auditor, audit committee or a number of Shareholders holding or representing at least five per cent (5%) of the share capital. The auditor may call for the General Assembly in case the Board fails to do so within thirty (30) days from the auditor's request.

**(30-2)** It is permissible by a decision of the Capital Market Authority to invite the Ordinary General Assembly to convene in the following cases:

- If the specified period of time has passed **(within the six months following the end of the company's fiscal year)** without its convening.
- If the number of members of the Board of Directors is less than the minimum validity of its meeting.
- If there are violations in the provisions of the company or its Bylaws, or a defect in the company's management.



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- If the Board did not invite the General Assembly to convene within **fifteen (15) days** from the date of the request of the auditor or the audit committee or a number of shareholders, it represents **five (5%) percent** of the capital at least.

**(30-3)** A number of shareholders representing at least **two (2%)** percent of the capital may submit a request to the Capital Market Authority to invite the Ordinary General Assembly to convene, if any of the cases stipulated in **paragraph (30-2)** of this article are available. The Capital Market Authority shall invite the meeting to convene within **thirty (30)** days from the date of submitting the shareholders' request, provided that the invitation includes a schedule of the business of the Assembly and the items required to be approved by the shareholders.

**(30-4)** The invitation for the Assembly shall be published in a daily newspaper circulated in the city where the head office of the Company so located at least **twenty-one (21)** days before the date set for the meeting, and a copy of the invitation shall and the agenda shall be sent to the Ministry of Commerce and the Capital Market Authority. However, it may be sufficient to extend the invitation within the aforementioned time to all shareholders by registered letters. A copy of the invitation and the agenda shall be sent to the Capital Market Authority within the specified period of publication.

### **ARTICLE (31): REGISTER OF ATTENDANCE**

A Shareholder wishing to attend a General or special Assembly shall register its name in the register maintained in the Company's head office before the time fixed for the meeting.

### **ARTICLE (32): Quorum for the Ordinary General Assembly**

**(32-1)** The Ordinary General Assembly meeting shall not be valid unless shareholders representing at least one fourth of the company's capital are present.

**(32-2)** If the quorum necessary to hold the Ordinary General Assembly meeting is not available according to **paragraph (32-1)** of this article, a second meeting will be held within the **thirty (30)** days following the previous meeting. This invitation shall be published in the manner stipulated in **Article (30)** of **this bylaw**, nevertheless, the second meeting may be held an hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes a statement

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declaring the possibility of holding this meeting, and in all cases the second meeting is valid whatever the number of shares represented in it.

### **ARTICLE (33): QUORUM FOR THE EXTRAORDINARY GENERAL ASSEMBLY MEETING**

**(33-1)** The Extraordinary General Assembly meeting shall not be valid unless attended by shareholders who represent at least half of the company's capital.

**(33-2)** If the quorum required to hold the Extraordinary General Assembly meeting in accordance with **paragraph (32-1)** from this article is not available, a second meeting shall be convened in the same conditions stipulated in **Article (30)** of this policy. In addition, the second meeting may be held an hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes a statement declaring the possibility of holding this meeting. In all cases, the second meeting shall be valid if attended by a number of shareholders, who represent at least a quarter of the capital.

**(33-3)** If the required quorum is not available at the second meeting, a third meeting is convened in the same conditions stipulated in **Article (30)** of this system, and the third meeting is valid whatever the number of shares represented in it, after the approval of the Capital Market Authority.

### **ARTICLE (34): VOTING RIGHTS**

Votes at the meetings of Constituent, Ordinary and Extraordinary General Assemblies shall be counted on (one-share-one vote) basis. Members of the counted on (one share-one vote) basis. Members of the Board of Directors shall be appointed by the way of cumulative voting, where only one vote can be used per each share. A Board member may not participate in any vote regarding its release from the responsibility for the management of the Company, or regarding any of its direct or indirect interest(s)

### **ARTICLE (35): SHAREHOLDERS ASSEMBLIES' RESOLUTIONS**

Resolutions of the Constituent General Assembly and Ordinary General Assembly shall be adopted by an absolute majority vote of the shares represented there at. However, if a resolution relates to granting special benefits, a majority of the subscribers of cash shares is needed such that they represent at least two thirds of the mentioned shares after discounting the special benefits subscribed for. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds

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of the shares reprinted at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified therefor under these Bylaws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority of three-quarters of the shares represented at the meeting.

### **ARTICLE (36): DELIBERATIONS**

Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and the auditors in this respect. Any provision in the Company's Bylaws denying such right shall be null and void. The members of the Board or the auditors shall answer the Shareholders' questions to the extent that does not expose the Company's interest to any damage. If the Shareholder deems the answer to the question unsatisfactory, then he/it may refer the issue to the General Assembly and its decision in this regard shall be final and binding.

### **ARTICLE (37): PROCEEDINGS OF THE GENERAL ASSEMBLY & MINUTES OF MEETINGS**

**(37-1)** The General Assembly shall be presided over by the Chairman or, in his absence, the Vice Chairman or, in his absence, any Director designated by the Board.

**(37-2)** Minutes shall be written for the meeting showing the names of the Shareholders present in person or represented by proxy, the number of the shares held or reprinted by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes asserting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary, and the rapporteur.

## **(CHAPTER SIX)**

### **BOARD COMMITTEES**

**ARTICLE (38): BOARD COMMITTEES**

Board Committees shall be constituted in accordance with the applicable rules and regulations.

**(CHAPTER SEVEN)**

**AUDITOR**

**ARTICLE (39): APPOINTING OF AUDITOR**

The Company shall have two (or more) auditors to be selected from around the auditors licensed to work in the Kingdom of Saudi Arabia. The auditor(s)' remuneration and term of office shall be fixed by the General Assembly. The General Assembly may reappoint the same auditor, provided that the total period of his appointment shall not exceed **five (5)** consecutive years, and the person who has exhausted this period may be reappointed after two years from the date of its termination. The General Assembly may also change them at any time without prejudice to their rights to compensation if the change occurred in inappropriate time.

**ARTICLE (40): APPOINTMENT OF AUDITOR**

The auditor may, at any time, have the right to view the company's books, records and other documents, and he may request the data and clarifications that he deems necessary to obtain. He may also verify the company's assets, liabilities and other matters within the scope of his work. The Chairman of the Board of Directors must enable him to perform his duty, and if the auditor finds it difficult in this regard, this is proven in a report submitted to the Board of Directors. If the Board does not facilitate the work of the auditor, he must ask the Board of Directors to invite the Ordinary General Assembly to consider the matter.

**ARTICLE (41): AUDITOR'S OBLIGATIONS**

The auditor shall submit to the annual General Assembly a report prepared in accordance with the recognized auditing standards showing how far the Company has

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enabled it to obtain the information and clarifications it has requested and what it has discovered of violations to the Cooperative Insurance Companies Control Act and its implementing regulations and any other applicable bylaws and regulations, and its opinion as to whether or not the Company's accounts conform to the facts. The General Assembly shall review the auditor's report, and if the Assembly decides to ratify the Bboard's report and the financial statements without hearing the auditor's report, its decision shall be void.

## **(CHAPTER EIGHT)**

### **THE COMPANY'S ACCOUNTS AND DISTRIBUTION OF PROFITS**

#### **ARTICLE (42): FINANCIAL YEAR**

The Company's financial year shall commence on the 1<sup>st</sup> of January and end on the 31<sup>st</sup> of December of each Gregorian year. However, the Company's first financial year shall commence on the date of the Ministerial Resolution announcing the incorporation of the Company and end on the 31<sup>st</sup> of December of the following year.

#### **ARTICLE (43): FINANCIAL STATEMENTS**

**(43-1)** The Board of Directors shall prepare at the end of each financial year the Company's financial statements (being statement of financial position for insurance operations and shareholders, a statement of surplus (deficit) of insurance operations, a statement of shareholders' income, a statement of shareholders equity, a statement of cash flow of shareholders) and a report on the Company's activities and financial position for the preceding year. The report shall include the method proposed by the Board for the distribution of net profits for that financial year. The Board shall place such documents at the disposal of the Auditors at least forty-five (45) days prior to the date set for convening the General Assembly.

**(43-2)** The Chairman of The Board of Directors, the CEO and the financial manager shall sign the aforesaid documents mentioned in paragraph **(43-1)**, and deposit a copy thereof in the Company's head office to be at the disposal of the Shareholder at least **twenty-one (21)** days prior to the date set for convening the General Assembly.

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**(43-3)** The Chairman of the Board of Directors shall provide the Shareholders with a copy of the Company's financial statements, Board of directors report and the Auditors' Report, unless he has previously published the said documents in a newspaper circulated in the city where the head office of the Company so located. The Chairman shall send copies of such documents to the Ministry of **Trade** and the Capital Market Authority, at least **fifteen (15)** days prior to the date set for convening the Ordinary General Assembly.

### **ARTICLE (44): INSURANCE ACCOUNTS**

The insurance operations accounts shall be kept separate from the Shareholders' income statement, according to the following details.

#### **(44-1) INSURANCE OPERATIONS ACCOUNTS**

- An independent account shall be dedicated to earned premiums, reinsurance commissions and other commissions.
- An independent account shall be dedicated to compensation incurred by the Company.
- There shall be determined at the end of every year the total surplus which represents the total premiums and compensation less marketing and administrative, and operational expenses and the necessary technical provisions in accordance with directives in this regard.
- Net surplus shall be determined by:
  - \* Adding to, or subtracting from, the total surplus referred to in paragraph **(44-1)** above, the policyholders' investment return share after calculating the policyholders' earnings and deducting what they own in expenses realized; and
- Net surplus shall be distributed either by distrusting ten per cent (10%) directly to the Policyholders or by reducing their premiums for the next year, and ninety per cent (90%) of the balance shall be carried over to the Shareholders' income statement.

#### **(44-2) SHAREHOLDERS' INCOME STATEMENT**

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- The Shareholders' profits from the investment of their funds shall be in accordance with the rules set by the Board of Directors.
- The share of the Shareholders in the net surplus shall be as set in the fifth item of **paragraph (44-1)** of this article.

### **ARTICLE (45): ZAKAT & RESERVES**

\* The Company shall

**(45-1)** Withhold Zakat and the prescribed income tax.

**(45-2)** Set aside twenty per cent (20%) of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals on hundred per cent (100%) of the Company's paid-up capital.

**(45-3)** The Ordinary General Assembly may set aside a percentage of the annual net profits to form an additional reserve(s) to the extent required to achieve the Company's interest or to distribute fixed profits, as far as possible, to Shareholders.

**(45-4)** The Company's annual net profits that it determines shall be distributed after deduction of all general expenses and other costs, and the formation of the necessary reserves to counter doubtful debts, investment losses and contingent liabilities that the Board of Directors deems necessary in accordance with the provisions of the Cooperative Insurance Companies Control Law Act and the provisions issued by the SAMA. In addition, from the remainder of the profits after deducting the reserves established under the relevant regulations and Zakat, a percentage of not less than **(5%) percent** of the paid-up capital shall be allocated for distribution to the shareholders according to what is proposed by the Board of Directors and decided by the General Assembly. If the remaining percentage of the profits owed to the shareholders is not sufficient to pay this percentage, the shareholders may not claim to pay it in the year or the following years, and the General Assembly shall not decide to distribute a percentage of the profits for what was proposed by the Board of Directors.

### **ARTICLE (46): ENTITLEMENT TO PROFITS**

A Shareholder's entitlement to an annual Interim dividend shall be specified in a decision from the General Assembly. The decision shall specify the maturity and distribution dates. Entitlement to profits of the Shareholders registered in the

## **A DRAFT FOR DISCUSSION**

Shareholders Register shall fall due at end of day of the maturity date. The Company shall, without undue delay, notify CMA of any actual or proposed distribution of profits. The profits to be distributed among the Shareholders shall be paid at such place and times as determined by the Board of Directors, in accordance with the instructions issued by the concerned authority and subject to SAMA's prior written consent.

### **ARTICLE (47): COMPANY LOSSES**

If the Company's losses reaches, at any time of the financial year, 50% of its capital, the auditor or any officer of the Company shall notify the Chairman as soon as it becomes aware of such losses. The Chairman shall, in turn, notify the Board of Directors, which shall, within 15 days of notification, call the Extraordinary General assembly to convene within 45 days from the date of notification to consider whether to increase or decrease the share capital in accordance with the Companies Regulation to the extent required to reduce the losses to less than 50% of the Share capital, or whether to dissolve the Company prior to the expiry of its term specified in the Company's Bylaws. In all cases the Assembly's resolution shall be posted on the website of the Ministry of Commerce and investment. The Company shall be considered as dissolved by operation of law if the Extraordinary General Assembly fails to convene within the above stated period, or if it convenes on time but fails to make a decision on the situation, or if it decides to increase the share capital but the increase amount has not been subscribed for in full within 90 days from decision to increase the share capital.

## **(CHAPTER NINE)**

### **DISPUTES**

#### **ARTICLE (48): COMPANY'S LIABILITIES**

The Company shall be bound vis-a-vis third parties with respect to the acts or transactions of the Board of Directors even if such acts or transactions do not fall within the Board's powers, unless the third party was acting in bad faith or was aware of the fact that such acts or transactions exceed the powers granted to the Board.

#### **ARTICLE (49): THE RESPONSIBILITY OF THE MEMBERS OF THE BOARD OF DIRECTORS**



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**(49-1)** The members of the Board of Directors shall be jointly responsible for compensating the company, the shareholders or others for the damage that results from their mismanagement of the company's affairs or their violation of the provisions of the cooperative insurance companies control system and its executive regulations, and other related instructions and this system, and any condition stipulated otherwise is considered as if it were not. All members of the Board of Directors bear the responsibility if the error arises from a decision issued unanimously. As for decisions issued by majority opinion, opposition members are not asked about them when they have demonstrated their opposition explicitly in the minutes of the meeting. Absence from attending the meeting when the decision is issued is not considered a reason for exemption from liability unless it is established that the absent member was not aware of the decision or was unable to object after knowing about it.

**(49-2)** The filing of a liability suit shall not preclude the approval of the Ordinary General Assembly to absolve the members of the Board of Directors.

**(49-3)** The liability claim is not heard after the expiration of **three (3) years** from the date the harmful action was discovered. - With the exception of cases of fraud and forgery - the liability lawsuit is not heard in all cases after the passage of **five (5) years** from the date of the end of the fiscal year in which the harmful act occurred or **three (3) years** from the expiry of the membership of the concerned Board member, whichever is later.

**(49-4)** Each Shareholder has the right to file a suit for the liability prescribed for the company against the members of the Board of Directors if the error that was issued against them is to cause his own harm. The shareholder may not file the said lawsuit, unless the company's right to file it still exists. The shareholder must inform the company of his intention to file the lawsuit, while limiting his right to a claim for compensation for the special damage caused to him.

**(49-5)** The company may be charged the following expenses that are guaranteed by the shareholder to file a lawsuit, whatever its outcome, **under the following conditions:**

- If he filed the lawsuit in good faith.
- If he presents to the company the reason for which he filed the lawsuit and did not receive a response within **thirty (30) days**.

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- If it is in the company's interest to file this lawsuit based on the provisions of **Article (79)** of the Company's Bylaws.
- That the lawsuit based on a valid basis.

## **(CHAPTER TEN)**

### **LIQUIDATION OF THE COMPANY**

#### **ARTICLE (50): DISSOLUTION OF THE COMPANY**

**(50-1)** Upon the expiry of the period specified for it, the Company shall be considered under liquidation. The legal personality of the Company shall continue until the completion of the liquidation.

**(50-2)** The decision for voluntary liquidation shall be issued by the partners or the General Assembly.

**(50-3)** The liquidation decision shall include the appointment of the liquidator, the determination of his powers and fees, the restrictions imposed on his powers, and the period of time necessary for the liquidation. The period of voluntary liquidation must not exceed **five (5) years**, and it may not be extended for more than that except by court order.

**(50-4)** The powers of the Board of Directors shall cease upon the Company's dissolution. However, the Board of Directors shall remain responsible for the management of the company and shall act vis-à-vis third parties as liquidators until the company's liquidators are appointed. The company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators. Any surplus remains after liquidation from insurance operations or the reserves formed in accordance with Articles (44) and (45) of these Bylaws shall be reserved for the shareholders.

## **(CHAPTER ELEVEN)**

### **FINAL PROVISIONS**

#### **ARTICLE (51): THE COMPANY'S BYLAWS**

The Cooperative Insurance Company Control Law and its implementing regulations, the Companies Regulations, and all other applicable rules and regulations shall apply to all other matters not specifically provided for herein.

#### **ARTICLE (52): PUBLISHING**

These Bylaws shall be filed and published in accordance with the Companies Regulations.