

**Articles of Association for Al Jazira Takaful Taawuni Company**  
**Saudi Joint Stock Company**

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| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

These Articles have been issued under the General Assembly's Resolution dated 13/6/1442 AH

## Chapter 1

### Incorporation of the Company

#### Article 1: Incorporation

This Company shall be established in accordance with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, the Companies' Law, the Capital Market Law and its Implementing Regulations, and the Company's Articles of Association, as a Saudi joint stock company among the shareholders. The Company's provisions shall be as follows;

#### Article 2: Company Name:

Al-Jazira Takaful Taawuni Company, Saudi Joint Stock Company

#### Article 3: The Company's Purposes:

Carrying out cooperative insurance business in the general insurance branch, health insurance, protection and savings insurance, as well as all business that needs to be done to achieve its objectives. The Company shall practice its activities in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations, the provisions issued by SAMA and the regulations and rules in force in the Kingdom of Saudi Arabia after obtaining the necessary licenses from the competent authorities, if any.

#### Article 4: Participation and Ownership of Companies:

The Company may establish limited liability companies or closed joint stock companies (provided that the capital is not less than (5) five million Saudi riyals). It may also own shares and stocks in other existing companies or merge there with and have the right to participate with others in establishing joint stock companies or Limited liability companies, provided that the companies established by the Company or in which it participates or merges with, shall be engaged in activities

|   |                         |   |
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similar to its business or financial business or assist in achieving its purpose - upon fulfilling the requirements of the laws and instructions applicable in this regard, and obtaining the approval of SAMA

**Article 5: Head Office of the Company:**

The head office of the Company shall be in Jeddah in the Kingdom of Saudi Arabia, and may by a Resolution of the Extraordinary General Assembly, transfer its head office to any other city in the Kingdom of Saudi Arabia with the approval of the Saudi Central Bank "SAMA". The Company may establish branches, offices or agencies inside or outside the Kingdom of Saudi Arabia after the approval of SAMA.

**Article 6: Term of the Company:**

The term of the Company shall be (99) ninety-nine Gregorian years commencing from the date of its registration at the Commercial Register. The term of the Company may be extended by a Resolution issued by the Extraordinary General Assembly on at least one year prior to the expiry of this period.

**Chapter 2**

**The rules that the Company shall adhere to in carrying out its business and purposes:**

**Article (7): Company Investments:**

The Company shall invest the funds received from the insured and shareholders in accordance with the rules established by the Board of Directors without confliction with the Cooperative Insurance Companies Control Law and its Implementing Regulations and other relevant regulations and instructions issued by the Saudi Central Bank "SAMA" or any other related body.

|   |                         |   |
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## Chapter 3

### Capital and Shares:

#### Article 8: Capital:

The capital of the Company is (470,664,030) four hundred seventy million six hundred and sixty-four thousand and thirty Saudi riyals, divided into (47,066,403) forty-seven million and sixty-six thousand four hundred and three shares of equal value with a nominal value of (10) ten Saudi riyals per share, all of which are ordinary cash shares.

#### Article 9: Subscription in the Shares:

The shareholders subscribed in the entire share capital of the Company, and the value was paid in full.

#### Article 10: Register of Shareholders:

The Company's shares shall be traded in accordance with the provisions of the Capital Market Law and its Implementing Regulations.

#### Article 11: Issuance of Shares:

The shares of the Company are nominal, and they may not be issued at less than their nominal value but may be issued at a higher value. In this last case, the difference in value shall be added in a separate item within the shareholders' equity and shall not be distributed as dividends to shareholders. and the share is indivisible towards the Company. If a share is owned by multiple persons, they shall choose one of them to act on their behalf in the use of the rights related thereto, and the persons shall be jointly responsible for the obligations arising from the ownership of the share.

|   |                         |   |
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### **Article 12: Shares Trading:**

Shares subscribed by the founders may not be traded except after publishing the financial statements for two fiscal years, each of which is not less than (12) twelve months from the date of incorporation of the Company. The bonds of these shares shall be endorsed indicating their type, the date of incorporation of the Company and the period during which they are prohibited from being traded. However, shares title may be transferred during the prohibition period in accordance with the provisions for the sale of rights from one of the founders to another or from the heirs of one of the founders, in the event of his death, to others'; or in the case of enforcement on the funds of an insolvent or a bankrupt founder, provided that the priority of owning of such shares shall be to the other founders. The provisions of this article shall apply to the subscriptions made by the founders in the event of an increase in the capital prior to the expiry of the prohibition period.

### **Article 13: Capital Increase:**

The Extraordinary General Assembly may resolve to increase the capital of the Company - after the approval of the competent authorities - on the condition that the capital has been fully paid. The shareholders who own the shares - at the time of the General Assembly's Resolution for approving the increase in the capital – shall have the priority for subscribing in the new issued shares in exchange for cash stakes; and shall be informed of their right of priority - if any - by publishing in a daily newspaper or by informing them by registered mail of the capital increase Resolution, terms of subscription, duration and the date of its start and end. The Extraordinary General Assembly may suspend the right of priority of the shareholders to subscribe in the increase in capital in exchange for cash shares, or to give the right of priority to non-shareholders in cases it deems appropriate to the interest of the Company. The shareholder has the right to sell or assign the right of priority during the period from the time of the issuance of the General Assembly's Resolution approving the capital increase to the last day for subscription to the new shares, associated with these rights, in accordance with the rules issued by the competent authority.

### **Article 14: Capital Reduction:**

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|---|-------------------------|---|
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The Extraordinary General Assembly may resolve to reduce the capital if it exceeds the Company's need or if it suffers losses - after the approval of the competent authorities - provided that the paid-up capital of the insurance company after reducing the capital is not less than (100) one hundred million riyals, and the paid capital is not less than (200) two hundred million riyals for a reinsurance company or an insurance company that carries out at the same time reinsurance business. The reduction Resolution shall not be issued except after reading a special report prepared by the auditor on the reasons that necessitate it, the obligations of the Company, and the impact of the reduction on these obligations. If the reason for the capital reduction is that the capital is in excess of the Company's needs, the Company's creditors must be invited to express their objection to such reduction within ( 60 ) sixty days from the date of publication of the resolution relating to the reduction in a daily newspaper published in the region where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents 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 4

### Board of Directors:

#### Article 15: Company Management:

The Company shall be managed by a Board consisting of (9) nine members elected by the Ordinary General Assembly for a period not exceeding three years. The composition of the Board of Directors shall reflect an adequate representation from the independent members. In all cases, the number of independent members of the Board shall not be less than two members or one third of the members of the Board, whichever is greater. As an exception to this, the Constituent Assembly shall appoint the members of the first Board of Directors for a period not exceeding (5) five years starting from the date on which the Ministry of Commerce announced the Resolution for incorporation of the Company.

#### Article 16: Termination of Board Membership:

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Membership of the Board of Directors shall end with the end of the term of appointment, resignation, or death, or if it is proven to the Board of Directors that the member has violated his duties in a way that harms the interest of the Company, provided that this is accompanied by the approval of the Ordinary General Assembly, or with the expiration of his membership according to any law or instructions in force in the Kingdom of Saudi Arabia, or if there is a judgment declaring his bankruptcy or insolvency, filing a request for settlement with his creditors, ceasing to pay his debts, becoming unconscious, afflicted with a mental illness, or it is proved that he has committed an act of dishonesty and misconduct, or was convicted of forgery. Nevertheless, the Ordinary General Assembly may at all times dismiss all or some of the members of the Board of Directors without prejudice to the right of the dismissed member towards the Company to claim compensation if the dismissal occurred for an unacceptable reason or at an inappropriate time. A Director may resign, provided that such resignation is made at a proper time; otherwise, he shall be responsible to the Company for damages resulting from such resignation.

#### **Article 17: Board Vacancies:**

In the event that the position of one of the members of the Board of Directors becomes vacant, the Board may appoint - temporarily - a member for the vacant position who has sufficient experience and after obtaining the non-objection of the Saudi Central Bank and without considering obtaining votes in the General Assembly in which the Board of Directors was elected during that period. The Capital Market Authority shall be notified of that within five (5) five business days from the date of the appointment, and the appointment shall be presented to the Ordinary General Assembly at its first meeting, and the new member completes the term of his predecessor only. A Resolution by the competent authority may invite the Ordinary General Assembly to convene in the event that the number of Board members falls to less than the minimum number required for the meeting. The Saudi Central Bank shall be notified upon the resignation of any member of the Board or termination of his membership for any reason other than the end of the Board tenure within (5) five business days of the date of leaving work and taking into account the relevant disclosure requirements.

|   |                         |   |
|---|-------------------------|---|
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**Article 18: Powers of the Board:**

Without prejudice to the powers vested in the General Assembly, the Board of Directors shall have the broadest powers in managing the Company to achieve its purpose. The board, within the limits of its competence, may delegate one or more of its members or others to carry out certain work or actions - so long as it does not conflict with the relevant laws and regulations. The Board of Directors has the right, including, but not limited to, to represent the company in its relations with others, government and private agencies, civil rights, police departments, chambers of commerce and industry, all companies, establishments, banks, commercial banks, treasuries, all funds and government financing institutions of various names and specializations, and other lenders. The Board is also entitled to request the enforcement of judgments, to oppose thereof, to receive outputs of the enforcement, to absolve the company's debtors of their obligations, to enter into tenders, and to purchase, sell and mortgage real estate. The Board also has the right to contract and sign in the name of the Company and on its behalf on all types of contracts, documents and papers, including without limitation contracts for the establishment of companies in which the Company participates with all its amendments and annexes, amendment Resolutions, and signing of agreements and deeds before the Notary Public and official authorities, as well as agreements of loans, guarantees, and instruments for sale and purchase of real estate and issuing powers of attorney on behalf of the Company. The Board also has the right to sell, purchase, transfer, accept sale, purchase, receive, deliver, rent, lease, capture, pay, open accounts, credits, withdraw and deposit with banks. The Board also has the right to issue guarantees for the banks, funds and government financing institutions, and to sign all documents, order bonds, checks, all securities, documents and all banking transactions.

**Article 19: Remuneration for Board Members:**

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|---|-------------------------|--|---|
| Company Name  | Articles of Association |  | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |  |   |

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The minimum annual remuneration for the Chairman and members of the Board of Directors shall be (100,000 riyals) one hundred thousand Saudi riyals, and the maximum shall be (500,000 riyals) five hundred thousand Saudi riyals annually against their membership in the Board of Directors and their participation in its work, including additional remuneration in the event the member participates in any Board of Directors' Committees.

In the event that the Company achieves profits, a percentage equivalent to (10%) of the remaining net profit may be distributed after deducting the reserves decided by the General Assembly in implementation of the provisions of the Cooperative Insurance Companies Control Law and after distributing a profit to the shareholders of not less than (5%) of the Company's paid-up capital provided that the entitlement to this bonus is proportional to the number of sessions that the member attends, and any estimate to the contrary shall be null and void.

In all cases, the total remuneration and financial or in-kind benefits and rewards that a member of the Board of Directors may receive shall not exceed an amount of (500,000 riyals) five hundred thousand riyals annually.

The maximum allowance for attending the sessions of the Board and its committees shall be (5000 riyals) five thousand riyals for each session, excluding travel and accommodation expenses.

Each member of the Board, including the Board Chairman; shall be paid the actual expenses that they incur in order to attend meetings of the Board or the Board of Directors' Committees, including travel, accommodation and subsistence expenses.

The Board of Directors' report to the Ordinary General Assembly shall include a comprehensive statement of all the amounts received by the Directors during the fiscal year in the way of emoluments, expense allowances, and other benefits as well as of all the amounts received by the Directors in their capacity as officers or executives of the Company, or in consideration for technical, administrative or advisory services. The report shall also include a statement of the number of Board meetings and the number of meetings attended by every member as of the date of last General Assembly.

|   |                         |   |
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## **Article 20: Powers of the Chairman, Vice Chairman, Managing Director, and Board Secretary**

The Board of Directors shall appoint from among its members a Chairman, Vice Chairman and a Chief Executive Officer (CEO), and may appoint an Executive President, and it is not permissible to combine the position of Chairman of the Board of Directors with any other executive position in the Company. The Chairman of the Board of Directors and the Chief Executive Officer have the right to sign on behalf of the Company and implement the Board's Resolutions. The chairman of the Board of Directors is authorized to represent the Company before the courts, arbitration tribunals and others, and they may, by written Resolution, delegate some of their powers to other members of the Board or for third parties in carrying out specific work or actions. The Board of Directors shall determine the salaries, allowances and remunerations for each of the Chairman and the Chief Executive Officer or in accordance with the provisions of Article (19) herein. The Board of Directors shall appoint a Board secretary. The Board may also appoint one or more advisors in the various affairs of the Company, and the Board shall determine their remuneration. The term of the Board chairman, his Vice, the Chief Executive Officer, and the Secretary and the Board member shall not exceed the term of each of them in the Board, and they may be re-elected. The Board at any time may dismiss them or any of them without prejudice to the right of the dismissed person for compensation if the removal occurred for an unlawful reason or at an inappropriate time.

## **Article 21: Board Meetings:**

The Board shall meet at the head office of the Company by the invitation of its Chairman, and the Chairman of the Board shall invite for the meeting whenever two of the members so request, and the invitation shall be documented in the way the Board deems appropriate. The Board may convene its meetings outside the Company's headquarters. The Board meetings shall be held periodically and whenever needed, provided that the number of annual Board meetings shall not be less than (4) so that there is at least one meeting every three months.

## **Article 22: Quorum of the Board Meeting:**

|   |                         |   |
|---|-------------------------|---|
| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

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A Board meeting is not valid unless it is attended by (two-thirds) of the members in person or by proxy, provided that the number of members present personally shall be (five) at least one of whom is an independent member, and the member may delegate another member to attend the Board's meetings and vote therein. The Resolutions of the Board shall be issued by the majority of the votes of the attending members or their representatives, and in case of a tie, the chairman of the meeting would have the casting vote. The Board of Directors may issue Resolutions on urgent matters by presenting them to the members dispersed, unless one of the members requests - in writing - the meeting of the Board for deliberation, and in this case these Resolutions shall be presented to the Board of Directors at the first meeting that follows.

#### **Article 23: Board Deliberations:**

The Board's deliberations and Resolutions shall be recorded in minutes signed by the session Chairman, the attending Board members, and the secretary. These minutes shall be recorded in a special register signed by the Chairman and the Secretary.

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

The Company has the right - after obtaining the Saudi Arabian Monetary Agency's non-objection - to enter into an agreement to manage technical services with one or more companies qualified in the field of insurance. Board members may enter into insurance contracts with the Company in which they have an interest, provided that the Chairman of the Board of Directors provides the General Assembly with the details of those insurance contracts. A member of the Board of Directors shall inform the Board of his direct or indirect interest in the business and contracts that are made for the Company's account, and this notification shall be recorded in the minutes of the meeting. This member may not participate in voting on the Resolution to be issued in this regard by the Board of Directors and the shareholders' assemblies. The Chairman of the Board of Directors shall inform the Ordinary General Assembly when it is convened about the business and contracts, in which one of the Board members has a direct or indirect interest, and the notification shall be accompanied by a special report from the Company's External Auditor. If a member of the Board

|   |                         |   |
|---|-------------------------|---|
| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

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fails to disclose his interest, the Company or any interested party may claim before the competent judicial authority to annul the contract or oblige the member to pay any profit or benefit achieved for him from that.

## Chapter 5

### Shareholders' Assemblies:

#### Article 25: Attending the Assemblies:

A properly formed General Assembly shall represent all the shareholders and shall be held in the city in which the Company's headquarters is located. Every shareholder, regardless of the number of his shares, has the right to attend the General Assemblies of the shareholders and has the right to delegate another person other than members of the Board of Directors or Company employees to attend the General Assembly. The shareholders' General Assemblies may be held, and the shareholder may participate in their deliberations and vote on their Resolutions by means of modern technology, according to the controls laid down by the competent authority.

#### Article 26: The Constituent Assembly:

The founders shall invite all subscribers to hold a constituent assembly within (45) forty-five days from the closing date of the shares subscription, and each subscriber - regardless of the number of his shares - has the right to attend the constituent assembly. For the meeting to be valid, the attendance of a number of subscribers representing at least (half) of the capital is required. If this quorum is not met, an invitation will be issued to a second meeting to be held after (15) fifteen days at least from its invitation. Nevertheless, the second meeting may be held an hour after the end of the period specified for the first meeting, and the invitation to hold the first meeting shall include proof of the possibility of holding this meeting. In all cases, the second meeting shall be valid regardless of the number of subscribers represented.

|   |                         |   |
|---|-------------------------|---|
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| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

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## **Article 27: Competences of the Constituent Assembly:**

The Constituent Assembly shall be concerned with the following matters:

1. Verification of the underwriting of all the Company's shares, the fulfillment of the minimum capital, and the amount due from the value of the shares.
2. Approval of the final texts of the Company's Articles of Association, provided that substantial amendments are not made to the Articles of Association presented to it except with the approval of all subscribers represented therein.
3. Appointing the members of the first Board of Directors of the Company for a period not exceeding (3) three years if they have not been appointed in the Company's Memorandum of Association (MOA) or its Articles of Association.
4. Appointing auditors for the Company and determining their fees if they have not been appointed in the Company's MOA.
5. Discussing and approving the founders' reports on the business and expenditures required for establishing the Company.

## **Article 28: Competences of the Ordinary General Assembly:**

With the exception of matters pertaining to the Extra Ordinary General Assembly, the Ordinary General Assembly is concerned with all matters related to the Company and shall convene its meeting at least once a year during the six months following the end of the Company's fiscal year, and other ordinary general assemblies may be invited to meet whenever the need arises. Among the competencies of the Ordinary General Assembly is to form the Audit Committee and determine its fees.

## **Article 29: Competences of the Extraordinary General Assembly:**

The Extraordinary General Assembly has the authority to amend the Company's Articles of Association, with the exception of the provisions that are prohibited to be amended by law, and it

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|---|-------------------------|---|
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| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

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has the right to issue Resolutions on matters falling within the jurisdiction of the Ordinary General Assembly in the same terms and conditions established for the Ordinary General Assembly.

**Article 30: Invitation for Assemblies:**

The general or special assemblies of the shareholders shall convene by the invitation of the Board of Directors. The Board of Directors shall invite the Ordinary General Assembly to convene if requested by the Auditor, the Audit Committee, or a number of shareholders representing at least 5% of the capital. The auditor may call the assembly to convene if the Board does not invite the assembly within thirty (30) days from the date of the Auditor's request.

Invitations for of the General Assemblies shall be published in a daily newspaper distributed in the region of the head office of the Company at least (21) twenty-one days prior to the date set for the meeting, and a copy thereof and the agenda shall be sent to the Capital Market Authority. Nevertheless, it is permissible to address the invitation on the aforementioned time to all shareholders by registered mails. A copy of the invitation and the agenda shall be sent to the Capital Market Authority within the specified period for publication.

**Article 31: Assemblies Attendance Register:**

Shareholders who wish to attend the General or Special Assembly shall register their names in the Company's head office prior to the time specified for the meeting.

A shareholder in the Company has the right, by a written power of attorney, to delegate another natural person, whether this person is among the Company's shareholders or others, provided that he is not a member of its Board of Directors or an employee therein, to attend the General or Special Assembly meeting and vote on the items of its agenda on his behalf, according to the power of attorney attached to the meeting invitation issued by the Company and shall include the following data:

- The full name of the shareholder if he is a natural person, or the name of the shareholder according to what is recorded in the commercial register or the like, if it is a legal person.

|   |                         |  |   |
|---|-------------------------|--|---|
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| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |  |   |

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- The name of the Company according to what is written in its commercial register.
- The ID if the appointed shareholder is a natural person, or the commercial registration number if it is a legal person or an equivalent.
- The agent's full name and his ID number.
- The name and the capacity of the signatory of the power of attorney, provided that a copy of the power of attorney is attached in case the signatory of the power of attorney is a legitimate agent.
- Date of authorizing the power of attorney, and its validity period.
- The type of assembly to be attended under delegation.

A shareholder may delegate another person, whether this person is a shareholder in the Company or someone else, provided that he is not a member of its Board of Directors or an employee therein, to attend the General or Special Assembly meetings on his behalf under a statutory power of attorney, provided that it explicitly states the right of the agent to attend Public and special assemblies (where applicable) of the Company and vote on their agenda items.

The shareholder, if a Saudi natural person, residing in the Kingdom, or a legal person established in the Kingdom, shall certify his signature contained in the power of attorney issued by him from one of the following authorities:

- 1) The Chambers of Commerce and Industry whenever the shareholder is a member of one of them or if the shareholder is a Company or corporate body.
- 2) One of the licensed banks or authorized persons in the Kingdom provided that the principal has an account with the bank or the authorized person who certifies.
- 3) Notaries public or persons authorized to do notarial works.

A shareholder, if a legal person established outside the Kingdom, may send a letter addressed to the Company and certified by the diplomatic references, the Kingdom's embassy in the country in which it was established, and the Saudi Ministry of Foreign Affairs, provided that he shall specify among his representatives who are entitled to attend the meetings of the General or Special

|   |                         |   |
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Assemblies of the Company on his behalf. This letter shall be sent to the Company during the first three months of the fiscal year or within a month period from the date of the shareholder's ownership of the shares in the Company. This letter shall be considered an official power of attorney authorizing the representatives of the Company to attend the General or Special Assembly meetings that they hold within one year from the date of the delegation. As an exception, the qualified foreign investor may authenticate the letter referred to in this paragraph from the resident authorized person who deals with him in accordance with the rules regulating qualified foreign finance institutional investment in listed securities.

A shareholder may, if a natural person not residing in the Kingdom, send a letter addressed to the Company and certified by the diplomatic references and the Kingdom's embassy in the country in which he resides, provided that the letter shall specify the shareholder's representative who is entitled to attend the meetings of the General or Special Assembly on the Shareholder's behalf, in accordance with the provisions of Articles 51, 52 and 53 of these rules and procedures.

Subject to the above-mentioned rules and procedures, and unless the power of attorney states otherwise, the power of attorney shall be for the meeting of the General or Special Assembly following its issuance, provided that the power of attorney shall be considered valid if the meeting is postponed to a second meeting or a third meeting due to the lack of the quorum necessary to hold the meeting for which the power of attorney was issued.

A shareholder - if he is a natural person - may not authorize another person for any of the following cases:

- 1) Attending the General or Special Assembly meeting of the Company on his behalf through modern technology.
- 2) Attending the General or Special Assembly of the Company on his behalf in case the shareholder intends to attend the meeting personally through modern technology at the same time.

|   |                         |   |
|---|-------------------------|---|
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| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

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The shareholder or his agent shall provide the Company with a copy of the power of attorney at least two days before the date of the meeting, and the agent shall show the original power of attorney before the assembly convenes.

The powers of attorney that violate these requirements shall be excluded and considered null. The Company may accept the powers of attorney that are not provided to it within the period specified above if the Company is provided with them before the completion of the procedures for registering the shareholders in the General or Special Assemblies.

#### **Article 32: Quorum for the Ordinary General Assembly Meeting:**

The meeting of the Ordinary General Assembly shall not be valid unless attended by shareholders representing at least (a quarter) of the Company's capital. If this quorum is not available at the first meeting, an invitation shall be issued to a second meeting to be held within the thirty days following the previous meeting. This invitation shall be published in the manner stipulated in Article (30) herein. Nevertheless, the second meeting may take place an hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes evidence indicating the possibility of holding this meeting. The second meeting shall be valid, regardless of the number of shares represented in it. Ordinary General Assembly meetings of the shareholders may be convened and the shareholders may participate in their deliberations and voting on its Resolutions by means of modern technology, according to the rules issued by the competent authority.

#### **Article 33: Quorum for the Extraordinary General Assembly Meeting:**

The meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such a quorum cannot be attained at the first meeting, a notice for convening a second meeting shall be sent in the same

|   |                         |   |
|---|-------------------------|---|
| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

These Articles have been issued under the General Assembly's Resolution dated 13/6/1442 AH

conditions stipulated in Article (30) herein. The second meeting may be held one hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes evidence indicating the possibility of holding this meeting. In all cases the second meeting will be valid if attended by a number of shareholders representing at least (a quarter) of the capital. . If the necessary quorum is not met in the second meeting, an invitation to a third meeting to be held according to the same conditions stipulated in Article (30) herein shall be served and the third meeting will be valid regardless of the number of shares represented in it, after the approval of the competent authorities. Extraordinary General Assembly meetings for shareholders may convene and the shareholders shall participate in its deliberations and voting on its Resolutions by means of modern technology, according to the rules set by the competent authority.

#### **Article 34: Voting in Assemblies:**

Votes in the Constituent Assembly and Ordinary and Extraordinary General Assemblies shall be calculated on the basis of one share. The cumulative voting shall be used in the election of the Board of Directors, so that the right to vote for the share may not be used more than once. Members of the Board of Directors may not participate in voting on the Assembly's Resolutions related to absolving them of responsibility for the management of the Company or related to a direct or indirect interest pertaining to them.

#### **Article 35: Resolutions of the Assembly:**

Resolutions in the Constituent Assembly shall be issued by the absolute majority of the shares represented therein, and the Resolutions of the Ordinary General Assembly shall be issued by the absolute majority of the shares represented in the meeting. Nevertheless, if these Resolutions are related to the evaluation of special benefits, the approval of the majority of subscribers is required for the shares that represent (two-thirds) of the shares mentioned after excluding what the beneficiaries subscribed to. The Resolutions shall be issued in the Extraordinary General Assembly by a majority of two-thirds of the shares represented in the meeting unless the Resolution is related

|   |                         |   |
|---|-------------------------|---|
| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

These Articles have been issued under the General Assembly's Resolution dated 13/6/1442 AH

to an increase or decrease in the capital or extension of the term of the Company or dissolution of the Company before the period specified in its Articles of Association or its merger into a company or another corporation, so the Resolution is not valid, unless it is issued by a three-fourths majority of the shares represented at the meeting.

#### **Article 36: Deliberations at the Assemblies:**

Every shareholder shall have the right to discuss the matters listed in the agenda of a General Assembly, and to address questions to the Directors and the Auditor in respect thereof. Every text mentioned herein which deprives the Shareholder of this right shall be null and void. The Directors or the Auditor shall answer Shareholders' questions to such an extent that would not jeopardize the Company's interests. If a shareholder feels that the answer to his question is unsatisfactory, he may appeal to the General Assembly whose Resolution shall be final in this respect.

#### **Article 37: Presidency of Associations and Preparing Minutes:**

The General Assembly meetings shall be chaired by the Chairman or, in his or her absence, by the Vice Chairman, or, in his or her absence by a member delegated by the Board of Directors. Minutes shall be kept for every General Assembly, showing the names of Shareholders present or represented, the number of Shares held by each of them, whether personally or by proxy, the number of votes allotted thereto, the resolutions adopted, the number of consenting and dissenting votes, and a comprehensive summary of the debate conducted at the meeting. Following every meeting, the minutes shall be recorded in an organized manner in a special record, which shall be signed by the Chairman, the Secretary, and the vote counter.

## **Chapter 6**

### **Committees of the Board of Directors:**

#### **Article 38: Board Committees:**

|   |                         |   |
|---|-------------------------|---|
| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

These Articles have been issued under the General Assembly's Resolution dated 13/6/1442 AH

Board committees shall be formed in accordance with the relevant laws and regulations.

## Chapter 7

### Auditor:

#### Article 39: Appointment of the Auditor:

The Company shall have two auditors from among those licensed to operate in the Kingdom appointed by the Ordinary General Assembly, which shall specify their compensation and term of office. The General Assembly may, at any time, remove the Auditors, without prejudice to their right to compensation if the removal is made at an improper time or without acceptable justification.

#### Article 40: Powers of the Auditor:

The Auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as it deems necessary. It may further check and confirm the Company's assets and liabilities. The Chairman shall enable the Auditor to undertake its duties. The Auditor shall record any difficulties it may face in such regard in its report to the Board of Directors. If the Board of Directors does not facilitate the Auditor's work, the Auditor shall request the Board of Directors to convene the Ordinary General Assembly to look into the matter.

#### Article 41: Obligations of the Auditor:

The Auditor shall submit to the annual General Assembly a report prepared in accordance with the generally accepted auditing standards, including the position of the Company's management regarding enabling him to obtain the data and notes he requests and what he may have not

|   |                         |   |
|---|-------------------------|---|
| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

These Articles have been issued under the General Assembly's Resolution dated 13/6/1442 AH

covered in violation of the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, by-laws, statutes and other relevant instructions and his opinion In the fairness of the Company's financial statements. The Auditor shall read his report in the General Assembly. If the Assembly decides to approve the report of the Board of Directors and the financial statements without hearing the auditor's report, its Resolution shall be null and void.

## Chapter 8

### Company Accounts and Dividend Distribution:

#### Article 42: Fiscal Year:

The Company's Fiscal Year shall begin on the first of (January) and ends at the end of (December) of the same year, provided that the first fiscal year shall begin from the date of the Ministerial Resolution announcing the incorporation of the Company and ends on (31) December of the following year.

#### Article 43: Financial documents:

1. The Board of Directors shall on the end of each fiscal year shall prepare the financial statements (which are composing of: the financial position statement for the insurance and shareholders operations, statement of surplus or deficit of insurance operations, shareholders income statement, equity statement, statement of cash flows of the insurance operations, and the statement of cash flows of the shareholders) together with a report of its activities and financial position for the preceding financial year. This report shall include the proposed method for distributing profits. The Board of Directors shall place such documents at the disposition of the Auditor at least 45 (forty-five) days prior to the date set for convening the General Assembly.
2. The Chairman, Company CEO, and Chief Financial Officer shall sign the documents referred to in Paragraph (1) of this Article. A copy thereof shall be placed in the Company's

|   |                         |   |
|---|-------------------------|---|
| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

These Articles have been issued under the General Assembly's Resolution dated 13/6/1442 AH

head office to be available for Shareholders at least 21 days prior to the date set for General Assembly meeting.

3. The Chairman shall provide the Shareholders with the Company's financial statements, the Board of Directors' report and the Auditor's report, unless these reports are published in a daily newspaper that is distributed in the locality of the head office of the Company. In addition, the Chairman shall send a copy of these documents to the Ministry of Commerce and Investment and a copy to the Capital Market Authority, at least fifteen days prior to the date set for convening the General Assembly.

#### **Article 44: Accounts of Insurance Operations:**

The accounts of the insurance operation shall be independent of the shareholders' income statement, as per the following details:

##### **First: Accounts of Insurance Operations:**

1. An account shall be separately set for earned premiums, reinsurance commissions and other commissions.
2. An account shall be separately set for the compensation incurred by the Company.
3. At the end of each year, the total surplus, which represents the difference between the sum of the premiums and compensation, minus the marketing, administrative and operational expenses, and the necessary technical allocations shall be determined according to the regulations governing such matter.
4. Determination of the net surplus shall be as follows:

The investment return related to the insured, after calculating their returns and deducting the expenses they owe shall be added to the total surplus mentioned in paragraph (3) above, or deducted therefrom.

|   |                         |   |
|---|-------------------------|---|
| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

These Articles have been issued under the General Assembly's Resolution dated 13/6/1442 AH

5. Distributing the net surplus, and should be either by distributing (10%) to the insured directly, or by reducing their premiums for the following year, and (90%) shall be carried over to the shareholders' income accounts.

**Second: Statement of Shareholders' Income:**

1. Shareholders' profits shall be made from the return on investment of shareholders' funds in accordance with the rules established by the Board of Directors.
2. The shareholders' share of the net surplus shall be as stated in the fifth paragraph of the first clause of this article.

**Article 45: Zakat and Reserve:**

The Company shall:

1. Set aside the Zakat and the determined income tax.
2. Set aside (20%) of the net profits to form a statutory reserve. The Ordinary General Assembly may stop this deduction whenever the total reserve reaches 100% of the paid capital.
3. When determining the shares in the net profits, the Ordinary General Assembly may decide to create other reserves, to the extent that it serves the interest of the Company or guarantees the distribution of fixed profits as possible to the shareholders.

**Article 46: Entitlement to Profits:**

Shareholders shall be entitled to their share of profits pursuant to the General Assembly resolution adopted in this regard. Such resolution shall specify the entitlement date and distribution date. Shareholders registered in the shareholders register shall be entitled to their shares of profit by the end of the day of their entitlement. The Company shall inform the Capital Market Authority without delay of any Resolutions to distribute profits or recommend it, and the profits to be distributed to the shareholders shall be paid at the place and time determined by the Board of

|   |                         |   |
|---|-------------------------|---|
| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

These Articles have been issued under the General Assembly's Resolution dated 13/6/1442 AH

Directors, in accordance with the instructions issued by the competent authority, subject to the prior written approval of the Saudi Arabian Monetary Agency.

**Article 47: Distribution of Profits to the Shareholders of the Company:**

The Board of Directors shall implement the Resolution of the General Assembly regarding the distribution of profits to the registered shareholders within 15 days from the date of entitlement of these profits specified in the Resolution of the General Assembly, or in the Resolution of the Board of Directors to distribute interim dividends.

The Company may distribute interim dividends to its shareholders semi-annually or quarterly after fulfilling the following requirements:

1. That the Ordinary General Assembly shall authorize the Board to distribute interim dividends according to a resolution to be renewed annually.
2. The Company shall be of good and regular profitability.
3. The Company shall have reasonable liquidity and can reasonably expect the level of its profits
4. That the Company shall have distributable profits according to the latest audited financial statements, sufficient to cover the profits proposed to be distributed, after deducting the distributed and capitalized profits after the date of these financial statements.

The Board of Directors shall include in its annual Resolution submitted to the Company's General Assembly the percentages of profits that were distributed to shareholders during the various periods of the fiscal year in addition to the percentage of profits proposed to be distributed at the end of the fiscal year and the total of these profits.

The distribution of profits shall be registered on the account of retained earnings accumulated from previous years or the agreed reserves, or both, and the Company shall take into account the sequence and regularity in the manner of ratios and distribution of profits according to the capabilities and liquidity available to the Company. The Board of Directors shall disclose and

|   |                         |   |
|---|-------------------------|---|
| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

These Articles have been issued under the General Assembly's Resolution dated 13/6/1442 AH



announce the percentages of the regular periodic profits that are decided to be distributed to shareholders on time.

When making the Resolution to distribute interim profits, the Company is obligated to immediately disclose and announce such profits, and to provide the Capital Market Authority with a copy thereof upon its issuance.

#### **Article 48: Company losses:**

If the Company's losses reach 50% of the paid-up capital at any time during the fiscal year, the Auditor or any officer of the Company shall notify the Chairman immediately upon becoming aware of such losses, who in turn shall immediately notify the Board of Directors. The Board of Directors shall convene an Extraordinary General Assembly within no more than 45 days of becoming aware of the Company's losses reaching 50% of its capital, to either increase or decrease the Company's capital in accordance with the Companies Law to the extent that the losses decrease to less than 50% of the paid-up capital, or to dissolve the Company before the expiry of its term stated herein. In all cases, the Assembly's Resolution shall be published in the Ministry of Commerce and Investment Website. The Company shall be deemed dissolved by operation of law if the Extraordinary General Assembly does not convene within the period prescribed above or if it, convened but is unable to adopt a resolution on this matter, or approves increasing the Company's capital in accordance with this Article and the increase shares are not fully subscribed to within 90 days from the date of the resolution for increase of capital.

### **Chapter 9**

#### **Disputes:**

#### **Article 49: The Company's Liability:**

The Company shall be responsible for all the actions and acts that the Board of Directors carries out even if they are outside its jurisdiction, unless the stakeholder is of bad faith or knows that such actions are outside the jurisdiction of the Board.

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|---|-------------------------|---|
| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

These Articles have been issued under the General Assembly's Resolution dated 13/6/1442 AH

#### **Article 50: Responsibility of Board Members:**

The members of the Board of Directors shall be jointly responsible for indemnifying 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 Law and its Implementing Regulations and the by-laws, statutes and other relevant instructions. Every condition requiring otherwise shall be deemed null and void. The responsibility falls on all members of the Board of Directors if the error arises from a Resolution issued by their unanimous vote. As for the Resolutions issued by the majority of opinions, the opposing members will not be questioned once they express their objection in the minutes of the meeting. Absence from attending the meeting at which the Resolution is issued is not considered a reason for exemption from liability unless it is proven that the absent member was not aware of the Resolution or was unable to object to it after being aware of it. Filing a liability lawsuit does not preclude the approval of the Ordinary General Assembly to discharge the members of the Board of Directors from the liability. The lawsuit for liability shall not be heard after the lapse of (3) three years from the date the harmful act was discovered. With the exception of - cases of fraud and forgery, the liability lawsuit is not heard in all cases after the lapse of (5) five years from the end of the fiscal year in which the harmful act occurred, or (3) three years from the expiration of the membership of the concerned Board member, whichever is later. Each shareholder has the right to file the liability lawsuit for the Company against the members of the Board of Directors if the default made by them would cause special harm to him. The shareholder may not file the aforementioned lawsuit unless the Company's right to file it is still valid. The shareholder shall inform the Company of his intention to file a lawsuit, while restricting his right to claim compensation for the special damage he suffered.

### **Chapter 10**

#### **Liquidation of the Company:**

|   |                         |   |
|---|-------------------------|---|
| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

These Articles have been issued under the General Assembly's Resolution dated 13/6/1442 AH

#### **Article 51: Dissolution of the Company:**

Upon the expiry of the Company, it shall enter into liquidation period during which it shall maintain its legal personality to the extent necessary for liquidation. Optional liquidation may only be adopted by resolution of the Extraordinary General Assembly. The liquidation resolution shall appoint a liquidator and determine its powers, fees, restrictions of power and the period of liquidation, provided that optional liquidation period shall not exceed five years and cannot be extended without a judicial order. The powers of the Board of Directors shall cease upon the Company's approval of its liquidation, provided, however, that the Board of Directors shall remain responsible for the management of the Company and is deemed vis-à-vis third parties as liquidator until the liquidators are appointed. The Company's departments shall remain existent during the liquidation period and shall exercise their powers to the extent they do not conflict with the powers of the liquidator. The liquidation shall take into account preserving the rights of the subscribers in the surplus of insurance operations and the reserves formed as stipulated in Articles 44 and 45 herein.

### **Chapter 11**

#### **Concluding Provisions:**

#### **Article 52: Company Governing Law:**

The provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations, the Companies Law and its Regulations, and the relevant other rules, regulations and instructions shall apply to all that is not mentioned herein.

#### **Article 53: Publication:**

These Articles shall be filed and published in accordance with the provisions of the Companies Regulations and its implementing rules.

|   |                         |   |
|---|-------------------------|---|
| Company Name  | Articles of Association | Ministry of Commerce<br>Companies' General Directorate –<br>Companies' Governance Department) |
| Al Jazira Takaful Taawuni Company<br>CR No. : 4030251980<br>Unified No. : |                         |   |

These Articles have been issued under the General Assembly's Resolution dated 13/6/1442 AH