

SABB Takaful Corporate Governance Document

SABB Takaful **ساب تكافل**

Member HSBC  Group

	Date	Signature	Job Description
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Preamble

The concepts and principles of Corporate Governance are of a great importance for financial institutions in view of the role they play in the macro-economy, particularly as adoption of Corporate Governance rules enable such institutions to improve their performance and competition capabilities, promotes the creation of an added value and provides the framework for accountability and control systems in line with the risks inherent therein.

There is no doubt that the countries adopting strong governance rules inspire investor confidence and consequently attract capitals and long-term investments contributing thereby to the achievement of financial stability and public welfare. They also constitute a fertile land for the economic growth of existing companies through establishment of new and effective partnerships.

Corporate Governance is a collection of rules and procedures through which companies are managed effectively. It also helps in the preparation, realization and observance of risks and the assessment of Company objectives and how to improve its performance. The basics of corporate governance comprise a high level of integrity, timely disclosure of information, establishment of high standard criteria of accountability and effective control function by the Board. It also enables the creation of the proper infrastructure to respect shareholders, preserve their rights, promotes positive communication with the investment community and in general adds value to shareholders rights and equal treatment thereof.

CMA issued in 2006 Corporate Governance Policy which applies to companies listed in the Saudi Financial Market including SABB Takaful.

SAMA has also issued Insurance Corporate Governance Regulation for Insurance Companies operating in Saudi Arabia in October 2015. These aforementioned regulations provided that Insurance Companies are to abide thereby and cover the aspects aiming to promote shareholders rights, disclosure requirements, formation of Board and selection of Board members, their qualifications and responsibilities. They also handle the scope of work of Board Committees and roles, also in addition to the matters relating to the handling of conflict of interests.

In line with the supervisory instructions issued by SAMA and CMA vide the Corporate Governance Regulations, the instructions relating to the functions and responsibilities of the Board members of Insurance Companies operating in the Kingdom, Principles of Corporate Governance, Corporate Governance Rules issued by CMA which all provide for having in place a written policy to regulate all listed Companies adoption of Corporate Governance Rules in line with the procedural policies adopted by SABB Takaful Board of Directors in its endeavors to create a governance environment that reflects its role as a leading financial institution at the local and global levels.

The objectives of this document is to set the general rules and steps followed by SABB Takaful in the exercise of prudent management and governance principles, to preserve and promote the rights of shareholders and stakeholders and facilitate their acquisition of information and their voting rights and involvement at the AGM, to adopt the principles of financial and nonfinancial information disclosure, eliminate any aspect of conflict of interests, promotion and activation of the roles of the Board of Directors and Sub-committees in exercising their responsibilities in the management of the Company and supervision of its works through frameworks based on transparency and continuance.

The Board of Directors of SABB Takaful adopted this document to clarify and complement the provisions of the following documents:

- The provisions of the Company by-laws
- The policies and procedures adopted by the Company's Board (Disclosure Policy, Conflict of Interests Policy, Policies and criteria for Board directorship, the Policy regulating the relationship with the stakeholders, policies for remuneration of Board Members)
- Terms of Reference of Board committees (Executive Committee, Risk Committee, Remuneration and Compensation Committee, Investment Committee, and Audit Committee)

The concerned parties will be responsible for implementation of the provisions hereof, and the Board will review the need to revise and amend such provisions from time to time.

Part 1: Definitions

The expressions and terms in this policy shall, unless the context otherwise requires, have the following meanings:

- **The Company:** SABB Takaful Company
- **Board of Directors:** it is the Company's board of directors, which is the body that represents the Company's management that handles administrative affairs and issues, decision making/ ratification, the Company's objectives and strategic aims, and achievement mechanisms. It is the body tasked with managing the Company in a way that fairly serves the stakeholders' interests.
- **Board Committees:** The Sub-committees formed by the Company's Board of Directors from Board and Non-Board members, to assist the Board in performing its missions and duties. The scopes of work of such committees are specified in their terms of reference. The Company's Board of Directors formed four sub-committees, namely:
 - Executive Committee
 - Risk Committee
 - Audit Committee
 - Remuneration and Compensation Committee
 - Investment Committee.
- **Director of the Board:** a natural person **who** was elected by the AGM, or appointed, to participate with the other board directors in the management of Company's business, whether his membership was categorized as (Executive Director, Non-Executive Director or Independent Director).
- **Executive Member:** A member of the Board of Directors who is also a member of the executive management of the Company and participates in the daily affairs of the Company and earns a monthly salary and benefits in return thereof
- **Non- Executive Member:** A member of the Board who provides opinions and technical advice and is not involved in any way in the management of the Company and does not receive a monthly or annual salary.
- **Independent Member:** A member of the Board who enjoys complete independence from the Company and management. Independence means the ability to judge things after taking into account all relevant information without undue influence from management or from other external entities.

Independence cannot be attained by a Board member in the following situations:

1. Being a significant shareholder in the Company, or in a related company, working for or representing a Significant Shareholder.
 2. Being a member of the board in a related company or one of its subsidiaries, or having been one during the past two years.
 3. Being a member of the Board of the Company for more than nine years.
 4. Holding a Senior Management position in the Company, or in a related company, or having held one during the past two years.
 5. Being an employee with the Company, with a related company, or with a company that provides services to the Company (e.g., external auditors, consulting firms, etc.) or having worked with any one of the above during the past two (2) years.
 6. Being a Related Person of a member of the Board or Senior Management of the Company or of a related company.
 7. Having a contractual or business relationship with the Company (either directly or through an entity in which he or she is a significant shareholder, a board member, or a manager) which resulted in paying to, or receiving from, the Company the equivalent of two hundred and fifty thousand (250,000) Saudi riyal or more (other than his or her remuneration as a director of the Board and amounts related to insurance contracts) during the past two (2) years.
 8. Being under any financial obligation towards the Company or any members of its Board or Senior Management that might limit the exercise of independence in judgment and decision making.
- **First-degree relatives:** parents, spouse and offspring.
 - **Related Persons:** close family members of parents, spouse, descendants; any person with a business relationship that might influence the decision making process; and any establishment in which any member of the Board of Directors has more than 5% interest.
 - **Significant Shareholders:** natural or legal persons that, directly or indirectly, alone or in association, controls 5% or more of the Company's shareholding.

- **Minority stakeholders:** stakeholders who represent a non-controlling entity incapable of influencing the Company.
- **The Code:** the code of professional conduct.
- **The main statute:** SABB Takaful's main statute.
- **Transparency:** disclosure to concerned parties of financial, organizational, and statistical information, thus allowing them to evaluate the institution's performance.
- **Responsibility and prerogative:** clearly outlining prerogatives and responsibilities, and ensuring their intimation, activation, and compliance.
- **Accountability:** the management's compliance and willingness to address questions and inquiries raised by the board, stakeholders, and other concerned parties with clear, accurate, and appropriate information.
- **Fairness:** treating concerned parties with fairness and taking their interests into account.
- **Disclosure:** the divulgence of all company-specific information that is of interest to concerned parties and the investment community as per relevant rules and regulations, and ensuring that this information is fairly within the reach of the aforementioned parties, in order to ensure a sound decision making process built on correct and accurate information.
- **The investment community:** current investors in the Company be them institutions or individuals, as well as any potential investors in the Company.
- **Statute Principles:** the main rules that address statute-related issues, and reflect the most common principles on the global scale, provided that they are in conformity with the requirements in force in the Kingdom of Saudi Arabia and issued by monitoring and legislative bodies.
- **The Law on Supervision of Corporate Insurance Companies:** the Law established under royal decree number (M/32) of 2/6/1424 and its relevant rules and regulations.
- **The Capital Market Law:** The Law established under royal decree number (M/30) of 2/6/1424 and its relevant rules and regulations.
- **The Capital Market Authority ("CMA"):** the authority established under the "Capital Market Law".
- **The Saudi Arabia Monetary Agency ("SAMA"):** the central bank of the Kingdom of Saudi Arabia, which, among other things, regulates insurance service providers.
- **Regulation:** the SAMA Insurance Corporate Governance Regulation (dated October 2015)

- **Chairman:** SABB Takaful's Chairman of the Board.
- **Members:** members of the Company's board of directors who are selected by stakeholders and who together make up the board of directors.
- **Management or Senior Executives:** They are natural persons who manage and are in charge of the outlining and implementation of the Company's strategic decisions, including the Chief Executive Officer, his deputies, and Chief Financial Officer.
- **Concerned parties or parties of interest:** all parties, internal or external, having interest in the Company
- **Control:** The Capital Market Law established under Royal Decree (M/30) of 2/6/1424 defines control as "the direct or indirect potential or capacity to efficiently influence another person's actions and decisions". Additionally, the list of terms in the capital market authority's rules and regulations which were issued by the authority's board as per decision number 411-2004 on 20/8/1425 (4/10/2004) defines control as "the power to influence another person's (alone or with a relative or a contributor) actions or decisions through direct or indirect possession, for a percentage that is equal to or above 30% of a company's voting rights"
- **Accumulative Voting:** a method of voting for electing directors, which gives each shareholder a voting rights equivalent to the number of shares he/she holds. He/she has the right to use them all for one nominee or to divide them between his/her selected nominees without any duplication of these votes.
- **Powers and Responsibilities of the Board of Directors:** the powers and responsibilities provided for in the circular issued by SAMA & CMA to Insurance companies operating in the Kingdom setting forth the general responsibilities a board director has to fulfill.

- **Corporate Governance:** the Rules issued by CMA & SAMA setting forth the aspects of governance of companies listed in TADAWUL & companies under SAMA umbrella. It included definition of shareholders rights, disclosure requirements, formation of Boards of Directors, Board Committees and conflict of interests.
- **Companies Act:** The Act issued under Royal Decree No. M16 dated 22.3.1385 for regulating the requirements regarding the establishment and operation of companies in the Kingdom of Saudi Arabia.
- **Conflict Of Interests:** The situation under which the subjectivity and independence of any decision is affected by a material or moral personal interest which relates to him in his personal capacity or to any of his relatives or close friends, or when his functional performance is affected by personal considerations directly or indirectly or by his knowledge of the information relating to the decision

Part 2: General Policy of SABB TAKAFUL Governance Document

2.1: Policy Objectives:

This Policy is intended to be as implementing rules, policies and guidelines for what has to be followed by the Company, Board members and executives to promote the principles of governance and protect the rights of shareholders and stakeholders, to observe and be in line with the supervisory and regulatory requirements and best local and global practices so as to contribute to the efficiency of Board duties and provide the appropriate leadership contributing to SABB Takaful success.

2.2 Functions of the Board of Directors and Remuneration and Compensation Committee

The Board's functions focus on the supervision of governance structures set by the Company and on the consistence thereof with the supervisory guidance and best local and global practices.

The Nomination and Remuneration Committee (A Board Committee) shall review the conformity of the Company's governance in terms of the policies, criteria and applications and present their recommendations to the Board in line with these rules and the regulations issued by the Supervisory Authorities in this regard.

In line with its terms of reference, the Nomination and Remuneration Committee is entrusted with the periodical revisions to ensure the consistence of the applications and structures of governance adopted by the Company and to present their recommendations to the Board on such matters.

The Company Secretary has been entrusted with the achievement of conformity as necessary to enable the enforcement of the contents hereof together with the Company's executive management.

Ref. annexed Board Nomination Policy.

2.3 General Scope of Governance Principles adopted by SABB Takaful:

This document and principles has been drafted to cope with the regulatory requirements and best local and global practices. The document should be looked at in conjunction with all other types of governance and policies.

The Company asserts that this document and other complementing policies express the Company's core values which include:

- Observe and abide in letter and spirit with all rules, regulations, laws and guidelines organizing Companying business in the Kingdom of Saudi Arabia.
- Enhance fair relationships with customers and commit to provide high quality products and services to customers in line with distinguished criteria so as to achieve their satisfaction.
- To protect shareholders rights and achieve rewarding and regular returns.
- Establish the Company as a leading financial institution.
- Manage the company with loyalty and full devotion

Part 3: Shareholders rights and General Assembly

General Rights of Shareholders

In line with the Company's by-laws, the rules and regulations of SAMA Corporate Governance and Corporate Governance Rules issued by CMA and any other guidelines, each shareholder registered in the Depository Center shall be entitled to all rights attached to the share, in particular:

- To obtain his/her portion of the net profits which are to be distributed in cash or through the issuance of shares;
- To obtain his/her share of the Company's assets upon liquidation;
- To attend the General or Special Shareholders Assemblies, take part in their deliberations and vote on their decisions;
- To dispose of his/her shares in accordance with the provisions of the Companies Law, The Capital Market Law and their implementing regulations ;
- To enquire and request viewing the books and documents of the Company, including the data and information related to the activities of the Company and its operational and investment strategy without prejudice to the interests of the Company or breach of the Companies Law and the Capital Market Law and their implementing regulations;
- To monitor the performance of the Company and the activities of the Board;
- To hold Board members accountable, to file liability lawsuits against them and appeal for nullification of the resolutions of the General and Special Shareholders Assemblies in accordance with the conditions and restrictions provided in the Companies Law and the bylaws of the Company;
- preemptive rights to subscribe for new shares issued in exchange for cash unless otherwise specified in the Company's bylaws or when the Extraordinary General Assembly suspends the pre-emptive rights are per Article (140) of the Company's Law.
- To record his/her name in the Company's shareholders register;
- To request to view a copy of the Company's articles of association and bylaws unless the Company publishes them on its website; and
- To nominate and elect the Board members.
 - The Company's bylaws shall prescribe the percentage of the net profits to be distributed to the shareholders after setting aside the statutory reserve and the other reserves.
 - The Board shall establish a clear policy for the distribution of dividends to achieve the interests of the shareholders and the Company as per the Company's bylaw.
 - The shareholder is entitled to receive his/her share of dividends as per the decision of the General Assembly in respect of the distribution of dividends to shareholders or the Board resolution on distributing interim dividends. The resolution shall specify the record date and the distribution date provided that the resolution shall be executed as per the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies.
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3.1 Facilitation of Shareholders Exercise of Rights and Access to Information

- A. As general rules and in line with the Company's implementing policies, the Company should facilitate the exercise by shareholders of their rights completely including the timely provision of information which should be complete and accurate and regularly updated.
- B. In line with SABB Takaful Disclosure policy, the information and details pertinent to assemblies, balance sheets, Profit and Loss account, Board annual report should be provided to shareholders, published in newspapers and uploaded on Tadawul and Company electronic sites.
- C. The Company and executive management should provide the public information to shareholders using most effective channels without discrimination.

3.2 Shareholders Rights related to General Assembly

A General Assembly of the Company represents all shareholders and shall convene once a year at least in Riyadh within the six months following the end of the company's financial year. A General Assembly may be called to convene whenever necessary provided the following points are observed:

- a. Each shareholder holding shall have the right to attend the General Meeting, participate in its discussions and vote on decisions. A shareholder may delegate another person who is not a Director or staff entrusted with technical duties, or others to attend the General Meeting.
- b. The General Meeting shall convene upon an invitation by the Board of Directors to be published in one local newspapers and the Company's electronic site. The General meeting may also convene at the request of:
 1. Auditors
 2. A number of shareholders holding 5% of the Company's capital at least.
- c. Date, place, and agenda of the General Assembly shall be specified and announced by a notice, at least 25 days prior to the date the meeting; invitation for the meeting shall be published TADAWUL website, the company's website and in one newspaper of in the Kingdom. Modern high tech means may be used in communicating with shareholders

3.3 General Rules governing General Assembly meetings:

In line with the Company's by-laws, the following rules governing the general assembly meetings shall be observed and advised to shareholders:

a. Rules relating to attendance

- Each shareholder holding shall have the right to attend the General Meeting, or delegate another person who is not a Director or staff entrusted permanently with a technical or administrative duty in the Company's favor, or others to attend the General Meeting on his behalf by way of a power of attorney which wording are in line with the regulatory instructions.

The following implementing rules are to be observed in this regard:

1. The power of attorney must include all essential information of shareholder (full name of shareholder, No. of shares held, ID or CR No., full name of attorney, attorney ID No., name and capacity of authorized person, date of power of attorney).
 2. The original power of attorney is required.
 3. Company is not to specify or direct to specify a certain person to receive power of attorneys.
 4. A power of attorney will be acceptable if provides for the right of the attorney to attend the general assembly meetings and vote of agenda items.
 5. Attorney should not be a member of the Board or management or staff entrusted with a technical or administrative duty in the Company's favor
 6. The power of attorney should be issued by the shareholder in his personal capacity as a shareholder in the Company or by an authorized attorney.
 7. Power of attorney should provide for a specific meeting / meetings of the assembly
 8. The power of attorney should be certified by the competent authorities (Chambers of commerce, Saudi Bank, Client's employer, government authorities).
- A shareholder wishing to attend the meeting should bring with him his ID and the documents evidencing his ownership of the shares in order to validate his personality and establish the number of shares he or the shareholders he represents hold.

b. Rules relating to invitation:

- The call to the general assembly meeting must specify a date for receiving powers of attorney which should be 3 days at least before the date of the meeting.
- The call to the meeting should specify the quorum for the meeting.
- **Electing the Board Members**
 1. Upon calling for the General Assembly, the Company shall announce on the Exchange's website information about the nominees for the membership of the Board which shall include the nominees' experience, qualifications, skills and their previous and current jobs and memberships. The Company shall make a copy of the mentioned information available in the Company's head office and its website.
 2. Cumulative voting shall be used in electing the Board, in which it is not allowed to use the voting right of a single share more than once.
 3. Voting in the General Assembly shall be confined to the Board nominees whose information has been announced as per paragraph (1) of this Article.
 4. The date, place and agenda of the General Assembly shall be announced at least ten days prior to the date thereof; the invitation shall be published on the website of the Exchange, the Company's website and in a daily newspaper distributed in the province where the Company's head office is located. The Company may invite the General and Special Shareholders' Assemblies to convene using methods of contemporary technologies.
 5. The Company may amend the agenda of the General Assembly within a period between publishing the announcement referred to in paragraph (d) of this Article and the date of convening the General Assembly meeting, provided that the Company shall announce this as prescribed in paragraph (4) of this Article.

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c. Rules relating to involvement and discussion:

- The Board of directors is to facilitate the participation of the largest possible number of shareholders in the AGMs and to select the proper date and time for the meeting.
- The Board of Directors, upon drafting of general assembly meeting, should take the following aspects into consideration:
 1. The subjects shareholders wish to table in the agenda
 2. Shareholders holding 5% at least of the Company's shares may add one or more items to the general assembly meeting agenda upon drafting thereof.
- Any shareholder shall have the right to discuss the matters put on the Agenda of the General Meeting as well as to address pertinent questions to the Directors and the Auditors. The Directors and Auditors shall answer shareholders' questions to such an extent that would not jeopardize the Company's interest. In case a shareholder feels that the answer to his question is unsatisfactory he may appeal to the General Meeting whose decision shall be final in this respect.
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- The matters placed on the agenda must be accompanied with sufficient information so as to enable shareholders to take their decisions.
- Shareholders must be enabled to review the minutes of the General Assembly meeting at the Company's premises, copies of which must also be provided to SAMA and CMA within 10 days of the meeting date.

- In line with SABB TAKAFUL Disclosure Policy, the Company has to publish the resolutions taken by the General Assembly meeting immediately upon end of the meeting. Such results must be published on TADAWUL and SABB TAKAFUL electronic sites.

d. Rules pertaining to quorum for the holding and passing of General Assembly resolutions:

1. **Ordinary General Assembly:** A meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing at least (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within the following thirty (30) days. Invitation for the meeting shall be published in the manner stipulated by Article (30) of the Company's By-Laws. 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. A Shareholder may participate in the Ordinary General Assembly's deliberations and vote on its resolutions via modern technology in accordance with the controls set out by the concerned

Extraordinary General Assembly: A meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least 65% of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened in the same manner set out in Article (30) of the Company's By-laws. 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 if attended by Shareholders representing at least twenty five per cent (25%) of the Company's capital. If such quorum cannot be attained at the second meeting, a third meeting shall be convened in the same manner set out in Article (30) of the Company's By-laws. In all cases the third meeting shall be deemed quorate regardless of the number of the Shareholders represented therein, subject to the consent of the concerned authorities. A Shareholder may participate in the Extraordinary General Assembly's deliberations and vote on its resolutions via modern technology in accordance with the controls set out by the concerned authorities.

2. authorities. Resolutions of the ordinary and extraordinary General Meeting shall be adopted by a majority of two thirds of the shares present or represented thereat except in respect of resolutions pertaining to the increase of share capital or its reduction, the extension of the Company's duration or its dissolution before its term or amalgamating it into another company or entity which shall be adopted by a majority of votes of three fourths of the Share Capital present or represented.

e. Rules relating to General Assembly Meeting:

1. The General Meetings shall be presided over by the Chairman of the Board or the Director acting as ad hoc Chairman. The Chairman shall nominate the Secretary of the Meeting and two scrutineers from amongst the shareholders present thereat.
2. Minutes shall be written for the meeting showing the names of shareholders present or represented thereat, the respective shares they hold personally or by way of proxy, the number of votes (in favor, against or declined) and an adequate summary of the discussions which took place thereat. Such minutes shall be signed by the Chairman and the Secretary of the meeting.

f. Agenda of General Assembly meetings:

1. When preparing the General Assembly's agenda, the Board shall take into consideration the matters that the shareholders wish to list; shareholders holding no less than (5%) of the Company's shares are entitled to add one or more items to the agenda upon its preparation.
2. The Board shall separate each of the matters listed in the agenda of the General Assembly meeting as an independent item, and not combine significantly different matters under one item, and not combine the businesses and contracts in which Board members have a direct or indirect interest under one item, for the purpose of obtaining the shareholders' vote for the item as a whole.

3. The shareholders shall be allowed through the Company's website and the Exchange's website, when the invitation for the convention of the General Assembly is published, to obtain the information related to the items of the General Assembly's agenda, particularly the reports of the Board and the external auditor, the financial statements and the audit committee's Report in order to enable them to make an informed decision in this regard. The Company shall update this information in case the General Assembly's agenda was amended.
4. The Authority may add any items it deems appropriate to the agenda of the General Assembly.

3.4 Shareholders Voting Rights:

Voting, in general, represents a basic right of shareholders which cannot be eliminated in any way, and the Company may not take any action which may obstruct or restrict the right of shareholder in voting.

The Company shall facilitate shareholders voting at the general meeting decisions so as to ensure equal treatment of all shareholders. Remote voting may be used.

In line with the Company's by-laws, Votes in ordinary and extraordinary General Meeting shall be computed on the basis of one vote for each share. The following requirements are observed:

1. Members of the Board of Directors may not participate in voting on Resolutions of the General Meeting pertaining to their relief from liability for the terms of their management.
2. Voting on the selection of Board members will be calculated by way of accumulative voting.
3. Voting process shall be conducted by way of ballot through the ballot cards distributed to shareholders present, or their authorized representatives. The Company shall prepare such card with the names of nominees and their CVs and the meeting agenda.

3.5 General Assembly Jurisdiction

As per the Company's by-laws, valid General Meeting represents all the shareholders. It shall be held in the town where the Head Office of the Company is located.

A) Ordinary General Meeting Jurisdiction

Except for matters falling within the jurisdiction of the extraordinary General Meeting, the ordinary General Meeting shall have jurisdiction to deal with all matters that concern the Company, including but not limited to:

- To approve the Company's annual report
- To endorse the Company's balance sheet
- To approve the auditors' report and Profit and Loss account for the underlying financial year.
- To relieve the Directors liability for management of the Company in the captioned year.
- To approve the Board recommendation for proposed dividend distributions to shareholders
- To approve appointment of auditors based on the recommendations of Audit Committee.
- To approve the terms of reference of Board sub-committees (Audit Committee, REMCO).
- To approve payment of remunerations and compensations to Board members
- appointing and dismissing Board members;
- permitting a Board member to have direct or indirect interest in the business and contracts that are executed for the Company's account, in compliance with the provisions of the Companies Law and Its Implementing Regulations;
- permitting a Board member to take part in any activities that may lead to competition with the Company, or competition in any of its activities, in compliance with the provisions of the Companies Law and its Implementing Regulations;
- monitoring the compliance of the Board members with the provisions of the Companies Law and Its Implementing Regulations and other relevant laws and the Company's bylaws; inspecting any damage that may occur as a result of their violation of such

- provisions or mismanagement of the affairs of the Company; determine the liability resulting therefrom and undertaking the procedures it deems proper in this regard pursuant to the Companies Law and Its Implementing Regulations;
- forming the audit committee pursuant to the provisions of the Companies Law and Its Implementing Regulations;
 - approving the Company's financial statement ;
 - approving the Board report;
 - deciding on the proposals of the Board with respect to the method of distributing the net profits;
 - appointing the external auditors of the Company, specifying their remunerations, reappointing them, replacing them and approving their reports;
 - looking into the violations and errors committed by the external auditors of the Company when performing their duties and any difficulties, reported by the Company's external auditors, regarding their empowerment by the Company's Board or Management to review the books, records and other documents, statements and clarifications required to perform their duties, and respond to that as it deems appropriate in this regard;
 - resolving to withhold from setting aside statutory reserve when it reaches an amount equal to (30%) of the Company's paid share capital, and resolving to distribute the surplus of such percentage to the Company's shareholders in financial years where the Company does not generate net profits;
 - using the Company's consensual reserve, if such has not been set aside for a specific purpose, provided that using such reserve shall be based on a proposal submitted by the Board and used in ways that benefit the Company or the shareholders;
 - forming other reserves besides the statutory reserve and consensual reserve and disposal of the same;
 - setting aside amounts from the Company's net profits to set up social organisations for the benefit of the Company's employees or to assist any such existing establishments in accordance with Article (129) of the Companies Law; and
 - approving the sale of more than (50%) of the assets of the Company, whether in one or several transactions within a period of 12 months from the date of the first selling transaction. In case selling these assets includes what falls within the powers of the Extraordinary General Assembly, the approval of the said Assembly is required.

(B) Extra-Ordinary General Meeting Jurisdiction

- The extraordinary General Meeting shall have jurisdiction to alter the Company by-laws except the provisions which may not be altered under the Companies Law. It shall, in addition, have jurisdiction to prolong the duration of the Company or shorten it or dissolve the Company for any reason before its term.
- In addition to the foregoing, it may pass resolutions on matters falling within the jurisdiction of the ordinary General Meeting subject to the same conditions and in the same manner as prescribed for the latter.
- Upon the end of the company term or in case of winding up of the Company prior to the end of its term, the Extra-Ordinary General Meeting shall determine the method of liquidation and appoint one or more liquidators and fix their authorities and fees. The powers of the Board expire with the end of the Company.amending the Company's bylaws, except for amendments which are deemed null and void pursuant to the provisions of the Companies Law;
- increasing the Company's share capital in accordance with the situations provided by the Companies Law and Its Implementing Regulations;
- decreasing the Company's share capital if it exceeds the Company's needs or in the event the Company incurs financial losses, in accordance with the situations provided by the Companies Law and Its Implementing Regulations;
- resolving to form a consensual reserve for the Company as provided for in its bylaws to be set aside for a specific purpose, and the disposal thereof;
- resolving to maintain or liquidate the Company before the end of the term specified in its bylaws;
- Approving the Company's shares buy-back;
- Issuing preferred shares or approving their buying, or converting ordinary shares into preferred shares or converting preferred shares into ordinary shares as per the Company's bylaws and the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies;

- Issuing debt instruments or financing deeds convertible into shares, and stating the maximum number of shares that may be issued against these instruments or deeds;
- Allocate Shares that are issued upon the capital increase or part of them for the employees of the Company, and its affiliates or some of them, or any of them; and
- Suspending preemptive rights of shareholders in subscribing for the capital increase in exchange for cash or giving priority to non-shareholders in cases as deemed in the interest of the Company if so is provided for in the Company's bylaws.

The Extraordinary General Assembly may issue resolutions that fall within the powers of the Ordinary General Assembly, provided that such resolutions are issued in accordance with the issuance requirements of Ordinary General Assembly resolutions which require that the absolute majority of shares be represented at the meeting.

Part 4: Disclosure policies and Procedures

A principle of prudent governance is that clear disclosure policy is laid down by the Company to disclose important financial and non-financial material information. The Disclosure policy is to handle disclosed information, the party to whom disclosure is made, how disclosure was made, and the person in charge of disclosure. With such policy, the Company will have in place a clear reference and methodology of disclosure and a mechanism for establishment of liabilities.

SABB Takaful Disclosure Policy as approved by the Board of Directors is in line with the Regulatory requirements for regulating the process and mechanisms of disclosure of financial and non-financial information to investment community.

4.1 The objectives of this policy are as follows:

The Company's objectives in terms of disclosure process aim to achieve the following aspects:

- To observe the publishing of essential information on the Company and activities to the investment community in a timely and realistic manner in line with the scope of regulatory requirements.
- To maintain open and effective dialogue with all related parties in respect of the historical performance of the Company in addition to future visions of its activities.
- To provide the rules and regulations within the Company so as to ensure the implementation of disclosure policy and abidance by disclosure requirements, enhance the Company staff awareness of the practices and requirements of disclosure and to meet such requirements.

4.2 Scope of Disclosure Policy of the Company:

The scope of this policy covers all Company staff and affiliated entities or the companies in which the Company holds majority of shares. It covers also the directors of the Board and each person authorized to represent the Company and other persons or entities having "special relationship" with the Company.

The Disclosure Policy covers the written information including periodical and contingent reports, news bulletins, shareholders messages and letters received by the senior and executive management, electronic messages, Company's webpage on the internet and any file relating to CMA.

4.3 Disclosure work team:

To organize disclosure process in line with the methodology and internal business mechanisms of the Company which is basically governed by the policies and Processes manuals, disclosure process is made through the Disclosure Team consisting of the following senior executives:

- 1) CEO
- 2) Chief Financial Controller
- 3) Head of Compliance
- 4) Marketing Manager

- 5) Any other officer if necessary to be commissioned.

4.4 Disclosure Related Parties

Disclosed information targets the regulatory authorities which supervise the Company, namely SAMA, CMA. It also targets investment community so as to provide them with the necessary information to evaluate investment in the Company.

4.5 Disclosure Guidelines:

As general principles, it is important that, the following guidelines be observed to ensure that, the Company makes prudent disclosure:

- A. The Company's official spokesmen should follow a set of guidelines principles to ensure the effectiveness of communication with others. These include:
- 1) The Company shall disclose any material developments or additional requirements by the regulatory authority or others.
 - 2) The Company prohibits selective disclosure of material information so as not to prioritize and segment of the investment community over others.
 - 3) The Company shall restrict access to confidential information (which may not be disclosed) within the Company's premises as necessitated by internal policies.
 - 4) The Company will endeavor to adopt appropriate fixed time for disclosure to avoid appearing as selectively disclosing.
 - 5) The Company's management and the board of directors should assume that, the internal circulated information may be circulated externally. If the material information inadvertently leaked at any time, the Company shall ensure complete disclosure and publication to the investment community.
 - 6) The Company shall endeavor to communicate face to face as far as possible with any related party of the targeted groups.
 - 7) The Company shall endeavor to communicate internally before externally since it is essential that staff should not know about what is taking place inside the Company from the newspapers or media.
 - 8) The Company should maintain open and simple communication elements.

- B. The Company should observe that, disclosure process should be made in appropriate time, simple text and in compliance with the regulatory requirements including the following:

- The annual general meeting
- The annual or interim reports, which are disclosed annually.
- Quarterly financial results
- The messages addressed to the shareholders and or investors
- News messages addressed to staff and depositing clients which are disclosed periodically.
- News bulletin disclosed whenever necessary Advertising and promotional items disclosed Whenever necessary.

- C. The Company is committed to fulfill the requirements contained in Corporate Governance Rules, and Registration & Listing Rules issued by CMA as well as any regulatory arrangements or supervisory instructions. Therefore the Company is committed with disclosure requirements, particularly in respect of the following:

1. Provide CMA with interim accounts and also announce the same to shareholders within the timelines as per CMA and SAMA regulations.
2. Provide CMA with the annual audited accounts and also announce the same to the shareholder within the timelines as per CMA and SAMA regulations. Provide CMA with annual audited accounts and announce the same within the timelines as per CMA and SAMA regulations. Provide CMA with any changes in the formation of the board of directors or any change in the position of the managing director
3. Provide SAMA with any changes in the board of directors, Board sub-committees, or the leading positions in the Company.

D. Communicating with Shareholders

1. The Board shall ensure communication between the Company and the shareholders based on the common understanding of the strategic objectives and interests of the Company.
2. The chairman of the Board and the Chief Executive Officer shall inform the remaining Board members of the opinions of the shareholders and discuss these opinions with them.
3. No shareholder may intervene in the operations of the Board or the work of the Executive Management of the Company unless he/she is a member of its Board or its management team; or unless his/her intervention is through the Ordinary General Assembly according to its powers or within the limits and situations permitted by the Board.

Part 5: Formation of the Board and Committees.

Board of Directors

In line with the Company's By-Laws, SABB Takaful Board of Directors is composed of (8) directors who assume the Company's management, of whom (2) are representing SABB, (2) are representing HSBC, and one Director whom is representing SABB and HSBC along with (3) other independent directors.

Directors, shall be selected, elected and appointed by the Ordinary General Meeting according to the normal Voting Method.

As a general principle, the Board members should "collectively" have a mix of professional, practical and managerial skills, financial and insurance experience, and distinguished personal qualities.

The Board of Directors will be chaired by a chairman selected from among the Non-Executive members to represent the company before all departments and authorities. A Deputy chairman would also be appointed from the Non-executive members to replace the chairman in his absence. The chairman and his deputy should not have any executive role.

Committees of the Board will be formed in line with the Company's By-Laws and Committee Terms of Reference. These include: Executive Committee, Audit Committee, Nomination and Remuneration Committee, Investment Committee and Risk Committee. Other Board committees may be formed depending on the Company's activities and need.

The Board committee members shall consist of members from Board and Non-Board members. The supervisory requirements referred to herein shall be observed in the formation and terms of reference of such committees as well as the directions issued by the regulatory authorities.

5.1 Board of Directors

A. Board of Directors Configuration Policies

- The Company by-laws determines the board of directors' configuration while ensuring the availability of a sufficient number of members and consequently the appropriate skills and expertise, which allows setting up the required committees. The number of Board members should not be more than 11 and not less than 5 members.
- The regular general assembly appoints board members for the period stipulated in the Company by-laws provided that the period does not exceed 3 years; it is always authorized to reappoint board members pursuant to regular general assembly decision unless the Company by-laws stipulates otherwise.
- The majority of board members must be Non-Executive members.
- A Board member must not be a member on the boards of another local Insurance and/or reinsurance companies, or board committees that falls under the aforementioned companies, or any leadership positions in such companies.
- It is prohibited to combine the Chairman of the Board position with any other executive position within the Company, such as a delegated board member, the Chief Executive Officer, or the General Manager.
- Independent board members must be no less than two members or one-third of board members, whichever is greater.
- The Company's by-laws mention how board membership ends, and that the General Assembly always has the right to dismiss all or several Board members even if the Company's by-laws state otherwise, without prejudice to the dismissed member.
- Board members membership ends with the expiration of the Board's period, Board member's resignation, death and if the Board member becomes physically or mentally impaired in a way that could severely limit his/her ability to properly perform and conduct the role; in addition to if the Board finds out that the members has fallen short of their responsibilities in a way that is detrimental to the Company's interest, provided that the regular general assembly approves this measure. Moreover, board membership ends if any statute or directions in the Kingdom stipulates the board member's inability to continue performing their role, if he/she fails to attend three sessions held within one year without adequate reasons, if he/she declares bankruptcy or insolvency or files for settlement with his/her creditors, if he/she stops paying his/her debts, if he/she fails to fulfill his/her

- obligations in a way that harms the Company (in which case the termination of the subject Board member must be approved by the General Assembly), or if he is proven to have committed an action involving moral dishonesty or contravention of laws in the Kingdom of Saudi Arabia or any other jurisdiction. Whenever the position of a board member appointed by a founder becomes vacant, the person who appointed him must immediately appoint a successor; whenever a board member position becomes vacant, it is the board's responsibility to fill that position and securing SAMA's non-objection with regards to this appointment, provided that the issue is put before the general assembly at the first meeting following the notice presented to CMA within (5) business days of the appointment, and that the new member completes his predecessor's mandate only. If the number of board members is insufficient to have quorum according the Company's by-laws or the relevant and related regulations, a regular general assembly must be convened within (60) days to appoint the required number of members.
- When a board member membership expires in any of the aforementioned ways, the Company must notify the CMA and the SAMA within five (5) business days while providing the reasons why the membership has expired; the Company must also obtain approval of the CMA and the SAMA before appointing a replacement, which can be done by filling out the registration form adopted by the respective authorities.
 - The Board shall propose the remuneration package for Board Members, based on the recommendations of the Nomination and Remuneration Committee, subject to the approval of the General Assembly.
 - A Board member shall not be a member of the Boards of Directors of more than five listed joint stock companies at the same time.
 - The Company shall notify the Authority of the names of the Board members and description of their memberships within five business days from the commencement date of the Board term or from the date of their appointment, whichever is shorter, as well as any changes that may affect their membership within five business days from the occurrence of such changes.

B. Directorship nomination

The Remuneration and Nomination Committee assess recommends to the Board of Directors the names of persons nominated for the membership of the Board and committees.

Any person wishing to run for the Board membership must provide Nomination and Remuneration Committee through the Company's Company Secretary the nomination forms endorsed by the following authorities:

1. SAMA
2. Capital Market Authority

The Company Secretary, under the supervision of the Nomination and Remuneration Committee must ensure the availability of nomination forms through the available channels and to ensure applications fulfill the regulatory requirements as well as the requirements provided for in the Board Directorship Policy

C. Required Skills and Qualifications

As a general rule, each candidate to Board membership should be of a high level of knowledge, experience and skill, in addition to continuous desire to learn and develop.

The Nomination and Remuneration Committee must examine the Candidate's qualifications and to evaluate his capabilities in leadership and independent judgment in addition to knowledge in the financial and accounting affairs in order to judge his ability to fulfill the duties of his position, if selected.

Board members must have the following:

- An appropriate amount of qualifications, skills, knowledge, and experience, to help protect the Company's gains and prosperity and achieve its objectives and interests.
- Members must possess the qualifications, skills, and expertise that are necessary for the board to fulfill its responsibilities, provided that those qualities are equally divided among members to achieve efficiency and provide sufficient experience for the board; it is not required that one board member possesses all the required skills.
- Members must have clairvoyance, a strategic view, good administrative vision, and supervision and management capacity; they must also be well versed in legal and financial aspects, and be particularly aware of the Company's business and activities.

- D.** There should be no conflict of interests that might hinder board members' efficient performance.
- E.** There should be no conflict of interest with the membership of other boards of directors.
- F.** The member must not have been subject of any punishment by either the authority or any government or organizational authority.
- G.** The member must not have been the subject of any investigation related to his/her business activity.
- H.** The member must not have been convicted of any crime, be it by a local or international specialized authority.
- I. Independence and sufficient time allocation**
 - Independence at work.
 - Compliance: laying down rules, estimating the required amount of time, and making sure that board members comply with the set timeframe by making sure that it is commensurate with his specialty and duties as well as any verification means.
- J. Member Selection standards disclosure**
 - The Company defines in writing the qualifications, expertise, and skills that new members must possess.
 - The Company shall disclose the availability of adopted standards in current and/ or new members.
- K. Efficient Management**
 - Board members must not be board members in another insurance Company. For the avoidance of doubt, Board members shall not be a member of a board of another local insurance and/or Reinsurance Company, or any other board committees, or occupying a leadership position in such companies.
 - Obtain the Saudi Arabian Monetary Agency's written approval.
 - There should be no conflict of interests that might hinder board members' efficient performance.

5.1.1 General Requirements:

The Nomination and Remuneration Committee, upon viewing nomination documents and interviewing candidates, must observe the general requirements in respect of each candidate in line with the Insurance Cooperative Control Law requirements, including:

1. Not to accept the nomination of any candidate who had been convicted for a dishonesty or breach of faith crime, or if he declares himself or any entity he owns or participates in whether in or out of the Kingdom, bankrupt.
2. Not to accept the nomination of any candidate who had assumed a leading position or Board membership of any financial institution which has been liquidated or declared bankrupt or suffered any reputational damages due to regulatory or supervisory violations.
3. Not to accept the nomination of any candidate who had been dismissed from the directorship of any financial institution or his services terminated for organizational or regulatory reasons.
4. Nor to accept the nomination of any candidate who occupies at the same time the directorship of another licensed insurance company in the Kingdom.

5.2 Selection of Board members and their introduction to the Company

Selection of the Board members

A. Appointment

As long as founding shareholders identified in the by-laws own their shares in the Company, they are entitled to appoint their representatives in the Board as per the by-laws, and may change one or all of their representatives/ This appointment or change shall be carried out subject to a decision issued by the founding shareholder and is disseminated by means of a letter addressed to the Board of directors; all members may be reappointed as per the by-laws.

B. Candidacy

- The Board shall resort to the Remunerations Committee to find candidates who fulfill the candidacy criteria, or any other individuals who submit their candidacy otherwise, according to the procedures

and requirements set by the Remunerations Committee, while taking into consideration that no voting rights are granted to legal persons entitled by the Statute to appoint their representatives in the Board to select Board candidates. The number of Board candidates presented to the General Assembly for voting shall exceed the number of available seats. The Board nomination process shall take into account the following:

- i. allowing sufficient time for receiving nomination proposals.
 - ii. Nomination and Remuneration committee must review nomination proposals.
 - iii. Obtaining SAMA's written non-objection prior to the appointment of any Board member.
 - iv. Providing Shareholders with adequate information on the candidate's qualifications.
 - v. Applying the Cumulative Voting method when voting in the General Assembly for appointing Board members.
 - vi. Notifying SAMA when a nomination proposal has been rejected and the reasons for such rejection.
- If the position of a Board member becomes vacant, the Board can, after obtaining SAMA's prior written no-objection, temporarily appoint a new member to the vacant position for the remaining of his or her predecessor's term, provided that such appointment is presented for approval at the next general assembly.

C. The Election

- The General Assembly shall select the members among candidates, taking into consideration the fair representation of minority shareholders in the Board through voting. Sufficient information about candidates should be made available prior to the meeting of the General Assembly.

D. The notification

- After election results are endorsed, elected members are officially notified of their powers and duties, timetable, bonuses, conflict of interest rules and regulations, confidentiality rules and regulations, introductory program (preparation), appraisal and access to sources of information.

E. Informing Members of the Board of Directors of company affairs

- Newly appointed members should acquire adequate skills and knowledge through an official comprehensive program that will introduce them to all company affairs. Each new Board Member shall be provided with a letter of appointment outlining his or her roles and responsibilities, and comprehensive information on the Company's business and strategic plans and on applicable laws and regulations. The program shall include:
 - Meeting the Company managers and shareholders.
 - Field visits to Company sites.
 - Information about the Company, its activities, markets, competitors, services, organizational structure, operations, main procedures, financial statuses, key risks, main performance indicators and regulatory and organizational limitations.
 - Information about shareholders and different policies governing their relationships.
 - Members are required to take part in introductory and educational programs to update and develop their knowledge and skills and better their contributions to the Board activities.

Board Members familiarization with the Company Business:

In line with SABB Takaful policies, new members of the Board and committees must acquire appropriate skills and knowledge, after their appointment through a comprehensive program to be organized by the Company Secretary, and to be advised of the laws and regulation governing the banking activities. New members will be provided with a memo containing their role and responsibilities.

Remuneration of the members of the Board and Committees

Remunerations and allowances of non- executive Board Members as well as attendance fees for attending the meetings of the Board and its committees are determined in accordance with the resolutions of the Board which are endorsed in line with the regulatory directions.

As per the regulatory rules, SABB Takaful must disclose in the Board annual report presented to the General Meeting, the amount of remuneration paid to executive and non-executive Board directors.

5.3 Duties and responsibilities of the Chairman of the Board of Directors

- A. The Chairman performs a key role in terms of monitoring the implementation of regulations and the efficiency of Board's activities. The Chairman of the Board must be a Non-Executive member of the Board. The Board may also select a Non-Executive member of the Board as Vice-Chairman only after obtaining the relevant no objection from SAMA.
- B. The Board can, by a majority vote of its Board members, dismiss its elected Chairman at any time.
- C. Along with the comprehensive responsibilities and duties as a Board member, the Chairman's duties shall include but not limited to the following:
 - Organizing the Board's activities, including setting the agenda in consultation with the Chief Executive Officer and the other Board members.
 - Organizing, managing, supervising and presiding over Board meetings and overseeing the process of providing the Board with information and reports
 - Verifying the implementation of Board decisions.
 - Verifying the participation of members in Board activities.
 - Performing an active role in all Board activities.
 - Verifying that all members are provided with timely relevant information and data, and briefed about important topics.
 - Verifying that members are well introduced and prepared to dealing with company affairs.
 - Encouraging members to constantly develop their skills.
 - Maintaining permanent contact with shareholders and ensuring that all aspects of concern to them are raised with the Board.
 - Leading the Board and Board members' performance assessment.
 - Supporting the Board's efforts in promoting higher standards of corporate governance and ensuring compliance with applicable laws and regulations at all times.
 - Representing the Company before judicial bodies and supervising the relationships between the Board and internal and external parties.

5.4 Separating the roles of Chairman of the Board and that of CEO

- A. The roles of Chairman and CEO are separated, and may not be conjoined, as the Chairman's responsibilities shall not overlap with those of the CEO. The Chairman shall not extend to interfere or conduct in any of the responsibilities reserved for the CEO.
- B. The CEO is (generally) not appointed chairman right after he retires/resigns from his position.

5.5 Board membership

The number of Board members should be sufficient to allow the Board to benefit from a variety of relevant skills and expertise, form required committees, take decisions and vote on the agenda of the Board meetings in conformity with the by-laws of the Company. The number of Board members must not be more than eleven (11) members or less than five (5) members on a permanent basis.

5.6 Code of Ethics

The Code of Ethics, as duly approved by the Board of Directors, ensures that the Company's activities are conducted in a fair and ethical manner.

Ref. annexed Code of Conduct.

5.7 Membership duration and cycles

A. Membership duration

The membership duration hinges on the situation of the Company. The Board shall examine the duration at suitable periods of time and apply statutory procedures to adopt the membership duration as per the Company's by-laws. With accordance to relevant and related rules and regulations issued by SAMA, CMA.

B. Membership cycles

The number of membership cycles is determined in line with the situation of the Company. The Board shall examine the cycles at suitable periods of time and apply statutory procedures to adopt it. With accordance to relevant and related rules and regulations issued by SAMA, CMA.

5.8 Board member-company relationship

The Board shall prepare documents determining the statutory relationship between the Company and its Board members.

5.9 Board of Directors Performance Assessment

A. Assessment process

1. The Board shall develop, based on the proposal of the nomination committee, the necessary mechanisms to annually assess the performance of the Board, its members and committees and the Executive Management using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.
2. The procedures of performance assessment shall be in writing and clearly stated and disclosed to the Board members and parties concerned with the assessment.
3. The performance assessment shall entail an assessment of the skills and experiences of the Board, identification of the weaknesses and strengths of the Board and shall attempt to resolve such weaknesses using the available methods, such as nominating competent professional staff able to improve the performance of the Board. The performance assessment shall also entail the assessment of the mechanisms of the Board's activities in general.
4. The individual assessment of the Board members shall take into account the extent of effective participation of the member and his/her commitment to performing his/her duties and responsibilities, including attending the Board and its committees meetings and dedicating adequate time thereof.
5. The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years.
6. Non-Executive Directors shall carry out a periodic assessment of the performance of the chairman of the Board after getting the opinions of the Executive Directors, without the presence of the chairman of the Board in the discussion on this matter, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.

5.10 Assessment criteria

1. Assessment criteria of the Board and committees shall include:
2. Efficiency in honoring responsibilities.
3. Assessing the relationship with the management, shareholders and relevant parties.
4. Efficiency of the Board / committees in business management including the high quality of held meetings.
5. Efficiency of the Leadership technique followed by the Chairman or the committee.
6. Members assessment criteria shall include:
 - Complete contribution to the activities of the Board, committees and company.

- Honoring time limits, particularly when it comes to attending meetings of the Board and committees and the capacity to actively take part in allocated tasks.
- Good manners with members and administration.
- Desire to develop personal skills and knowledge.
- Capability of ensuring efficient contact and coordination with the Board and third parties, shareholders in particular.

5.11 Reviewing Board of Directors bonuses

Objectives

- a. Board member bonuses should be in line with shareholders' interests and sufficient to attract skillful members and retain them. Nevertheless, excessive bonuses should be avoided.
- b. Bonuses may be offered in different forms, depending on the responsibilities allocated to each board member (such as membership or chairmanship of committees). Notwithstanding the same, members of the Board and Senior Management (except sales managers) shall not receive any commission or rewards on sales-related activities and no variable component of the compensation for members of the Board and Management and Senior Executives (except sales managers) shall be directly based on premium volume.

5.12 Relationship with relevant parties and whistleblowers

- Relevant parties should have direct contact with the Board to express their concerns about any company or employee-related affair. The Company shall set necessary procedures to achieve justice for all.
- The Company should put in place measures of protection for employees and whistleblowers reporting illegal conduct within the Company. This is accomplished through secret contact channels and internal regulations that achieve justice for all without exposing whistleblowers.

5.13 Board meetings and agendas

A. Procedures regulating Board activities

Procedures regulating Board activities including summons and pressing matters are determined in registers adopted by the Board.

B. Board meetings

The Board's meetings shall be held on a regular basis and as needed. The Board shall hold at least four (4) meetings every year and at least one every quarter.

C. Call for a Board Meeting

1. The Board shall hold regular meetings upon the chairman's call as per the agenda adopted by the Board.
2. The chairman must call the Board for an extraordinary meeting in the event two members submit a written request in accordance with the by-laws.
3. The number of Board meetings per year should allow the Board to fulfill all of its duties and responsibilities.
4. At least four meetings should be held annually and at least one every quarter.
5. Non-executive members of the Board shall hold closed meetings, without the presence of Management members, at least once every year, where staff of the control functions can be invited upon the request of the non-executive members.
6. The general secretariat of the Board is responsible for preparing the meetings.

D. The agenda

1. The Board determines the agenda to be reviewed or examined in advance. The agenda shall include prioritizing topics in light of statutory requirements. Among the tasks are:
2. Acquiring and disposing of valuable assets, investments, capital projects, expiry, financial policies and risk management policies.
3. Reports of external and internal auditors.
4. Board members can suggest listing one or more topics or one of the topic items on the agenda for it to be adopted by the Board.
5. The Chairman shall determine the Board meetings agenda taking into consideration topics raised by Board members and management.
6. The agenda should revolve around important strategic matters.

E. Board Meeting Management

1. The Chairman is mainly responsible for managing Board meetings. Minutes of the Board meetings shall be recorded, signed by the Chairman and the Secretary of the Board, and entered into an official register. Minutes of the Board shall indicate meeting's attendance, topics discussed, major deliberations, voting process, objections and abstentions from voting (with reasons, if any),

decisions taken, and reservations. All records and documents reviewed during the meeting and/or referred to in the minutes shall be attached to the minutes.

2. The detailed minutes of a Board meeting shall be documented and preserved. It is also possible to add voice recordings thereto. The documentation process should take the following into consideration:
 - a. Accuracy in drafting the minutes that should always reflect all the issues raised and the decisions adopted.
 - b. The minutes should incorporate a precise monitoring of the voting process that takes place during these meetings, including any abstaining votes

F. The flow of information and presentations to the Board

a. Presenting information

1. Information about discussed topics must be submitted to the Board on time before the meetings. Information must be accurate, correct, adequate and timely, and members are to make sure of this.
2. All members should be provided with sufficient information.
3. The Board shall periodically review the wording, content and scope of information presented to the members.

b. Periodic information

Management must provide periodic information about the activities carried out throughout the exercise of powers, and comprehensive information about extraordinary and unusual transactions with other parties. The Board shall be informed thereof despite the absence of any explicit text deeming a Board approval mandatory.

G. Duties of the Secretary of the Board of Directors

The secretary of the Board shall perform several key tasks including:

1. Arranging meetings of the Board, verifying compliance with Board procedures, and periodically reviewing them.
2. Following up on the implementation of Board resolutions and reporting difficulties to the Chairman and the Board.
3. Assisting the Chairman and members by providing them with information about their responsibilities.
4. Preparing and distributing draft minutes.
5. Providing the Board with best methods means of implementation of mandatory regulations and instructions.
6. Ensuring the availability of appropriate means of communication for the exchange and recording of information between the Board and its committees and between Non-Executive Board members and Senior Executives and Management.
7. Carrying out any other task pursuant to the request of the Chairman or the Board.
8. The Secretary shall give advance notices, send meeting agendas with any relevant materials to the Board members and ensure their delivery within a period of 10 working days' prior the meeting.

5.14 The Board of Directors' roles, objectives, and responsibilities

A. The Board's Objective

1. The Board represents all shareholders; it shall perform its duties of care and loyalty in managing the Company's affairs and undertake all actions in the general interest of the Company and develop it and maximise its value.
2. The Board is responsible for the Company's business even if it delegates some of its powers to committees, individuals or other third parties. In any case, the Board may not issue a general or an open-ended delegation.

B. The Board's specialties and Obligations.

Without prejudice to the competencies of the General Assembly as per the Companies Law and Its Implementing Regulations and the Company's bylaws, the Board shall have the broadest powers in managing the Company and guiding its activities to achieve its objectives. Among the main functions and competencies of the Board are the following:

1. Laying down the plans, policies, strategies and main objectives of the Company; supervising their implementation and reviewing them periodically; . And, ensuring that the human and financial resources required to fulfill them are available, including:

- a. Setting a comprehensive strategy for the Company, key business plans and policies and mechanisms of the risk management and review and guide them
 - b. Determining the most appropriate capital structure for the Company, its strategies and financial objectives, and approving all kinds of estimated budgets;
 - c. Overseeing the main capital expenditures of the Company and the acquisition or disposal of assets;
 - d. Setting performance indicators, and monitoring the implementation thereof and the overall performance of the Company;
 - e. Reviewing and approving the organisational and human resources structures of the Company on a periodic basis; and
 - f. Ensuring that the financial and human resources required for achieving the objectives and main plans of the Company are available.
2. Setting rules and procedures for internal control and generally overseeing them, including:
- a. Developing a written policy to remedy actual and potential conflicts of interest scenarios for each of the Board members, the Executive Management, and the shareholders. This includes misuse of the Company's assets and facilities and the mismanagement resulting from transactions with Related Parties;
 - b. Ensuring the integrity of the financial and accounting rules, including rules relating to the preparation of financial reports;
 - c. Ensuring the implementation of appropriate control procedures for risk assessment and management by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk management at the Company level and disclosing such risks transparently to the Stakeholders and parties related to the Company ; and
 - d. Reviewing the effectiveness of the Company's internal control procedures on an annual basis.
3. Setting forth specific and explicit policies, standards and procedures for membership in the Board, without prejudice to the mandatory provisions of these Regulations, and implementing them following approval by the General Assembly;
 4. Developing a written policy that regulates the relationship with Stakeholders pursuant to the provisions of these Regulations;
 5. Setting policies and procedures to ensure the Company's compliance with the laws and regulations and the Company's obligation to disclose material information to shareholders and Stakeholders, and ensuring the compliance of the Executive Management with these policies and procedures;
 6. Supervising the management of the Company's finances, its cash flows as well as its financial and credit relationships with third parties;
7. Providing recommendations to the Extraordinary General Assembly as to what it deems appropriate regarding the following:
 - a. Increasing or decreasing the share capital of the Company; and
 - b. Dissolving the Company before the end of its term as specified in its bylaws or deciding the continuity of the Company.
 8. Providing recommendation to the Ordinary General Assembly as to what it deems appropriate regarding:
 - a. Using the consensual reserve of the Company, if such has been formed by the Extraordinary General Assembly and has not been allocated to a specific purpose;
 - b. Forming additional financial allocations or reserves for the Company; and
 - c. The method of distributing the net profits of the Company.
 9. Preparing the Company's interim and annual financial statements and approving them before publishing them;
 10. Preparing the Board report and approving it before publishing it.
 11. Ensuring the accuracy and integrity of the data and information which must be disclosed pursuant to the applicable policies and systems in respect of disclosure and transparency;

12. Developing effective communication channels allowing shareholders to continuously and periodically review the various aspects of the Company's businesses as well as any material developments;
13. Forming specialised committees of the Board pursuant to resolutions that shall specify the term, powers and responsibilities of such committees as well as the manner used by the Board to monitor such committees. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members;
14. Specifying the types of remunerations granted to the Company's employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares without prejudice to the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies;
15. Setting the values and standards that govern the work at the Company;

C. Tasks and Duties of the Board Members

Each member of the Board shall, being a Board member, perform the following tasks and duties:

1. Providing proposals to develop the strategy of the Company;
2. Monitoring the performance of the Executive Management and the extent to which it has achieved the objectives and purposes of the Company;
3. Reviewing reports related to the performance of the Company;
4. Ensuring the integrity and impartiality of the financial statements and information of the Company;
5. Ensuring that the financial control and risk management systems are sound;
6. Determining the appropriate level of remunerations of the members of the Executive Management;
7. Expressing opinions as to the appointment and dismissal of members of the Executive Management;
8. Participating in developing the succession and replacement plans of executive positions within the Company;
9. Complying fully with the provisions of the Companies Law, Capital Market Law, their implementing regulations, the relevant regulations and the bylaws when performing his/her duties as a member of the Board and abstaining from taking or participating in any action that constitute mismanagement of the Company's affairs;
10. Attending the Board and the General Assembly meetings, and not being absent except for legitimate excuse of which the chairman of the Board shall be notified by prior notice, or for emergency reasons;
11. Allocating sufficient time to fulfill his/her responsibilities and preparing for the Board and its committees meetings and effectively participating therein, including raising relevant questions and carrying discussions with the Senior Executives;
12. Studying and analysing all information related to the matters looked into by the Board before expressing an opinion on the same;
13. Enabling other Board members to express their opinions freely, and encouraging the Board to deliberate on the subjects and obtain the views of the competent members of the Company's Executive Management and others, when necessary;
14. Notifying the Board fully and immediately of any interest, either direct or indirect, in the businesses and contracts that are executed for the Company's account, the notification shall include the nature and extent of such interest, the names of concerned persons, and the expected benefit to be obtained directly or indirectly from interest whether financial or non-financial. the concerned member shall abstain from voting on any decisions issued in connection therewith in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;
15. Notifying the Board fully and immediately of his/her participation, directly or indirectly, in any businesses that may compete with the Company or lead to competing with the Company, directly or indirectly, in respect of any of its activities, in compliance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;
16. Refraining from disclosing or announcing any secrets he/she came across through his/her membership in the Board to any shareholder of the Company, unless such disclosure is made during the meetings of the General Assembly, or to a third party, in pursuance with the provisions of the Companies Law, the Capital Market Law and their implementing regulations;
17. Working on the basis of complete information, in good faith and with the necessary care and diligence for the interest of the Company and all shareholders;
18. Recognising his/her duties, roles and responsibilities arising from the membership;
19. Developing his/her knowledge in the field of the Company's business and activities and in the related financial, commercial and industrial fields; and
20. Resigning from the membership of the Board if he/she is unable to fully fulfill his/her duties in the Board.

D. Duties of the Independent Director

Without prejudice to Article (5.14 C) of these Policy, an Independent Director of the Board shall effectively participate in the following duties:

1. Expressing his/her independent opinion in respect of strategic issues and the Company's policies and performance and appointing members of the Executive Management;
2. Ensuring that the interest of the Company and its shareholders are taken into account and given priority in case of any conflicts of interest;

3. Overseeing the development of the Company's Corporate Governance rules, and monitoring the implementation of the rules by the Executive Management.

- **Board of Director's Annual Reports**

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

1. implemented and non-implemented provisions of these Regulations, and justifications therefor;
2. names, qualifications, and experience of the Board and committees members and Executive Management;
3. names of the companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board member or manager;
4. composition of the Board and classification of its members, as follows: Executive Directors, Non-Executive Director, or Independent Director;
5. Procedure taken to the Board to inform its members , Non-Executive Directors in particular, of the shareholders' suggestions and remarks on the Company and its performance.
6. a brief description of the competencies and duties of the committees, such as the audit committee, the nomination committee and the remuneration committee indicating their names, names of their chairmen, names of their members, the number of their respective meetings, dates of those meetings and the members' attendance details of each meeting;
7. Where applicable, the means used by the Board to assess its performance, the performance of its committees and members and the external body which conducted the assessment and its relation with the Company, if any;
8. Disclose the remuneration of the Board members and Executive Management as stated in Article (93) of CMA Corporate governance Regulations;
9. any punishment, penalty, precautionary procedure or preventive measure imposed on the Company by the Authority or any other supervisory, regulatory or judiciary authority, describing the reasons for non-compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future;
10. results of the annual review of the effectiveness of the internal control procedures of the Company and the opinion of the audit committee with respect to the adequacy of the Company's internal control system;
11. The audit committees recommendation on the need for appointing an internal auditor for the Company, if there is no internal auditor.
12. The audit committees recommendation with conflict with Board resolution or those which the Board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external auditor, as well as justifications for those recommendations and reasons for disregarding them.
13. details of the Company's social contributions, if any;
14. a list of the dates of the General Assembly meetings held during the last fiscal year and the names of the Board members who attended them.
15. A description of the main scope of business of the company and its affiliates. If there are two or more, a statement showing each activity and how it affects the company businesses and results shall be attached.
16. A description of the company's significant plans and decisions (including changes to the structure, expanding the company's operations or halting them) and the future expectations.
17. Information on any risks facing the company (operational, financial or market related) and the policy of managing and monitoring these risks.
18. A summary in a form of table or graph showing the company's assets, liabilities and results of the last five fiscal year or since the incorporation date, whichever is shorter.
19. Geographical analysis of the company's and its affiliates' revenues.
20. Any material differences in the operational results compared to the preceding year's results, along with any expectations announced by the company.
21. Any inconsistency with the standards approved by the Saudi Organisations for Certified Public Accountant.
22. Name of each affiliate company, its capital, the company's ownership percentage, the main scope of business, country of operation and country of incorporation.
23. Details of shares and debt instruments issued for each affiliate company.
24. A descriptions of the dividends distribution policy.
25. a description of any interest in a class of voting shares held by persons (other than the company's directors, Senior Executives and their relatives) who have notified the company of their holdings pursuant to Article 45 of Listing Rules, together with any change to such interests during the last fiscal year;
26. A description of any interest, contractual securities or rights issue of the Board members, Senior Executives and their relatives on shares or debt instruments of the company or its affiliates, and any change on these interest or rights during the last fiscal year.
27. Information on any loans (payable upon request or not), a statement of the total indebtedness of the company and its affiliates, any amounts paid by the company in repayments of loans during the year, the amount of the principal debts, the creditor name, the loan term and remaining amount. In case there is no debts, a declaration thereof shall be presented.
28. A description of the class and number of any convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the company during the fiscal year, as well as stating any compensation obtained by the company in this regard.
29. a description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the company;

30. description of any redemption, purchase or cancellation by the company of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the company and those purchased by its affiliates.
31. the number of Board meetings held during the last financial year, their dates and the attendance record of each meeting listing the names of the attendees.
32. Numbers of company's requests of shareholders records, dates and reasons thereof.
33. A description of any transaction between the company and any Related Party.
34. information relating to any business or contract to which the company is a party and in which a director of the company, a Senior Executive or any person related to any of them is or was interested, including the names of persons in relation, the nature, conditions, durations and the amount of the business or contract. If there are no such businesses or contracts, the company must submit a statement thereof.
35. a description of any arrangement or agreement under which a director or a Senior Executive of the company has waived any remuneration.
36. a description of any arrangement or agreement under which a shareholder of the company has waived any rights to dividends.
37. a statement of the value of any paid and outstanding statutory payment on account of any zakat, taxes, fees or any other charges that have not been paid until the end of the annual financial period with a brief description and the reasons therefor.
38. a statement as to the value of any investments made or any reserves set up for the benefit of the employees of the company.
39. declarations that:
 - a. proper books of account have been maintained;
 - b. the system of internal control is sound in design and has been effectively implemented; and
 - c. there are no significant doubts concerning the company's ability to continue its activity.
40. If the external auditor's report contains reservations on the annual financial statements, the Board report shall highlight this mentioning the reasons and any relevant information.
41. If the Board recommended replacing the external auditor before the end of its term, the report shall indicate this mentioning the reasons for the replacement recommendation.

5.15 Competencies and Duties of the Executive Management

Without prejudice to the competencies entrusted to the Board pursuant to the provisions of the Companies Law and Its Implementing Regulations, the Executive Management shall be responsible for implementing the plans, policies, strategies and main objectives of the Company in order to achieve its purposes. The competencies and duties of the Executive Management shall include the following:

1. Implementing the Company's internal policies and rules approved by the Board;
2. Suggesting the Company's comprehensive strategy as well as the principal and interim business plans and the policies and mechanisms for investment, financing, risk management and emergency administrative circumstances management plans and implementing them;
3. Proposing the most appropriate capital structure for the Company and its strategies and financial objectives;
4. Proposing the main capital expenditures of the Company and acquiring and disposing of assets;
5. Proposing the organisational and human resources structures of the company and presenting them to the Board for approval;
6. Implementing internal control systems and procedures, and generally overseeing them, which include:
 - a. Implementing the conflicts of interest policy;
 - b. Correctly applying the financial and accounting procedures, including the procedures relating to the preparation of financial reports;
 - c. Applying appropriate control systems for measuring and managing risks by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk mitigation at the Company level, and transparently disclosing them to the Company's Board and other Stakeholders
7. Implementing the Company's Corporate Governance rules effectively, to the extent they do not conflict with the provisions of these Regulations, and proposing amendments thereto if needed;
8. Implementing policies and procedures to ensure the Company's compliance with the laws and regulations and its obligation to disclose material information to shareholders and Stakeholders;
9. Providing the Board with the information required to exercise its competencies and provide recommendations regarding the following:
 - a. Increasing or decreasing the share capital of the Company;
 - b. Dissolving the Company before the end of its term as specified in its bylaws or deciding the continuity of the Company;
 - c. Using the consensual reserve of the Company;
 - d. Forming additional reserves for the Company; and
 - e. The method for distributing the net profits of the Company.
10. Proposing the policy and types of remunerations granted to employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares;
11. Preparing periodic financial and non-financial reports in respect of the progress achieved in the business of the Company in light of the strategic plans and objectives of the Company, and presenting such reports to the Board;
12. Managing the daily business and activity of the Company, in addition to managing its resources in the most appropriate form in accordance with the objectives and strategies of the Company;
13. Participating effectively in building and developing a culture of ethical values within the Company;
14. Implementing internal control and risk management systems and ensuring that they are effective and efficient, and ensuring compliance with the level of risks approved by the Board;
15. Proposing and developing internal policies related to the business of the Company, including specifying the duties, competencies and responsibilities assigned to the various organisational levels;
16. Proposing a clear policy to delegate tasks to the Executive Management and the method for implementing such policy; and

17. Proposing the powers to be delegated to the Executive Management, the procedures for decision making and the period of delegation, provided that it shall present periodic reports to the Board in respect of its exercise of such powers.

6. Committees: number, constitution and autonomy

A. Committee constitution and work procedures

1. The Board shall form committees as required in the fields that necessitate independent examination such as financial reports, candidatures and bonuses to members and executives. At a minimum, the Board shall establish an Executive Committee, an Audit Committee, a Nomination and Remuneration Committee, a Risk Management Committee, and an Investment Committee. A minimum number of Non-executive Members should take part in each of these committees.
2. When committees are formed, their responsibilities and procedures should be determined in writing by the Board. The Board shall take the required decision thereto and inform relevant parties.
3. The Board approves the terms of reference of these committees while the AGM should approve those of REMCO and Audit Committees.

These five committees are Board sub-committees with direct reporting line to the Board. Upon approved by SAMA, the Board of Directors shall appoint members for each of these Committees and the Committee members will select one of themselves to be the committee chairman except the investment committee the chairman will be selected by the Board, and in case of the absence of the Committee Chairman, the Committee members will select one of themselves to chair the meeting.

The Committee shall appoint a secretary from among its members, or from others, and fix his duties and fees. The secretary's duty is to minute the Committee's deliberations and resolutions including the persons attending and those invited to attend the meeting. He will also note the said minutes of meeting in the register designated for this purpose and to maintain this register.

The Committee members will be named and selected upon the formation of each new Board for 3 years' term, and the Committee term will expire with the expiry of the present Board term. The Committee will be reformed with the commencement of each new Board.

However, the Committee members may be reelected for a new term. In case of any vacancy during the Committee term, the Board will select another member from amongst its members

1.1 Scope of Board Committees Work and Responsibilities

Each of the five Board subcommittees shall act in accordance with its terms of reference and the official decisions and instructions issued by the Supervisory Authorities or the directions communicated to the Committee by the Board of Directors. The following sections include description of the major scope of work of each committee:

1.2 Remuneration and Nomination Committee

The Nomination and Remuneration Committee is composed of a minimum of three members selected by the Board for a duration that does not exceed three years and is no less than one year. A minimum of two (2) members of the Nomination and Remuneration Committee must be Independent Members. Committee membership shall come to an end by the end of the Board membership, and the Board of Directors may dismiss Nomination and Remuneration Committee members in the event they violate provisions stated hereafter or for any other reasons deemed suitable by the Board. The Committee member may resign provided that the timing is appropriate and approved by the Board of Directors to avoid being held responsible by the Company. The Chairman of the Board may not chair this committee.

- Should any position within the Nomination and Remuneration Committee become vacant during the membership term, the Board shall appoint another member who completes the term of his predecessor.
- Nomination and Remuneration Committee members may not be executive members of the Board of Directors or individuals performing technical or administrative tasks within the Company even if under the form of consultations.
- The Company must put in place a remuneration and compensation policy, duly approved by its Board. The Board must review the Company's remuneration policy and consider any necessary amendments on an annual basis, at a minimum, independently of executive management. The nomination and remuneration policy shall have formal and rigorous standards and procedures to continuously monitor and assess the fitness and propriety of Board members, Board committee members, and members of Management and Senior Executives.
- The Company shall also have a remuneration policy covering all levels and categories of employees, whether regular or contractual.

A. Committee Work Method

- The Committee shall meet on a regular basis and as needed, at least twice a year, and shall select a chairman among its members; it may also select a secretary among its members or other individuals to draft its meeting minutes and carry out the Committee's administrative tasks.
- Committee members shall automatically be deemed resigned if they do not attend three consecutive Committee meetings without obtaining a prior authorization from the chairman of the Committee or submitting a reason of absence that is approved by the majority of Committee members attending a legal meeting.
- The Committee shall hold meetings upon its chairman's request.

Meetings are only duly held if attended by 50% of the members with a minimum attendance of two members. A Committee member may delegate another member to attend the meetings (Unless regulators state otherwise). Decisions are taken by the majority of attending members and Committee discussions and decisions are noted in the minutes signed by the chairman and the secretary. These minutes are kept in a special log signed by the chairman and the secretary. After every meeting, the Committee presents a report to the Board including a description of all the procedures taken by the Committee during the Board meeting.

- The Committee has the right to form subsidiary committees for any purpose at its sole discretion. It may also entrust these committees with some of its prerogatives and powers if deemed suitable. Members of any subsidiary committee should be no less than two.
- The Committee is entitled to request the attendance of company managers, seniors and employees, or any individual whose presence is needed for discussions and consultations during meetings in order for them to convey information required by the Committee.

B. Nomination and Remuneration Committee duties

- The Committee shall recommend nominations to the Board of Directors in accordance with policies and standards in force provided that no nomination of individuals convicted with breach of trust and duty should be made.
- The Committee shall carry out an annual review of the required skills for Board membership and draft a description of required capabilities and qualifications for Board membership, including the time required from Board members to fulfill their tasks.
- The Committee shall evaluate the structure and composition of the Board and offer recommendations about modifications that can be made.
- The Committee shall evaluate the performance of the Board (both overall and individual Board member performance) and Board committee members, at least on an annual basis, and shall determine Board strengths and weaknesses and suggest methods to deal with them so as to guarantee the Company's best interest.
- The Committee shall annually verify that independent members of the Board and Board committees are indeed autonomous and that no conflict of interest arises should the individual be a Board member in another company.
- The Committee shall elaborate clear compensation and remuneration policies for Board members, Board committee members and Senior Management members, taking into consideration performance-based criteria (for the avoidance of doubt, the Company's By-laws shall specify the remuneration for the Chairman and Board Members for their services. Board Members' remuneration can be modified only by the General Assembly).
- The Committee shall make recommendations to the Board with regards to selecting and dismissing members of Senior Management members.
- The Committee shall establish a succession policy and procedure for the Chief Executive Officer and other key members of Senior Managements members and monitor the implementation of this succession policy and process.
- The Committee shall review the compensation plan for Senior Managements members.
- The Committee shall supervise the compensation plans for Senior Managements members.
- The Committee shall make recommendations to the Board on various issues related to nomination and remuneration.

C. Other tasks

- If needed the Committee can resort to independent consultants in order to carry out specialized studies that would help the Committee carry out its duties. The Committee shall determine their fees.
- Compensation and remunerate Nomination and Remuneration Committee members' expenses covering their attendance of Committee meetings called for by the Board of Directors shall be paid by the Company.

1.3 The Audit Committee

The Audit Committee shall consist of 3-5 non-executive or independent board members, and of non-board members. Majority of members should be from non-board members. The term of the committee will be 3 years, and membership may extend only once to another 3 years. The committee meetings are held on a sufficient periodic basis at least six times a year including one with the Board.

The Audit Committee is a Board Committee with direct reporting line to the Board. Members of the Committee must have deep and professional knowledge in the financial reporting, Companying business, auditing and risk management. One of the Committee members must be specialized in financial and accounting affairs. The chairman of the Committee should be independent from executive management and major shareholders which can be met by observing the following:

A. Responsibility:

- The Board of Directors shall select the Audit Committee members in accordance with Selecting Procedures of the Audit Committee's members, manner in which the Audit Committee monitors its activities and the duration of the Audit Committee issued by the General Assembly upon a recommendation of the Board. In addition, the Board of Directors shall fix their duration terms which shall not exceed three years, schedule their rotations and ensure their meetings are held on a sufficient periodic basis atleast six times a year including one with the Board.
- The Chairman of the Audit Committee shall not be related to the other members of the Board or have any financial or business relationship with any members of the Board or have a relationship with Senior Executives or Management of the Company that could affect his independence.
- The Audit Committee carries out duties and tasks explained at a later stage. The Audit Committee reports to the Board and assists the Board in fulfilling its duties and responsibilities.
- The committee's mandate includes monitoring the performance and implementation of the internal control systems of SABBT, ensuring the effectiveness and efficiency of those systems, verifying the implementation of internal control decisions and actions, and ensuring compliance with the Supervision of Cooperative Insurance Companies Control Law and its Implementing Regulations, other applicable Laws, Regulations, and Instructions in addition to the requirements set forth in AUCOM Regulation.
- An Audit Committee's member shall not have any direct or indirect interest in the Company's business and contracts concluded by it.
- An Audit Committee's member shall not take part in any business that might compete with the Company or trade in the activities performed by the Company.
- In carrying out its duties, the Audit Committee will maintain an efficient work relationship with the Board of Directors, Senior Executives and Management and external auditors.
- The Company shall not issue or renew any insurance policy for any of the Audit Committee's members or parties related thereto before the full payment of the due premium. If any of the Audit Committee's members submits a request for the payment of a claim under a policy issued to him or her by the Company, the claim should be treated in accordance with procedures and rules set forth by the Company without any exception or preference. The Compliance Officer should be notified of any payment due to the member.
- An Audit Committee member has the right to resign, after providing the resignation request to the Board one month before its resignation becomes effective. The Company shall notify SAMA in writing of the resignation of a member of the Audit Committee and the reasons thereof and provide SAMA with a copy of the resignation request within five (5) working days from the date of the resignation. An Audit Committee member shall be deemed resigned if he or she fails to attend any meetings of the Audit Committee for more than three consecutive times without presenting an adequate reason to the Board.

- If there is a vacant seat in the Audit Committee during the membership term, the Board, after obtaining SAMA's written no-objection, shall appoint another member within a month of the vacancy date to fill the vacant position. The new member shall complete his or her predecessor's term.
- Prerogatives
- The Board of Directors commissioned the Audit Committee to carry out the following tasks being part of its responsibilities and duties:
 - a) Obtaining, with unrestricted access, information related to Senior Executives, Management and employees.
 - b) Examining the efficiency of internal monitoring, following up on the Company's compliance with enforced regulations.
 - c) Recommending the approval of the terms and fees of auditors, as well as examining policies and rules governing the provision of non-auditing services provided by external auditors.
 - d) Investigating any activities falling under its powers.
 - e) Ensure proper procedures are set forth to receive, maintain and process complaints addressed to the Company about matters of accounting, internal monitoring and auditing.

B. Committee membership

- The members of the Audit Committee should be appropriately qualified to discharge their responsibilities .At least two Audit Committee members, including the Audit Committee Chairman, should have recent and relevant accounting or financial management expertise or experience.
- The Chairman of the Board should not be appointed a member of this committee.
- The majority of the Audit Committee members shall not be Board members and none shall be Executive Board members.
- Audit Committee members shall not include Senior Executives, Management, Company employees, or the Company's consultants. In addition, Audit Committee members shall not include board members, executives, employees, consultants, and representatives of any parties connected to the Company.
- The Audit Committee member nominated for membership shall be independent and, furthermore, no Audit Committee member shall simultaneously serve on the audit committees of more than four public companies and an Audit Committee member shall not be a member of a Board or an Audit Committee of any other company operating in the insurance sector in the Kingdom of Saudi Arabia.

C. Secretary of the Committee

- The committee selects its secretary from among the Company's employees.
- The secretary of the Audit Committee shall not be a secretary of any other Board committee.
- The secretary of the committee is entrusted with handling its administrative tasks, scheduling the Audit Committee's meetings in coordination with its Chairman, preparations for the meetings, dissemination of necessary documents prior to meetings, drafting minutes with the contribution of the chairman of the committee, ensuring the chairman of the Audit Committee signs the minutes, and keeping logs of all decisions, minutes and other discussed documents in a special register.

1. Quorum and Decisions

- Meetings of the Audit Committee are duly held when attended by at least 50% of the Audit Committee members.
- The Audit Committee shall meet at least six times a year, include an annual meeting with the Board. The Audit Committee is entitled, if the need arises, to hold other meetings in line with the relevant SAMA regulations.
- The Audit Committee's decisions shall be determined by the majority of the members' votes. In case of equal votes, the Committee's chairman shall have the casting vote, provided that the Audit Committee's secretary shall record the views of all sides in the meeting minutes.

- Voting on the Audit Committee's decisions on behalf of, or by proxy from, any other Audit Committee member is not allowed.

D. Meeting attendance

The chairman of the committee may invite any employee to attend the meeting of the committee.

E. Meeting recurrence

- The audit committee shall hold a meeting whenever it deems adequate and necessary; the committee usually holds a minimum of six meetings a year.
- In addition to these meetings, the audit committee shall, at its sole discretion, convene with the Head of Internal Audit, the head of the compliance department and external auditors.
- The chairman of the committee and other committee members must remain in permanent contact with corporate governance officers, including the Board of Directors, the chairman of the Board of Directors, the CEO, auditors, Head of Internal Audit and head of compliance department.

F. Call for a Meeting

- The audit committee secretary calls for a committee meeting upon the request of the chairman, the Head of Internal Audit, the head of compliance department or the external auditor or the Actuary.
- Unless otherwise agreed upon, an invitation to every meeting including the time, venue and agenda shall be addressed to all audit committee members and any other individual required attending, seven days prior to the meeting. Documents are sent to attendees as required at the same time.

G. Minutes of the Meeting

- The secretary shall take note of the entire proceedings and decisions taken during the audit committee meetings including the names of attendees.
- The draft minutes is handed out to the members of the audit committee. Upon approval, it shall be disseminated to all Board members.
- The minutes shall bear the signature of Audit Committee Chairman and AUCOM Secretary and be kept in a special register.

H. General Assembly meetings

The chairman of the audit committee must attend General Assembly meetings and must be ready to respond to shareholders' inquiries about audit committee activities.

Along with remunerations adopted by the Board of Directors to members of the audit committee who are not members of the Board, the Company remunerates audit committee members for attending meetings and covers any expenses linked with attendance in conformity with company's relevant regulations.

I. Duties and responsibilities

The relevant issues between the Audit Committee and the external auditors shall include as a minimum:

1. Key amendments made by SABB TAKAFUL to its accounting policies.
2. Material conflicts with the management regarding any issue pertaining to the safeguarding of invested assets.
3. Violations of Laws, Regulations and Instructions issued by the supervisory and control entities or non-compliance with SABB TAKAFUL's policies and procedures.
4. Comments of other auditors (of external, non-Saudi Arabian, branches) on accounting procedures, reports and professional conduct.
5. Deficiencies in the general structure and performance of internal control systems.
6. Material errors in Financial statements
7. Management decisions and the basis on which the external auditors relied to validate critical accounting estimates, such as technical provisions and reserves.
8. Accounting principles and standards and disclosure decisions related to extraordinary transactions.
9. Adequacy of technical provisions and reserves set by the Actuary.
10. Actuary's Reports relevant to the Financial statements
11. Any major problems in dealing with the management that affected the working of the audit.
12. Internal control and the assessment of SABB TAKAFUL's assets and solvency.

13. Any other issues that the committee is aware of and falls within its responsibilities.
14. Any amendments introduced to the audit and the reasons thereof.
15. Reviewing letters to management prepared by the external auditors and SABB TAKAFUL's management comments thereon
16. Internal Control
17. Continuous reviewing of the efficiency of company's internal Control system.
18. Receiving and discussing management reports at a yearly basis, or if need be, concerning what follows:
 - a) Compliance, including compliance with regulatory credit.
 - b) Reported major violations of ethics.
 - c) Fraud and operation losses.
 - d) Any other reports or documents at committee's sole discretion.
 - e) Regular review with the management (including company's legal consultants and external auditors) of any correspondence or other measures taken by organizational bodies or governmental agencies. This includes significant legal matters, company's compliance with rules and regulations in force and report presentation requirements.
 - f) Warning and admonition procedures The committee shall examine company's arrangements in order to confidentially warn and admonish employees about potential errors within financial reports or any other similar matter. The audit committee shall guarantee that these arrangements allow carrying out adequate and independent investigation about tackled matters along with suitable follow up procedures.

I. Internal auditing

The audit committee assumes the following tasks:

- Overseeing internal audit department. The Head of internal Audit shall directly present his reports about internal auditing matters to the committee. He shall also present his reports to CEO about administrative matters and daily issues.
- Monitoring and examining the Company's internal auditing department in accordance with the Company's risk management regulations.
- Studying and approving the role of internal auditing department and verifying availability of sufficient resources and access to information in order to allow the committee to efficiently perform its duties in accordance with professional standards in force. The audit committee shall also ensure that the internal audit department has professional competencies and is free from administrative and other restraints.
- Examining internal audit reports.
- Examining and approving annual internal audit plan and audit program proposed by the internal audit department.
- Examining and discussing internal audit presentations and recommendations submitted to the Management and the amount of progress in terms of corrective measures.
- Examining and monitoring the Management response to presentations and recommendations of internal auditors.
- Meeting the Head of Internal Audit at least once a year or upon the request of the audit committee with no compulsory participation from the Management in order to discuss his role and any topics emerging from internal audit operations that were carried out. Furthermore, the Head of Internal Audit has the right to directly contact the chairman of the Board of Directors and the chairman of the audit committee.
- Any other responsibility imposed by SAMA or CMA and it is not listed above.

1.4 The Executive Committee

A. Committee Formation and Member Selection

- The Executive Committee shall consist of at least three members and maximum of five members to be selected from among the Board members, and who are appointed by the Board, which appointment will be subject to SAMA no-objection.
- The Executive Committee is a Board Committee and directly reports to the Board
- The Committee will be chaired one of the committee members (to be elected by the committee members), and in case of his absence the present members will select one of them to chair the meeting.
- The Committee members must have wide experience and deep knowledge in the Insurance, Risks and local and global banking business.

- The Board of Directors may change the rules for formation of the Committee as appropriate to and in the interest of the Company, provided however this is in line with the Company's Company By-Low and the rules issued by the supervisory authorities.
- The Committee will appoint a secretary from among its members or others and fix his terms of business and remuneration. The Secretary will be liable to establish the names of present members and persons invited to attend the Committee meetings. He is also liable to document the Committee deliberations and decisions in minutes to be entered in a special record and to retain such record.

B. Committee Term

- The Committee members will be selected at the formation of each Board session, for 3 years, which term will end with the end of the respective Board term.
- The Committee will be reformed at the beginning of each Board session, however the Committee members may be re-appointed. In case of any vacancy during the Committee term, the Board will appoint another member to fill such vacancy.

C. Committee Scope of Work & Responsibilities

- The Executive Committee will assist the CEO, within the authorities entrusted to him by the Board of Directors, in handling the matters referred to him by the Board. The Committee shall not have the power to change any resolution passed by the Board, or any rules or regulations.
- The Committee will assume all tasks entrusted thereto under the Company's Company By-Low and these rules. The Board of Directors may entrust to the Committee any other tasks as required by the Board and the responsibilities undertaken thereby

D. Committee meetings and invitation

The Committee shall meet 6 times every year at least, or when necessary. Other senior executives of the Company's or others may be invited to attend the Committee meetings as appropriate.

E. Committee members Remuneration

The remuneration and attendance fees of the Committee members will be determined in line with the SABB Takaful Compensation Policy and the Board decisions and in accordance with the regulatory directives.

1.5 Risk Committee

1. Authority

The Risk Management Committee reports to the Board of Directors of SABB Takaful and authorised by it to undertake any activity within these terms of reference subject to their approval by the Board of Directors.

2. Membership

The BoD risk management committee (BRC) shall be composed of at least (3) members headed by a non-executive member, its members must have an appropriate financial and risk management knowledge

- Chairman
- Member
- Member

3. Responsibilities of the Committee

The Committee's primary responsibilities are as follows:

The BRC's responsibilities extend to all risks to which SABB Takaful is exposed, including but not limited to Insurance Risk, Market Risk, Credit Risk, Operational Risk, Compliance and Reputational Risk.

BRC's primary responsibilities include:

- Identifying risks that may imperil the Company and maintaining an acceptable risk profile for the Company
- Overseeing the risk management system and assessing its effectiveness
- Develop and implement a risk management framework for the company including risk governance and organizational structure
- Defining a comprehensive risk management strategy for the Company, overseeing its implementation, and reviewing and updating it on an annual basis by taking into account developments that are internal and external to the Company including international best practices
- Reviewing and approving risk management policies
- Re-evaluating the Company's tolerance for, and exposure to, risk on a regular basis.
- Reporting to the Board details of risk exposures and recommending actions to manage them
- Advising the Board on issues related to risk management including any breaches if any
- Provide oversight and governance over appropriate internal controls including operational controls and procedures to ensure and monitor compliance with SAMA's Risk Management Regulations, including the compliance of all contracted parties.
- Approve company's risk appetite statement that includes risk tolerances and aggregate exposure limits
- Review and approve company's insurance risk mandate, insurance and reinsurance risk strategies
- Review and approve company's business continuity and disaster recovery plans
- Approve appointment of various risk management related staff positions ensuring appropriate experience of the staff and segregation of duties.
- Provide oversight over implementation of three lines of defense operational controls

- o. Review and approve annual report to SAMA detailing company's risk management effectiveness, Risk Management plan and its implementation steps as part of the annual financial reports submitted to SAMA at the end of the year

4. Meetings

Meetings shall be held at least twice a year (Every six months).

Quorum will be achieved by the attendance of two members of the Committee, one of who must be either the Chair or, in his absence, the nominated deputy.

1.6 Investment Committee

In line with the supervisory rules of the Companies Act and the Corporate Governance Regulation issued by CMA which provide for the formation of Board sub-committees to assume some of the Board's tasks and responsibilities.

As mandated by SABB Takaful Company's by-laws and the SAMA's Corporate Governance regulation that the company to compose committees of the board members, depending on size and activity of its work as to assist the Board in consuming its responsibilities within the limits of the powers conferred upon it.

In accordance to the SAMA directives as outlined in the Investment Regulation which mandated the composition of an Investment Committee (IC), and In light of that, SABB Takaful Board had decided to compose an Investment Committee that assigned to develop and assess the implementation of the Investment Policy approved by the Board of Directors wherein the committee scope of work is determined according to these terms of reference.

A. Committee Formation and Member Selection

The Committee shall consist of three to five Independent, Non-Executive or Executive Directors whom to be selected from among the Board members or non-Board members

The committee members are appointed by the Board, and their appointment will be subject to SAMA no objection. And in accordance with the rules issued by the general assembly

The Committee is a Board Committee and directly reports to the Board.

The Committee will be chaired by one of the non-executive directors whom will appointed by the board, and in case of his absence the present members will select one of them to chair the meeting.

As mandated in the SAMA Investment Regulations, the Committee members must have wide experience and deep knowledge in the local and global investment banking business, and credit, and consideration to be given to brief the new members on the supervisory requirements, the rules and regulations related to the committee business.

The Board of Directors may change the rules for formation of the Committee as appropriate to and in the interest of the company, provided however this is in line with the Company's by-laws and the rules issued by the supervisory authorities.

The Committee will appoint a secretary from among its members or others and fix his terms of business and remuneration. The Secretary will be liable to establish the names of present members and persons invited to attend the Committee meetings. He is also liable to document the Committee deliberations and decisions in minutes to be entered in a special record and to retain such record.

B. Committee Term

The Committee members will be selected at the formation of each Board session, for 3 years, which term will end with the end of the respective Board term.

The Committee will be reformed at the beginning of each Board term, however the Committee members may be re-appointed. In case of any vacancy during the Committee term, the Board will appoint another member to fill such vacancy.

C. Committee Scope of Work & Responsibilities

- Formulate the Investment Policy including risk limits and delegated authority to be reviewed and approved annually by the Board of directors.
- Review the implementation of the investment activities on a quarterly basis by reviewing all risk limits and exposures to verify their suitability for current market conditions and the company's overall risk tolerance.
- Reviewing the performance of each fund and asset class in line with the established benchmarks and industry performance, monitor the overall risks and submit a performance report to the Board of Directors on quarterly basis.
- Approve the investment mandates to be followed by the Management in investment of funds of the Company and other operational guidelines, as may be required from time to time.

- Selection of external investment managers, brokers and custodians as per the criteria set by the Board and review all investment-related outsourcing agreements to be approved by the Board.
- Ensure the compliance of all investment activities with the requirements of the investment regulation issued by SAMA and any other applicable laws and regulation.
- Ensure that all individuals conducting and monitoring investment activities have sufficient levels of knowledge and experience.

D. Committee meetings and invitation notice

The Committee shall meet four times annually, or when necessary. Other senior executives of the company or others may be invited to attend the Committee meetings as appropriate.

The following considerations must be observed:

- Meetings of the Committee shall be called for by the Secretary of the Committee at the request of Chairman, or two of the members.
- The agenda items of the Committee meetings will be agreed between its members and chairman who will discuss with the Board Chairman such matters and any other matters not falling under the business scope of other Board committees.
- Unless otherwise agreed, the notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person invited to attend the meeting by any acceptable communication channels 3 days at least before the meeting date.
- A Committee meeting will only be valid if attended by at least two members in their names or by proxy. A member of the Committee may delegate another member to attend the meetings and vote on his behalf. A member may also attend any meeting by way of conference call or any other similar way provided that all presents are able to hear and talk with each other clearly during the meeting. The outcome of the meeting will not be valid unless the participating members have signed the minutes of meeting prepared in line with these rules. A member participating in the meeting in this way will be considered as attending the meeting in person and therefore he is taken into consideration for the quorum purposes, and he may also vote at the Committee resolutions.
- The Committee's decisions will be taken unanimously, and in case of disagreement, by majority of the votes of the members attending or represented at the meeting.
- The Secretary will record the meeting's deliberations and resolutions taken including the names of members attending and persons invited to the meeting in minutes to be circulated to Board directors.
- The minutes of meeting will be distributed immediately to all Committee members, and once approved by the members, the Minutes will be distributed to all Board members within a period not exceeding 7 days from the date of meeting. The minutes of meeting should include whatsoever recommendations it deems appropriate on any area within its purview of responsibilities where deemed necessary.
- The Committee Chairman shall provide the Board with a report on any major case discussed by the Committee.

E. Proceedings

The proceedings of Committee will be informed by the following:

- Key performance indicators will be monitored and highlight areas where metrics are approaching / at benchmark / tolerance / risk appetite or show concerning trends.
- Market condition.
- Regulatory changes.
- Economic factors.
- Audit findings (high risk, overdue actions).
- Compliance reviews.
- Investment Operational losses and breaches.

Part 7: Company Policy regulating relationship with stakeholders

The Company's objective is to maintain best relationships with all stakeholders in order to maintain their rights and protect their interests. Such principles have been provided for comprehensively in the Company's by-laws and SABB TAKAFUL Governance Rules in addition to a number of manuals and internal policies of the Company.

The Company's general policy reflects its keenness to avoid detriment to the rights of other parties including stakeholders and to solve all problems and disputes which may arise with the related parties amicably, taking into consideration the Company's rules and interests, and to compensate stakeholders should such disputes be referred to the court as per the decisions issued by the judicial authorities or committees after having taken the legal actions in terms of appeal

In general, The Company's policy, as a profit seeking commercial company, does not totally contradict with the objective to care for stakeholders such as shareholders, staff, creditors, suppliers, service providers, customers (depositors or borrowers) and the Community as a whole.

7.1 Relationship with shareholders and Investment Community

The Company, as a general policy, believes that observing fairness and equity at work, exercising transparency and admission of punishment in the relationship with stakeholders does not only improve the reputation of the Company, but also provides competitive advantages contributing to the creation of an appropriate work environment to staff as well as a smooth and continuing communication with stakeholders so as to secure their rights.

In its relationship with investors and shareholders, SABB Takaful exercises due care and provides the necessary information on the Company's activities, being financial or otherwise, present or past and expectations. The Company publishes and discloses information in line with its "Disclosure Policy" and the supervisory rules, on the Company's website, press, Tadawul or any other method.

The Company, as provided in its Disclosure Policy, adopts transparent procedures which provide to investors and the public good information on the Company's objectives, financial and non-financial policies, future plans, general strategies and risks being faced or expected to be faced when conducting its various activities so as to enable the investor to build a true vision regarding his investments.

7.2 Relationship with supplier's / service providers:

The Company's policy in respect of its relations with suppliers, service providers and others is that such relationship will be based on transparency and reliability which ultimately enables the Company to maintain the momentum with stakeholders in achieving its long term objectives.

7.3 Relationship with Company staff:

SABB Takaful believes that the company staff are its most valuable assets as they, regardless of their ranks, are liable to attract business and provide the proper Companying services to customers. Therefore, the Company pays its staff appropriate remunerations in line with the labor market. Staff are treated in line with clear professional policies within the framework of the job description and employment contract. Such treatment should be based on a high professional framework in line with the Labor Law rules. The Company invests in the training of its staff so as to enable them to be able to meet the work challenges and global and local competition circumstances.

7.4 Relationships with customers

The Company is very keen to strengthen its relationships with its customers and to involve them in the establishment of the courses that would enable the Company to serve them better and contribute to the progress of their business.

The Company attaches great importance on communication with customers and their comments and proposals, particularly when a new product is being launched or developed.

The Company's internal policies require all staff to exercise due diligence in performing their work and to instill loyalty and provide assistance to customers for strategic purposes and work initiatives, particularly in the launch of new products or introduction of new procedures. The communication with customers covers the products received by the Company and the extent of efficacy and quality of such services provided to them by the Company's different sectors. The Company's policy also provides for giving highest attention to customers complaints against the services provided to them.

7.5 Company's Policy and Relationship with Community

SABB TAKAFUL policy provides for dealing with all components of the surrounding community, whether being supervisory or regulatory authorities, suppliers, staff, customers, individuals and local community groups, etc...

The relationship with the Community is built on the principles of credibility, trust and deep keenness to achieve the common interests in addition to disclosure of policies and intentions to the extent not contradicting with the Company and staff duty to protect the confidentiality of financial information.

The Company's policy in dealing with the public is basically based on displaying best treatment to all stakeholders. The Company also attaches great importance to the local community such as supporting charitable and social programs, training and education programs, localization of skills and environment protection.

Part 8: Control Functions

A. Risk Management Roles and Responsibilities

- Identifying, assessing, monitoring and making timely and measured judgments on all current and potential future risks faced by SABB Takaful, in order to protect the customers, employees, assets and reputation of SABB Takaful and to grow shareholder value and profitability. The Risk Management function is required to work closely with business senior executives and provide judgment and clear direction on all associated risk matters.

The function is also responsible for ensuring that the Insurance business manages its various risks within the spirit and letter of all local regulations and corporate objectives and according to SABB Takaful risk appetite, and within the rules and regulations of the Saudi Arabian Monetary Agency (SAMA) including the Risk Management Regulation and any other regulator, as applicable.

B. Other Responsibilities Include:

- Take a forward looking perspective to identifying top and emerging risks, by anticipating changes in internal and external business conditions that may affect the business's risk profile.
- Create a risk awareness culture in SABB Takaful by promoting appropriate training and communication.
- Establish Risk Management policies and procedures and support the first line of defense in strengthening their own policies and procedures.
- Ensure the different risks are assessed and managed in aggregate and holistic manner taking into account any interdependency, gaps and overlaps.
- Assess Company's tolerance for financial exposures through stress testing exercises.
- Ensure that there is an appropriate business continuity plan (contingency) in case of emergencies and disasters.
- Perform second line of defense oversight according to SABB Takaful Risk methodologies, guidance and processes.
- Consider the effectiveness of operational risk identification, assessment and control activities conducted in the business.
- Report to SABB Takaful Risk Committee and/or Board Executive Committee and/or Audit Committee all significant issues relating to Risk Management.
- Ensure that the function is completely independent in executive decision making including Underwriting and Claims decisions.

C. The risk management function is independent from the underwriting function.

- Company will maintain adequate records to demonstrate compliance with the Risk Management Regulation issued by SAMA
- Company will provide SAMA with an annual report detailing its risk management plan and implementation steps, to be signed by both the Chairman and CEO

8.1: Role, Responsibilities and Structure of Internal Audit

A. Role of Internal Audit :

Internal Audit is mandated to –

1. set the audit action plan for SABB Takaful,
2. monitor SABB Takaful's performance through evaluating and verifying the operations to ensure that there are no financial or non-financial violations of SABB Takaful's bylaws,
3. ensure the compliance with the internal control systems,
4. ensure effectiveness and efficiency of those systems, and
5. verify the implementation of internal audit decisions.

B. Responsibilities of Internal Audit :

It is the responsibility of Internal Audit to provide an independent assurance to the Company and its stakeholders by examining and evaluating the systems and activities so as to ensure that:

1. Internal Controls, Risk Management and Governance Processes are adequate
2. Policies and procedure and reporting procedure are effective and are followed in practice.
3. The operation of the Company is conducted efficiently and effectively to accomplish its objectives: and
4. The interests of the Company and its stakeholders are duly protected.

C. Structure of Internal Audit :

Internal Audit is an independent function in SABB Takaful and is granted full access to all the information it needs to conduct its activities.

Internal Audit acts independently, reports functionally to the AUCOM and administratively to CEO and submits its reports to the Audit Committee.

8.2: Role, Responsibilities and Structure of Compliance

A. Role of Compliance:

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

B. Responsibilities of Compliance:

1. Follow and implement all relevant regulations issued by SAMA, CMA and any other regulators.
2. Regular review for the company corporate governance present it to the company board and the present it to the AGM for approval.
3. Insuring implementation of the disclosure policy stated on the CMA listing rules especially in the Report of the Board of Directors.
4. Provide regulatory authorities of any material developments that could affect the decisions of stakeholders
5. Report directly to the AUCOM.
6. Ensure that the board members do not have any interest directly or indirectly in the business and contracts that are the company's account without a license from the AGM

C. Structure of Compliance:

Compliance is an independent function in SABB Takaful and is granted full access to all the information it needs to conduct its activities.

Compliance acts independently, reports functionally to the AUCOM and administratively to CEO and submits its reports to the Audit Committee.

8.3: Role, Responsibilities of Appointed Actuary

The Service Provider will fulfil the requirements of the Appointed Actuary for SABB Takaful by providing the appointed Actuarial to fill the role. In particular, the requirements cover the following,

- Fulfil the legal and regulatory requirements of the Appointed Actuary role for Saudi Arabia
- This includes but is not limited to:
- Examining the financial position of SABB Takaful
- Evaluating the ability to meet future obligations
- Determining the technical provisions
- Pricing the insurance products
- Determining risk retention levels
- Advising on the investment policy

Also to advising the Board of Directors on these matters.

- The Service Provider will also provide actuarial advice on an ad-hoc basis covering the above areas.
- It also includes the oversight of actuarial analysis completed by the Service Recipient.

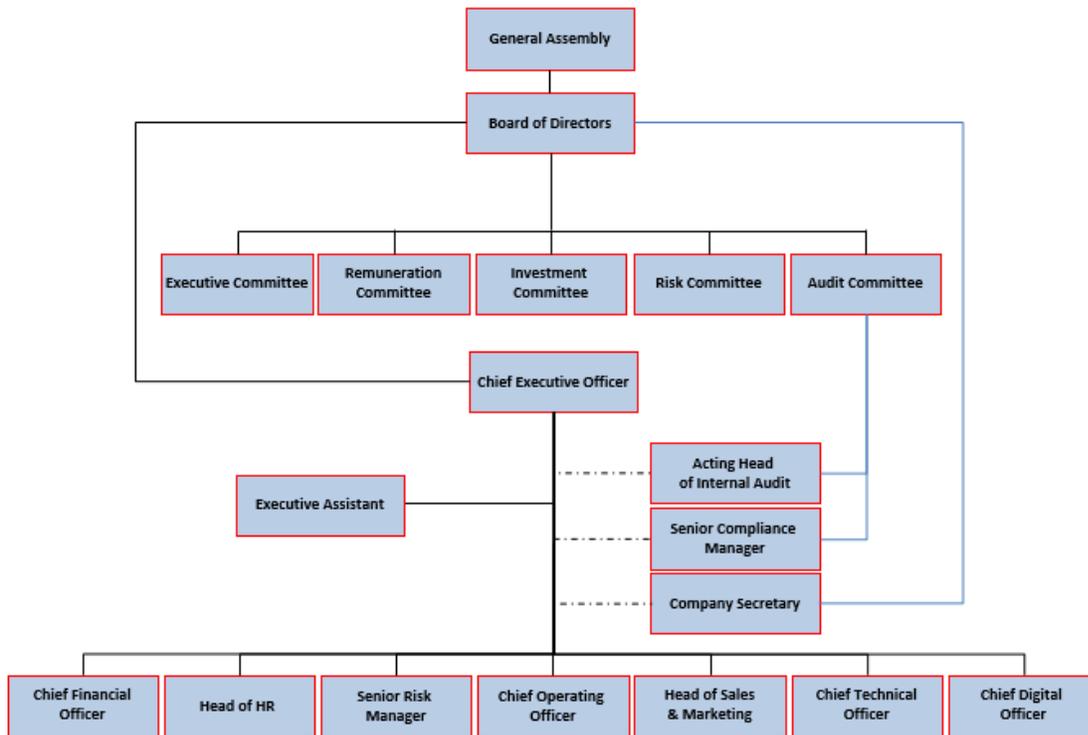
It should be noted that reliance will be placed upon the Service Recipient to:

- Provide documentation and answer questions on local regulations and product features
- Provide appropriate resource to complete the analysis and reporting required to meet the regulatory requirements

The Service Provider will arrange regular meetings with the Service Recipient to ensure the above obligations are being met. These will generally take the form of monthly or quarterly updates with the relevant members of the team within the Service Recipient.

Part9: SABB Takaful's Organizational Chart (Including Committee's)

The organizational chart hereunder shows the Company’s organizational units and circles along with horizontal and vertical connections and all lines of responsibility for all Company employees



The chart clearly demonstrates the presence of two administrative levels, i.e. the Chief Executive Officer and executive directors. The Manual also makes mention of five committees tasked with handling and monitoring business-related affairs in a direct and relentless manner.

9.1 Senior Management Responsibility’s:

- Implementing the strategic plans of the Company.
- Managing the day-to-day activities
- Setting procedures for identifying, measuring, mitigating and monitoring risks
- Setting policies, procedures, and controls to ensure the adequacy and effectiveness of the internal control system
- Record keeping and audit trails
- Acting on the Board’s instructions and reporting to the Board
- Ensuring that regulatory and supervisory requirements are met to the highest extent possible
- Senior Management shall provide the Board with a comprehensive overview of its performance in every board meeting at least.