

 <p>الوطنية للتأمين Wataniya Insurance كلنا وطنية Wataniya Together</p>	Wataniya Insurance
	List
	C.AC.16.002
<p>Date of review: May 11, 2020 Revision number: 3</p>	Corporate Governance Regulations

## Preamble:

The "Wataniya Insurance Company" governance system is the framework of principles and policies, through which all shareholders, creditors, and other stakeholders ensure that the company's management enhances the value of the company. That will enable the company to compete professionally within the Saudi market, taking into account development and balanced growth, that this regulation includes an integrated regulatory framework and effective management and supervision of the company.

The primary goal of the corporate governance system is to create and promote an ever-growing value for all other stakeholders of the company. To achieve this goal, it is requisite, among other issues, to set out clear principles for the implementation of proper supervision and good management. Therefore, a necessary infrastructure must be put in place to develop, implement, and execute the activities and businesses that create and achieve the desired values.

Accordingly, this regulation is developed and drafted to ensure transparency by all stakeholders and to ensure all their rights in the company. At the same time, that will also lead to the development of stakeholder's participation in the corporate governance mechanism implementation, while bearing in mind that its regulation has been created out of the principles of corporate governance regulations, issued by the Capital Market Authority to be applied in the Kingdom of Saudi Arabia for laying down the basic legal framework for corporate governance. Also, SAMA instructions and regulations, in addition to the laws and regulations, in force, in the Kingdom of Saudi Arabia, must be taken into account.

Each of the Board and its emanating committees, company executive officers, and its employees; have to strictly abide by these principles, while applying the specific best practices of corporate governance, which is stipulated in this regulations, to use as a guide aiming to achieve the company's goals and implement the laws, in force in Kingdom. Also, the company management must exert continuous efforts in employee training, aiming to disseminate full awareness of the principles, and the goals of good governance in the company, as well as abide by disclosure of its ongoing commitment to apply the principles.

### Definitions:

#### -Company:

Wataniya Insurance Company.

#### -Regulations:

Wataniya Insurance Company Governance Regulations.

#### -The Board:

Board of Directors of Wataniya Insurance Company.

#### -Independent Member:

A non-executive board member enjoys complete independence, allowing freedom from management and company, which confers on it judging matters while considering all relevant information; and without being subject to the administration or any other external entities excessive influence.

Independency cannot be achieved by a board member in cases including, but not limited to, the following:

1. To be an owner of five percent or more of the company or any company in its group.
2. To be a representative of a legal person who owns five percent or more of the shares of the company or any company in its group.
3. A senior executive during the past two years in the company or any company in its group.

4. To have blood relationship with any of the members of the Board of Directors of the company or in any company of its group.
  5. To have blood relationship with any of the company's senior executives or any company in its group.
  6. To be a company board member of any company, within the group of the company nominated as board member therein.
  7. To be an employee, during the past two years, of any of the parties associated with the company, or of any company of its group (such as the company's chartered accountants, or auditors) and major suppliers, or it's been an owner of control shares at any of those parties during the past two years.
  8. Its existence as a board member of the company for more than nine years, continuous or severed.
  9. Receives a sums from the company plus the Board member's remuneration, or any of its committees, above (200,000) Riyals, or 50% of its remuneration for the last year, received against the Board's membership, or any of its committees whichever is less.
  10. Subject under any financial commitment towards the company or any member of its executive board of directors, which may limit the exercise of independence in judgment, ruling, or decision-making.
  11. Sharing in a business that may compete with the company' business, or trading in any of the company's branches activity.
- The functions and contracts conducted with a member of the Board of Directors to meet its requirements, if they are carried out in the same conditions and situations adopted by the company concerning the general contractors and dealers, and were within the usual company activity. Such activities are not considered as interest denying independence and where a Board Member obligated to obtain the Ordinary General Assembly permit for it unless the Nomination and Remuneration Committee perceive otherwise.

**- Non-executive member:**

A member of the Board of Directors, not a full-timer manages the company, or not receiving a monthly or annual salary from it.

**- Relatives:**

- Parents, grandparents, grandmothers and, though ascended
- Children and Grandchildren, though descended
- Full brothers and full sisters, or of father or of mother
- Husbands and wives

**- Stakeholders:**

Each person with an interest in the company, such as shareholders, policyholders, claimants, employees, reinsurers, creditors, suppliers, regulatory and supervisory bodies, and the community.

**Main contributors:**

They are the natural and legal shareholders who own directly or indirectly, either alone or jointly and control 5% or more of the contribution rate in the company.

**Share control:**

Owning 30% or more of the voting rights in the company or

The right to appoint 30% or more of the members of the administrative body

**- Shareholders**

They are the major shareholders and minority shareholders who are present from time to time.

## **The General Assembly**

It is the general assembly of shareholders and contributors in the company.

### **- Executive Management:**

Consists of the Chief Executive Officer (CEO), Vice - CEO, Chief Financial Officer, Chief Operation Officer, Human Resources Head, heads of key departments and risk management officials, internal audit and compliance positions, their representatives and similar positions in the company, and other positions specified by the Saudi Arabian Monetary Authority.

### **First: General Conditions:**

#### **1- Notice:**

- A. The Board has to review these regulations, at least once annually, submits its amendment recommendation to the General Assembly, and provided that is further submitted to the Saudi Arabian Monetary Agency, within twenty-one (21) working days from the amendment date.
- B. The company shall provide the Saudi Arabian Monetary Authority with a copy of the organizational structure approved by the Board and any subsequent updates to it within a period of (21) twenty one working days from the date of its approval by the Board.

#### **2- Code of Conduct:**

The company has to implement the Code of Conduct fairly, after its approval and any updates thereafter, by the Board, to ensure that the company's activities are implemented and attained fairly and equitably, the Code of Conduct addresses the following issues:

- C- Conflict of interest. (2) Integrity and honesty. (3) Compliance with laws and regulations. (4) Confidentiality of information. (5) fair dealing. (6) Protecting the company's assets. (7) Guidelines and directives for ethical behavior. (8) Mechanism for reporting illegal and immoral behavior, such as reporting violations, corruption and immoral behavior.

#### **3- Liability and business accountability:**

A. The administrative structure of corporate governance reflects the period of executive management responsibility and accountability to the board, as well as the extent of the board's responsibility and accountability to subscribers, shareholders and other stakeholders through relevant internal policies and regulations.

B. Ultimately, the board is the accountant responsible for the performance, disposal, and compliance of the company with the systematic manner of the imposed rules. The delegation of authorities and powers to the board's committees or the executive management will not absolve or discharge the board of its responsibilities. However, the board bears the responsibility for the three parties involved in business performance and its management.

### **Convenience, Fitness and Community Ethics:**

A. The members of the board and the board's committees are supposed to be trustworthy, reliable, possess the qualities of integrity, competence, and experience necessary to fulfill the roles assigned to. They must comply with the implementation of all laws, regulations, and rules issued by both the Capital Market Authority (CMA) and the Saudi Arabian Monetary Authority.

B. The main shareholders are supposed to be of good conduct and reputation, stable and financially secure and free from any convictions related to any acts related to committing any act related to moral breach of trust, or any violations of laws in the Kingdom of Saudi Arabia or any other judicial authority.

C. That all appointments to senior positions that include members of the Board and its committees are supposed to be implemented by the requirements of the Saudi Arabian Monetary Authority to achieve higher appointments in financial institutions.

D. The nomination policy and reward determination, adopted and implemented by the company, are supposed to guarantee that the achievement of standard criteria and procedures are formal, accurate, and strict. That is to maintain continuity in monitoring, evaluating suitability, tact, the commitment of each of Board members, its committee members, as well as the executive management members as per the requirements of Section

4 (a) above. Also, It must immediately notify the Saudi Arabian Monetary Authority of any information or circumstances that may relate to the fitness and suitability assessment of those individuals, within (3) three working days from the day of obtaining that information, or from the day change occurrence.

#### 5- Independence:

The organizational structure of corporate governance is supposed to support the step of independent decision-making across the organization, for example by establishing a clear separation of duties between the board and the executive management in a manner that enhances the independence of the functions of supervision, command, government and of conflicts of interest.

#### 6- Reward:

A. The Board has to review the company's remuneration policy and study the reconsideration to any necessary adjustment annually as a minimum. However, all subsequent amendments to that source have to be submitted to the Saudi Arabian Monetary Authority, within twenty-one (21) working days from the amendment date.

B. The company remuneration policy is assumed to covers all employees categories, whether statutory or contractual and directed to address the following aspects:

The objectives of the compensation plan, which focuses on developing risk-affected management and on achieving reliability, financial safety and company stability.

- The organizational structure and composition of the compensation system (which includes the main determinants of compensation and the alignment of compensation with risk, etc.).
- Determinants of the reward components mixture (whether fixed or variable and whether it is monetary or non-monetary benefits and other, etc.).
- Link compensation with performance.

C - The Board bears the responsibility of providing and ensuring that the level of compensation and composition is:

- - fair and equitable,
- - consistent with the objectives of the company,
- - Encourages wise behavior that does not stimulate high-risk transactions to achieve short-term profits,
- - Compliant and compatibles with the company's risk management policy approved by the Board,
- - Not to cause any conflict of interest, which may negatively affect the performance of the company,
- - Achieve the interests of stakeholders and shareholders and the company's long-term goals.

(D) The company should implement a system for measuring performance in the same place to evaluate and measure the performance of its employees at and varied and different levels. That shall be in an objectively and officially manner that measuring the performance of the executive management, in particular, should be based on the long-term performance of the company but does not depend on the performance of one just year.

(E) The Nomination and Remuneration Committee should conduct an annual bonus review (internally through the internal audit function, and externally by assigning external elements to a specialized company) on the basis done in a way that is independent of the executive management.

(F) That the composition of the employees' remuneration, in control and discipline positions, ( as internal audit, compliance, and response), required to be designed for guaranteeing the objectivity and independence of these functions are taken into account,

In this respect, the company management is required to confirm its non-interference in the performance measuring process and determination of compensation and remuneration of such employees And workers.

(G) That members of the board and executive management (excluding sales managers) must not receive any commission or bonuses for any activities related to sales (such as production). Also, any variable component to

compensate members of the board and executive management, save sales managers, will not be directly indicated to the size of the premium.

## Second: Shareholders and General Assembly Rights

### 1. Shareholders General Rights:

Shareholders shall have the right to exercise all rights related to the share, and in particular have the right to obtain a share in the distributed profits, a share of the company's assets upon liquidation, attend shareholders' associations according to the regulations, participate in its deliberation and vote on its decisions, to dispose of the shares in accordance with the provisions of the corporate system, the financial market system and their executive regulations, to monitor the actions of the board of directors and to file a liability claim on the members of the board, to inquire and request information not harmful to the company interests, and does not conflict with the financial market system and its executive regulations, have the right of questioning and raise the board members and raise responsibility lawsuit in their face and challenge the invalidity of the decisions of the general shareholders' associations and private in accordance with the conditions and restrictions contained in the corporate system and the of the company's article of incorporation, and the nominate of the members of the Board of Directors and elect them.

### 2. Facilitating shareholders' exercise of their rights and access to information:

a. The company's articles of association (Articles 25-37) and its internal regulations, including its bylaw, include the procedures and precautions necessary to ensure that all shareholders exercise their statutory rights.

a. The company is committed to providing all the information that enables shareholders to exercise their rights in full, ensures that it is an absolute information and provided and regularly updated and timely as specified in the regulations. The company will use an efficient way to communicate with

shareholders, while it is non-permissible to distinguish between shareholders categories in providing information.

- b. and it is not permissible to distinguish between Categories of shareholders concerning providing information. Note that none of the shareholders interfere in the work of the company's board of directors or executive management unless been a member of one of them. It may interfere through the ordinary general assembly according to its terms of reference or within the limits and situations permitted by the Board of Directors.

### 3. Shareholders' equity related to the general meeting:

- A. The company shall hold the general assembly at least once a year during the six months following the end of the company's financial year.
- B. The General Assembly meets at the invitation of the Board of Directors. The Board of Directors must invite the general assembly to meet if requested by the legal auditor or shareholders whose ownership represents (at least 5%) of the capital
- C. The company shall announce the date of the general assembly meeting, venue, and agenda, at least twenty-one days in advance, and publish the invitation on the market site and in a widespread daily newspaper in the Kingdom, and modern technology can be used to contact shareholders.
- D. The company is committed to providing shareholders with the opportunity to actively participate and vote in the shareholders' general assembly meetings, Also, advise them of the rules that govern these meetings and voting procedures, and their participation in deliberations and voting on decisions using modern technology.
- E. The company is committed to employing its best efforts to facilitate the participation of the maximum shareholders' number in the general assembly meeting, including choosing the appropriate venue and time.
- F. When preparing the agenda for the General Assembly meeting, the Board of Directors is obligated to take into consideration.

When preparing the agenda for the general assembly meeting, the Board of Directors is obliged to take into account the preparation and submission of a report containing a comprehensive and objective evaluation of the status

and performance of the company on an annual basis for at least six months, including but not limited to the following:

- 1) An analytical review of the company's financial performance during the previous six-month period. 2) The main decisions taken and their impact on the status and performance of the company. 3) Evaluating the company's strategy and financial position. 4) The names of any joint stock companies in which a member of the company's board of directors is a member of their boards of directors. 5) Any penalty, preventive restriction, or any penalty that may be imposed on any board member by any judicial or supervisory body if it is related to the company. 6) Any assessment of potential hazards and how to manage them. 7) Future objective perceptions of performance.

H. That is in addition to the disclosure requirements applicable by the Capital Market Authority, and the Saudi Arabian Monetary Authority regulations, or any other regulatory bodies. The company's annual report is required to contain the following information (regardless of its arrangement): 1) The board's positions, its composition, names of the Board Chairman, Vice – Chairman, Current session dates, the start and end of the current session dates, the number of non-executive members, the number of meetings held during the term, date, date of attendance of each meeting and the remuneration details for each board member. 2) classification title for each board member (executive, non-executive, or independent). other companies in which a member is acting as a member of the board or any entity representing the committee and its functions (if applicable). 3) For each Board emanating committee. name of the committee and its functions and its members (classified as Chairman of the board, executive member of the board. Non-executive member. Non-independent member of the board or non-member of the board) the number of meetings held during the term, date, and attendance of each meeting, remuneration of the member for service with the committee. 4) An overview of the personal information of all members of the executive management (including the name, position, qualifications, and experience of each executive director). 5) The total compensation and remuneration paid to the members of the board as well as five members of the executive management who are paid the highest bonuses (CEO, board member, financial manager) if had been among those

five members receiving highest remuneration during the period (divided between salaries, bonuses, additional remuneration and any other compensation) in addition to describing any performance incentives available to members of the executive management. 6) Ownership in the company (direct and indirect) by members of the Board and members of the executive management and any amendments in their ownership during the past year as listed in the record approved by the shareholders. 7) Description of transactions with any related parties, including the major shareholders, members of the Board and the executive management, occurring during the period and manner of its approval. 8) Any potential conflicts of interest and how directed and addressed. 9) The names and ownership of all the major shareholders in the company. 10) The results of the annual audit that is effective and sufficient in the company's internal control and discipline system. 11) The statement about the company's compliance with the requirements of the Saudi Arabian Monetary Authority. (Corporate insurance). The insurance company's corporate governance system with the company regulation along with the justification for all examples of cases of non-compliance.

- I. The board is obligated to include in the meeting agenda the topics that shareholders desire to bring for discussion. The shareholders who own at least 5% of the company's shares may add one topic or more to the agenda of the general assembly meeting when it is prepared.
- J. The company grants shareholders the right to discuss the topics on the agenda of the General Assembly and cast questions regarding it to the Board members and the chartered accountant. The board of directors or the chartered accountant must answer the shareholders' questions to the extent that the company's interest is not compromised.
- k. The company is committed to providing the necessary and sufficient information that enables the shareholders to take their decisions and vote on the issues presented to the general assembly.
- L. The company is committed to enabling shareholders to view the minutes of the general assembly meeting, and it is also committed to providing the Capital Market Authority with a copy of the meeting minutes within (ten)

days from the date of its meeting.

M. The company is obliged to inform the market of the results of the general assembly as soon as it ends and per the instructions of the Capital Market Authority and regulatory authorities.

#### 4. Voting Rights:

A. Voting is a basic right of the shareholders and should not cancel in any way. The company is obligated not to establish any procedure that impedes the use of the shareholder's right to vote and is committed to facilitating the exercise of the shareholder's right to direct or proxy voting.

B. The company is obligated to follow the cumulative voting method when voting to select the members of the board of directors in the general assembly.

C. The company is obliged to give the shareholder the right to appoint a person - in writing - another person who is not a member of the board of directors and who is not a company employee to attend the general assembly meeting and vote in proxy thereof.

#### 5. Shareholders' equity in the dividends:

A. The Board of Directors is be obligated to disclose to the shareholders the dividend's distribution policy in a manner that meets their interest and the company's interest. The policy is to be informed to the Shareholders at the General Assembly meeting and referred to in the board's report.

B. The Board of Directors will present the proposed profits and its distribution date to the General Assembly for approval. The dividend eligibility will be either cash dividends or shares' bonus to the shareholders registered in the securities depository records at the end of trading on the day of the General Assembly Convening.

#### Third: Disclosure and transparency:

The company's board of directors is obligated to set the disclosure policies, procedures, and supervisory systems in writing as per the regulations, amongst which is the board's annual disclosure report, in addition to the stated in the registration and listing rules, regarding the contents of the board's report attached to the company's annual financial statements, and the Board report will include the following:

- 1- Applied Corporate Governance laws and resolution issued by Capital Market Authority, and article exempt, while insuring to justify reasons for exemptions.
- 2- The Board's members names, committee members, executive management, and their current, previous positions, qualifications, and experience.
3. Names of companies in-kingdom or out of-Kingdom in which a Board member of the National Insurance Company is a member of its boards of directors.
4. Defining the board of directors and classifying its members as follows: a member of an executive board of directors, a member of a non-executive board of directors, or an independent board member.
5. The measures taken by the Board of Directors to inform its members of the shareholders 'proposals and observations regarding the company and its performance.
6. The means adopted by the board in evaluating the performance of the board, its members, committees, and external bodies used for that (if any).
7. A brief description of the functions of the main board committees and their tasks such as the audit committee, the nominations and remuneration committee, mentioning the names of these committees, their chairmen and members, the number of their meetings and the attendance record.
8. Details of bonuses and compensation (according to the definition of corporate governance issued by the (CMA) paid to each of the following, each separately: 1) Members of the Board of Directors. 2) Five of the senior

executives who receive the highest compensation and compensation from the company, including the CEO and CFO, if they were not among them.

9. Any penalty, sanction, or reserve restriction imposed on the company by the Capital Market Authority or any other supervisory, regulatory, or judicial authority.

- 10 - Results of the annual audit of the effectiveness of the company's internal control procedures.
- 11- Recommendation of the audit committee regarding the need to appoint an internal auditor in the company.
- 12- The recommendations of the audit committee that are inconsistent with the decisions of the board of directors or that have not been adopted regarding the appointment and dismissal of the company's auditors, and the reasons for non-acceptance
- 13- The social contributions of the company, if any.
- 14- A statement of the dates of the company's shareholders' general assembly during the last financial year and the names of the board members attending.
- 15- A description of any contractual interest and securities belonging to members of the Board of Directors, senior executives and their relatives in the shares or debt instruments of the company.
- 16 - A description of any loans to the company and provide a declaration in the absence of any of them.
- 17- A description of the categories and numbers of any debt instruments, securities, underwriting rights, or similar rights that were issued, granted, or redeemed during the fiscal year and its returns.
- 18- The number of Board meetings held during the fiscal year and its attendance record.
- 19- The number of company requests for the shareholder register, the dates and reasons for those requests.

- 20- A description of any transaction between the company and a related party, clarifying its nature, conditions, duration, amount, and submitting a declaration in the absence of deals.
- 21- A statement of any arrangement or agreement whereby a member of the board, shareholders, or senior executives waived rights to profits or rewards.
- 22- A statement of the regular payments made and due for the payment of zakat, taxes or fees that were not paid until the end of the financial period.
- 23- A statement of the value of any investments or reserves created for the benefit of the company's employees.
- 24- Acknowledging that the company's records were prepared correctly, that the internal control system was prepared on sound bases and effectively implemented, and that there is little doubt that the company can continue its activity.
- 25- A statement of any reservations to the annual financial statements in the auditor's report, if any.
- 26- Explaining the recommendation of the Board of Directors to change the auditor before the end of the appointment period, along with a statement of the reasons for that.

#### **Fourth: The Board of Directors:**

##### **1.The most important basic functions of the Board of Directors of Wataniya Insurance Company are:**

A. Adopt the strategic directions and main objectives of the company and supervising their implementation, including:

- Setting the company's overall strategy, main business plans, risk management policy, review and guidance.
- Determine the optimal capital structure for the company, its strategies and financial goals and approve annual budgets.
- Overseeing the main capital expenditures of the company, owning and disposing of assets.

- Setting performance targets, monitoring implementation, and overall performance quality in the company.
- Periodic review and approval of organizational and functional structures in the company.

**B. Establishing systems and controls for internal control and general supervision over them, including:**

- Developing a written policy that regulates conflict of interest in the company and addresses potential conflicts of interest for each of the members of the board of directors, executive management and shareholders, including the misuse of the company's assets and facilities, and the misbehavior resulting from transactions with related persons.
- Ensuring the integrity of the financial and accounting systems, including those related to financial reporting.
- Ensuring the application of appropriate control systems for risk management, by setting a general perception of the risks that the company may face and putting it forward in a transparent manner.
- Annual review of the effectiveness of the company's internal control procedures.

C. Adoption of the company's corporate governance system - consistent with the laws and regulations of the regulatory authorities in the Kingdom, general supervision of its implementation, monitoring its effectiveness and amending it when needed.

D. Setting clear and specific policies, standards and procedures for membership in the Board of Directors and putting them into effect after approval by the General Assembly.

E. Develop a written policy regulating the relationship with stakeholders in order to protect them and preserve their rights. This policy should include:

- Stakeholder compensation mechanisms in the event of violations of their rights established by the regulations and protected by contracts.
- Mechanisms for settling complaints or disputes that may arise between the company and the stakeholders.

- Suitable mechanisms for establishing good relationships with customers and suppliers and maintaining the confidentiality of information related to them.
- The rules of professional conduct of the managers and employees of the company to conform to the sound professional and ethical standards and regulate the relationship between them and the stakeholders, provided that the Board of Directors sets up mechanisms to monitor the implementation of these rules and adhere to them.
- Establish mechanisms for the company's contribution to social responsibility.

F. Establishing policies and procedures that ensure the company's respect of laws and regulations and its commitment to disclose material information to shareholders, creditors and other stakeholders.

## 2) Board responsibilities:

- (A) Board meetings are held regularly at least (4) four times per year at a rate of (1) one meeting per quarter. The meeting convenes upon the invitation of its President or two members' requests, it shall not be valid unless attended by at least half of the Board's members provided that not less than three.
- (B) Non-executive directors shall hold closed meetings without the executive management attending at least once for the year.
- (C) That the minutes of the board meeting is recorded and signed by its president and secretary and then recorded in the official register.
- (D) The minutes of the meeting are required to be accurate and reflecting all items, topics discussed, and to record all decisions taken and any other topics discussed in those meetings.
- (E) The minutes of the meeting are required to document any voting carried out during the meeting, including objections, proposals, and steps to abstain from voting, as well as all the documents referred to and attached to these minutes.
- A. Subject to the powers of the general assembly, the company's board shall assume all the powers and powers necessary to manage it. The ultimate responsibility for the company remains with the board, even if it forms

- committees or delegates other entities or individuals to carry out some of its actions. Accordingly, the board is obliged to avoid issuing general mandates.
- B. The Board of Directors abides by the responsibilities clearly stated in the company's articles of association.
- C. The Board of Directors is obligated to perform its duties and responsibilities with the principle of goodwill, seriousness, and concern, and that its decisions are based on adequate information from the executive management, or any other reliable source.
- D. A member of the Board of Directors is obliged to perform what is generally in the best interest of the company rather than meeting the interests of the group he represents or has voted for appointing it to the Board of directors.
- E. The Board of Directors determines the schedule of powers, including the financial powers that it delegates to the executive management, decision-making procedures, and the delegation duration. It also specifies the topics empowered for it to decide. Also, the executive management shall submit periodic reports on its practicing the powers delegated.
- F. The Board of Directors shall be obliged to inform the new members of the Board of the nature of the company's work, especially the financial and legal aspects, as well as to train them if necessary.
- G. The Board of Directors is obligated to provide adequate information about the company's affairs to all Board members in general, non-executive, and independent board members in particular, enabling them to carry out their duties and tasks with high efficiency.
- H. The Board is obligated not to sign a loan exceeding three years, sell the company's real estate or mortgage them, or absolve the company's debtors of their obligations unless authorized by them per company system based on its outlined conditions. If the company's articles of association, is not including provisions in this regard, the Board shall not perform the said actions without the General Assembly's approval, unless such acts already inherently included in the purposes and the nature of the company business.

### I. 3) Composition of the Board of Directors

**Concerning the Board of Directors composition, the company abides by the stipulated in the company's articles of association, including:**

A. The number of members of the Board of Directors in the company's system ranges from (5) to (11) members.

B. The Board members are appointed by the General Assembly for the period stipulated in the company's articles of association, provided that it is not exceeding three years, also they may be reappointed for other periods, without violating the laws and regulations.

C. The majority of the members of the Board of Directors shall be non-executive members.

D. That the position of the Board Chairman not combined with any executive position of the company as Managing Director or CEO,

E. The number of independent board members should not be less than two board members or one third of the board members, whichever is more.

F. All individual board members have the same proportionate authority and influence over board decisions.

G. The existing transparent policies, standards, and procedures adopted in nomination to the Board, approved by the General Assembly, and been notified to the SAMA, takes into consideration the following aspects:

- Allow sufficient time to review the candidacy proposals for board membership in terms of nomination and remuneration.
- Create a committee and document the findings and recommendations.
- obtainment of a "No Objection Letter" from the Saudi Arabian Monetary Authority before the appointing any Board member.
- Provide shareholders with sufficient information on the candidate's qualifications and relations with the company before voting.
- Apply the cumulative voting method when voting in the General Assembly to elect the board members.
- It is assumed that the number of candidates for the board submitted to the General Assembly for voting to be more than the number of seats available, in order to allow the General Assembly to choose from many candidates.

- When a Board member's position falls vacant, the board will appoint a new member, to fill the vacant position, for the remaining period, provided that, the appointment submitted for approval by the assembly in its next general meeting.
- In the event of a Board's member resignation, upon the termination of its membership for any reason, other than due to the end of the appointment, it is stipulated to advise SAMA accordingly, within a period of (5) five working days starting from the contract signing date, while observing the applicable disclosure requirements for soliciting a member service.

H. Mechanism and causes of membership termination of a Board member, while maintaining the constant right of General Assembly to dismiss all or some of the Board members, at all times.

I. Immediately notify the Authority and the market with the termination announcement, of the membership of a Board member, due to the end of its term by any termination manner, while indicating the reasons thereto.

J. A member of the board should avoid engaging a membership position on the board of directors in more than five joint-stock companies simultaneously.

K. A member of the board of directors should avoid being a member of the board of directors of any insurance or reinsurance company or any committee affiliated with the board or occupy a leadership position in such companies.

L. The Board appoints a secretary during its tenure to handle the Board activities and provide assistance to its members, provided that the Board determines the secretary remuneration. Also, the secretary may be a member of the board of directors or the company's staff member and must have sufficient experience and knowledge of the company's business and activities, strong communication skills and familiar with the laws and regulations in force, and the best practices applied in corporate governance. :

- The board meetings arrangement
- Ensuring the availability of appropriate methods for communication in order to record and exchange information between the Board and its committees and between members of the executive management and members of the Board Executive members.
- Maintaining the meetings minutes, which is a permanent official record of the work and the decisions taken by the board and its sub-committees.
- Prepare a comprehensive statement containing the names of the attending and absentee Board members, list of accredited committees, and any abstention case of a board member (if any) by any board member and the reasons for that.
- give advance notifications and send agendas with any related materials to Board members, with confirmation of their delivery within a period of ten working days prior to the meeting and,
- Distributing the minutes of the meeting to the parties concerned within a period not exceeding (15) fifteen days.

M. The Board shall determine the person or entity responsible for implementing the decisions taken.

N. At the beginning of each year, the Board sets a specific timetable for receiving reports from the relevant committees and internal and external auditors. The Board ensures that the applied mechanism for collecting, preparing, and delivering reports and data, is in place and consistent with the approved internal policy.

#### 4) Board Committees and their independence

A. The company is obligated, according to the articles of association, to form supervisory committees according to the company's need and circumstances, so that the board of directors can perform its duties effectively.

B. As a minimum, the Board is incumbent form an Executive Committee, an Audit Committee, a Nomination, and Remuneration Committee. Risk Management Committee, and an Investment Committee.

C. The company is obligated to form the committees affiliated with the Board of Directors, according to general procedures set thereby. The Board procedures define the committee's mission, the duration of its work, the powers granted to it during this period, and how the Board monitors it. Board is obligated to set work regulations for all standing committees emanating from it, including the Audit Committee and the Nomination and Remuneration Committee.

D. Board is obligated to set work regulations for all standing committees emanating from it, including the Audit Committee and the Nomination and Remuneration Committee.

E. The Board of Directors is obligated to appoint a sufficient number of non-executive board members in the committees concerned with the tasks that may result in conflicts of interest. Also, ensuring the integrity of financial and non-financial reports, reviewing discounts' deals granted to any of relevant persons, and the nomination for the Board's membership, and appointing executives, and defining the enumerations.

#### **A) Audit Committee Formation Work Manner:**

A. A. The Board is obligated to establish a committee named as the audit committee, composed of non-executive board members. The Board executive members, company executive management members, consultant employees, non-board members, or executive management officers, and/or any representatives of any party associated with the company. That the members of the audit committee shall not be less than (3) three members or more than (5) five members. The committee meets periodically, provided that its meetings are not less than (6) six meetings during the financial year of the company, and most of the committee members are required to be from outside the board members, and the chairman of the board of

directors must not be a member or Chairman of the board of the audit committee. A member of the audit committee must not be a member of a board or a review committee of any other company operating in the insurance sector in the Kingdom of Saudi Arabia. It is assumed that a member of the Audit Committee does not serve on many audit committees in more than four (4) public companies at one time. Also, it is not permissible for anyone who works or has been working during the past two years in the executive or financial management of the company, or with the company's auditor, to be a member of the audit committee.

B. Also, the Audit Committee shall include, a least two members plus the Chairman, required not to be simultaneously the Chairman of the Board of Directors and specialized in financial and accounting affairs approved and endorsed as per the audit committee system of the Saudi Arabian Monetary Authority for Insurance and Reinsurance Companies and the Ministry of Trade and Industry.

C. The audit committee formed according to the procedures and rules for selecting its members, their membership duration, and monitoring its activities to be issued by the general assembly upon the Board recommendation.

D. Also, the Board shall determine the number of the Audit Committee members, membership duration, their successive sessions schedule, and also ensure that their meetings are held on an adequate periodic basis.

E. The committee meeting shall not be valid unless attended by, at least, two members of the audit committee (i.e. half of them). The decisions of the audit committee are decided and issued by the majority of the votes of the members. In case the votes are equal, the Chairman of the committee will have a weighting vote. The secretary of the review committee must record the views of all parties within the minutes of the meeting.

F. The Board of Directors is obliged to obtain the approval of the general assembly of the company on the rules for selecting the

members of the audit committee, their membership term, committee work method, and the amount of remuneration of its members.

G. The committee frequently meets whenever it is deemed necessary by its Chairman, provided that at least (6) Six meetings held annually. Meetings are held at any time if requested so by at least two members. The decision is issued out based on the approval of two members, in writing. Meetings often coincide with the end of each quarter for approving the company's financial outcomes.

H. The committee frequently meets whenever it is deemed necessary by its Chairman, provided that at least One (1) meeting held annually with the Board. The Audit Committee is entitled to hold other meetings in response to any of the following cases which includes, but not limited to:

- If requested so by the Chairman of the Board of Directors.
- In the cases whereby either of the External Auditor and the Internal Auditor requests, the Compliance Officer or the Insurance Account Expert,
- The committee holds a meeting, for any reason that so requires, and/or for other topics and issues such as (1) Auditing issues to financial means, (2) matters concerning compliance, (3) conflict of interest and/or (4) professional practices and work ethics.
- The audit committee has the right, if necessary, to invite whoever it may consider relevant from inside and outside the company to attend its meetings.

After obtaining a written “No Objection Letter” from the Saudi Arabian Monetary Authority, the board shall appoint the members to the audit committee and the Chairman of the board who (to be appointed as one of the committee members for a period of (3) three years. Also, the Board may renew the audit committee term or of one of its members, once for three years. The Board also may appoint new members to the committee, after the election of a

new committee, after obtaining a no-objection approval by the Saudi Arabian Monetary Authority. The Board may also, dismiss any member of the audit committee, if it discontinues or fails to fulfill the conditions membership conditions, or commits a violation to the terms of the system of the Audit Committee of the Saudi Arabian Monetary Authority, of concern to insurance and reinsurance companies, SAMA's control and supervision system for cooperative insurance companies, and its executive system, or any related regulations and instructions issued by SAMA, or the Capital Market Authority. A member of the Audit Committee is entitled to resign, and after submitting its resignation, it may request the board for a grace period of one month, before the effective date of its resignation. a member of the audit committee is considered resigned if it fails to attend any of the board meetings, for more than three times consecutively, without submitting an acceptable excuse. A member's membership term ends automatically when occurred any change causing a violation of the set conditions in the SAMA audit committee system applicable to insurance and reinsurance companies, or any regulations (instructions or decisions issued by the Saudi Arabian Monetary Authority or the Capital Market Authority. The committee member shall immediately inform the company in writing when such a change occurs and it must not attend any meeting of the audit committee to be convened after the change date

1.The Audit Committee appoints a secretary to the committee from its staff to assume the implementation of its administrative tasks, prepare the minutes of its meetings, and ensure that the committee's Chairman signs these minutes and schedules the meetings of the audit committee in coordination with its board of directors.

2. If the position, of any committee member, falls vacant, then the Board shall within one month, from the date the position opening, nominates another member to fill the vacancy, provided that the nomination is submitted at first, to the Saudi Arabian Monetary Authority for approval; only a new member is obliged to complete the term of its predecessor.

3. The tasks and responsibilities of the audit committee include the following, as well as any additional tasks that may be determined by the Saudi Arabian Monetary Agency from time to time.

J. The membership period is 3 years (three years) from the date of appointment, and the membership of the audit committee ends with the end of the appointment period, resignation or death, or if it is proven to the Board of Directors that the member has violated its duties in a way that harms the interest of the company, or the expiration of its membership according to any system or instructions in force in the Kingdom, or In its absence from attending more than three consecutive sessions without an excuse accepted by the committee Chairman or if he ruled a month of bankruptcy or insolvency or submitted a request to settle with its creditors or stopped paying its debts or became lost or mentally ill or if it was proven that he committed an act that violates honesty and morals or is convicted of forgery . If the position of one of the committee members becomes vacant, the board may nominate a member in the vacant position, provided that its nomination is presented to the Saudi Arabian Monetary Authority and then to the ordinary general assembly at its first meeting to approve the nomination, and the new member only completes the term of its predecessor. If the number of members of the committee falls below the quorum necessary for the validity of its meetings, the necessary number of members must be nominated.

K. The duties of the audit committee include:

- Ensuring the integrity of the company's procedures and the degree of its compliance with the regulations followed in the Kingdom of Saudi Arabia.
- Review the company's periodic financial reports that are submitted to the Saudi Arabian Monetary Authority.
- Provide SAMA with all the information that is likely to be requested by them.
- Overseeing the company's internal audit department; to verify the degree of its effectiveness in carrying out the tasks and functions assigned to it by the Board of Directors.
- Study the internal audit system and draw up a written report on the committee's opinion and recommendations thereon.

- f. Study internal audit reports and follow up on the implementation of corrective actions for the notes contained therein.
- g. To recommend to the Board of Directors the appointment and dismissal of statutory auditors and determine their fees, and when recommending appointment, care shall be taken to ensure their independence.
- h. Follow up on the work of certified auditors, and approve any work outside the scope of the audit work assigned to them while performing the audit work.
- i. Study the audit plan with the legal auditor and provide their observations thereon.
- j. Study the notes of the certified auditor on the financial statements and follow up on what has been done.
- k. Study the preliminary and annual financial statements before submitting them to the Board of Directors and expressing an opinion and recommending them.
- l. Study the accounting policies adopted and express an opinion and recommendation to the Board of Directors regarding them.
- m. Discuss and review the company's policies for assessing company risks.
- n. Evaluating the performance and approval of the appointment of the company's internal auditor.
- o. Providing the Board of Directors periodically with an assessment of the company's performance, financial situation, and the degree of compliance with the regulations.
- p. Establishing an internal system for the company to receive and address complaints regarding accounting and auditing standards.
- q. Ensure that the information about the company's clients is kept confidential.
- r. Supervise, monitor, and evaluate the performance of the Director of Internal Audit and the Director of Compliance and recommend appointment or dismissal and propose their remuneration.

## B) Nomination and Remuneration Committee Formation and method of work:

- A. The Board is obligated to form a committee named the "Nomination and Remuneration Committee" so that its members' number not less than (3)

three and not more than (5) five. its Chairman will be from non-executive members and their majority independent members.

- B.** The Board is obliged to obtain the approval of the general assembly to the Committee's Nominations and Remunerations selection rules, their work term regulations, and the amount of their remuneration.
- C.** The committee holds its meetings occasionally whenever its Chairman deems necessary (at least once annually), and the meeting is held at any time if at least two members so requested. The decision shall be issued with approval if he agrees with it in writing two members of the committee.
- D.** The membership period is 3 years (three years) starting from the date of appointment and ends upon its expiration, resignation, death, if evident that it has breached its duties, in a manner harmful to the interest of the company. Also, if the membership term expiry is due to any regulation or instructions, in force in the Kingdom, or for absenteeism for more than three consecutive sessions without an excuse acceptable to its Chairman. Also, if ruled by bankruptcy or insolvency, submitted a request for settlement with its creditors, stopped paying debts, fall unconscious, suffered a mental illness, or if evidence that it committed an act violating honesty or morals, or convicted of forgery. Also, if it is judged by Declaration of its insolvency, bankruptcy, submitted a request for settlement with its creditors, stop paying its debts, fall unconscious or suffered a mental illness, or if it is proven that it committed an act that violates honesty or morals, or convicted with forgery.
- E. The Nomination & Remuneration Committee's Duties and responsibilities include , the following:**
- Developing and proposing a self-evaluation of the annual performance of the Board of Directors.
  - Developing and proposing the company's internal regulations and policies for corporate governance and presenting them to the Board of Directors.
  - Follow-up and review the degree of corporate governance regulations application.
  - Sort and evaluate nominations for membership of the Board of Directors and committees emanating from the Board and submit them to the Board of Directors.

- Overseeing the nomination of members of the Board of Directors for membership of the sub-committees each according to its qualifications and specialization and reviewing the proposed rewards.
- Assist the Board of Directors and contribute to the selection of membership and development of the company's executive committee, the selection of the CEO and the review of company employee rewards.
- Presenting an introductory presentation to the new members of the board about the way the company works.
- Contribute to the annual evaluation of the degree of commitment of the members of the board and the executive management of the company and the extent of commitment to work ethics and report to the board in the event of violations.
- To suggest the method and amount of bonuses for members of the Board of Directors and endeavors to solicit and encourage talents to join the company's Board of Directors for the benefit of the shareholders.
- Evaluate and develop comments for bonuses and compensation for the CEO, executive management, and company employees.
- Evaluating and advising the Board of Directors regarding the performance of the company's management and its responsibilities towards the company's employees.
- Ensuring the degree of compliance with the company's policies and social responsibilities.
- Realizing and evaluating the risks related to the company management, evaluating its environmental surroundings, and finding the best ways to deal with it.

## F) The Investment Committee

A) The Board is obligated to form a board of committee named as the Investment Committee. That will appoint its members as per the rules issued by the General Assembly. The committee consists of (3) members according to Article (34) of the Saudi Arabian Monetary Authority investment system.

**B) The duties and responsibilities of the Investment Committee include the following:**

- Determine the investment objectives and investment policies of the company, and recommend to its regard to the Board of Directors,

including setting levels of risk tolerance, diversity of assets, and diversity of investment operations.

- General supervision of investment operations performance, including evaluation of investment results to determine the success of investment strategies and to ensure compliance with the company's investment policies.
- Discussing and expressing opinions on other issues related to investment as necessary for investment management and in the best interest of the company.

## G) The Executive Committee

A. The Board of Directors is obligated to form a committee named the Executive Committee, and appoint its members as per the articles of association, regulations, and rules issued by the General Assembly. The committee ranges from (3) three to (5) five members, executive and non-executive. Its meetings are held regularly when needed, provided that annually hold at least (6) six meetings.

B. The duties and responsibilities of the Executive Committee include:

- To recommend to the Board of Directors on strategic and operational plans, budgets, and business plans developed by the management.
- Take decisions on matters vested in it by the Board that are outside the scope of the company's CEO, including issues related to capital expenditures and purchases, within the limits assigned to the Committee by the Board of Directors.

## C. The Risk Management Committee:

a. The Board of Directors is obligated to form a committee named the Risk Management Committee and appoint its members per the rules issued by the General Assembly. The committee is composed of at least (3) three members, chaired by a non-executive member and deemed to have an

appropriate financial knowledge related to risk management. The committee meets Periodically, at least, every (six months), or whenever the need arises.

**b. The tasks of the risk management committee include but are not limited to the following:**

- Determine the risks that the company may be exposed to and helps to maintain an overview of the risks accepted by the company while identifying the risks that threaten its continuity during the next twelve months.
- Monitor and supervise the risk management system and assign the importance of its effectiveness.
- Developing a comprehensive risk management strategy for the company, monitoring its implementation, and reviewing its update regularly.
- Reviewing risk management policies.
- Reassessment of durability and the company's exposure to risk on a regular basis.
- Inform the board about the details of the exposures to risk and recommend actions necessary to handle them.
- Reviewing the issues raised by the audit committee that may affect the company's risk management.

**5) The Board meetings and agenda:**

- A. The Board members are obligated to allocate sufficient time to follow up on their responsibilities, including preparing for Board meetings and permanent and temporary committees and be careful towards their attendance.
- B. The Board of Directors holds regular ordinary meetings, at the invitation of the Chairman, and it also shall invite for an emergency meeting, whenever requested, in writing, by two board members.
- C. The Board Chairman shall consult with other members and the CEO when preparing specific topics schedule meant to be presented to the Board. The agenda, accompanied by documents, is sent to the members ahead of meeting time to enable them to study the topics and be well prepared for the

meeting. The Board shall adopt the meeting's agenda when held, and if any member objects to that agenda, the details of such objection are recorded in the minutes of the meeting.

- D. The board of directors shall document its meetings and prepare minutes of discussions and deliberations, including the voting operations that have been tabulated and archived for reference.

## 6) Board Members' Remunerations and Compensation

- A. The Board of Directors is obliged to abide by Article (19) of the Company's articles of association, which stipulates the method for disbursing and the amount of remuneration of members of the Board of Directors.
- B. The Board is obligated to propose the remuneration package established for the Board and based on the recommendations of the Nomination and Remuneration Committee as per the rules, regulations, laws in force, and conditions, set by the General Assembly based on its approval. The company guarantees that all written details regarding the proposed remuneration and compensation are available to shareholders by the General Assembly, wherein they will be put for the vote.

## 7) Conflict of interest in the Board of Directors

**1. The Board of Directors is obliged to avoid all that calls for conflicts between their personal interests and the interests of the company, including:**

- A. A Board member who is not holding an annual renewed license, from the General Assembly, shall not be entitled to have any interest (direct or indirect) in the business and contracts made in favor of the company. Exceptions allowed through general competition if the Board member is the bidder Best.

- B. A Board member is obliged to advise the Board of the interests having in the business and contracts executed in the company's favor, and such notification is recorded in the minutes. A member having interests, shall not participate in voting the decision issued, in that regard. The Board's Chairman shall notify the General Assembly, when convened, of the works and contracts in which a Board member has a personal interest, and a special report by the external auditor shall be attached to that notification.
- C. A member of the Board of Directors - without a license from the General Assembly renewed every year - may not participate in any business that would compete with the company, or to trade in one of the branches of activity practiced by the company.
- D. The company may not provide a cash loan of any kind to the members of its board of directors or guarantee any loan that one of them holds with others.

2. The Board and an executive management member, having a vested interest in an insurance service provider, (such as brokers, agents, etc.) (1) must immediately disclose, in writing to the board of their interests in the insurance-related company, (2) Refrain from soliciting and encouraging dealing with the company having a vested interest in it, also, the company must intimate the General Assembly when held, of all the targeted business with any insurance-related company, and in which a board member or an executive management member has an interest in, such notice should be attached with a special report to be prepared by the Company's external auditors.

3. The Board Chairman shall provide the General Assembly with the details of the insurance contracts in which the members of the Executive Board of Directors or the parties related to them have an interest that includes the same business line, size and related losses (if any).

4. Both of the above-mentioned sections, in this chapter, relating to the conflict of interest in the Board, comply with the relevant regulations issued by the Saudi Arabian Monetary Authority and the Capital Market Authority, as amended periodically, will be consistent with the conflict of interest policy approved by the Board on the date of 3/8 1433 AH corresponding to 06/23/2012 or any updates thereof.

## **Fifth: Executive Management and Supervisory Functions:**

### **(1) Executive Management.**

- A) The executive management is responsible for supervising the company's daily activities.
- B) The duties and tasks of the executive management include but are not limited to:
- Implementing the company's strategic plans.
  - Manage daily activities.
  - Establish procedures for identifying, conforming, measuring, controlling and mitigating risks.
  - Maintain a tracking record of the impact of audits.
  - Act according to the instructions of the board and inform the board.
  - Ensuring that the supervisory and regulatory requirements are met to the highest extent possible.
- C) Every administrative position is required to have documented job description details.
- D) The members of the executive management are required to possess the skills, knowledge and experience necessary to exercise prudent management of the company, and proof of qualifications must be provided to SAMA upon request.
- E) The executive management must provide the board with a comprehensive view of its performance at least at each board meeting.

Priority must be given to Saudis to occupy executive management positions before appointing non-Saudis to

senior positions, and therefore the company must show proof of a lack of Saudi elements required to fill the required job per the requirements of the Saudi Arabian Monetary Authority for appointments to senior positions in financial institutions.

## (2) Control functions:

(A) **The risk management function:** The risk management function assumes the tasks of appointment, conformity, determination, evaluation, measure the amount, monitor, control, mitigate and monitor the risks for the company, and it is assumed that it includes two officials responsible for risk management, one of which is responsible for public health insurance and the other is in charge of insurance protection, maintenance, and preservation. The risk management function is required to be independent About the underwriting and insured job. In addition to any other regulatory requirements, the duties and tasks of risk management include the following:

- Implementing a risk management strategy.
- Monitor the risk profile of the company.
- Develop effective management policies and procedures for risks.
- Systematic evaluation of the company's tolerance to exposure to risks.

(B) **The internal audit function:** The internal audit function is responsible for evaluating and recommending procedures to improve the adequacy and effectiveness of internal controls and policies and reporting procedures. Internal audit function is carried based on a comprehensive audit plan approved by the audit committee on an annual basis and submits its reports, prepared during the fiscal year, to the audit committee.

## (C) Compliance Function:

The compliance function is responsible for monitoring the company's compliance with the applicable law, regulations and rules issued by the Saudi Arabian Monetary Authority and other regulatory bodies.

## 3- Insurance Accounts Appointed Expert:

The insurance accounts expert undertakes the duties and functions of its responsibilities as stipulated in Article No. (20) the executive regulations of the law concerning the supervision of cooperative insurance companies according to the actual work system of insurance and reinsurance companies issued by the Saudi Arabian Monetary Authority.

#### **Sixth: regulations Review and amendment:**

This regulation developed in line with the Corporate Governance Regulations and issued by the Capital Market Authority on 05/16/1438 AH and its amendments. However, it is subject to review and amended, taking into account the changing market needs, as per the requirements of the regulatory authorities.

#### **Seventh: Endorsement:**

The amendments to these regulations were endorsed by the Board of Directors on 3<sup>rd</sup> September 2020, and by the Shareholders' General Assembly.