

# **Gulf General Cooperative Insurance Company (GGI)**

## **Corporate Governance Regulations**

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Registered Name: Gulf General Cooperative Insurance Company

Head Office: Off Medina Road, Ghaithy Plaza PO Box 1866, Jeddah 21441 Kingdom of Saudi Arabia

### Document Control

Prepared by	Designation
Dina Al-Fadli	Senior Compliance Officer
Tala Abdulrazak	Governance Officer
Reviewed by	Designation
Ehab Yousef Linjawi	Chief Executive Officer
Approved by	Designation
Jamal Abdullah AlDabbagh	Chairman
Saud Abdulaziz AlSulaiman	Vice Chairman
Mohamed Husnee Jazeel	Non_Executive
Majed Diaaaddin Kareem	Non_Executive
Taher Mohammed Omar Agueel	Non_Executive
Mohammadzاهر Salahuddin Almunajjed	Non_Executive
Faisal Adnan Baassiri	Independent
Ahmed Siraj Khogeer	Independent
Abdulwahab Mossab Abukwaik	Independent

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## 1. Definitions

**The Company (GGI):** Gulf General Cooperative Insurance Company is a public shareholding company under Royal Decree No. M / 80 dated 12/5/1429 AH.

**Ministry:** Ministry of Commerce and Investment.

**SAMA:** Saudi Central Bank.

**Authority:** Capital Market Authority (CMA).

**The Market** Saudi Exchange.

**Regulation:** Governance Regulations of the Gulf General Cooperative Insurance Company.

**Equity securities:** A security traded in the Saudi Exchange.

**Companies Regulations:** Issued by Royal Decree No. M/3 in 1437 AH and its amendments issued by Royal Decree No. M/79 on 25/7/1439 AH.

**Corporate Governance** It is an approach and method between the company's leadership and its direction, the optimal approach to mechanisms to regulate the various relationships between the Board of Directors, executives, shareholders, and stakeholders by setting rules and procedures to facilitate the decision-making process while providing the principle of disclosure, transparency and achieving fairness at work.

**General Assembly:** The general assembly that is held in the presence of the shareholders of the company in accordance with the provisions of the Companies Law and the bylaws of the company (Article 25 of the company's bylaws).

**Board of Directors (Board):** The company's board of directors is authorized to carry out its powers in accordance with the company's bylaws (Article 18 of the bylaws).

**Chairman of the Board of Directors:** A member of the non-executive board, who is elected by the board to chair meetings and organize the work.

**Chief Executive Officer:** The highest official in the senior executive management of the company, who is responsible for the day-to-day management of the company, regardless of the job title.

### **Related party:**

- a. Substantial Shareholders of the company.
- b. Board members of the Company or any of its affiliates and their relatives.
- c. Senior Executives of the Company or any of its affiliates and their relatives.
- d. Board members and Senior Executives of Substantial Shareholders of the company.

- e. Entities, other than companies, owned by a Board member or any Senior Executive or their relatives.
- f. Companies in which a Board member or a Senior Executive or any of their relatives is a partner.
- g. Companies in which a Board member or a Senior Executive or any of their relatives is a member of its Board of directors or is one of its Senior Executives.
- h. Joint stock companies in which a member of the Board or a Senior Executive or any of their relatives owns (5%) or more, subject to the provisions of paragraph (D) of this definition.
- i. Companies in which a Board member or a Senior Executive or any of their relatives has influence on their decisions even if only by giving advice or guidance.
- j. Any person whose advice or guidance influence the decisions of the Company, the Board and the Senior Executives.
- k. Holding companies or affiliates.

**Shareholders:** Natural or legal persons who control, directly or indirectly, alone, or jointly with others, (5%) or more of the company's capital.

**Committees:** the sub-committee emanating from the membership of the Board of Directors.

**Executive Member:** A member of the board of directors who is a member of the executive management of the company and participates in the day-to-day management of the company and receives a monthly salary for that.

**Non-Executive Member:** A member of the board of directors who provides opinion and technical advice and does not participate in any way in managing the company and following up on its daily business and does not receive a monthly or annual salary.

**Independent Member:** A member of the board of directors who enjoys complete independence, which means that the member is completely independent of management and from the company, and independence means the ability to judge matters after considering all relevant information without any influence from management or outside parties.

**Senior Management (Executive Management):** It includes the managing director, the CEO, their deputies, the general director, directors of main departments, officials of risk, compliance and legal departments, the internal auditor and their equivalents, and any other position specified by SAMA.

**Leadership Positions:** Includes membership to the Board of Directors and senior management.

**Stakeholders:** Persons or parties who have an interest in what the company does, including shareholders, insured persons, claim holders, company employees, reinsurers, and supervisory and supervisory authorities.

**Cumulative Voting:** A voting method through which members of the Board of Directors are selected, whereby the shareholder is granted the right to vote equivalent to the number of shares he owns, and he may use it completely to vote for one candidate or distribute them to more than one without voting more than once, and this method increases the opportunity of shareholders who represent a minority Stocks designate their representatives on the board by pooling their votes in favour of one candidate.

**Minority shareholders:** They are the ones who represent a class of shareholders that does not manage the company and none of them owns shares of up to 5% of the total shares and therefore they are not controlling or able to influence the company.

**Calendar day:** Any day, whether it is a business day or not.

**Shareholder:** The shareholder of the company.

**Insurance expert:** The one appointed by the company after obtaining the prior written approval of SAMA to undertake the tasks described in the regulations issued by SAMA.

**Actuarial expert:** He is the person authorized by SAMA to apply probability theory and statistics according to which products are priced, commitment to claims, and financial allocations.

**Share control:** Influencing decisions directly, individually, or collectively, of related or subordinate groups through his possession of (30%) or more of the right to vote in the company and the right to appoint (30%) of the administrative apparatus.

**Quarterly period for banning the transactions of the Company's Board of Directors and Senior Executives:** The period during which the members of the company's board of directors, senior executives, or any person related to any of them are not allowed to deal in the company's securities during the period of (15) calendar days preceding the end of the fiscal quarter until the date of announcing the initial financial statements after being examined by the company.

**The annual period of banning the transactions of the Company's Board of Directors and Senior Executives:** It is not permissible for the members of the company's board of directors, senior executives, or any person related to any of them to deal in any of the company's securities during the 30-calendar day period preceding the end of the fiscal year and until the date of announcing the annual financial statements after being examined by the company.

**AML:** Anti Money Laundering.

**CFT:** Combating Financing Terrorists.



## 2 Purpose

“Corporate governance rules represent the principles, regulations, policy & procedures that achieve the best protection and balance between companies' management's interests, shareholders' interests, and other related stakeholders. The key aim of applying corporate governance rules is ensuring consistency between the Company and the shareholders' objectives to enhance investors' trust in the Company's efficient performance and its ability to confront crises.”

The purpose of this Corporate Governance Regulations is to set out GGI's Governance framework of policies, procedures, systems, and controls by which:

1. The relationship between the Board, Executive Directors, shareholders, and stakeholders are clearly regulated and their interests are protected.
2. The decision-making process is facilitated and carried out in a transparent and credible manner with the objective to protect the rights of shareholders and stakeholders and achieving fairness, competitiveness, and transparency.
3. GGI's compliance with applicable governance regulations is ensured and the governance framework is revised and updated pursuant to statutory requirements and best practices.
4. GGI can manage its business and operations prudently and in accordance with applicable laws and regulations.
5. Responsibility and accountability for the achievement of (1), (2), (3) and (4) above is properly assigned and delineated between GGI's Board of Directors and its Executive Management.

As such, GGI's corporate governance framework is designed to ensure:

1. Appropriate management and oversight of GGI with regards to its business and operations and the risks attendant thereto.
2. That GGI implements policies and procedures appropriate for its business.
3. Clear segregation of roles and responsibilities within GGI to ensure appropriate protection from conflicts of interest which may impact the effectiveness of the relevant functions.
4. That major responsibilities and duties within GGI are apportioned clearly between and within the Board and Executive Management in such a way that reflects the diverse competencies among such individuals and GGI's business and operations.
5. That there is an appropriate level of independence from Executive Management of GGI's control functions (Internal Audit, Compliance and Risk Management).
6. That Executive Management implement effective systems and controls to identify, assess, control, and monitor the risks business faces in its operations.

7. That there is a remuneration strategy and structure that rewards Executive Management and employees in such a way that encourages optimal performance within the context of the appropriate management of risk.
8. That GGI is in compliance with its Authority matrix document.
9. Reviewing and developing codes of professional conduct representing GGI's values and other internal policies and procedures to fulfill the company's requirements and in accordance with best practices.
10. Regularly updating the Board members of the changes in corporate governance and best practices or authorizing the Audit Committee or any other committee or department to undertake this activity.
11. The Enhancement of the role of GGI's shareholders and facilitating the exercise of their rights.
12. Stating the competencies and responsibilities of the Board and the Executive Management.
13. Enhancing the role of the Board and its Committees and developing their capabilities to enhance GGI's decision-making mechanisms.
14. Achieving transparency, impartiality, and equity in the Exchange, its transactions, and the business environment and enhancing disclosure.
15. Providing effective and balanced tools to deal with conflicts of interest.
16. Enhancing accountability and control mechanisms for GGI's employees.
17. Establishing the general framework for dealing with Stakeholders and protecting their rights.
18. Supporting the effectiveness of the system for overseeing Companies and the tools thereof.
19. Raising the awareness of GGI's Board members, Senior Executives, and employees in respect of the concept of professional conduct and encouraging them to adopt and develop such concepts in accordance with the nature of their work.

### **3. Objectives**

The overall goal of the Board of Directors is to advance the company, provide insurance services and enhance long-term value.

The following are the most important objectives that the Corporate Governance Regulations achieve in relation to shareholders:

- Treating the shareholders equally.
- Activating the position of shareholders within the organization and facilitating their rights.

- Establishing a general framework for the responsibilities of the Board of Directors and the Executive Management.
- The balance of the Board of Directors regarding the representation of a sufficient number of non-executive and independent members of the Board of Directors who pay attention to the interests and conditions of the beneficiaries and investors.
- The Board of Directors adopts transparent procedures and practices and makes decisions based on adequate information power.
- The Board of Directors keeps shareholders and the general public informed of the relevant developments affecting the performance of the company.
- The Board of Directors monitors the work of the members of the Executive Management Team effectively and efficiently.
- Strengthening the control mechanism for the company's employees.

### **Factors that affect the quality of corporate governance**

The quality of governance depends mainly on the following factors:

- Management integration.
- Board capacity.
- The adequacy of the procedures.
- The level of commitment of board members.
- The quality of company reports.

### **Means of achievement:**

The means of achievement are achieved by establishing and implementing company policies in the following topics:

- Organizing the work of the Board of Directors by clearly defining the powers, roles, and responsibilities of the Board of Directors.
- Organizing the work of the members of the Board of Directors by setting the rules of professional conduct.
- Organizing the rules of professional conduct and ethics in the company that all employees and members of the company's management must adhere to.
- Treating shareholders equally.
- Disclosure and reporting assets.

- Risk Management.

#### 4. Legal & Regulatory Framework

The company is subject to numerous laws and regulations that impact its corporate governance framework and mandate certain structures and approaches. This Corporate Governance Regulations and the various governance-related charters, policies, and procedures referred to are designed to account for these legal and regulatory requirements as well as GGI's own approach to good governance.

The main authorities are SAMA and CMA. The key applicable laws and regulations are the following:

Law / Regulation	Authority
Companies Law	Royal Decree/Ministry of Commerce
Insurance Corporate Governance Regulation	SAMA
Corporate Governance Regulations	CMA
SAMA Rules on Compensation Practices	SAMA
Listing Rules	Saudi Exchange
Articles of Association	GGI General Assembly
Actuarial work rules for Insurance	SAMA

#### 5. General Policies

1. The company must remain committed to maintaining the highest standards of corporate governance in its dealings with various shareholders.
2. Corporate management standards are an integral part of the company's core values, which include transparency, integrity, honesty, responsibility, and adherence to them.
3. The Board of Directors should review the remuneration policy for board of directors and committees, and executive managements and need to amend it at least annually.
4. Develop an internal code of conduct after being approved by the Board of Directors to ensure that the company's activities are carried out in a fair and ethical manner.
5. Provide the SAMA with a copy of the organizational structure after its approval by the company's board of directors, and any amendments to it that are made later within (21) business days from the date of approval.
6. The ultimate responsibility for the performance, behavior, and regulatory compliance of the company rests with the board of directors, delegating powers to board committees or senior management does not exempt the board from its responsibility. The Board is also responsible for the performance of other parties contracted with to perform tasks or manage certain functions.

### **Review, update, and amendment procedures for the regulations**

- These policies have been developed and will be reviewed annually according to the Corporate Governance Regulations issued by the Companies Law and the Regulatory Authorities.
- This regulation is consistent with the Corporate Governance Regulations issued by the Companies law and Regulatory Authorities.
- The Governance Regulations are reviewed by the Board of Directors on an annual basis and the General Assembly recommends any proposals to amend them, provided that the SAMA is notified of any amendments to the Regulations within 21 business days from the date of the amendment's approval.
- This Corporate Governance Regulations shall be a permanent part of the induction program provided to the new Board and Board Committee members upon their appointment. It is the duty of the new member to understand and familiarize himself with it.

The company also includes any changes on this document in the following cases:

- Any change in the statutory texts approved by the regulatory authorities.
- Any new rules that the SAMA establishes in relation to the insurance industry.
- Any operating requirements as approved by the company's management.
- The amendments are appropriately documented and reformulated and then submitted to the company's board of directors for approval.

#### **Effective date:**

The Corporate Governance Regulations shall be effective from the date of approval by the Board of Directors and approval by the General Assembly.

### **5.1 Complying with Regulatory Bodies Laws & Regulations**

The Company shall comply with Insurance Corporate Governance Regulation issued by SAMA, CMA, and Ministry of Commerce, relevant directives and circulars, and resolutions issued by SAMA. Non-compliance to corporate governance laws, regulations, and related requirements shall be deemed a breach of the applicable laws and regulations.

The Company's Board Members, management, and employees shall adhere to all corporate governance requirements, as applicable. The Company's Board and management shall take appropriate corrective actions in the case of any reported breach of corporate governance laws, regulations, and related requirements.

## **5.2 Related Parties Compliance**

In case, the Company contracts with other parties, it shall ensure compliance of all contracted parties with the applicable corporate governance laws and regulations and related provisions, as appropriate.

## **5.3 Monitoring Compliance with Laws and Regulations**

The Company shall establish appropriate internal controls and procedures to monitor compliance to applicable laws and regulations, including corporate governance regulations and any related laws.

## **5.4 Documentation and Records as Evidence of Compliance**

The Company shall maintain enough and detailed records with respect to compliance to corporate governance regulations and laws, and the following:

1. Company's corporate governance regulations.
2. Company's remuneration policy.
3. Company's code of ethics.
4. Company's transparency and disclosure policy.
5. Board's and Board Committees' functions.
6. Company's charter of control functions.
7. Job descriptions of Company's Employees.
8. Board and Board Committees meetings minutes.
9. Meeting minutes of General Assembly.
10. Internal and external communications of the Board.

## **5.5 General Assembly's Approval of Corporate Governance Regulations**

The Company shall obtain approval of the General Assembly of its corporate governance regulations and submit a copy thereof to SAMA within the stipulated time period as per article 10 of Insurance Corporate Governance Regulations issued by SAMA.

The Company shall further, annually review and update its corporate governance regulations and obtain shareholders' approval of the amendments to its corporate governance regulations and submit a copy of the approved amendments to SAMA within twenty-one (21) days of its approval by the General Assembly.

## 5 Corporate Governance Entities

The key governance entities in the Company are as follows:

- General Assembly (or General Assembly of Shareholders)
- The Board
- Chairman
- Board Committees
- Chief Executive Officer
- Company Secretary (or Board Secretary)
- Compliance Officer
- Corporate Governance Officer
- Internal Auditor
- Risk Officer

### General Assembly

The shareholders or General Assembly constitutes the highest governing body of the Company. Through the General Assembly, shareholders make and approve certain fundamental decisions. In addition, the shareholders approve the annual report and the financial statements of the Company, the Company's external auditor, the distribution of profits and losses (including the payment of dividends), changes in the Company's capital, and extraordinary transactions, if any.

### The Board

The Board plays a central role in the Company's corporate governance framework. The Company's Board shall be responsible for the effective implementation of good corporate governance practices in the organization.

The Board shall be responsible for guiding and setting the Company's strategy and business priorities, including its annual financial and business plan, as well as, guiding and controlling its managerial performance. It shall act in the interests of the Company,

protects the rights of all shareholders, oversees the work of the Company's executive management, as well as the systems of financial control in the company.

## Chairman

The Chairman of the Board shall manage and provide leadership to the Board. The Chairman shall act as a direct liaison between the Board and the management of the Company, through the Company's Chief Executive Officer (CEO).

The principal responsibilities of the Chairman shall include the following:

1. Organizing the Board's activities, including setting the agenda for Board meetings in consultation with the CEO and other Board Members.
2. Representing the Company before judicial bodies and supervising the relationships between the Board and internal and external parties.
3. Supporting the Board's efforts in promoting higher standards of corporate governance and ensuring compliance with applicable laws and regulations always.
4. Ensure that the Board conducts its activities responsibly, without unduly interfering with the Company's operational activities.

## Board Committees

Board Committees shall assist the Board to effectively deal with its responsibilities. The role of Board Committees shall especially include the following:

1. Permit the Board to manage complex issues more efficiently, by allowing specialists to focus on specific issues and provide detailed analysis and recommendations to the Board.
2. Allow the Board to develop subject-specific expertise on the Company's operations, most notably on financial reporting, risk management, and internal control.
3. Enhance the objectivity and independence of the Board's judgment, insulating it from the potential undue influence of managers and controlling shareholders.
4. The Company has established the following Board Committees:
  - Audit Committee.
  - Risk Management Committee.
  - Nomination and Remuneration Committee.
  - Investment Committee.
  - Executive Committee.



### **Chief Executive Officer**

The CEO is responsible for the day-to-day management and reports to the Board of Directors. The relevant legislation, charter, regulations, and contract signed between the CEO and the company govern the authority and election of the CEO, as well as relationships with other administrative bodies.

### **Compliance Corporate Governance**

- Establish programs and mechanisms to ensure the Company complies with applicable laws, regulations and rules.
- Ensure that relevant compliance risks are effectively addressed.
- To fulfill the duties of “Second Line of Defense (LoD) effectively and efficiently” in sync with GGI’s governance framework.
- To manage the relationships with SAMA, CMA, CCHI & Saudi Exchange.
- To manage the regulatory compliance activities in accordance with GGI approved compliance framework and policies, extend advice, support and recommendations to different GGI internal and external stakeholders, when instructed.

### **Internal Audit**

The Internal Audit function shall be responsible for carrying out internal control procedures and auditing corporate governance activities of the Company as per the approved audit plan.

### **Risk Management**

The Risk Management function shall be responsible for establishing reliable procedures for the identification and assessment of risks and provide shareholders and investors with relevant information in this area, controlling its managerial performance.

### **Board Secretary**

The Board shall appoint a Board Secretary, for its term. The Board Secretary shall assist the Board with the General Assembly meetings, Board meetings, Board Committee meetings (as applicable), and with the performance of other duties of the Board. The Board Secretary shall ensure proper information disclosure, maintain corporate records, and notify the Chairman and/or the Board of violations of corporate procedures, when applicable.

### **Committee Secretary (Other than Board)**

Respective Committee shall appoint a Secretary for the Committee. The appointed Secretary shall assist the Committee with scheduling meetings, sending agenda, documenting minutes of meeting and ensuring minutes are archived for future records.

## **6 Rights of Shareholders & General Assembly**

### **7.1 General Policy**

The Company's shareholders are given all rights attached to their shares, particularly, the right to a share of the earnings, the right to a share of the Company's assets at the time of liquidation, the right to participate in the General Assembly, and take part in discussions and vote on relevant decisions.

### **7.2 Shareholders Right**

The Company protects the general rights of shareholders and ensures fairness and equality amongst all shareholders irrespective of the value of their shareholding and acts in accordance with applicable laws and regulations to enable its shareholders to exercise their defined and legal rights. The Company shall provide accurate and timely information to shareholders that are meaningful for their purpose and are as per their rights to information. The Company is committed to encourage its shareholders to participate and vote in the General Assembly on resolutions and decisions in the interest of the Company.

Rights of the shareholders including the following (Article 5 of the CMA Corporate Governance Regulations):

1. To obtain his/her portion of the net profits which are to be distributed in cash or through the issuance of shares.
2. To obtain his/her share of the Company's assets upon liquidation.
3. to attend the General Ordinary or Extraordinary Shareholders Assemblies, take part in their deliberations and vote on their decisions.
4. To dispose of his/her shares in accordance with the provisions of the Companies Law, The Capital Market Law, and their implementing regulations.
5. 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 Saudi Exchange and their implementing regulations.

6. To monitor the performance of the Company and the activities of the Board.
7. To hold Board members accountable to file liability lawsuits against them and appeal for nullification of the resolutions of the General Ordinary and Extraordinary Shareholders Assemblies in accordance with the conditions and restrictions provided in the Companies Law and the bylaws of the Company.
8. Pre-emptive 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.
9. To record his/her name in the Company's shareholder's register.
10. To request to view a copy of the Company's articles of association and bylaws unless the Company publishes them on its website.
11. To nominate and elect the Board members.

#### 7.2.1 Facilitating shareholders' exercise of their rights and access to information

1. The bylaws of the company and its internal regulations include the procedures and precautions necessary to ensure that all shareholders exercise their statutory rights. (Article 6 of the CMA Corporate Governance Regulations).
2. Providing all information that enables shareholders to fully exercise their rights, so that this information is complete and accurate, and that it is presented and updated in a regular manner and on time. GGI uses the most effective method of communicating with shareholders and does not distinguish between shareholders in terms of providing information.
3. Provide an updated copy of the Corporate Governance Regulations on its website.
4. Provide a copy of the annual Board of Directors' report to the shareholders during the general assembly meeting that includes a comprehensive and topical assessment of the status and performance of GGI, which includes a minimum of the following:
  - An analytical review of GGI's financial performance during the last period.
  - The most important decisions taken and their impact on the performance and status of GGI.
  - Evaluating the GGI's strategy and setting it financially.
  - Names of joint-stock companies for which a member of the company's board of directors is a member of its board of directors.
  - Any penalty or any precautionary restriction or penalty imposed on GGI by any judicial, supervisory, or regulatory authority.

- Any penalty or any precautionary restriction or penalty imposed on any member of the Board of Directors from any judicial, supervisory, or regulatory authority.
- An assessment of the risks surrounding the company and methods of dealing with them.
- Future performance expectations.

### **7.2.2 Shareholder Communication**

1. The Board of Directors ensures the achievement of communication between the company and the shareholders, and that it is based on a common understanding of the company's strategic objectives and interests. (Article 7 of the CMA Corporate Governance Regulations).
2. The Chairman and the CEO shall inform and discuss with the Board of Directors the opinions of the shareholders.
3. It is not permissible for any of the shareholders to interfere in the work of the board of directors or the business of the executive management of the company unless he is a member of its board of directors or its executive management, or his interference is through the general assembly in accordance with its terms of reference or within the limits and conditions authorized by the board of directors.
4. The Board of Directors is obligated to provide the utmost degree of transparency in a manner that guarantees fairness and equality between all shareholders and investors without any discrimination between shareholders or withholding any information from them.

## **7.3 General Assembly**

The company's Bylaws determined that the properly constituted General Assembly represents all the company's shareholders and is held at the city where the company's head office is located (Jeddah). Each shareholder holding whatever number of shares is entitled to present at the shareholders' general assemblies and may authorize any other non-member or non-staff person to attend the company's General Assembly. Meetings of the shareholders' General Assembly may be held and a shareholder may participate in its deliberations and voting on its resolutions via modern technologies in accordance with the controls established by the competent authority.

The highest governing body of the Company is the shareholders or General Assembly constitutes. Through the General Assembly, and the shareholders make and approve certain fundamental decisions through it.

1. The general assembly convenes at the invitation of the Board of Directors. The board of directors must call the general assembly to a meeting if requested by the chartered

accountant or a number of shareholders whose ownership represents (5%) of the capital at least.

2. Meetings of the shareholder general assembly shall be headed by the chairman, or vice-chairman in case of absence of the chairman, or any member designated by the board in the absence of both the chairman and vice-chairman.
3. GGI announces the date, place, and agenda of the General Assembly at least (twenty-one) days before the date. The invitation is published on the Saudi Exchange website, the company's website, and in a local newspaper. GGI also uses modern technology to communicate with its shareholders.
4. The assembly's agenda may be amended during the period between the publication of the announcement and the date of the meeting of the general assembly, provided that this is announced in accordance with the procedures.
5. Minutes of Annual General Assembly to be posted on the Company's website.

### 7.3.1 Shareholders Participation in General Assembly

GGI provides shareholders with the opportunity to actively participate in the general assembly of shareholders in full transparency and vote in decisions. It also gives shareholders the opportunity to familiarize themselves with the rules governing these meetings and voting procedures. Shareholder can also participate in their deliberations and vote on its decision by means of modern technology, according to the controls laid down by the competent authority.

GGI facilitates the participation of all shareholders in the General Assembly meeting, including choosing the appropriate place and time to hold the meeting. The Board of Directors sets the agenda for the general assembly meeting the main issues that must be approved by the general assembly and considers the topics that the shareholders wish to include on the meeting agenda.

The Company's shareholders shall have the right to participate and vote in the following proceedings of the General Assembly.

### Shareholders Rights related to shares

(Article 5 of the CMA Corporate Governance Regulations):

1. To obtain his/her portion of the net profits which are to be distributed in cash or through the issuance of shares.
2. To obtain his/her share of the Company's assets upon liquidation.
3. To attend the General Ordinary or Extraordinary Shareholders Assemblies, take part in their deliberations and vote on their decisions.

4. To dispose of his/her shares in accordance with the provisions of the Companies Law, The Capital Market Law and their implementing regulations.
5. 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 Saudi Exchange and their implementing regulations.
6. To monitor the performance of the Company and the activities of the Board.
7. To hold Board members accountable to file liability lawsuits against them and appeal for nullification of the resolutions of the General Ordinary and Extraordinary Shareholders Assemblies in accordance with the conditions and restrictions provided in the Companies Law and the bylaws of the Company.
8. Pre-emptive 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.
9. To record his/her name in the Company's shareholders register.
10. To request to view a copy of the Company's bylaws and its internal regulations unless the Company publishes them on its website.
11. To nominate and elect the Board members.

### **7.3.2 Holding of General Assembly For Shareholders**

The Company shall convene a General Assembly once a year and at least within the six months following the end of the company's fiscal year. The general assembly convenes at the invitation of the Board of Directors, and the Company adopts the following mechanism for calling and holding it:

1. The board of directors shall invite the general assembly to a meeting if requested by the certified accountant or a number of shareholders whose ownership represents at least 5% of the capital.
2. The invitation to the shareholders to attend the general assembly shall be sent with mentioning the details of the meeting agenda and the place, date, and time of the meeting at least twenty-one (21) days before the date of the meeting. The invitation is published on the Saudi Exchange Tadawul website, the company's website, and in a local newspaper that has a large number of readers and is distributed in the Kingdom. The company must use modern methods of communication with its shareholders for this purpose. (Article 13 of the Corporate Governance Regulations issued by the Capital Market Authority).

3. In preparing the agenda for the General Assembly, the Board shall consider the matter's shareholders require to be listed in that agenda. The Company shall include one or more items in the agenda proposed by shareholders holding not less than 5% of the company's equity shares.
4. The assembly's agenda may be amended during the period between the publication of the announcement and the date of the meeting of the general assembly, giving full details of the added/ deleted items. In such cases, the Company shall attach the original agenda to the amended agenda to inform the shareholders, this should be announced in accordance with the procedures.
5. Give a written notification of the right to attend the General Assembly in case a shareholder gives his/her right to another shareholder, (provided the attending shareholder is not a member of the Company's Board or a Company employee.
6. Attach a detailed statement of shareholders' rights to the meeting's agenda when calling for the General Assembly.
7. Provide sufficient information on the agenda items to enable shareholders to vote properly.
8. Not impose fees on any category of shareholders for attending the General Assembly.
9. Not provide any shareholder with any special benefits and privileges.
10. Publish the meeting minutes of the General Assembly on the Company's website.

### **7.3.3 Shareholder Voting in the General Assembly**

The Company shall facilitate and encourage shareholders to exercise their voting rights in a free and fair manner on resolutions and agenda items placed for voting in the General Assembly. The company must avoid setting any procedure that may impede the use of the right to vote. The Company shall ensure that all the shareholders exercise their voting rights as follows:

1. Vote personally or through a power of attorney given to another with the same rights and responsibilities.
2. Vote on any item that pertains to any change in their rights as shareholders (all shareholders holding the same type of shares).
3. Vote on the appointment of Board Members.

### **7.3.4 Shareholders' Rights in Dividends**

1. The Board of Directors sets a clear policy regarding the distribution of dividends in a manner that serves the interests of the shareholders and the company. Shareholders must



be informed of this policy in the General Assembly meeting and referred to in the Board of Director's report. (Article 9 of the CMA Corporate Governance Regulations).

2. The general assembly approves the proposed dividends and the date of distribution. The eligibility of profits, whether cash dividends or bonus shares, is for the shareholders who are registered in the records of the Securities Depository Center (Edaa).
3. The company distributes profits after deducting all general and administrative expenses and net profits and after setting aside the statutory reserve and other reserves.
4. Zakat and the legally established value of income shall kept aside.

### 7.3.5 Shareholder Complaints and Information Requests

1. The Company shall establish mechanisms for recording, managing, and resolving shareholder complaints and providing other information requested by the shareholders.
2. The Board shall keep itself abreast of shareholder complaints and shall approve related disclosures to concerned regulatory authorities, as appropriate.
3. The Company's senior management shall keep itself abreast of shareholder complaints and ensure that they are resolved on a timely basis, as appropriate.

### 7.3.6 Extraordinary General Assembly

#### Quorum

The company's Extraordinary General Assembly meeting shall not be valid unless attended by shareholders representing at least (half) of the company's share capital. If such quorum failed to be available in the first meeting, a second meeting shall be called for with the same conditions as stipulated in Article (30) of the Company's bylaws. The second meeting may be held in an hour after the expiration of the period prescribed for the first meeting to be held, provided that such call for the first meeting shall include that such second meeting may be held.

At all events, the second meeting shall be valid if shareholders constituting at least (one quarter) of the share capital are present. If the quorum for such second meeting failed to be available, a third meeting shall be called for with the same conditions as stipulated in Article (30) of the Company's bylaws herein whatever the number of shares it include, having been approved by the Capital Market Authority. The shareholders may participate in the deliberations of the Extraordinary General Assembly meeting and vote on its resolutions via modern technologies in accordance with the controls established by the competent authority.



## The Competencies of the Extraordinary General Assembly

The extraordinary general assembly shall be competent to the following (Article 11 of the CMA Corporate Governance Regulations):

1. Amending the Company's bylaws, except for amendments which are deemed null and void pursuant to the provisions of the Companies Law.
2. Increasing the Company's share capital in accordance with the situations provided by the Companies Law and Its Implementing Regulations.
3. Decreasing the Company's share capital if it exceeds the Company's needs or in the event the Company incurs financial losses, in accordance with the situations provided by the Companies Law and Its Implementing Regulations.
4. Resolving to form a consensual reserve for the Company as provided for in its bylaws to be set aside for a specific purpose, and the disposal thereof.
5. Resolving to maintain or liquidate the Company before the end of the term specified in its bylaws.
6. Approving the Company's shares buy-back.
7. Issuing preferred shares or approving their buying or converting ordinary shares into preferred shares or converting preferred shares into ordinary shares as per the Company's bylaws and the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies.
8. Issuing debt instruments or financing deeds convertible into shares and stating the maximum number of shares that may be issued against these instruments or deeds.
9. Allocate Shares that are issued upon the capital increase or part of them for the employees of the Company, and its affiliates or some of them, or any of them.
10. Suspending preemptive rights of shareholders in subscribing for the capital increase in exchange for cash or giving priority to non-shareholders in cases as deemed in the interest of the Company if so is provided for in the Company's bylaws.

The extraordinary general assembly may issue decisions within the terms of reference of the ordinary general assembly, provided that those decisions are issued in accordance with the conditions for issuing the decisions of the ordinary general assembly determined by an absolute majority of the shares represented in the meeting.

### 7.3.7 Ordinary General Assembly

#### Quorum

The meeting of the Ordinary General Assembly shall not be valid unless shareholders representing at least (a quarter) of the company's capital are present. If this quorum is not available in the first meeting, an invitation is sent to a second meeting to be held within the thirty days following the previous meeting. This invitation shall be published in the manner stipulated in Article (30) of the company's Bylaws. However, the second meeting may be held an hour after the end of the period specified for convening the first meeting, provided that the invitation

to hold the first meeting includes announcing the possibility of holding this meeting. In all cases, the second meeting shall be valid regardless of the number of shares represented therein. The meetings of the ordinary general assembly of shareholders may be held, and the shareholder may participate in its deliberations and vote on its decisions by means of modern technology, according to the controls set by the competent authority.

### **The Competencies of the ordinary general assembly:**

The Ordinary General Assembly is responsible for all matters related to the company such as (Article 12 of the CMA Corporate Governance Regulations):

1. Appointing and dismissing Board members.
2. 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.
3. 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.
4. 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 because 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.
5. Forming the audit committee pursuant to the provisions of the Companies Law and Its Implementing Regulations.
6. Approving the Company's financial statement.
7. Approving the Board report.
8. Deciding on the proposals of the Board with respect to the method of distributing the net profits.
9. Appointing the external auditors of the Company, specifying their remunerations, reappointing them, replacing them and approving their reports.
10. 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.

11. 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.
12. Forming other reserves besides the statutory reserve and consensual reserve and disposal of the same.
13. Setting aside amounts from the Company's net profits to set up social organizations for the benefit of the Company's employees or to assist any such existing establishments in accordance with Article (129) of the Companies Law.
14. 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.

## 8 Board Charter

The Board Charter outlines the framework and operating guidelines for the Board of Directors of the Company. It defines the duties and key responsibilities of the Board, and the lines of separation between the responsibilities of the Board and the executive management.

The Board and the Board Members should adhere to the policies and practices as laid down in this charter to effectively comply with its governance principles, as well as, to fulfill its responsibilities towards the Company's shareholders and stakeholders including regulatory and supervisory bodies, as appropriate.

All individual members of the Board shall have the same proportionate control and influence over the decisions of the Board. The Board shall be aware of the course of business and act in good faith, with due diligence, in compliance with the applicable laws and regulations, and the best interest of the Company's shareholders, policyholders, and other stakeholders.

Members of the Board and its Committees shall not disclose to shareholders, or the public any confidential information obtained as they perform their role, other than in the General Assembly, and shall not use such information for their benefit and personal gain.

### 8.1 Board Duties

The Board is responsible for the business and affairs of the Company and establishing the Company's governance framework and setting the tone for good corporate governance within the organization and promoting a culture of high ethical standards. Members of the Board shall

perform their duties free from any external influence, whether from within or outside the Company.

The Board shall exercise its duties collectively and independently and shall devote sufficient time to its responsibilities and work in good faith and total dedication to the interest of the Company.

The Board shall maintain its authority over the following key matters which shall include (but not limited to) the following:

1. Submissions in respect of shareholders' queries or on matters requiring shareholders' approval.
2. The filling of a vacancy in the Board or any Board Committee.
3. The allotment and issue of the Company's equity shares.
4. The declaration and payment of dividends.
5. The purchase, redemption, or any other form of acquisition of equity shares issued by the Company.
6. The approval of financial statements of the Company.
7. Selecting and changing (if needed) executives in key positions and ensuring that the Company has an appropriate replacement policy for their replacement by an appropriate alternative with the necessary skills and eligibility.
8. Establishing Board Committees and other ad-hoc Committees, as applicable.

## **8.2 Board Responsibilities**

1. The Board of Directors is responsible for shareholders, supervisory and supervisory authorities, and other stakeholders.
2. The company's board of directors assumes all the powers and authorities necessary to manage it, and the final responsibility for the company remains on the board even if it forms committees or delegates other bodies or individuals to do some of its work, and the board should avoid issuing general or unlimited authorizations.
3. The board of directors must perform its duties responsibly, in good faith, seriousness, and concern, and its decisions must be based on adequate information from the executive management, or any other reliable source.
4. The Board of Directors imposes on the executive management and requests the submission of periodic reports on the exercise of its powers, and determining the written powers.
5. Express an opinion on appointing and dismissing members of the executive management.

6. The Board of Directors is responsible for ensuring that there is an adequate level of transparency and disclosure in a timely manner about events that may affect the company's financial position, its financial performance, the risks facing the company, and the way it is managed, and methods of governance.
7. The board of directors must ensure that the company provides adequate information about its affairs to all members of the board of directors. This is to enable them to carry out their duties and tasks adequately.
8. A member of the board of directors represents all shareholders, and they must commit themselves to do what is in the interest of the company in general and not in the interests of the group they represent or that voted for their appointment to the board of directors.
9. The board of directors must ensure that procedures are in place to familiarize new board members with the company's business, especially the financial and legal aspects, in addition to training them if necessary.
10. Review the company's strategy at least once a year and submit proposals for its developments.
11. Monitor the performance of the executive management and the extent to which it has achieved the company's goals and objectives.
12. Review reports on company performance.
13. Verify the integrity of the company's financial statements and information.
14. Verify that the company's financial control and risk management systems are strong.
15. Determining appropriate levels of remuneration for members of the executive management.
16. Participate in developing a succession and replacement plan for the company's executive positions.
17. A member of the Board of Directors shall fully adhere to the provisions of the Companies Law, SAMA and CMA and their implementing regulations, the bylaws and the related regulations when exercising the duties of their membership in the Board, and refrain from doing or participating in any act that constitutes an abuse of the company's affairs.
18. Attending the meetings of the Board of Directors and the General Assembly and not being absent from them except for a legitimate excuse to be notified to the Chairman of the Board in advance, or for urgent reasons.
19. Allocating sufficient time to carry out their responsibilities, preparing for meetings of the Board of Directors and its committees, and participating in them effectively, including asking relevant questions and discussing with the company's senior executives.
20. Studying and analyzing information related to the topics considered by the Board of Directors before expressing an opinion on them.

21. Enabling members of the board of directors to express their views freely and urging the board to deliberate on issues and to investigate the opinions of specialists from the executive management members of the company and others if a need arises.
22. Inform the Board of Directors fully and immediately of any interest it has - direct or indirect - in the business and contracts that are made for the company's account, and that reporting includes the nature of that interest, its limits, the names of any persons involved in it, and the benefit expected to be obtained directly or indirectly from that interest Whether this benefit is financial or non-financial, and that member must not participate in voting on any decision issued in this regard, in accordance with the provisions of the Companies Law and CMA and their implementing regulations.
23. Inform the Board of Directors fully and immediately of any interest it has - direct or indirect - in any business that would compete with the company, directly or indirectly, in one of the branches of the activity that it engages in, in accordance with the provisions of the Companies Law, CMA and their implementing regulations.
24. Not to broadcast or disclose any secrets found through his membership in the board to any of the company's shareholders - unless this is during the meeting of the general assembly - or to third parties, as required by the provisions of the Companies Law, CMA, and its implementing regulations.
25. Endeavor to provide complete information, in good faith, with due diligence, for the benefit of the company and all shareholders.
26. Realizing his duties, roles, and responsibilities arising from membership.
27. Developing his knowledge in the field of the company's activities and business and the related financial, commercial, and industrial fields.
28. Resignation from the membership of the board of directors if the member is unable to fully fulfill his duties in the board.

### 8.3 Basic Functions of the Board of Directors

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

1. Setting strategic plans, major operations, and business plans for the company, and overseeing their implementation.
2. Developing a risk management policy, reviewing it, and directing it periodically.
3. Establishing internal control systems and controls and general supervision over them.
4. Key policies and procedures are approved and regularly reviewed and updated.

5. Determining the optimal capital structure for the company, its strategies, and financial objectives, and approving the annual budgets.
6. Supervising the company's major capital expenditures and owning and disposing of assets.
7. Monitor and supervise the performance of the company's senior executive management and the extent to which they achieve the company's goals.
8. Periodic review and approval of the functional organizational structure in the company.
9. Selecting and changing the executive staff in the main centers (when needed) and ensuring that the company has an appropriate policy of replacing a suitable alternative who is qualified to work and possesses the required skills.
10. Ensuring the integrity of the reporting system and the financial statements and the adequacy of the disclosure mechanism.
11. Ensure that the interests of the insured are always protected.
12. Raise the level and standards of corporate governance in the company and always ensure compliance with relevant laws and regulations.
13. The board of directors must grant the necessary powers to the audit committee to verify any issue within its competence and to ensure its independence of the audit committee and enable it to access all the information it needs to carry out its work. The board must also take all necessary measures to ensure that the senior management responds to the inquiries and recommendations of the internal auditors.

**B. Establishing internal control systems and general supervision over them:**

1. Establishing a written policy that regulates conflict of interest and resolving potential conflict situations for both members of the Board of Directors, executive management, and shareholders, including misuse of company assets and facilities, and misbehavior resulting from dealings with related persons.
2. Ensuring the integrity of the financial and accounting systems, including the systems related to preparing financial reports.
3. Ensuring the implementation of appropriate control systems to manage risks, by defining the general perception of the risks that the company may face and presenting them with transparency.
4. Annual review of the effectiveness of the company's internal control procedures.



5. Develop policies and procedures to ensure compliance with the rules and regulations and its obligation to disclose the material information and verify compliance by the executive management.
6. Establishing effective communication channels that allow shareholders to have continuous and periodic access to the various aspects of the company's activities and any material developments.
7. Approving and developing internal policies related to the company's work, including defining the tasks, specializations, and responsibilities assigned to the various organizational levels.
8. Adopting a written and detailed policy specifying the powers delegated to the executive management and a table showing those powers.
9. The Board of Directors sets the programs and defines the necessary means to present the company's initiatives in the field of social work.
10. Without prejudice to the registration and listing rules, the Board of Directors shall set written policies for disclosure, its procedures, and supervisory systems, in accordance with the requirements of disclosure contained in the Companies Law and CMA and their implementing regulations.
11. Establish clear and specific policies, standards, and procedures for the Board of Directors that should be in practice after the General Assembly approval.
12. Establishing a written policy that regulates the relationship with stakeholders to protect them and preserve their rights, and this policy must cover the following:
  - Mechanisms for compensation of stakeholders in the event of a violation of their rights, which are recognized by the regulations and protected by contracts.
  - Mechanisms for settling complaints or disputes that may arise between the company and stakeholders.
  - Appropriate mechanisms for establishing good relationships with the customers and the suppliers and maintaining the confidentiality of information related to them.
13. Preparing the rules of professional conduct for the managers and employees of the company so that they are compatible with sound professional and ethical standards and regulate the relationship between them and the stakeholders, provided that the Board of Directors establishes mechanisms to monitor the implementation of these rules and adhere to them.
14. Supervising the company's financial management, cash flows, and credit relationship with others.
15. Preparing the Board of Directors report and approving it.



### **C. Ensure compliance with AML/CTF requirements:**

The board of directors of the financial institution is generally responsible for ensuring compliance with AML/CTF requirements. In this regard, the oversight exercised by the board concerning combating ML/TF shall be in line with international best practices, including SAMA Governance Guidelines. The board shall also ensure that there is documentation relevant to its oversight function, such as minutes of meetings of the board (or board committees). The main responsibilities of the board include, but are not limited to, the following:

1. Ensuring that the ML/TF risk assessment in the financial institution is conducted accurately and covers all risks facing the financial institution in order to develop appropriate policies to manage such risks.
2. Adopting an internal policy to mitigate ML/TF risks and ensure its effective implementation.
3. Providing sufficient budget and resources, including adequate and qualified employees as well as appropriate systems and tools in order to ensure that the application of internal policies, procedures and controls is effective and consistent with the ML/TF risks identified.
4. Following up on the implementation of the ongoing and annual training programs in the field of AML/CTF for all employees as well as members of the board of directors and senior management.
5. Ensuring that appropriate independent audit mechanisms are in place so that the board can monitor the ongoing effectiveness of internal controls.
6. Ensuring that the appropriate actions are promptly taken and that violations are not committed when a branch or subsidiary in a country or region is unable to implement the AML/CTF requirements as stated in the Anti-Money Laundering Law, the Law on Combating Terrorism Crimes and Financing, and their Implementing Regulations due to the weakness of laws, regulations, or other domestic measures in that country or the inability to implement the appropriate measures.
7. Ensuring the receipt of regular comprehensive reports on ML/TF risks facing the financial group or financial institution, including but not limited to:
  - Corrective action plans, if any, to process the results of independent audits (whether internal or external), observations of the AML/CTF compliance department and inspection reports from SAMA regarding the evaluation of the financial institution's compliance with AML/CTF requirements.
  - Developments and updates in the laws and regulations for combating money laundering and terrorism financing as well as their implications on the financial institution, if any.
  - Details of high ML/TF risks and potential effects on the financial institution.

- Details on the implementation of financial sanction procedures related to the UN Security Council resolutions regarding those on terrorist lists, combating proliferation, or the decisions communicated by SAMA.

## 8.4 Responsibilities of Board Members

Members of the Board shall endeavor to educate and update themselves on regulatory developments and to undergo periodic training, as needed, on relevant areas and topics, including but not limited to corporate governance, risk management, finance, solvency, insurance, internal control, law, regulatory compliance, and any other important topics.

### Duties of Board Members:

1. To act within Company's powers.
2. To ensure the success of the Company.
3. To take independent judgment.
4. To ensure reasonable care, skill and diligence.
5. To avoid conflicts of interest.
6. Nonacceptance of benefits from third parties.
7. Declare interest in proposed/existing transactions or arrangements with the Company.

### Board Member Responsibilities

1. To attend and take part in all Board and Committees meetings, if a member is unable to attend the Board meeting in person, he may attend the meeting by means of modern technology and shall inform the Board Secretary accordingly in advance of the meeting date.
2. Performing other roles and functions as may be assigned to them during their membership of the Board.
3. Keeping abreast of the Company's mission, goals, objectives, policies, and programs.
4. Reviewing Board meeting agenda and relevant supporting documents prior to Board and/ or Committee meetings.
5. Review board meeting minutes and action points and approving it.

A Board member shall not achieve his/ her duties in a situation if there is a potential conflict or actual conflict of interest between the member and the Company and its shareholders.

## 8.5 Board Structure and Appointments

### 8.5.1 Board Structure

Members of the Board shall collectively have the appropriate diversity with respect to qualifications, knowledge, experience, and skills in the various areas of the Company's business and operations. In addition, each individual Board member must possess the appropriate level of qualifications, knowledge, experience, skills, and the integrity to effectively perform his or her role and discharge his or her responsibilities.

The Company shall comply with the following while constituting its Board (Article 16 and 17 of the CMA Corporate Governance Regulations):

1. The Company's bylaws shall specify the number of the Board members, provided that such number shall not be less than three and not more than eleven.
2. Board Members are appointed via General Assembly election for the specified period (as mentioned in the Company's bylaws) provided that such term shall not exceed 3 years.
3. The majority of the Board members shall be of Non-Executive Directors. the number of Independent Directors shall not be less than two members or one-third of the Board members, whichever is greater.
4. An appointed Board member should not be a member of a Board for another local Insurance and/or Reinsurance Company, or a member of any of its Board Committee, or hold a leadership position in such companies.
5. A Board member shall not be a member of the board of directors for more than 5 listed joint stock companies at the same time.

The Company shall establish a clear policy, for the criteria and procedures of Board membership, which is approved by the General Assembly and informed to SAMA.

### 8.5.2 Nomination of Board Members

The nominations to Board Membership are reviewed and recommended to the General Assembly by the Nominations and Remuneration Committee of the Board.

The Nomination and Remuneration Committee will ensure that the selection criteria relating to Board Membership are satisfied before recommending nominations to the Company's shareholders. The evaluation criteria for Board Membership nomination comprises the following:

1. High personal and professional integrity and honesty.
2. Required educational and professional expertise, experience, and capabilities.
3. Financial safety & fitness.

4. Ability to make independent judgments and decisions.
5. Ability to contribute towards the Company's objectives.
6. Ability to represent the best interests of all shareholders.
7. Ability to lead and quickly accomplish the tasks assigned to him/her.
8. Does not have a health obstacle that prevents him/her from carrying out his/her duties.

The Board may take the services of an independent specialized third party to identify additional candidates for Board Membership when the number of Board candidates is inadequate.

Membership of the Board of Directors is subject to the following conditions (Article 18 of the CMA Corporate Governance Regulations):

**1) Ability to lead:**

He/she shall enjoy leadership skills which enable him/her to delegate powers in order to enhance performance and apply best practices in effective management and compliance with professional ethics and values.

**2) Competency:**

He/she shall have the academic qualifications and proper professional and personal skills as well as an appropriate level of training and practical experience related to the current and future businesses of the Company and the knowledge of management, economics, accounting, law or governance, as well as the desire to learn and receive training.

**3) Ability to guide:**

The member shall have the technical, leadership, and administrative competencies as well as the ability to take prompt decisions, and understand technical requirements and developments related to the job. The member shall also be able to provide strategic guidance and long-term planning and have a clear future vision.

**4) Financial knowledge:**

The board shall have the ability to read and understand financial statements and reports.

**5) Physical fitness:**

The board shall not suffer from any health issue that may hinder him/her from performing his/her duties and responsibilities.

The General Assembly shall take into account, when electing members to the Board, the recommendations of the nomination committee and the availability of the personal and professional capabilities required to perform their duties effectively pursuant to this Article.

Every shareholder wishing to run for membership in GGI Board of Directors must disclose any cases of conflict of interest in accordance with the procedures prescribed by the relevant authorities, including:

1. Existence of a direct or indirect interest in the business and contracts that are made for the company.
2. Any business that would compete with the company in its business.
3. The company shall take the necessary measures if the candidate discloses point (1) or (2) and is should be an item included in the General Assembly agenda to obtain the approval.

The Company shall notify SAMA when a nomination proposal for Board Membership has been rejected and the reasons for the rejection. The number of Board candidates' options provided to the General Assembly shall exceed the number of available seats ensuring that the General Assembly has the opportunity to select among several candidates.

### **8.5.3 Appointment of Board Members**

The following must be taken into account when nominating for membership in the Board of Directors:

1. Allowing sufficient time to receive the nomination applications for the Board Memberships.
2. Reviewing the applications for board membership by the Nomination and Remuneration Committee and noting any comments and recommendations.
3. Obtaining SAMA's written "no-objection" prior to the appointment of any Board member.
4. Providing shareholders with sufficient information on each candidate's qualifications and relationships with the company prior to voting.
5. Allowing the cumulative voting method when voting in the General Assembly for appointing Board Members.
6. The candidate for membership of the Board of Directors must not have any relationship with an insurance company or other local reinsurance company, nor any of those boards' committees, nor any of the leadership positions in such companies.
7. Voting in the general assembly is restricted to candidates for membership of the board of directors whom the company announced about.

8. In the first meeting of the Board after the commencement of the term, the chairman and a deputy are elected from the non-executive board members, and the committees are formed after obtaining the SAMA “no-objection”.

The Company shall notify CMA of the names of the Board members and description of their memberships within (5) 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 (5) business days from the occurrence of such changes.

#### 8.5.4 Vacancy of a Position in the Board

- If the position of a Board member becomes vacant, the Board can, after obtaining SAMA’s prior written nonobjection, temporarily appoint a new member to the vacant position for the remainder of his or her predecessor’s term, provided that such appointment is presented for approval at the next general assembly.
- If the necessary conditions for the validity of the meeting of the Board of Directors are not met since the number of its members is less than the minimum stipulated in the bylaw, the remaining members must call the ordinary general assembly to convene within (sixty) days; To elect the necessary number of members.

#### 8.5.5 Board Member Resignation/ Termination

- Any Board member may resign at any time by submitting a resignation to the Company in writing or by email. Such resignation will apply from the time of its receipt by the Company unless such resignation is effective at a future time or upon the occurrence of a future event or events. In this case, the resignation shall be effective at such time or upon the happening of such event or events.
- If a Board member is absent from three consecutive meetings of the Board without notification or reasons (or for reasons other than ill health or an exceptional Company business), the Company will consider that they have automatically resigned.

Membership of the Board shall be terminated upon:(Article 79 of the SAMA Corporate Governance Regulations):

1. Expiration of the term.
2. Resignation of the Board member.
3. Death of the Board member.
4. Becoming physically or mentally impaired in a way that could severely limit his ability to properly perform his role.

5. Being declared bankrupt or insolvent or making a settlement request with creditors or ceasing to pay debts.
6. Being convicted of an offence involving moral dishonesty or contravention of laws in the Kingdom of Saudi Arabia or any other jurisdiction.
7. Failure to fulfill the Board member's obligations in a way that harms the Company (in which case the termination of the Board member must be approved by the general assembly).
8. Failing to attend three (3) meetings that were held within one year without a legitimate and acceptable reason.
9. Inability to continue performing their role based on any of the applicable laws and regulations in the Kingdom of Saudi Arabia.

According to the disclosure requirements, the SAMA must be notified upon the resignation or dismissal of a member of the Board of Directors for any reason other than the expiration of the membership period within (5) working days of the Board member leaving the Board.

### Issues Affecting Independence

According to Article 20 of CMA Corporate Governance Regulations:

1. An Independent Director shall be able to perform his duties, express his opinions and vote on decisions objectively with no bias to help the Board make correct decisions that contribute to achieving the interests of the Company.
2. The Board shall annually evaluate the extent of the member's independence and ensure that there are no relationships or circumstances that affect or may affect his independence.
3. By way of example, the following negate the independence requirement for an Independent Director:
  - if he holds five percent or more of the shares of the Company or any other company within its group; or is a relative of who owns such percentage.
  - if he is a representative of a legal person that holds five percent or more of the shares of the Company or any company within its group.
  - if he is a relative of any member of the Board of the Company, or any other company within the Company's group.
  - if he is a relative of any Senior Executive of the Company, or of any other company within the Company's group.
  - if he is a Board member of any company within the group of the Company for which he is nominated to be a Board member.



- if he is an employee or used to be an employee, during the preceding two years, of the Company, of any party dealing with the Company or any company within its group, such as external auditors or main suppliers; or if he , during the preceding two years, held a controlling interest in any such parties.
  - if he has a direct or indirect interest in the businesses and contracts executed for the Company's account.
  - if the member of the Board receives financial consideration from the Company in addition to the remuneration for his membership of the Board or any of its committees exceeding an amount of (SAR 200,000) or 50% of his remuneration of the last year for the membership of the board or any of its committees, whichever is less.
  - if he engages in a business where he competes with the Company or conducting businesses in any of the company's activities.
  - if he served for more than nine years, consecutive or inconsecutive, as a Board member of the Company.
4. Unless the Nominations Committee considers otherwise, the businesses and contracts with the board member to meet his personal needs shall not be deemed as an interest that affect the independence of the board member which require an authorization from the ordinary general assembly, provided that such businesses and contracts are carried out in the same conditions and settings followed by the company with all contractors and dealers, and that such businesses and contracts must be within the normal course of the Company's activities.

#### **8.5.6 Induction of Board Members**

The Company shall establish an induction program for new members of the Board once they join the Board. Each member should be provided with a letter of appointment outlining her roles and responsibilities, and comprehensive information on the Company's business and strategic plans and applicable laws and regulations.

The induction program for new Board Members should include components that will provide a comprehensive overview of the company and its corporate governance framework, an orientation to the Company's Bylaws, and other corporate documents such as Board Committee charters, Company policies, and other relevant documents.

The Board Secretary shall be responsible for initiating the induction program for the newly appointed Board Members.

#### **Training and qualification for members of the Board of Directors**

The company must pay sufficient attention to training and qualify members of the Board of Directors and the Executive Management and set up programs for that, considering the following:



1. Preparing programs for newly appointed members of the Board of Directors and executive management to define the progress of the company's work and activities, in particular:
  - Company strategy and objectives.
  - Financial and operational aspects of the company's activities.
  - Board members' obligations, duties, responsibilities, and rights.
  - The tasks and functions of the committees emanating from the Board of Directors.
2. Establishing the necessary mechanisms for the members of the Board of Directors and the executive management to obtain continuous training programs and courses to develop their skills and knowledge in the fields related to the company's activities.
3. The executive management in the company must provide the members of the board of directors, the non-executive, and independent members, and the committees emanating from the board of directors with all necessary information, data, documents, and records, provided that they are complete, accurate and timely so that they can improve the performance of their duties and tasks.

#### 8.5.7 Nomination of Board Chairman

After the formation of the board of directors, a non-executive member is nominated as chairman of the board and a non-executive member is nominated as vice-chairman of the board after obtaining a no-objection from the SAMA.

The term shall be three years unless the Bylaws of the company stipulate otherwise. The Vice president of the Board shall have the same powers as the Chairman in his absence.

The Board of Directors delegates to the Chairman of the Board to organize the activities of the Board and grants him the necessary powers to perform his duties.

#### 8.6 Responsibilities of the Chairman

The Chairman is responsible for the leading of the Board and ensuring its effectiveness. He shall be responsible for developing a constructive relationship and robust interaction between the senior management of the Company, and the executive, non-executive, and independent members of the Board. The Chairman shall encourage and facilitate critical discussions and ensure that dissenting views can be expressed and discussed freely during the decision-making process.

The specific responsibilities of the Chairman will include the following:

1. Organizing the Board's work, including setting meeting agendas in consultation with the CEO and members of the Board, presiding over Board meetings, and supervises providing the Board with the information and reports it needs.
2. Ensure that Board members receive complete, correct, and not misleading information in a timely manner.
3. Provide guidance and coach Board Members on what is expected from them, from time to time, and ensuring that the Board Members participate effectively in the Board meetings.
4. Representing the company before the judicial authorities and supervising the relations between the board and other internal and external bodies according to the powers granted to the board of directors in the company's bylaws.
5. Always support the efforts of the Board of Directors to raise the level and standards of corporate governance in the company and ensure compliance with the relevant laws and regulations.
6. Review regularly with the CEO and the executive management the progress on important initiatives and resolution of significant issues before the Company.
7. There should be no overlap between the responsibilities of the Chairman and the CEO. The Chairman of the Board of Directors must adhere to his supervisory role and not carry out the executive tasks that are within the competence of the CEO.
8. It is prohibited to combine the position of Chairman of the Board of Directors with an executive position in the company, such as the position of Managing Director, CEO, or General Manager.
9. The chairman of the board of directors must ensure that the board carries out its duties and discusses all essential issues in an efficient, timely, and fully responsible manner.
10. The board of directors, with the majority of the votes of its members, may exempt the chairman of the board from his duties at any time.
11. Informing the Ordinary General Assembly at its convening of the business and contracts in which one of the members of the board of directors had a direct or indirect interest in it, provided that this notification includes the information provided by the member to the board of directors, and that this notification is accompanied by a special report from the company's auditor.
12. Ensure that there are effective communication channels with shareholders and investors and communicate their opinions and observations to the Board of Directors.

## 8.7 Secretary of the Board of Directors

The board of directors appoints a secretary from among its members or from the companies' employees, to carry out the administrative work of the board.

The Functions of the Board Secretary:

1. The Board Secretary shall prepare the agenda for the Board meeting based on the items for discussions identified by the Board Chairman in consultation with Board Members.
2. Documenting board minutes of meetings, and including dialogues and discussions, with the location, date, the beginning, and the end of the meeting.
3. Ensuring that the minutes are signed by the members of the Board of Directors and that all records are archived electronically.
4. Sending the dates of the Board meetings and the agenda including the items that will be discussed within a sufficient time prior to the meeting date.
5. Coordination between members of the Board of Directors.
6. Recording the apologies from members of the Board of Directors for not attending the meeting.
7. Recording the decisions of the Board and voting results and retaining them in a special and organized register and including the names of the attendees and any reservations they expressed (if any) Such minutes shall be signed by all of the attending members.
8. Maintaining a 'Register of Company Policies' as approved by the Board.
9. Maintaining a 'Register' of related party transactions and disclosures.
10. Keeping the reports submitted to the Board of Directors and the reports prepared by the Board.
11. Verify that the members of the board of directors adhere to the procedures approved by the board.
12. Presenting the draft minutes to the members of the Board of Directors to express their opinions about them before signing them.
13. To verify that the members of the Board of Directors obtain complete and prompt access to a copy of the minutes of the Board meetings and the information and documents related to the company.
14. Organizing the register of disclosures for members of the Board of Directors and the Executive Management, as stipulated in Article 92 of the CMA Corporate Governance Regulations.

15. Provide assistance and advice to members of the Board of Directors in the tasks assigned to it.

### **Remuneration of the Board Secretary**

The board of directors determines the remuneration to be awarded to the secretary.

### **Dismissal of the Secretary of the Board of Directors**

The Secretary of the Board of Directors may not be dismissed except by a decision of the Board of Directors.

### **Confidentiality of Information**

The Secretary of the Board of Directors shall not disclose any information or secrets to any person, whether in the executive management or the employees of the company, about what happened in the meetings of the Board of Directors, whether directly or indirectly.

## **8.8 Board Meetings**

Board meetings shall be organized as follows:

1. A meeting of the board of directors shall not valid unless attended by (two-thirds) of its members in person or by proxy, provided that the number of the persons attend in person is at least (four) members including an independent member.
2. A member of the board of directors may appoint another member to attend the meetings of the board of directors and vote. Resolutions of the board of directors shall be adopted by the majority of votes of the members present in person or represented. In case of equal number of votes, the chairman shall have the casting vote.
3. The board of directors may adopt resolutions on urgent matters by submitting the same to the members separately unless a member requires the board of directors in writing to hold a meeting to discuss such matters. In this case, such resolutions shall be submitted to the board of directors at the first next meeting thereof.
4. The Board shall hold periodic or additional meetings at the request of the Chairman. The Chairman has the power to call an emergency meeting of the Board of Directors when there is a written request from at least two members of the Board of Directors.
5. Each Board Member shall be provided with Board agenda supported with required documents and information at least Ten (10) working days prior to Board meetings. Unless circumstance require convening an emergency meeting, the invitation accompanied with the agenda and necessary documents and information may be sent within a period less than the five days.
6. The Board shall approve the agenda once the Board meeting is convened. Should any member of the Board raise any objection in respect of such agenda, such objection shall be recorded in the minutes of the meeting.
7. The Chairman shall be responsible for managing the meetings of the board to ensure that the members are free to share their opinions and that they have enough time to substantive discussions and raise questions and issues to make the right decisions.

8. The Chairman and the Board Members shall ensure that the interest of the Company takes precedence over the interests of a Board member in such meetings. The Chairman shall ensure that a Board member does not participate in a discussion or vote on an issue in which he has a common interest with the Company, either directly or indirectly.
9. The Board Secretary shall make necessary administrative arrangements for holding the meetings and providing members with documents and papers related to the Board meeting agenda items. Board Members shall allocate sufficient time to perform their duties and responsibilities, including preparing for Board meetings. The Board shall have the right to call any person to participate in the discussions and deliberations of the Board without granting voting rights to such persons.
10. Every Board member attending a meeting shall have the right to vote on the issues or decisions under the consideration of the Board. A Board member who is not present when the Chairman calls the vote shall not cast a vote unless the voting Board Members are tied. In this case, the Chairman may leave the voting open until the conclusion of the Board meeting to allow the absent Board member or Board Members to be present and vote. A Board member's vote shall not be added to the recorded vote after the voting has ended. In the event of a tie in voting on any matter, the Chairman shall also have a right to use a casting vote.

### 8.9 Meetings of Non-Executive Board Members

Non-executive members of the Board shall hold separate meetings, without the presence of management members, at least once (or more) every year with the control functions (Compliance, Internal Audit, Risk.)

### 8.10 Board Performance Evaluation

The Nomination and Remuneration Committee shall evaluate the performance of the Board (i.e., overall, and individual performance) at least once a year, using transparent and objective criteria.

### 8.11 Board Committees

The Board shall establish Board Committees as required by law, regulation, best practices in corporate governance, and its requirements. The Charter of each Board Committee is approved by a Board resolution to that effect.

The Board shall review Board Committee meeting minutes, recommendations, and decisions.

The following Board Committees are established by the Company which are:

1. Audit Committee
2. Nomination & Remuneration Committee
3. Risk Management Committee
4. Executive Committee

## 5. Investment Committee

### 8.12 Access to Information

1. The Board of Directors must ensure that it receives detailed and timely information and reports on the activities and performance of the company in order to make sound decisions.
2. All members must be given accurate information regarding issues related to the agenda of Board meetings to all members well in advance of the meeting and in accordance with the applicable policy, to ensure that they are fully aware of the topics and issues that will be discussed.
3. The company's senior management must periodically provide the board of directors with information about the activities that are implemented through the exercise of the powers delegated to it by the board.
4. The executive management must provide the members of the board of directors with any information that the members may request to perform their duties effectively.
5. The CEO shall submit a report to the Board of Directors on new developments, if any, and on the actions taken regarding the decisions taken by the Board in its previous meetings.
6. The Secretary of the Board of Directors shall provide the Board members with any information or other data that they may request during the meeting.

### 8.13 Minutes of Board Meetings

The company must record the minutes of each meeting of the Board of Directors. The Board of Directors must ensure that the minutes of the meeting appropriately reflect any matter that requires further attention or deliberation.

The meeting minutes shall comprise of the following details:

1. The company must record the minutes of each meeting of the Board of Directors. It includes the following details:
  - The date, time, duration, and location of the meeting.
  - Details of the present and absent board members.
  - Details of the discussions, documents and reports referred to and the actions taken at the meeting.
  - Any voting process that took place during the meeting, including the names of the opposing and abstaining members.
  - All supporting documents, presentations, proposals, evaluations, feasibility studies, etc.

2. The minutes of the Board of Directors meeting shall be distributed to each of the attending Board members for approval and signature.
3. The minutes of the Board of Directors meeting shall be sent to all members regardless of their attendance at the meeting, within a maximum of (15) days from the date of the meeting.
4. Each member of the Board of Directors should review the minutes to ensure their accuracy and that they appropriately reflect any deliberations on the issues discussed. Members who do not agree to the draft minutes must express their objection before approving the minutes at the next meeting of the Board of Directors.
5. The company shall keep the minutes of the Board of Directors meetings for a period of no less than ten years.

#### **8.14 Review of Charter**

The Board shall annually review, the Board Charter to assess its adequacy and make adjustments if required.

### **9 Senior Executive Management**

The CEO, according to the powers granted to him by the Board of Directors and the Senior Executive Management, is responsible for overseeing the daily activities of the company, for example, but not limited to:

1. Managing the daily work and running the company's activity, as well as optimizing the company's resources, and working to maximize profits and reduce costs, in line with the company's goals.
2. Executing the company's comprehensive strategic plans, major and interim work plans, investment policies and mechanisms, financing, risk management, and internal control, which are approved by the Board of Directors.
3. Implementing the company's internal policies, regulations, and systems that are approved by the Board of Directors.
4. Direct supervision of employees and directing them in the correct direction in the interest of the company.
5. Training and qualifying the company's employees to achieve the directives of the supervisory and supervisory authorities.
6. Work on the company's risk management strategy as approved by the Board of Directors.
7. Work to reach the sales proposed by the Board of Directors and achieve this through continuous follow-up, developing the performance of employees, preparing all means, and overcoming obstacles.



8. Establish procedures for identifying, measuring, limiting, and controlling risks.
9. Periodical revision of AML/CTF policies and procedures (on annual basis as a minimum) to ensure its effectiveness in line with the changes occurring on products and services as well as handling the new risks in AML/CTF activities.
10. Take actions regarding all the important recommendations issued by the Compliance and AML Department, the independent auditor, and the regulatory bodies in terms of compliance with AML/CTF requirements/regulations.
11. Ensure that the Compliance and Internal Audit is provided with prompt advice of unusual/suspicious transactions and other matters of significance.
12. Reviewing the necessary policies and procedures to ensure the efficiency and effectiveness of the internal control system and submitting the Board of Directors for approval.
13. Document keeping and auditing.
14. Ensure that all regulatory and supervisory requirements are met to the maximum extent possible.
15. All senior management positions have records that include the nature of their work and specify their duties, responsibilities, requirements, powers, and qualifications.
16. Submit a report to the Board of Directors at each meeting that includes its performance.
17. Effective implementation of the corporate governance regulation, in a manner that does not contradict the provisions of the Corporate Governance Regulations issued by the Ministry, the Corporation, and the Authority.
18. Proposing a policy and the types of bonuses to be granted to employees, such as fixed bonuses, performance-related bonuses, and bonuses in the form of shares.

## **10 Business Code of Conduct**

### **10.1 Purpose**

This policy establishes the framework for business conduct in the Company. The Code of Conduct should be affirmed by all employees, the Company's management, and the members of the Board in writing.

### **10.2 Policy**

#### **10.2.1 Complying with Laws, Rules, Regulations, and Company Policies**



The Company's employees, Board members, and key management personnel should comply with applicable laws, rules, and regulations, as applicable.

Compliance by employees shall include, but will not be limited to, the following:

1. Adhering to legal and regulatory requirements and instructions.
2. Adhering to all operating policies of the Company.
3. Adhering to risk management and internal control requirements of the Company.
4. Protecting, securing, and updating Company's records and data in their possession.
5. Adhering to all the business plans and initiatives of the Company.

### **10.2.2 Confidentiality of Information**

The Company's Board Members, key management personnel, and employees shall maintain the confidentiality of information entrusted to them by the Company or its customers, except when this disclosure is authorized or legally mandated.

Confidential information includes all non-public information that might be useful to competitors, or harmful to the Company or its customers, in case of disclosure. Such information may include, but not be limited to financial records and reports, strategic planning information, employee-related documents, customer related information, unpublished manuscripts, and other materials that the Company deems confidential and not to be disclosed to an unauthorized recipient or that might be harmful to the Company or its customers if disclosed. This will apply regardless of whether such information is marked "Confidential."

Company employees not to use "Confidential Information" for their benefit or others benefits or entities outside the Company and shall exercise caution and discretion concerning any appropriate temporary removal or copying of confidential or sensitive information from the Company's premises and shall safeguard the information from unintended disclosures or loss.

### **10.2.3 Conflicts of Interest**

The Board is the main authority responsible for addressing potential conflicts of interest relating to directors, management, and the employees of the company. The Company's employees, Board Members, and key management personnel shall disclose any potential conflicts of interest to the Company:

1. Board Members, senior management, and employees and shall make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their customer, prospective customers, and the Company.

2. In case of contracts or transactions which are placed before the Board or its Committees, a Board member or Committee member having a conflict of interest and who is in attendance at the meeting shall disclose all material facts relating to the conflict of interest. Such disclosure shall be reflected in the Board meeting minutes. The Chairman of the Board shall inform the General Assembly about business works and contracts where one of the members of the Board or senior management has a personal interest and attach to this report a special report of the external auditor.
3. Board Members and senior management must not have any interest, directly or indirectly, in the Company's business and contracts, without prior authorization from the General Assembly, to be renewed each year. The exception to the rule shall apply in the case of general bidding where a Board or senior management member is the best bidder. Any such transaction shall be subject to written no-objection from SAMA.
4. Board and/or senior management members shall obtain prior authorization of the General Assembly, to be renewed annually, to participate in any activity which may likely compete with the activities of the Company or trade-in any branch of the activities carried out by the Company.
5. Members of the Board shall recuse themselves from participating in discussions or expressing an opinion on or voting on any matter presented to the Board in which they have a common interest with the Company, either directly or indirectly.
6. Board and senior management members who own an interest in an insurance service provider (e.g. brokers, agents, etc.) shall:
  - Disclose to the Board their interest in the insurance-related company, in writing, at the earliest opportunity.
  - Never encourage or solicit dealings with the company in which they hold an interest.
  - Refrain from voting in decisions related to dealings with the company in which they hold an interest.

The Company shall notify the General Assembly, when convened, of all businesses with any insurance-related company in which a Board or senior management member has an interest and shall attach to such notification a special report prepared by the Company's external auditors.

The Board Chairman shall provide the General Assembly with details of insurance contracts in which members of the Board or Senior Management, or their related parties have an interest, including the line of business, size, and associated losses, if any.

7. Employees and representatives of the Company shall act in a responsible and respectable manner and remain free of influences that may result in the loss of objectivity in relation to business conducted with customers of the Company or with Company itself. Employees

shall inform the Compliance Officer about any situation which he/ she believes leads to conflicts of interest.

#### **10.2.4 Related Party Transactions**

Any dealings with a related party/affiliate shall be conducted in such a way that no preferential treatment is given to them over other companies.

#### **10.2.5 Bribery and Corruption**

The Company deems it illegal for any of its employees to be involved or implicated in any way in corrupt practices. The Company and its employees:

1. Shall not, directly or indirectly, offer, promise or give any gift, payment, or another benefit to any person for the purposes of inducing or rewarding improper conduct or influencing any decision by a public official to the advantage of the Company.
2. Shall not, directly or indirectly, solicit, accept or receive any gift, payment, or other advantages from any person as a reward or inducement for improper conduct.
3. It must be insured that the company's activities do not conflict with any of the applicable anti-corruption measures.

#### **10.2.6 Acceptance of Gifts**

Employees shall not invite, accept, or offer gifts, monetary incentives, or other considerations that affect or reasonably give an appearance of affecting the employee's professional judgment. In every instance where a gift is offered to an employee, the concerned employee shall seek the advice of his supervisor/manager for an appropriate response.

#### **10.2.7 Fair Dealing**

Every Board member and key management personnel should treat the Company's customers, suppliers, competitors, and employees in a fair manner. They shall not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair – dealing practice.

#### **10.2.8 Corporate Opportunities**

The Company Board Members and key management personnel shall not:

1. Undertake opportunities that have arisen from the usage of corporate property, information, or place.
2. Use corporate property, information, or position for personal gain.
3. Compete with the Company.

Board Members and key management personnel owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

#### **10.2.9 Deals and Personal Business Interests**

1. Employees shall not engage in any business outside of the Company if it interferes with their performance or responsibilities to the Company.
2. Employees shall not enter any arrangement with customers apart from their normal dealing relationship as an employee of the Company. This means employees shall not enter any direct or indirect financial or business arrangement on a personal basis with Company's customers, suppliers, or competitors.
3. Employees acting on their own on a personal basis shall not arrange a deal, or give any professional advice, to any customer of the Company.

#### **External Employment**

Employees are prohibited to accept simultaneous employment with a Company's supplier, customer, or competitor and take part in any task that enhances or assists a competitor's place.

#### **External Company Directorship**

Employees shall not serve as a Director in another Company that is a competitor unless approved by the Company's Board:

1. Employees shall obtain prior written permission from the CEO in all cases where an employee wishes to serve as Director on any Company that has a relationship with the Company as a supplier, customer, etc.
2. In case, the Company permits the employees to serve as Director with another Company the concerned employee shall disclose the remuneration received for such appointment.

#### **10.2.10 Protection and Proper Use of Company Assets**

Every Board member and key management personnel of the Company shall protect the Company's assets and ensure their efficient use. Employees shall not misuse facilities provided by the Company for official purposes or use such facilities for purposes unrelated to Company

business and safeguard Company's asset from theft, carelessness, waste, and use for illegitimate business purposes.

#### **10.2.11 Accurate Accounting and Record-Keeping**

The Company shall record and report information, both financial and non-financial, truthfully, accurately, and objectively to:

1. Protect Company's credibility and reputation.
2. Preserve its ability to meet its legal, tax, and regulatory obligations, as applicable.
3. Uphold informing and supporting business decisions and actions by the Company.

All data that the Company and its employees create, whether financial or non-financial shall accurately reflect the transactions and events that occurred. The Company and its employees shall ensure that they follow all applicable laws, external accounting requirements, and the Company's procedures for reporting financial and other business information. All employees shall ensure that they manage their business records in accordance with the applicable records, management policy, and procedures and ensure that the Company's accounting and financial records do not contain any false or intentionally misleading entries or information.

#### **10.2.12 Reporting of Illegal or Unethical Behavior**

The Company encourages employees to talk to their supervisors, managers, or other appropriate personnel when in doubt about the best course of action in a particular situation.

Employees are responsible for promptly reporting to the Company any circumstance, that such person believes in good faith, may constitute a violation of this policy.

The Company shall support employees to report violations of laws, rules, regulations, or the Company's Code of Conduct, to appropriate personnel. The Company shall ensure that its employees will not be subject to harassment or retaliation for reports that are made in good faith and will investigate any violations reported and take appropriate corrective action.

"Refer to Whistleblower Policy for further details".

#### **10.2.13 Individual Opinions and Activities**

The Company encourages employees to engage in research and public appearances in business forums. The concerned employees shall obtain prior approval from appropriate authorities for use of any Company related information, material, or presentation, etc.

Employees shall bring to the notice of the Company and clarify, in case of doubt, their involvement in any public activity that may adversely affect the Company's image and reputation.

## 11. Disclosure and Transparency Policy

### 11.1 Purpose

This policy sets out the responsibility of the Company and the Board of Directors to ensure an appropriate level of transparency, timely disclosure of material events relating to the Company's financial position and performance, risk exposure and management, and corporate governance in accordance with applicable regulatory requirements. This policy specifies the types of information that must be disclosed.

### 11.2 Policy

#### 11.2.1 General Policies

1. The Company shall ensure that the disclosed information is comprehensive, meaningful, relevant, timely, consistent, reliable, and accessible by the public without undue cost or delay.
2. The Board shall provide the General Assembly with a report containing a comprehensive and objective assessment of the Company's situation and performance, at least on an annual basis.
3. The Company should upload the corporate governance & financial statements on its website to be available for the shareholders.
4. The Company shall not announce any anticipated actions that require SAMA's prior approval or no-objection, before obtaining the actual approval or no-objection, taking into consideration all related laws and regulations.
5. The company report shall show the profits achieved and losses incurred for the company's account. It also is required to publish a brief annual report and the entire auditors' report in a local newspaper using the Arabic language at least 15 days before the meeting of the general assembly as shown in the system, after obtaining the approval of the authorities Competent.
6. Only officials authorized by the Board of Directors, or the CEO will speak to the media regarding company matters in accordance with this policy. It is prohibited to publish any material information before it is first published on the "Saudi Exchange" website.
7. To enhance shareholder participation in the company's affairs, the company is required to follow a policy of keeping its shareholders informed by publishing relevant information on the company's website.

### 11.2.2 Duties of the Members of the Board of Directors and Management Team of the Company:

Members of the Board of Directors and members of the management team of the company must disclose the following:

1. Their shares and transactions in the company's bonds and shares, and this also includes the shares of first-degree relatives in these shares and bonds. Failure to notify the company of this is considered a crime.
2. Any information or other matters that affect their position or the possible perception of their status as an independent board member.
3. Any situation that includes or is expected to contain a conflict of interest with the company.
4. Any suspicion of violations of these rules.
5. Any proposed contract between a member of the board of directors and the company, must be with accordance to the disclosure & transparency policy.

### 11.2.3 Disclosure in the Board of Directors Report

The company must attach to its annual financial statements an annual report issued by the Board of Directors that includes a presentation of its operations during the last fiscal year, and all the factors affecting the company's business, which the investor needs to be able to evaluate the company's assets, liabilities and financial position, and the report of the Board of Directors must include the following:

- 1) Implemented and non-implemented provisions of the CMA's Corporate Governance 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's 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 committee's recommendation on the need for appointing an internal auditor for the Company, if there is no internal auditor.
- 12) The audit committee's 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 Organizations 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 description 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.

- 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.

#### 11.2.4 Comply to Disclose Material Developments

The company must disclose to the Regulators and the public without delay any material developments that fall within the framework of its activities and whose knowledge is not available to the general public, and that may affect its assets and liabilities, its financial position, or the general course of its business or its subsidiaries, and can reasonably lead to a change in the price of the listed securities or that significantly affects the company's ability to fulfill its obligations related to debt instruments.

The company must also disclose to the Regulators and the public immediately and without delay any of the following developments:

1. Any transaction to buy or sell an asset or a mortgage or lease at a price equal to or greater than (10%) of the net assets of the company according to the last examined initial financial statements or audited annual financial statements, whichever is more recent.
2. Any operating requirements as approved by the company's management.
3. Any debt outside the normal course of the company's activity in an amount equal to or more than (10%) of the net assets of the company according to the last examined initial financial statements or audited annual financial statements, whichever is more recent.
4. Any losses equal to or more than (10%) of the net assets of the company according to the last examined initial financial statements or audited annual financial statements, whichever is more recent.
5. Any major change in the company's production environment or activity includes, but is not limited to, the availability and accessibility of resources.
6. The change of the CEO of the company or any change in the composition of the members of the Board of Directors.
7. Any dispute, including any lawsuit, arbitration, or mediation if the amount of the dispute or claim is equal to or more than (5%) of the net assets of the company according to the last examined initial financial statements or audited annual financial statements, whichever is more recent.
8. Any court ruling issued against the board of directors or one of its members if the subject matter of the judgment is related to the work of the board of directors or one of its members.

9. The increase or decrease in the net assets of the company, equal to or more than (10%) according to the last examined initial financial statements or audited annual financial statements, whichever is more recent.
10. The increase or decrease in the company's total profits equal to or more than (10%) according to the last audited annual financial statements.
11. Entering into a revenue contract equal to or greater than (5%) of the company's total revenue according to the most recent annual audited financial statements, or the unexpected growth of that contract.
12. Any transaction between the company and a related party or any arrangement whereby each of the company and a related party invests in any project or asset or provides financing for it if this transaction or arrangement is equal to or more than (1%) of the company's total revenues according to the latest annual financial statements Revision.
13. Any interruption in any of the main activities of the company or its subsidiary companies (if any) is equal to or more than (5%) of the company's total revenues according to the most recent annual audited financial statements.
14. Any change to the legal accountant.
15. Submitting a liquidation petition, issuing a liquidation order, or appointing a liquidator for the company or any of its affiliates under the Companies Law, or initiating any procedures under the bankruptcy system.
16. The issuance of a decision by the company or any of its affiliates to dissolve or liquidate the company, or the occurrence of an event or the expiration of a period requiring the company to be placed under liquidation or dissolution.
17. The issuance of a judgment, decision, declaration, or order from a court or judicial authority, whether at the primary or appeals stage, could negatively affect the company's exploitation of any part of its assets whose total value exceeds (5%) of the company's net assets according to the last examined initial financial statements or Annual audited financial statements, whichever is most recent.
18. Call for a General Ordinary or Extraordinary assembly and its agenda.
19. Any proposed change in the company's capital.
20. Any decision to declare profits, recommend declaring them, pay shares thereof, or make other distributions to holders of listed securities.
21. Any decision or recommendation requiring not to distribute profits in cases in which the company is expected to distribute profits.
22. Any decision to call, buyback, withdraw, redeem, or offer to buy its securities, the total amount, the number, and the value of the securities.
23. Any decision not to pay in relation to the debt or convertible debt instruments.
24. Any change in the rights attached to any class of listed shares or convertible debt instruments.
25. If the company has special purposes, any judicial procedures that are taken or threatened against the special purpose company, or criminal or disciplinary measures or penalties that are imposed on the special purpose company or are likely to be imposed.
26. In the event that the company has special purposes, any judicial procedures that are taken or threatened against members of the board of directors of the special purpose company, or criminal or disciplinary measures or penalties that are imposed on the members of the board of directors of the special purpose company, or it is likely to take

place if the subject matter is The action or penalty is related to the work of the board of directors or one of its members in the special purpose company.

### 11.2.5 Disclosure of Financial Information

The Board of Directors shall approve the initial and annual financial statements of the company and sign them by an authorized member of the Board of Directors, the CEO, and the CFO before they are published and distributed to the shareholders and investors.

The initial and annual financial statements and the Board of Director's report referred to in shall be submitted to CMA immediately upon approval by the Board of Directors:

1. The company shall disclose its annual financial statements and its preliminary financial statements for the first, second, and third quarter of its fiscal year to CMA and the public immediately upon approval and before its publication to shareholders or others. For the purposes of this paragraph, approval of the financial statements is as follows:
  - Regarding the preliminary financial statements, they are approved after being approved by the Board of Directors and signed by an authorized member of the Board of Directors, the CEO, and the CFO.
  - Regarding the annual financial statements, they are approved in accordance with the provisions of the Companies Law.
2. The company shall disclose through the electronic systems designated for this purpose in the Saudi Exchange its initial and annual financial statements.
3. The company must prepare its initial financial statements and examine them in accordance with the accounting and auditing standards approved by the Saudi Organization for Certified Public Accountants and disclose them to the public within a period not exceeding (30) days from the end of the financial period that these statements include.
4. The company must prepare and review its annual financial statements in accordance with the accounting and auditing standards approved by the Saudi Organization for Certified Public Accountants and disclose them to the public within a period not exceeding three months from the end of the annual financial period that these statements include. The company must disclose these financial statements within a period not less than (15) days prior to the date of the company's annual general assembly.
5. The company must ensure that the chartered accountant who reviews the financial statements and any partner with him adhere to the rules and regulations of the Saudi Organization for Certified Public Accountants regarding the ownership of any shares or securities of the company or any of its affiliates, in a manner that guarantees the independence of the chartered accountant and any partner or employee in his office.

6. If the company has special purposes, the sponsor must provide the special-purpose company with its initial and annual financial statements and the board of directors' report in a timely manner to enable the special-purpose company to fulfill its obligations.

#### 11.2.6 Transactions of Major Shareholders in Shares and Convertible Debt Instruments:

1. Any person must notify the Saudi Exchange when he becomes an owner or has an interest (5%) or more of any class of the company's shares of voting eligibility or the company's convertible debt instruments within a period not exceeding the end of the third trading day. Following the execution of the transaction or the event that led to the realization of this ownership or interest, and for the notice to include a list of persons who have an interest in shares or convertible debt instruments that they own or control.
2. The person referred to in Point (1) above, must notify the Saudi Exchange when any change occurs to the list of persons referred to in Point (1) above, whether this is the result of an event that requires adding a person to that list or excluding any of the persons who were previously included in it, during a period not exceeding the end of the third trading day following the occurrence of the event that led to the relevant change.
3. When calculating the total number of shares or convertible debt instruments that any person has an interest in, the person is deemed to have an interest in any shares or convertible debt instruments owned or controlled by any of the following persons:
  - Relatives of that person.
  - A company controlled by that person.
  - Any other persons who act in agreement with that person to obtain an interest or exercise voting rights in the shares or convertible debt instruments of the company.
4. The notifications referred to the above, shall be in accordance with the forms prepared in this regard, provided that the notice referred to in Point (1) in the above, includes at least the following information:
  - Names of persons who own shares or convertible debt instruments, or who are entitled to dispose of them.
  - Acquisition process details.
  - Details of any financial support from another person for the acquisition or financing loans.

#### 11.2.7 Restrictions on Shares

1. The major shareholders of the company whose prospectus shows that they own shares in the company must not dispose of their shares during the six months following the date on which

the company's shares begin trading in the CMA unless the company specifies a longer ban period in the issuance statement.

2. If the registered owner shown in the prospectus differs from the beneficial owner, the beneficial owner must undertake that the registered owner will not dispose of any of his shares during the six months following the date of the start of trading of the shares. A person is considered a beneficial owner of shares if he is the owner of the ultimate beneficial ownership or control of shares through a number of chain companies or otherwise.
3. The shares granted to the persons referred to in Point (1) above, during the ban period are the result of increasing the company's capital by issuing capitalization within the shares prohibited to dispose of until the expiration of the period stipulated in Point (1) & (2) above.

## **12 Stakeholder Relationships**

### **12.1 Purpose**

Corporate social responsibility and stakeholder relationships are characterized by a strong emphasis on ethical actions by the Company and an endeavor to achieve sustainable progress of the society as a whole. The Company shall always strive to:

1. Conduct its business in a socially responsible and ethical manner.
2. Proactively engage with all its stakeholders.
3. Achieve positive perception of the Company in its areas of operation.
4. Demonstrate leadership in Company's citizenship.

### **12.2 Policy**

1. The Company shall attract and appoint experienced persons and specialists in the organization.
2. The Company shall protect the interests of its customers, avoid conflict of interests with shareholders, and adopt strategies for settling conflicts in a manner that meets the requirements of laws and regulations and economic efficiency.
3. The Company shall apply "the concept of equality" among customers and shall not discriminate between them.

4. The Company shall provide appropriate advice to customers requesting its services and shall ensure proper advice and opportunities for them.
5. The responsibilities of the Company relating to the key stakeholders shall be as described below:

### **Shareholders**

The Company shall strive to ensure a competitive return for its shareholders through effective risk and capital management. The Company shall implement a strong governance framework to enhance transparency and trust of its shareholders and ensure timely and complete communication with them on matters that directly affect them.

### **Customers**

The Company shall deal fairly with its customers and shall ensure that its products are fairly priced and address the relevant needs of its customers. The Company shall ensure that its advice to its customers in the capacity of an insurance provider is always in the interest of its customers and that all aspects and risks associated with specific products are fully explained to the customers.

The Company shall periodically measure the satisfaction of its customers regarding its products and services and other related aspects important to its customers.

### **Employees**

The Company shall ensure that its employees are fairly treated and that it establishes a creative and productive work environment for its employees. The Company shall ensure that it undertakes activities to develop and train its employees according to their training needs and that its policies and programs for all its employees improve employee's level of satisfaction.

### **Regulatory Authorities and the Society**

The Company shall ensure that it complies with the relevant and applicable laws and regulations, as appropriate, and plays the role of an active change agent in its interaction with its surrounding society. The Company shall fulfill its responsibility towards Saudization and ensure that more opportunities are created for the national workforce.

## **12.3 Stakeholder Communications**

The Company shall adopt a comprehensive approach to communicating with its stakeholders, including:

1. Publicizing its Corporate Values Statements.
2. Communicating Company's strategy, programs, and initiatives to employees.
3. Receiving suggestions and feedback from the employees.



4. Posting relevant news and events of the Company on its website.

## 13 Control Function

### 13.1 Compliance Department

1. An independent department technically linked to the Audit Committee and administratively to the CEO.
2. The compliance monitoring function is responsible for monitoring the company's compliance with all relevant laws, regulations, and instructions issued by the regulatory authorities and taking the necessary measures to improve the level of statutory compliance in the company.
3. The compliance officer is appointed after obtaining the written approval of SAMA.

### 13.2 Internal Audit

1. An independent department linked to the audit committee and administratively to the CEO.
2. The internal audit function evaluates the effectiveness and efficiency of internal controls, policies and procedures, the company's reporting mechanism, the extent of compliance with them, and makes recommendations for their improvement.
3. The internal auditor is appointed with the written approval of SAMA.

### 13.3 Risk Management

1. An independent department linked to the Risk Management Committee and administratively to the CEO.
2. The risk management department is responsible for identifying, evaluating, and monitoring the risks facing the company and controlling them on a permanent basis and on an individual level.
3. The Risk Department performs its duties in accordance with the risk management regulations and any other supervisory or control requirements issued by SAMA.
4. Risk management should operate independently of underwriting management.
5. The Risk Management Department submits its report to the CEO and the Risk Management Committee and has the authority to communicate with the Risk Management Committee directly.

## 14 Actuarial

### 14.1 Purpose



The objectives of these controls are to regulate the role, functions and responsibilities of the appointed actuaries and the responsibilities of the company, the board of directors and senior management in relation to the work of the appointed actuarial and actuarial management. The provisions of these controls shall apply to companies, their boards of directors and senior directors, actuaries appointed or their designees to carry out their business, directors and employees of actuarial departments and providers of actuarial services.

## **14.2 Compliance Measures**

In conjunction with the provisions of the Law and its Implementing Regulation, no Person shall act as an Appointed Actuary or Head of Actuarial Function or act as an Actuarial Services Provider in the Kingdom unless the Company or Actuarial Services Provider obtains SAMA's prior statement of non-objection.

1. Companies, Appointed Actuaries and Actuarial Service Providers must establish appropriate written internal controls and procedures to ensure and monitor their compliance with these Rules.
2. These internal controls and procedures should ensure that all required tasks are carried out and reports submitted to SAMA by prescribed deadlines.
3. Companies, Appointed Actuaries and Actuarial Service Providers must maintain adequate records that demonstrate their compliance with these Rules.

## **14.3 Duties and Responsibilities of Appointed Actuary**

For the purpose of providing unbiased and objective advice in accordance with SAMA's Actuarial Work Rules for Insurance, the Appointed Actuary shall act in good faith, honestly and reasonably, exercise due care and diligence and independent judgement in the best interests of the Company and its policyholders, putting the interests of the Company and its policyholders ahead of any personal interests and avoiding conflicts of interest with the exercise of his or her responsibilities.

The Appointed Actuary shall:

1. Perform the work entrusted to them in accordance with actuarial principles and standards issued by the Actuarial Association of which they are a member and be accountable to that Actuarial Association as regards compliance with that Actuarial Association's professional standards as well as to SAMA as regards compliance with these Rules and SAMA's Instructions.
2. Perform their duties with honesty, integrity and competence, avoiding conflicts of interest and providing unbiased and objective advice, and shall not conceal any facts relating to the Company's financial or technical position or knowingly provide incorrect information.
3. Not disclose the Company's confidential information, or information obtained during the performance of his or her work while he or she is fulfilling his or her responsibilities or after its

completion except that this disclosure is to SAMA, or an application of relevant regulations or SAMA's Instructions.

4. Review and take responsibility for all work carried out on their behalf.
5. Keep records of their work subject to strict data confidentiality, organized according to their Actuarial Association's professional standards. The records shall include the copies of the documents that must be provided to the Company and to SAMA, and the base data from which the documents have been derived and all supporting calculations.
6. Where the Appointed Actuary is not an employee of the Company, the records referred to in Item (5) above must be held within the Company and retained by the Company for at least ten years within the Company after the date of the report to which the records or documentation relates and must be accessible only to the Appointed Actuary and his or her delegates, the Company and SAMA.
7. Perform Actuarial Services where competent and appropriately experienced to do so.
8. Ensure consistency of their work with applicable financial reporting standards in the Kingdom.
9. Advise on any other matters as instructed by the Board of Directors and Senior Management, provided that this does not conflict with his or her responsibilities as set out in these Rules and SAMA's Instructions.

The Appointed Actuary shall have the right to access the board papers, accounting books and other records and documents, business plans, supporting analyses and schedules deemed necessary for the carrying out of their duties and be entitled to obtain from the Board of Directors and Senior Management of the Company the information and explanations the Appointed Actuary deems necessary, subject to appropriate controls to maintain the confidentiality of the Company's information by the Appointed Actuary, and all those who assist the Appointed Actuary in the discharge of his or her responsibilities.

#### **14.4 Role and Responsibilities of the Board of Directors and Senior Management Regarding the Appointed Actuary**

The Board of Directors and Senior Management of the Company must ensure that the responsibilities of the Appointed Actuary can be carried out without delay. This includes:

1. Providing the Appointed Actuary with direct access to the Board of Directors and Senior Management and internal and external auditors of the Company.
2. Providing the Appointed Actuary with access to such information and explanations as needed to comply with SAMA's Actuarial Work Rules for Insurance.
3. Responding to requests for information from the Appointed Actuary in an accurate, comprehensive and timely manner.

4. Considering and taking such actions as they consider appropriate based on the recommendations included in all reports provided by the Appointed Actuary.
5. Ensure the effectiveness, adequacy and objectivity of the Appointed Actuary, for instance, ensuring the appropriate performance of his role, and the adequacy and effectiveness of the internal procedures and systems, technical program used, and human resources.

If the Appointed Actuary is unable to obtain such information, explanations and resources from the Board of Directors and Senior Management as they reasonably require to carry out their responsibilities, the Appointed Actuary shall report the matter to SAMA if appropriate action is not taken within (10) working days of reporting such matter to the Board of Directors in writing.

#### **14.5 Roles and Responsibilities of the Appointed Actuary**

The Appointed Actuary must ensure that each actuarial report they produce in accordance with SAMA's Actuarial Work Rules for Insurance and SAMA's Instructions is clear, comprehensive and presented by him or her in a manner which adequately explains and gives sufficient prominence to issues and developments which have material implications for the Company, or the interests of its policyholders or Beneficiaries, so that another Qualified Actuary can follow the report and come to a consistent conclusion.

Each actuarial report produced in accordance with SAMA's Actuarial Work Rules for Insurance and SAMA's Instructions should, as a minimum:

1. Contain an executive summary setting out its results and key findings.
2. Set out in an introduction the purpose of the report, the credentials of the Appointed Actuary, and a description of the subject business and the risks this gives rise to, relevant summary information on the Company's system of risk management, and any other relevant background information in the judgement of the Appointed Actuary.
3. Contain a clear statement that the report is made by an individual acting in a formal capacity as the Appointed Actuary.
4. State the actuarial guidance and financial reporting standards that are being followed.
5. Set out any reliance and limitations including commentary on materiality, areas of uncertainty and any restrictions that the Company or any other party has imposed that prevents full access to the information required, so that a suitably informed reader can form a view on the weight to be attached to the reported findings.
6. Any reliance on an external source should be cited.
7. Refer to the results of the previous report on the same subject matter explaining key differences from the results previously reported, including providing appropriate details of all key changes with regard to data, methodology, assumptions and results.
8. Contain an explanation of the data received and checks performed on the data to check its veracity and comprehensiveness. Any data-specific limitations should be listed.
9. Explain the approach and methodology adopted including an explanation of the choice of methodology and assumptions and an explanation of why these are considered

- appropriate, addressing both the subject matter of the report and its results, and any specific matters that have affected the approach to the analysis.
10. Summarize and highlight any changes to the methodology and assumptions from the previous report, and the reasons for such changes should be fully explained to supplement the summary of changes provided at (7) above.
  11. Provide evidence of sufficient analysis and details of calculations together with the calculations and other workings to enable a suitably informed reader to reproduce the analysis in order to check the results. These calculations should be consistent with current financial reporting standards in the Kingdom where applicable.
  12. Set out results and conclusions clearly and comprehensively including any required explanations and commentary.
  13. Explain the scope of the Peer Review process and the identity and credentials of the peer reviewer and their conclusions.
  14. Set out a glossary of terms used that may not be clear to the reader.
  15. Disclose any other relevant matters.

The Appointed Actuary shall comply with the Peer Review requirements of their Actuarial Association in carrying out their responsibilities in accordance with these SAMA's Actuarial Work Rules for Insurance and SAMA's instructions, having satisfied themselves that the peer reviewer is independent of the subject matter to be reviewed and appropriately qualified and experienced.

The Appointed Actuary must take appropriate steps to effectively engage the Board of Directors and Senior Management in the findings of his or her reports, presenting and discussing findings directly with the Board of Directors and with the Audit and/or Risk Committee and, where relevant, the Company's internal and external auditors.

Communication between the Appointed Actuary and the Senior Management and Board of Directors on actuarial matters shall be timely and the method of communication must be appropriate, having regard to the purpose and significance of the subject matter.

The Appointed Actuary must take reasonable steps to ensure that any report or communication with which he or she is associated is effective, not misleading and cannot reasonably be misinterpreted. The technical components of actuarial reports shall be presented in a manner that can be understood and acted upon by a suitably informed reader to support effective and informed decision-making by the Board of Directors and Senior Management.

The Appointed Actuary shall report on an urgent basis (known as an Urgent Interim Report) directly to the Company's Board of Directors and the Compliance Function in the Company in the following cases, notwithstanding that the Appointed Actuary may not have completed their analysis and investigations:

1. If there are immediate or future threats facing the Company that may significantly adversely affect it, including but not limited to the following:

- Solvency
  - Obligations of Reinsurance Companies and the Company's obligations to its Reinsurance Companies
  - Risk Retention levels
  - Profitability of the Company's products
  - Pricing of the Company's products
  - Adequacy of Insurance contract liabilities.
2. If the Company has evidently breached the provisions of the Law and its Implementing Regulation SAMA's Actuarial Work Rules for Insurance or SAMA's Instructions about the Company's financial position, Insurance Contract Assets and Liabilities (including where relevant Technical Provisions), or any matter that may affect the interests of the policyholders or the Beneficiaries of Insurance policies or future policyholders or future Beneficiaries of Insurance policies.
3. If the Company does not allow the Appointed Actuary to perform the duties and responsibilities assigned to them under the Law and its Implementing Regulation, SAMA's Actuarial Work Rules for Insurance Rules and SAMA's Instructions.

The Board of Directors shall examine any Urgent Interim Report and recommend and implement corrective actions and forward such measures and all related information on actions taken and planned to the Appointed Actuary and SAMA no later than (10) working days of receiving any Urgent Interim Report.

If the Appointed Actuary is not reasonably satisfied with the response of the Board of Directors to any Urgent Interim Report they shall send a copy of their report to SAMA within (15) working days of its issue.

SAMA may provide observations and questions on any actuarial reports that are submitted by an Appointed Actuary and such actuarial reports must be resubmitted to address any such observations and questions raised by SAMA.

#### **14.6 The Appointed Actuary's Responsibilities in Respect of the Data**

1. The Appointed Actuary must take all reasonable steps to ensure the consistency, accuracy and completeness of the data used in their analysis. All reports required by SAMA Rules and regulations should contain, as a minimum, the following:
  - Confirmation that the available data allows the desired analysis to be completed in the Appointed Actuary's professional judgement and with due regard to professional standards.
  - Disclosure of known material data limitations and their implications, and how allowance has been made for the data limitations in the results presented and analysis performed.

- A full description of the data that was used.
  - A full description of all data validations carried out.
  - The precise period of investigation that the data is derived from must be stated.
  - Reasonableness checks against data in the most recent prior report should be described.
  - An explanation of any adjustments or filtering of the raw data, and the impact estimated.
2. An Appointed Actuary's report shall not include caveats that seek to place full reliance on others for data quality. The Appointed Actuary shall carry out sufficient checks to satisfy himself or herself as to the results of the report presented.
  3. Data limitations are to be remediated by the Company in full in the period in which they are identified. Where full remediation is not possible the timing for remediation is to be estimated by the Appointed Actuary and reported in the current report immediately following the identification of the data limitations, appropriate provision made to account for such data limitations in the subject report and progress reported in all future relevant reports until such data limitations are remediated and the provisions for data limitations are released.

#### **14.7 The Appointed Actuary's Responsibilities in Respect of Reserving**

Annually and for each reporting period as specified by SAMA the Appointed Actuary shall:

1. Determine and recommend to the Board of Directors and Senior Management the Company's Insurance Contract Assets and Liabilities (including where relevant Technical Provisions), using appropriate methodologies and assumptions for their determination, consistent with current financial reporting standards applicable in the Kingdom.
2. Perform actual versus expected analysis by comparing actual experience with previous relevant estimates of claims and other liabilities where relevant.
3. Prepare the appropriate reports in accordance with SAMA instructions.

#### **14.8 The Appointed Actuary's Responsibilities in Respect to Pricing and Pricing Adequacy**

The Appointed Actuary shall, as a minimum, in respect of every Company that is an Insurer:

1. Investigate, advise, and report to Senior Management, the Board of Directors and to SAMA in the form of a Pricing Report at least annually on the Technical Pricing of the risks in the insurance company's Medical Expense, Motor and such other classes of business as are required by SAMA's instructions; and,



2. Report to Senior Management, the Board of Directors and to SAMA on the above in accordance with SAMA's Instructions to be known as the Pricing Report/s and Pricing Adequacy Report/s and as per the Board of Directors' and Senior Management's instructions.
3. A Company and its Appointed Actuary should derive Technical Prices using the Company's own experience where this information is available and reliable.
4. In the absence of the Company's own experience, for example when entering a new line of business, Technical Prices may be developed from other sources, but appropriate allowance should be made for any differences between the Company's data and the source from which the information has been derived.
5. The Appointed Actuary of an Insurance Company shall submit such periodic pricing adequacy reports, comparing actual selling prices for its Insurance contracts with the relevant Technical Prices, to SAMA, the Company's Senior Management, Board of Directors, in respect of its Medical Expense and Motor classes of business, and such other classes of business as are required by SAMA's Instructions.
6. SAMA may require an Insurance Company to submit to SAMA a supplementary pricing report or pricing adequacy report from its Appointed Actuary in such form and at such timing as it prescribes on a case-by-case basis at the expense of the Insurance Company.
7. SAMA may require a Reinsurance Company to submit to SAMA such information on the Technical Pricing of the risks it accepts and retains, as SAMA shall from time to time prescribe.

#### **14.9 The Appointed Actuary's Responsibilities in Assessing the Solvency and Capital**

1. The Appointed Actuary shall investigate and provide advice to the Company on its current solvency position and the adequacy of the capital that it holds by projecting the Company's solvency position into the future under varying assumptions to assess its financial strength and identify the major risk factors affecting the Company.
2. The Appointed Actuary shall investigate and provide advice to the Company on its prospective solvency position by conducting stress tests and scenario analysis under various assumptions and performing capital adequacy assessments, evaluating the relative impact of the output from such tests and analysis on the Company's assets, liabilities, and actual and future capital levels and business plans, and shall investigate and advise on the development and use of models for these purposes. These investigations should be consistent with current financial reporting standards applicable in the Kingdom and take into consideration any of SAMA's Instructions issued from time to time.
3. The results of these investigations are to be reported to Senior Management, the Board of Directors and SAMA in a form and at dates as prescribed by SAMA.

#### 14.10 The Appointed Actuary's Responsibilities in Risk Management

The Appointed Actuary shall:

1. Coordinate with the Company's risk management officers on estimating the impact of material risks and identifying appropriate mitigation techniques for those risks and provide input into SAMA's risk management requirements.
2. In respect of an Insurance Company, assess the appropriateness of Reinsurance arrangements and risk Retention levels for each line of business having regard to the Company's risk appetite, making recommendations to Senior Management and the Board of Directors in a form and at dates as prescribed by SAMA.
3. In respect of a Reinsurance Company, assess the appropriateness of Retrocession arrangements and risk Retention levels for each line of business having regard to the Company's risk appetite, making recommendations to Senior Management and the Board of Directors in a form and at dates as prescribed by SAMA.
4. Coordinate with the Investment Committee and investment manager to provide recommendations to the Company's Senior Management and Board of Directors regarding the Company's investment policy and asset liability management strategy, keeping in view the nature and timing of Insurance Contract Assets and Liabilities and the availability of appropriate assets in a form and at dates as prescribed by SAMA.
5. The Appointed Actuary of an Insurance Company shall submit a Reinsurance report to the Company's Senior Management, Board of Directors and SAMA. The report shall be submitted in a form and at dates to be prescribed by SAMA's instructions.
6. This report shall assess the appropriateness of Reinsurance arrangements and risk Retention levels for each line of business having regard to the Company's risk appetite, capital adequacy and the total exposure currently underwritten and expected to be underwritten in the following financial year and provide observations on risk Retention levels, considering:
  - Profit sharing mechanisms or variable commissions.
  - Loss sharing mechanisms.
  - Any caps on the Reinsurance Companies' total exposure under Reinsurance treaties.
  - Any caps on the Reinsurance Companies' exposure to single events, incidents or claims.
  - Any swing rates where Reinsurance premiums are adjusted based on the results of the Reinsurance.
  - The possible impacts of reinstatements or aggregate deductibles on excess of loss treaties.



- How Reinsurance arrangements are expected to operate under stress scenarios.
7. The Appointed Actuary shall review and comment on the effectiveness of the Company's procedures to assess whether or not any Reinsurance contracts transfer significant Insurance risk to the Reinsurance Company, particularly in conjunction with any side letters or other arrangements, and report accordingly.
8. The Appointed Actuary of a Company that is a Reinsurance Company may be required to submit a Retrocession report to the Company's Senior Management, Board of Directors and SAMA in a form and at dates to be specified by SAMA covering as a minimum the appropriateness of Retrocession arrangements and risk retention levels for each line of business having regard to the Company's risk appetite, capital adequacy and the total exposure currently underwritten and expected to be underwritten in the following financial year and providing observations on the Reinsurance Company's risk Retention levels.
9. The Appointed Actuary shall review and comment on the effectiveness of the Company's procedures to assess whether or not any Reinsurance contracts issued or Retrocession arrangements entered into transfer significant Insurance risk, particularly in conjunction with any side letters or other arrangements, and report accordingly.

## 15 Retaining of Documents:

The Company shall retain all minutes, documents, reports and other papers required to be maintained in the Company's Head Office for at least ten years as per these Regulations. This shall include the Board report, Audit Committee report and Internal Audit reports. Without prejudice to this period, the Company, in case of any lawsuit (filed or threatened to be filed) or ongoing claim or any investigation relating to those minutes, documents, reports and other papers, shall maintain them until the end of the ongoing lawsuit, claim or investigation.