لاائحة حوكمة شركات التأمين

INSURANCE CORPORATE
GOVERNANCE REGULATION
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Saudi Arabian Monetary Agency ("SAMA")

Insurance Corporate Governance Regulation

("This Regulation")

Part 1: Introduction

1. This Regulation enumerates SAMA’s corporate governance requirements that must be met by insurance and/or reinsurance companies.

2. The objective of This Regulation is to set high standards of corporate governance within the insurance industry in accordance with the recognized best international practices.

3. SAMA may, at any time, require any of the insurance service providers to comply with some or all of the requirements of this Regulation.

4. This Regulation shall be read in conjunction with the following:

   a) The Law on Supervision of Cooperative Insurance Companies promulgated by Royal Decree M/32 dated 2/6/1424 H and its Implementing Regulations

   b) The Companies Law

   c) The Corporate Governance Regulations in the Kingdom of Saudi Arabia and the Listing Rules, issued by the Board of the Capital Market Authority (CMA)
d) The Insurance Market Code of Conduct Regulation, the Risk Management Regulation, the Anti-fraud Regulation, the Anti-money Laundering and Combating Terrorism Financing Rules, the Regulation of Reinsurance Activities, the Insurance Intermediaries Regulation, the Online Insurance Activities Regulation, the Investment Regulation, the Outsourcing Regulation, the Insurance Audit Committee Regulation, the Actuarial Work Regulation for Insurance and Reinsurance Companies, the Requirements for Appointments to Senior Positions in Financial Institutions Supervised by the Saudi Arabian Monetary Agency, and any other regulations and relevant directives and circulars and resolutions issued by SAMA.

5. This regulation has been issued in both Arabic and English. In the event of discrepancy in the interpretation of the two texts, the Arabic text prevails.

Definitions

6. Without prejudice to the provisions of article (1) of the Implementing Regulations of the Law on Supervision of Cooperative Insurance Companies issued by decision of H.E. the Minister of Finance No. 1/596 dated 01/03/1425H, the following terms and expressions wherever mentioned in this Regulation shall have the meanings shown assigned thereto unless the context requires otherwise:

SAMA: the Saudi Arabian Monetary Agency (SAMA).
Board of Directors (the Board): the Company’s Board of Directors as accepted by the laws in the Kingdom of Saudi Arabia.

Chairman of the Board (Chairman): a Non-executive Board Member elected by the Board to preside over its meetings and organize its activities.

Chief Executive Officer (CEO): the officer with highest rank in the senior executive management of the Company, who is in charge of its daily management, regardless of the title of his or her position.

Company (Companies): the insurance and/or reinsurance company licensed by SAMA under the Law of Supervision of Cooperative Insurance companies and its Implementing Regulations (or the insurance service provider required by SAMA to comply with some or all of the requirements of this Regulation based on Article (3) of this Regulation).

Related Company: a company (or one of several companies that SAMA may consider to be acting in concert) holding a shareholding of 5% or more of the equity of the Company, or a company in which the Company (either alone or with other companies that SAMA may consider to be acting in concert) holds a shareholding of 5% or more.

Related Persons: close family members of parents, spouse, descendants; any person with a business relationship that might influence the decision making process; and any establishment in which any member of the Board of Directors has more than 5% interest.
Significant Shareholders: natural or legal persons that, directly or indirectly, alone or in association, controls 5% or more of the Company’s shareholding.

Executive Board Member: a member of the Board of Directors who is also a member of the executive management of the company and participates in the daily affairs of the company and earns a monthly salary in return thereof.

Non-executive Board Member: a member of the Board who provides opinions and technical advice and is not involved in any way in the management of the company and does not receive a monthly or an annual salary.

Independent Board Member: a member of the Board who enjoys complete independence. This means that the member is fully independent from management and the company. Independence is the ability to judge things after taking into account all relevant information without undue influence from management or from other external entities.

Independence cannot be attained by a Board member in the following situations, including but not limited to:

a) Being a Significant Shareholder in the Company, or in a Related Company, working for or representing a Significant Shareholder

b) Being a member of the Board in a Related Company or one of its subsidiaries, or having been one during the past two years

Independence cannot be attained by a Board member in the following situations, including but not limited to:

a) Being a Significant Shareholder in the Company, or in a Related Company, working for or representing a Significant Shareholder

b) Being a member of the Board in a Related Company or one of its subsidiaries, or having been one during the past two years
c) Being a member of the Board of the Company for more than nine years

د) أن يكون عضواً في مجلس إدارة الشركة لأكثر من تسع سنوات

e) Being an employee with the Company, with a Related Company, or with a company that provides services to the Company (e.g., external auditors, consulting firms, etc.) or having worked with any one of the above during the past two (2) years

ع) أن يكون موظفاً لدى الشركة أو لدى شركة ذات علاقة أو لدى شركة تقدم خدمات للشركة (مثل مراقب الحسابات، المكاتب الاستشارية، الخ) أو يكون قد سبق له العمل لدى أحد هذه الأطراف خلال السنين الأخيرتين

f) Being a Related Person of a member of the Board or Senior Management of the Company or of a Related Company

و) أن يكون من ذوي الصلة بأحد أعضاء مجلس الإدارة أو أعضاء الإدارة العليا في الشركة أو في شركة ذات علاقة

g) Having a contractual or business relationship with the Company (either directly or through an entity in which he or she is a Significant Shareholder, a Board member, or a manager) which resulted in paying to, or receiving from, the Company the equivalent of two hundred and fifty thousand (250,000) Saudi riyal or more (other than his or her remuneration as a director of the Board and amounts related to insurance contracts) during the past two (2) years

ز) أن يكون لديه علاقة تعاقدية أو تجارية مع الشركة سواءً بشكل مباشر أو من خلال جهة يكون من كبار المساهمين فيها أو عضوًا في مجلس إدارتها أو مديرًا فيها ترتب عليها دفع أو تلقى مبلغ مالي من الشركة يساوي ما قيمته (250 ألف ريال سعودي) (بخلاف المبالغ المتعلقة بعقود التأمين والكفاءات التي يحققها العضو لقاء عضويته في مجلس الإدارة) خلال السنين الأخيرتين

h) Being under any financial obligation towards the Company or any members of its Board or Senior Management that might limit the exercise of independence in judgment and decision making

ح) أن يكون لديه التزام مالي تجاه الشركة أو أي من أعضاء مجلس إدارتها أو إدارتها العليا بشكل يمكن أن يؤثر عليه قدرته على الحكم واتخاذ القرارات باستقلالية تامة
Senior Management (Management): the Managing Director, Chief Executive Officer, General Manager, their deputies, Chief Financial Officer, Managers of key departments, officers of risk management, internal audit, and compliance functions, and similar positions in the Financial Institution, in addition to incumbents of any other positions determined by SAMA.

Senior Positions: Members of the board and senior management.

Stakeholders: the persons or parties who have an interest in the company, including shareholders, policyholders, claimants, employees, reinsurers, regulatory and supervisory bodies.

The rest of the words and statements used in this Regulation shall have the same meaning as per Article (1) of the Implementing Regulations of the Law on Supervision of Cooperative Insurance Companies unless the context requires otherwise.

Compliance Measures

7. Companies must establish appropriate internal controls and procedures to ensure and monitor compliance with this Regulation and any related laws and regulations. In case the company contracts with other parties, it must ensure the compliance of all contracted parties with the provisions of this Regulation and any related laws and regulations.

The rest of the words and statements used in this Regulation shall have the same meaning as per Article (1) of the Implementing Regulations of the Law on Supervision of Cooperative Insurance Companies unless the context requires otherwise.

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7. Companies must establish appropriate internal controls and procedures to ensure and monitor compliance with this Regulation and any related laws and regulations. In case the company contracts with other parties, it must ensure the compliance of all contracted parties with the provisions of this Regulation and any related laws and regulations.
8. Companies must maintain adequate records to demonstrate compliance with this Regulation and with any related laws and regulations, including but not limited to the Company’s code of corporate governance, remuneration policy, code of ethics, disclosure policies and procedures, terms of reference for the Board and its committees, organizational charts, charters of control functions, detailed job descriptions of managers, minutes of the meeting of the Board of Directors and its committees, minutes of the general assembly meetings, and internal and external Board communications.

Non-Compliance

9. Non-compliance with the requirements set forth in this Regulation will be deemed a breach of the Law on Supervision of Cooperative Insurance Companies and its Implementing Regulations and the licensing conditions and may expose violating Companies to enforcement actions.

Part 2: General Provisions

10. The Company’s Board must put in place and develop a code of corporate governance in accordance with this Regulation, and make it available to the Company’s shareholders within three hundred and sixty (360) calendar days from the issuance date of this Regulation for licensed companies, and from the date of issuing the license for other companies. The Board must present the code to the General Assembly for
approval in the first meeting thereafter, and submit a copy thereof to SAMA within twenty one (21) working days from the date of its approval by the General Assembly. In addition, the Board must review the Company’s code of corporate governance at least on an annual basis and recommend any necessary amendments to the General Assembly. All amendments must be submitted to SAMA within twenty one (21) working days from the date of the amendment.

11. The Company must put in place a remuneration and compensation policy in accordance with this Regulation, duly approved by its Board of Directors, and submit a copy of the policy to SAMA within one hundred and eighty (180) calendar days from the date of issuance of this Regulation for licensed companies, and from the date of issuance of license for other companies. In addition, the Board must review the Company’s remuneration policy and consider any necessary amendments on an annual basis, as a minimum. All subsequent amendments thereon must be submitted to SAMA within twenty one (21) working days from the date of the amendment.

12. The Company must put in place a code of ethics after duly approved by its Board of Directors, to ensure that the Company’s activities are conducted in a fair and ethical manner. The code of ethics shall at least address the following:
   a) Conflict of interest
   b) Integrity and honesty
   c) Compliance with applicable laws and regulations
d) Confidentiality of information  

e) Fair dealing  

f) Protection of Company’s assets  

g) Guidelines for ethical behavior  

h) Mechanism for reporting illegal or unethical behavior (i.e., whistle blowing)  

13. The Company shall provide SAMA with a copy of the organizational structure approved by the Board, and any updates on it thereafter, within twenty one (21) working days from the date it is approved by the Board.

Accountability  

14. The governance structure of the Company should reflect the accountability of the Senior Management to the Board and the accountability of the Board to the shareholders and other Stakeholders, through relevant internal systems and policies.

15. The Board of Directors is ultimately accountable and responsible for the performance, conduct, and regulatory compliance of the Company. Delegating authority to Board committees or Senior Management shall not absolve the Board of its responsibilities. Furthermore, the Board is responsible for the performance of third parties engaged to perform jobs or manage functions.
Disclosure and Transparency

16. The Board shall lay down written formal policies and procedures for disclosure, specifying, at minimum, the types of information to be disclosed, means and frequency of disclosing information, and the process to ensure the quality, adequacy, and timeliness of disclosure, in accordance with the requirements of applicable laws and regulations.

17. The Board is responsible for ensuring an appropriate level of transparency and timely and adequate disclosure of material events relating to the Company's financial situation and performance, risk exposures and risk management, and corporate governance.

18. The Company shall ensure that the disclosed information is comprehensive, meaningful, relevant, timely, consistent, reliable, and accessible by public without undue expense or delay.

19. The Board shall provide the general assembly with a report containing comprehensive and objective assessment of the Company's situation and performance, at least on an annual basis, including but not limited to the following:

   a) Analytical review of the Company’s financial performance during the last period
   b) Key decisions made and their impact on the Company’s performance and position
   c) Assessment of the Company’s strategy and financial position
d) Names of any joint stock company(ies) in which a member of the Company’s Board is a board member

e) Any punishment, preventive restriction or penalty imposed on the company by any judiciary, supervisory or regulatory body

f) Any punishment, preventive restriction or penalty imposed on any board member by any judiciary, supervisory or regulatory body if it is related to the company

a) Assessment of potential risks and how such risks are being managed

b) Projections of future performance

20. In addition to any other applicable disclosure requirements by SAMA or other regulatory bodies, the Company’s annual report shall include the following information (regardless of order):

i) For the Board: functions, composition, names of the chairman and vice-chairman, dates of current term start and end, number of Non-executive Independent Board Members, number of meetings held during the period, date and attendance of each meeting, and details of remuneration for each of the Board members

j) For each Board member: name, classification (Executive, Non-Executive, or Independent), other companies in which he or she acts as a Board member, represented entity (if applicable), other positions held within the Company (if applicable)
k) For each Board committee: name of the committee, its functions, its members (classified as Chairman, Executive Board Member, Non-executive Non-independent Board Member, Non-executive Independent Board member, or non-Board member), number of meetings held during the period, date and attendance of each meeting, members’ remuneration for serving in the committee.

l) Profiles of members of senior management (including name, position, qualifications, and experience of each senior manager)

m) Total compensation and remuneration paid to the Board members, five highest-paid members of Senior Management (the executive chairman and the financial director if they are among those highest paid members) during the period (divided into salaries, allowances, bonuses, and any other components), in addition to a description of any performance-linked incentives available for members of Senior Management.

n) Ownership in the Company (direct and indirect) by Board members and members of Senior Management, and any changes of their ownership over the last year as listed in the approved shareholders’ register.

o) Descriptions of transactions with any related-parties, including Significant Shareholders and members of the Board and Senior Management, that took place during the period, and how such transactions are or were approved.

p) Any potential cases of conflict of interest and how they were addressed.
q) Names of all Significant Shareholders and their ownership in the Company

r) Results of the annual audit of the effectiveness and efficiency of the internal control system of the Company

s) Statement on the Company’s compliance with the requirements of this Regulation and with the Company’s code of corporate governance, along with the justification for any instances of non-compliance

21. The Company shall make available to its shareholders, and on the internet, its code of corporate governance and annual reports.

22. The Company shall not announce any anticipated actions that require SAMA’s prior approval or non-objection, before obtaining the actual approval or non-objection, taking into consideration all related laws and regulations.

Fitness and Propriety

23. Members of the Board, Board committees, and Senior Management shall be trustworthy and shall have the integrity, competency, knowledge, and experience to fulfill their respective roles and shall comply with all laws, regulations, and rules issued by SAMA at all times.

MALAYA AND PROPRIETY OF PERSONS

23. Must be trustworthy, credible, knowledgeable, and experienced to fill their respective roles and comply with all laws, regulations, and SAMA-issued rules at all times.
24. Significant Shareholders shall be of good conduct and reputation, financially sound, with no convictions related to committing any action involving moral dishonesty or contravention of laws in the Kingdom of Saudi Arabia or any other jurisdiction.

25. All appointments to senior positions including as members of the Board of Directors and its committees shall be made in accordance with SAMA's Requirements for Appointments to Senior Positions in the Financial Institutions.

26. The nomination and remuneration policy followed by the Company shall have formal and rigorous standards and procedures to continuously monitor and assess the fitness and propriety of Board members, members of Board committees, members of Senior Management, in accordance with the requirements of Article (23) of this Regulation, and shall immediately notify SAMA of any information or circumstances that may be relevant to assessment of fitness and propriety of these persons within a maximum period of (3) three business days from the day of obtaining the information or from the day of change occurrence.

Independence

27. The governance structure of the company shall support independent decision making throughout the organization by, for example, establishing clear separation of duties between the Board and the Management, enhancing the independence of control functions, and controlling the risk of conflict of interest.

24. يجب أن يكون كبار المساهمين من ذوي السمعة والسلوك الجيد والوضع المالي السليم وإلاً يكون قد صدر بحق أي منهم أحكام متعلقة بارتكاب أعمال مخالفة بالشرف أو الأمانة أو خلافة للأنظمة والتوليات في المملكة العربية السعودية أو في أي بلد آخر.

25. جميع التعيينات لشغل المناصب القيادية بمن فيهم أعضاء مجلس الإدارة وأعضاء اللجان التابعة له يجب أن يتم وفقًا ورد في متطلبات التعيين في المناصب القيادية في المؤسسات المالية الصادرة عن المؤسسة.

26. يجب أن تعتمد شركة على معايير وإجراءات رسمية صارمة لمراقبة وتقييم مدى ملاءمة ومساءة أعضاء مجلس الإدارة واللجان التابعة له وأعضاء الإدارة العليا بشكل مستمر، بما يتلاهم مع متطلبات المادة (23) من هذه اللائحة، ويجب على الشركة إبلاغ المؤسسة بأي معلومات أو ظروف من شأنها التأثير على تقييم ملاءمة ومناسبة هؤلاء الأشخاص وذلك خلال مدة لا تزيد على (3) أيام عمل من تاريخ الحصول على تلك المعلومات أو من حدوث التغيير.

الاستقلالية

27. يجب أن يدعم هيكل الحكومة بالشركة مستوى عالياً من الاستقلالية في اتخاذ القرارات على مستوى الشركة والذي يمكن تحقيقه، على سبيل المثال، من خلال الفصل بين واجبات المجلس والإدارة وتعزيز استقلالية وظائف الرقابة، وتجنب مخاطر تعارض المصالح.
28. The Board should leverage the services of independent external parties to provide assurance on the adequacy and effectiveness of the governance structure and processes of the Company, and on other technical areas, where the Board might lack relevant expertise.

Conflict of Interest

29. The Company shall take reasonable measures to identify cases of potential conflict of interest and have clear written procedures for dealing with those cases in a fair and transparent manner.

30. Members of the Board and Senior Management shall not have any interest, directly or indirectly, in the Company’s business and contracts, without a prior authorization from the general assembly, to be renewed each year. The activities to be performed through general bidding, where the member is the best bidder, shall constitute an exception to this rule, subject to SAMA’s non-objection. Members of the Board and Senior Management shall notify the Board of any personal interest they may have in the business and in contracts entered into by the Company. The notification shall be noted in the minutes of the Board meeting. Board members with a personal interest in specific Company’s businesses or contracts shall not vote, neither in the general assembly nor in the Board meeting, on the resolution to be adopted with regards to their personal interests. The Chairman of the Board shall notify the general assembly, when convened, of the activities and contracts
where a member of the Board and Senior Management may have a personal interest and their amounts, and shall attach to such notification a special report prepared by the Company’s external auditors.

31. No member of the Board or Senior Management shall, without a prior authorization of the general assembly, to be renewed annually, 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.

32. Members of the Board and Senior Management who own an interest in an Insurance Service Provider (e.g. brokers, agents, etc.) shall:

a) disclose to the Board their interest in the insurance-related company, in writing, at the earliest opportunity

b) never encourage or solicit dealings with the company in which they hold an interest

c) refrain from voting in decisions related to dealings with the company in which they hold an interest

Additionally, the Company shall notify the general assembly, when convened, of all businesses with any insurance-related company in which a member of the Board or Senior Management has an interest, and shall attach to such notification a special report prepared by the company’s external auditors.
33. The 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.

Remuneration

34. The Company’s articles of association shall specify the remuneration for the Chairman and Board members for their services. Board members remuneration can be modified only by the extraordinary general assembly.

35. The Board shall propose the remuneration package for the Board, based on the recommendations of the Nomination and Remuneration Committee, in accordance with applicable laws, regulations and rules and with the conditions set by the general assembly, subject to the approval by the general assembly. The Company shall ensure that all written details of the proposed remuneration and considerations are accessible to the Shareholders prior to the general assembly at which the remuneration and considerations shall be put to voting.

36. The Company shall have a remuneration policy, as per Article (11) of this Regulation, covering all levels and categories of employees, whether regular or contractual. The remuneration policy shall address the following at minimum:

a) Objectives of the compensation scheme (with focus on promoting effective risk management and achieving financial soundness and stability of the Company)

المكافآت والتعويضات

33. يجب أن يؤدى رئيس مجلس الإدارة العامة بالاجتماع العام بتقديم التفاصيل المفصلة لعقود التأمين التي يتناول فيها راجع لأحد أعضاء مجلس الإدارة أو الإدارة العليا أو الأطراف ذات العلاقة بهم، بما في ذلك نوعية وحجم هذه العقود وأي خسائر ناتجة منها إن وجدت.

34. يحدد النظام الأساسي للشركة مكافآت رئيس وأعضاء مجال الإدارة مقابل الخدمات التي يقومون بها، ويجوز تعديل مكافآت أعضاء مجال الإدارة بموجب الجمعية العامة غير العادية للمساهمين.

35. يقوم مجلس الإدارة باقتراح مكافآت أعضاء مجلس الإدارة بناءً على توصية لجنة التشريعات والمكافآت وما يتوافق مع الأنظمة واللوائح والتعليمات ذات العلاقة ومع أي شروط معتمدة من الجمعية العامة ولا يعتمد أي من المكافآت والتعويضات المفترضة لرئيس وأعضاء المجال على غير موافقة الجمعية العامة عليها.

36. يجب أن يكون لدى الشركة سياسة للمكافآت والتعويضات، حسب متطلبات المادة (11) من هذه اللائحة، بحيث تشمل هذه السياسة جميع مستويات وفئات الموظفين سواء كانوا مقررين أو متعاقدين، بحيث تغطي هذه السياسة بعد أدنى الجوانب الآتية:

أ) أهداف خطة المكافآت والتعويضات (مع التركيز على تمتزج الإدارة الفاعلة للمخاطر وتحقيق سلامة واستقرار الوضع المالي للشركة)
b) Structure of the compensation system (including key determinants of compensation, alignment of compensation with risk taking, etc.)

c) Determinants of the mix of remuneration components (fixed and variable components; cash and non-cash benefits, etc.)

d) Linking compensation with performance

37. The Board shall be responsible to ensure that the compensation level and structure:

a) are fair

b) are aligned with the Company’s objectives

c) encourage prudent behaviors and does not induce taking high risk transactions to achieve short-term profits, and it complies with the Company’s risk management policy approved by the Board

d) do not cause any conflict of interest that might negatively impact the Company’s performance

e) achieve the interests of policyholders, shareholders and the Company’s long-term objectives

38. The Company shall have a performance measurement system in place to evaluate and measure the performance of its employees at various levels, in an objective and formal manner. The performance measurement of Senior Management, in particular, shall be based on the longer-term performance of the Company, and not based on only one year’s performance.
39. The nomination and remuneration committee shall ensure that an annual remuneration review (internally through the internal audit function or externally commissioned by a specialized firm) is conducted independently of executive management.

40. The remuneration structure of employees working in control functions (such as internal audit, and compliance) shall be designed to ensure objectivity and independence of these functions. In this regard, it should be ensured that the executive management of the company is not intervening in the process of performance measurement and compensation determination of such employees.

41. Members of the Board and Senior Management (except sales managers) shall not receive any commission or rewards on sales-related activities (e.g. production). Furthermore, no variable component of the compensation for members of the Board and Senior Management (except for sales managers) shall be directly based on premium volume.


Section 1: Shareholders

42. The Company shall provide shareholders with comprehensive, adequate, accurate, and timely information to enable them to exercise their rights efficiently, and ensure that all shareholders receive equitable treatment.

القسم الأول: المساهمون

الجزء الثالث: أحكام خاصة

42. يجب على الشركة توفير معلومات شاملة وواقية ودقيقة للمساهمين بتوقيت مناسب لتمكينهم من ممارسة حقوقهم بكفاءة وتعامل معاملة جميع المساهمين بشكل عادل.
43. The company should enable shareholders to be briefed on the minutes of the General Assembly.

44. The Company shall take available procedures to encourage minority shareholders and non-institutional shareholders to fulfill their roles as shareholders of the Company.

45. Shareholders must be granted the opportunity to communicate their opinions and concerns to the Board and Senior Management on a regular basis (e.g. through the general assembly).

Section 2: Board of Directors

Chairman of the Board

46. The Board must choose a Non-Executive Director as Chairman of the Board, and also the Board may select a non-executive member as Vice-Chairman (after obtaining "no-objection" from SAMA).

47. The Board shall authorize the Chairman to organize its activities and grant him or her the necessary powers to discharge his or her responsibilities.

48. The Company’s code of corporate governance shall define the roles and responsibilities of the Chairman.

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- The Company shall take available procedures to encourage minority shareholders and non-institutional shareholders to fulfill their roles as shareholders of the Company.
- Shareholders must be granted the opportunity to communicate their opinions and concerns to the Board and Senior Management on a regular basis (e.g. through the general assembly).
a) Organizing the Board’s activities, including setting the agenda for Board meetings in consultation with the CEO and other Board members, presiding over Board meetings, and overseeing the process of providing the Board with information and reports.

b) Representing the Company before judicial bodies and supervising the relationships between the Board and internal and external parties.

c) Supporting the Board’s efforts in promoting higher standards of corporate governance and ensuring compliance with applicable laws and regulations at all times.

49. The Chairman’s responsibilities shall not overlap with those of the CEO. The responsibilities of the Chairman of the Board shall be restricted to his or her supervisory role and shall not extend to the executive responsibilities reserved for the CEO.

50. It is prohibited to conjoin the position of the Chairman of the Board with any other executive position in the company, such as the Chief Executive Officer (CEO) or the managing director or the general manager.

51. The Chairman shall ensure that the Board conducts its activities responsibly, without unduly interfering with the Company’s operational activities.

52. The Board can, by a majority vote of all Board members, dismiss its elected Chairman at any time.
Members of the Board

53. The Board shall be of an efficient size. The number of Board members must not be more than eleven (11) or less than five (5) members on a permanent basis.

54. The Board composition shall reflect sufficient representation of Non-executive Independent Members, and in all cases, Non-executive Independent Members shall not be less than two (2), or a third of the Board, whichever is greater.

55. 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.

56. A Board member shall not be a member of a board of another local insurance and/or reinsurance company, or any other board committees, or occupying a leadership position in such companies.

57. The Company shall have formal and transparent policies, standards and procedures for Board nomination, which are approved by the general assembly and communicated to SAMA.

53. يجب أن يكون حجم المجلس مناسباً، على ألا يزيد عدد أعضاء المجلس عن (11) عضواً ولا يقل عن (5) أعضاء بصفة مستمرة.

54. يجب أن تعكس تركيبة مجلس الإدارة تمثيلاً من الأعضاء المستقلين. وفي جميع الأحوال لا يجوز أن يقل عدد أعضاء المجلس المستقلين عن عضوين، أو ثلث أعضاء المجلس أهماً أكثر.

55. يجب أن يتمتع المجلس بشكل عام بتنوع من حيث المهارات والمعرفة والخبرة والمهارات في مختلف مجالات أعمال الشركة. كما يجب أن يحظى كل عضو بمستوى ملائم من المهارات والمعرفة والخبرة والمهارة والنزاهة في القيام بدوره ومستوياته بشكل فعال.

56. لا يجوز أن يكون عضو مجلس إدارة الشركة عضواً في مجلس إدارة شركة تأمين أو إعادة تأمين محلية أخرى أو إحدى اللجان المماثلة منه أو أن يشغله أحد المناصب القيادية في تلك الشركات.

57. يجب أن يكون لدى الشركة سياسات ومعايير وإجراءات منهجية وشفافة للترشيح لعضوية مجلس الإدارة تواكب عليها الجمعية العامة وتزود بها المؤسسة.
58. The Board nomination process shall take into account the following:

- Allowing sufficient time for receiving nomination proposals for Board memberships
- Reviewing nomination proposals for Board memberships by the nomination and remuneration committee and documenting any findings and recommendations
- Obtaining SAMA’s written non-objection prior to the appointment of any Board member
- Providing shareholders with adequate information on the candidates’ qualifications and relationships with the Company prior to voting
- Applying the Cumulative Voting Method when voting in the general assembly for appointing Board members

59. The Company must notify SAMA when a nomination proposal for Board membership has been rejected and must specify the reasons for the rejection.

60. The number of Board candidates presented to the general assembly for voting shall exceed the number of available seats in order - to provide the general assembly the opportunity to select among several candidates.

The Board can engage the services of an independent specialized external party to identify additional candidates for Board membership when the number of Board candidates is insufficient.
61. If the position of a Board member becomes vacant, the Board can, after obtaining SAMA’s prior written non-objection, 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.

62. Members of the Board shall undergo an induction program once they join the Board. Each member shall be provided with a letter of appointment outlining his or her roles and responsibilities, and comprehensive information on the Company’s business and strategic plans and on applicable laws and regulations.

63. Members of the Board shall endeavor to educate themselves on, and be regularly updated of, 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.

64. The code of corporate governance of the Company shall define the roles and responsibilities of Board members.

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In addition to any other regulatory or supervisory requirements, the duties of the Board shall include but not be limited to the following:

a) Providing strategic guidance to the Company, including setting objectives and formulating strategic plans.
b) Supervising the implementation of strategic plans and major transactions

ج) الإشراف على تنفيذ الخطط الاستراتيجية والعمليات الرئيسية

c) Approving key policies and procedures and regularly reviewing and updating them

ن) الموافقة على السياسات والإجراءات الرئيسية وتحديثها بصفة منتظمة

d) Establishing and monitoring the Company’s internal control system and ensuring its adequacy and effectiveness

د) وضع ومراقبة نظام الرقابة الداخلية للشركة وتأكد من كفاءته وفعاليته

e) Establishing and monitoring a risk management system, where risks are assessed, managed, and monitored on a continuous basis

ه) وضع ومراقبة نظام إدارة المخاطر بالشركة لتقدير المخاطر وإدارتها ومراقبتها بصورة مستمرة

f) 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 for the office

و) اختيار وتعزيز الموظفين التنفيذيين في المراكز الرئيسية (عند الحاجة)، وتتأكد أن الشركة لديها سياسة مناسبة لإحلالديل مناسب يكون مؤهلاً للعمل وملك المهارات المالية

g) Supervising Senior Management and monitoring the Company’s performance against the performance objectives set by the Board

ز) الإشراف على الإدارة العليا ومراقبة أداء الشركة مقارنة بأهداف الأداء التي يحددها المجلس

h) Ensuring the integrity of the Company’s accounting and financial reporting system and the appropriateness of its disclosure process

ح) التأكد من سلامة ونزاهة نظام رفع التقارير والبيانات المالية وسلامة آلية الإفصاح

i) Ensuring that the interests of the policyholders are being protected at all times

ط) ضمان حماية مصالح الأؤمن لهم في جميع الأوقات

j) Promoting higher standards of corporate governance and ensuring compliance with applicable laws and regulations at all times

ي) الاتقاء بمستوى وفعالية الحوكمة بالشركة والتتأكد من الالتزام بالأوامر والقوانين ذات العلاقة في جميع الأوقات
65. The Board shall establish written policies and procedures to organize its activities in a formal and transparent manner.

66. The Board shall grant the audit committee the appropriate level of authority to investigate any matter within its mandate and shall ensure that the internal audit function is autonomous and is granted full access to all the information it needs to conduct its activities. In addition, the Board should take all necessary measures to ensure the responsiveness of Senior Management to internal auditors’ queries and recommendations.

67. The Board is responsible for promoting a culture of good corporate governance and high ethical standards.

68. All individual members of the Board shall have the same proportionate control and influence over the decisions of the Board.

69. Members of the Board shall always be fully informed of the course of business and act in good faith; with due diligence; in compliance with the applicable laws and regulations; and in the best interest of the Company’s shareholders, policyholders, and other Stakeholders.

70. Members of the Board shall perform their duties free from any external influence, whether from within or outside the Company. Members of the Board shall not allow their own personal interest, or the interest of the parties they represent, to come before, or in conflict with, that of the Company, its shareholders, and other Stakeholders.
Members of the Board and its committees are prohibited from disclosing to shareholders or the public any confidential information obtained as they perform their role, other than in the general assembly, and must not use such information for their own benefit and personal gain.

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

Non-executive members of the Board shall hold closed meetings, without the presence of Management members, at least once every year. Staff of the control functions can be invited to attend these meetings, upon the request of the Non-executive members holding the meeting.

Minutes of the Board meetings shall be recorded, signed by the Chairman and the Secretary of the Board, and entered into an official register.

Minutes of the Board meetings shall indicate the meeting’s attendance, topics discussed, major deliberations, voting process, objections and abstentions from voting (with reasons if any), decisions taken, and reservations. All records and documents reviewed during the meeting and/or referred to in the minutes shall be attached to the minutes.

Members of the Board shall be granted unrestricted access to any relevant information regarding the Company.
77. The Board shall be able to seek external independent advice, when necessary, at the Company’s expense.

78. The nomination and remuneration committee shall evaluate the performance of the Board (i.e. overall and individual performance) at least annually, using formal, transparent, and objective criteria.

79. Membership of the Board shall be terminated upon:

a) Expiration of the appointment term

b) Resignation of the Board member

c) Death of the Board member

d) Becoming physically or mentally impaired in a way that could severely limit his or her ability to properly perform his or her role

e) Being declared bankrupt or insolvent or making a settlement request with creditors or ceasing to pay debts

f) Being convicted of an offence involving moral dishonesty or contravention of laws in the Kingdom of Saudi Arabia or any other jurisdiction

g) 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)

h) Failing to attend three (3) meetings that were held within one year without a legitimate and acceptable reason
i) Inability to continue performing their role based on any of the applicable laws and regulations in the Kingdom of Saudi Arabia

80. Subject to the applicable disclosure requirements, SAMA must be notified when a member of the Board resigns or when his or her membership is being terminated for any reason other than the end of appointment term within (5) business days from the date on which the member leaves.

81. The Board is accountable to the shareholders, regulatory and supervisory bodies, and other Stakeholders.

Secretary of the Board

82. The Board shall appoint a Secretary of the Board, for its term, to arrange the Board activities and provide support and assistance to Board members. The Secretary can be a member of the Board or of Company’s staff.

83. The Secretary of the Board shall have adequate experience and knowledge of the Company's business and activities, possess strong communication skills, and be well-informed of applicable laws and regulations and best practices in corporate governance.

84. The code of corporate governance of the Company shall define the roles and responsibilities of the Secretary of the Board.

In addition to any other regulatory or supervisory requirements, the Secretary of the Board of Directors shall conduct

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his/her responsibilities as directed by the Chairman of the Board. His/Her responsibilities include, but are not be limited to, the following: arranging meetings of the Board; in addition to ensuring the availability of appropriate means of communication for the exchange and recording of information between the Board and its committees and between members of senior management and non-executive board members; in addition to maintaining minutes of the Board meetings. The minutes are the permanent official record of the work and decisions taken by the Board and its subcommittees. The Minutes shall be accurate and shall clearly reflect all the items and topics discussed during the meetings of the Board of Directors and shall record all decisions taken and any other matters discussed at the meetings.

The Board’s minutes shall document any votes made during the meetings, including objections or abstention from voting. Any documents referred to during the meetings shall be attached and referred to in the minutes. A comprehensive statement shall be prepared containing the names of the present and absent members, and a list of committees approved and any case of abstention (if any) by any member and the reasons thereof.

The secretary shall give advance notices, send meeting agendas with any relevant materials to Board members and ensure their delivery within a period of (10) working days prior to the meeting.

85. ينبغي أن يوثق محضر مجلس الإدارة أي عملية تصويت تم خلال الاجتماع، بما في ذلك المعارضة والامتناع عن التصويت، وينبغي إرفاق أو الإشارة إلى أي وثائق أو مستندات تم الرجوع إليها خلال الاجتماعات، وأن يعلم يشمل على أسماء الأعضاء الحاضرين وغير الحاضرين، وقائمة باللجان المعتمدة وأي امتناع عن التصويت (إن وجد) لأي عضو وأسبابه.

86. يجب على أمين سر مجلس الإدارة إبلاغ أعضاء المجلس بمواقع الاجتماعات وتزويدهم بجدول الأعمال والمستندات ذات العلاقة والتاكيد من تسليمها قبل الاجتماع بعدة لا تقل عن (10) أيام عمل.
87. Minutes of the meetings shall be distributed to the parties concerned within a period not exceeding fifteen (15) days. The person or entity responsible for implementing the resolutions taken shall be determined. The Board should, at the beginning of each year, set a specific timetable for receiving reports from the committees concerned and internal and external auditors, and shall ensure that the mechanism for the collection, preparation and submission of reports and data is in place and in line with the internal adopted policy. It shall also ensure the preparation of important information and its presentation to the Board on a timely basis.

88. The compensation of the secretary for performing this role shall be determined by the Board.

Section 3: Board’s Committees

89. The Board shall establish specialized Board committees to extend its oversight into particular areas of the Company’s activities, such as nomination and remuneration, audit, risk management, investment, regulatory compliance, disclosure, governance, human resource, strategic development, etc., and delegate the necessary powers to its committees and monitor their performance.

90. At a minimum, the Board shall establish an executive committee, an audit committee, a nomination and remuneration committee, a risk management committee, and an investment committee.
91. The Board of Directors shall approve the by-laws of all committees of the Board. Each committee should have general procedures laid down by the Board, specifying its functions, its duration, scope of its work, its powers and duties, and the mechanism through which the Board monitors its activities.

92. Board committees shall operate in a manner similar to that of the Board. In particular, Articles 68, 69, 70, 71, 74, 75, 86 and 87 of this Regulation shall apply to Board committees as they apply to the Board.

93. The Board shall carefully review the meeting minutes and recommendations of its committees.

94. The committees shall be able to seek external professional advice, when necessary, to perform its role, at the Company’s expense, after obtaining the Board’s approval.

Executive Committee

95. The Board shall form an executive committee and appoint its members in accordance with the Company’s articles of association and any rules issued by the general assembly.

96. The code of corporate governance of the Company shall define the roles and responsibilities of the executive committee, its composition, and the rules governing its activities.

97. The executive committee may be composed of executive and non-executive members. It shall include between three (3) to five (5) members.
98. The executive committee meetings shall be held on a regular basis and as needed, such that the committee meets at least six (6) times every year.

99. The executive committee reports to the Board.

Nomination and Remuneration Committee

100. The Board shall form a nomination and remuneration committee and appoint its members in accordance with the rules it issues based on the proposal of the general assembly, provided that the rules shall include their terms and the committee work mechanism.

101. The code of corporate governance of the Company shall define the roles and responsibilities of the nomination and remuneration committee.

In addition to any other regulatory or supervisory requirements, the duties of the nomination and remuneration committee shall include but not be limited to the following:

a) Making recommendations to the Board on the nomination of Board members and Board committee members in accordance with regulatory requirements and approved policies and standards

b) Reviewing the requirement of suitable skills for membership of the Board and its committees on an annual basis and preparing descriptions of the required capabilities and qualifications for such memberships, including the time that a member should reserve for the activities of the Board and/or Board committees
c) Regularly evaluating the structure and composition of the Board and its committees and determining their points of weakness and recommending remedies

d) Assessing and monitoring the independence of Board and Board committee members and ensuring the absence of any conflict of interest, including ensuring the independence of the independent members, at least on an annual basis

e) Drawing up clear policies regarding the compensations and remunerations of members of the Board, the Board committees, and Senior Management

f) Evaluating the performance of the Board and Board committee members on a regular basis

g) Making recommendations to the Board with regards to selecting and dismissing members of Senior Management

h) Establishing a succession policy and procedures for the CEO and other key members of Senior Management and monitoring the implementation of the succession plans and process

i) Reviewing the compensation plans for members of Senior Management

j) Supervising the compensation plans for members of Senior Management

k) Making recommendations to the Board on various issues related to nomination and remuneration

102. The nomination and remuneration committee shall be composed of three (3) members as a minimum, two of these
must be independent members. The Chairman of the Board cannot chair this committee.

103. The nomination and remuneration committee meetings shall be held on a regular basis and as needed, such that the committee meets at least twice every year.

104. The nomination and remuneration committee reports to the Board.

Audit Committee

105. The Board shall form an audit committee and appoint its members in accordance with the requirements of the Insurance Audit Committee Regulation issued by SAMA. The audit committee reports to the Board.

106. The code of corporate governance of the Company shall define the roles and responsibilities of the audit committee.

Risk Management Committee

107. The Board shall form a risk management committee and appoint its members in accordance with the rules issued by the general assembly.

108. The code of corporate governance of the Company shall define the roles and responsibilities of the risk management committee.
In addition to any other regulatory or supervisory requirements, the duties of the risk management committee shall include but not be limited to the following:

a) Identifying risks that may imperil the Company and maintaining an acceptable risk profile for the Company.

b) Overseeing the risk management system and assessing its effectiveness.

c) Defining a comprehensive risk management strategy for the Company, overseeing its implementation, and reviewing and updating it on a regular basis by taking into account developments that are internal and external to the Company.

d) Reviewing risk management policies.

e) Re-evaluating the Company's tolerance for, and exposure to, risk on a regular basis (e.g., through stress testing exercises).

f) Reporting to the Board details of risk exposures and recommending actions to manage them.

g) Advising the Board on issues related to risk management.

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

110. The risk management committee reports to the Board.
111. The Board shall form an investment committee and appoint its members in accordance with the rules issued by the general assembly.

112. The code of corporate governance of the Company shall define the roles and responsibilities of the investment committee.

In addition to any other regulatory or supervisory requirements, the duties of the investment committee shall include but not be limited to the following:

a) Formulating the investment policy and reviewing its implementation on a quarterly basis

b) Reviewing the performance of each asset class

c) Monitoring the overall risks of the investment policy

d) Submitting a performance review report to the Board of Directors

e) Ensuring the compliance of all investment activities with the requirements of the Investment Regulation issued by SAMA and any other applicable laws and regulations

113. The investment committee shall be composed of at least three (3) members and in accordance to article thirty four (34) of the Investment Regulation.

114. The investment committee reports to the Board.
Section 4: Control Functions

Risk Management Function

115. The risk management function is in charge of identifying, assessing, quantifying, controlling, mitigating, and monitoring the Company’s risks, on a continuous basis and at an individual and aggregate level.

116. The code of corporate governance of the Company shall define the roles and responsibilities and structure of the risk management function.

In addition to any other regulatory or supervisory requirements, the duties of the risk management function shall include but not be limited to the following:

a) Implementing the risk management strategy
b) Monitoring the Company’s risk profile
c) Developing effective risk management policies and procedures to identify, assess, quantify, control, mitigate, and monitor risks
d) Identifying emerging risks and recommending remedial actions to mitigate and control them
e) Regularly evaluating the Company’s tolerance for, and exposure to, risks (e.g., through stress testing exercises)
f) Establishing a contingency plan
g) Coordinating with Senior Management to ensure the effectiveness and efficiency of the risk management system
117. The risk management function shall conduct its activities in accordance with the risk management regulation and any other regulatory or supervisory requirements issued by SAMA.

118. The risk management function must be independent from the underwriting function.

119. The number, knowledge, and experience of employees within the risk management function shall be commensurate with the nature, scale and complexity of the Company’s business. Notwithstanding, the Company shall at least have two (2) risk management officers: one for general and health insurance and one for protection and saving insurance. Companies that write only general and health insurance, or only protection and saving insurance can have one risk management officer.

120. The risk management function may report to the CEO or other senior management, the risk management officer should also report and have direct access to the risk committee without impediment.

Internal Audit Function

121. The internal audit function is responsible for evaluating, and recommending actions to improve the adequacy and effectiveness of internal controls, policies, processes, and reporting procedures, and the extent of adherence to them.
122. The code of corporate governance of the Company shall define the roles and responsibilities and structure of the internal audit function.

Compliance Function

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

124. The code of corporate governance of the Company shall define the roles and responsibilities of the compliance function.

Section 5: Appointed Actuary

125. The Appointed Actuary shall discharge his or her responsibilities as stipulated in Article (20) of the Implementing Regulations of the Law on Supervision of Cooperative Insurance Companies and in accordance with the requirements of the Actuarial Work Regulation for Insurance and Reinsurance Companies issued by SAMA.

126. The code of corporate governance of the Company shall define the roles and responsibilities of the Appointed Actuary and the manner in which he or she discharges his or her responsibilities in accordance with the requirements of the Actuarial Work Regulation for Insurance and Reinsurance Companies issued by SAMA and other applicable laws, regulations, and rules.
Section 6: Senior Management

127. The Senior Management are responsible for supervising the day-to-day activities of the Company.

128. The code of corporate governance of the Company shall define the roles and responsibilities, structure, and reporting lines of the Senior Management members.

In addition to any other regulatory or supervisory requirements, the duties of the Senior Management shall include but not be limited to the following:

a) Implementing the strategic plans of the Company
b) Managing the day-to-day activities
c) Setting procedures for identifying, measuring, mitigating and monitoring risks
d) Setting policies, procedures, and controls to ensure the adequacy and effectiveness of the internal control system
e) Record keeping and audit trails
f) Acting on the Board’s instructions and reporting to the Board
g) Ensuring that regulatory and supervisory requirements are met to the highest extent possible

129. Each Senior Management position shall have a documented and detailed job description specifying its roles and responsibilities, specifications or qualifications, reporting lines, key role interactions, authority, and authority limits.
130. Members of the Senior Management must possess the skills, knowledge, and experience needed for effective and prudent management of the Company. Proof of the qualifications of senior managers shall be provided to SAMA upon request.

131. Senior Management shall provide the Board with a comprehensive overview of its performance in every board meeting at least.

132. Priority shall be given to Saudis for senior management positions. Before appointing non-Saudis in senior positions, the Company shall prove the lack of available qualified Saudi personnel for the required position, in accordance with the SAMA’s Requirements for Appointments to Senior Positions in Financial Institutions, issued in July 2013.