



# **Liva Insurance Company Corporate Governance Manual**

## 1. INTRODUCTION

Liva Insurance Company (“Liva” or the “Company”) Board Governance Manual (“BGM”) sets out the high-level governance arrangements including delegations of authority, policy and decision-making arrangements within the Company. The BGM:

- Sets out the structure of the Company’s Board of Directors and committees.
- Clarifies the roles, responsibilities and authorities of:
  - the Board
  - the Committees
  - the Chairman
  - the Chief Executive Officer or Managing Director
  - the Chief Financial Officer
  - the Company Secretary
  - the key control functions - namely, Risk Management, Compliance, Actuarial and Internal Audit

The Board of Directors is responsible for the direction and oversight of the Company on behalf of the shareholders and is accountable to them for all aspects of the Company’s business. This BGM is designed to enable the Board of Directors, its committees and executive management to operate within a clear governance framework.

The BGM should be adopted by the Board and must be presented to the General Assembly for review and approval. The Company Secretary will be the custodian of the BGM.

The Company will submit the Manual to SAMA within twenty-one (21) business days from obtaining the approval of the General Assembly. The Board shall review the BGM at a minimum once every year to incorporate necessary amendments and updates as the Board deems appropriate. All amendments to the BGM should be channelled through the Company Secretary to the Board for approval. The Board shall submit any amendments to SAMA within twenty-one (21) business days of approving any amendments.

### Definitions:

- a- **Company:** Liva Insurance Company
- b- **Board of Directors (Board):** means the Company's board of directors as accepted under the laws in the Kingdom of Saudi Arabia.
- c- **Committees:** the committees operating under the Board.
- d- **Chairman of the Board (Chairman):** the Company's Chairman of the Board.
- e- **Member(s) of the Board or Board Member(s):** members of the Company's Board who are selected by stakeholders and who together make up the Board.

- f- **Executive Board Member:** a member of the Board 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.
- g- **Non-executive Board Member:** a member of the Board who provides opinions and technical advice and is not involved in any way in the day to day management of the Company and does not receive a monthly or an annual salary.
- h- **Independent Member:** a Board Member who enjoys complete independence from the management of the Company and has the ability to judge things after taking into account all relevant information without undue influence from management or from other external entities. Such independence shall be deemed to be compromised if any of the circumstances specified in this regard under the Laws and Regulations (as defined below) are breached. These circumstances shall include (but not be limited to) the following:
  - (i) Owning the equivalent of 5% of the Company's shares or those of any subsidiaries.
  - (ii) Representing a shareholder with legal personality who possesses the equivalent of 5% of the Company's shares or those of any subsidiaries.
  - (iii) Being a member of the board in a Related Company or one of its subsidiaries or having been one during the past two years.
  - (iv) Being a member of the board of the Company for more than nine years.
  - (v) Holding a senior management position on the Company or in a Related Company or having held one in the past two years.
  - (vi) Being an employee with the Company with a Related Company or a company that provides services to the Company (e.g. Auditors, consulting firms etc.) or having worked with any of the above during the past two years.
  - (vii) Being a Related Person of a member of the Board or Senior Management of the Company or a Related Company.
  - (viii) Having a direct or indirect interest in the businesses and contracts executed for the Company's account.
  - (ix) Being under any financial obligation towards the Company or any members of the board of Senior Management.
  - (x) Engaging in a business that competes with the Company or conducting businesses in any of the Company's activities.
  - (xi) Receiving financial consideration from the Company other than for being a Member of the Board or Committees.
- i- **Senior Executives:** they are natural persons who are part of Senior Management and are responsible for managing and outlining and implementation of the Company's strategic decisions., including the Chief Executive Officer, his deputies, and Chief Financial Officer.
- j- **Significant Shareholders:** natural or legal persons that, directly or indirectly, alone or in association, control 5% or more of the Company's shareholding.
- k- **Senior Management:** collective term used to refer to the Managing Director, Chief Executive Officer, General Manager, their deputies, Chief Financial Officer,

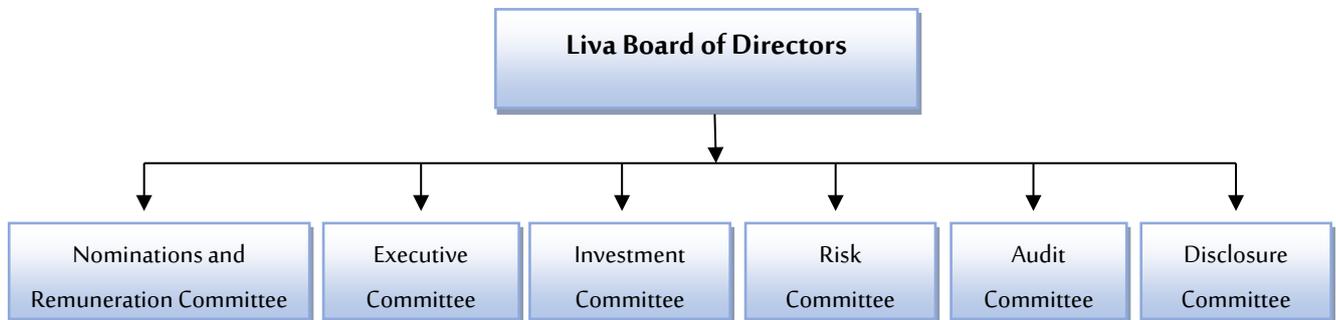
Managers of key departments, officers of risk management, internal audit, and compliance functions, and similar positions in the Company, in addition to incumbents of any other positions determined by SAMA.

- l- **Senior Positions:** Members of the Board and Senior Management.
- m- **Stakeholder:** the persons or parties who have an interest in the company, including shareholders, policyholders, claimants, employees, reinsurers, and regulatory and supervisory bodies.
- n- **Saudi Central Bank (SAMA):** The central bank of the Kingdom of Saudi Arabia, which, among other things, regulates the insurance industry.
- o- **The Capital Market Authority (CMA):** the authority established under the “Capital Market Law” established under royal decree number (M/30) of 2/6/1424.
- p- **Laws and Regulations:** include but are not limited to The Law on Supervision of Cooperative Insurance Companies promulgated by Royal Decree M/32 dated 2/6/1424 H and its Implementing Regulations, the Companies Law, the Corporate Governance Regulations in the Kingdom of Saudi Arabia and the Listing Rules, issued by the Board of the Capital Market Authority (CMA), Insurance Market Code of Conduct Regulation, the Risk Management Regulation, the Antifraud 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 Authority, and any other regulations and relevant directives and circulars and resolutions issued by SAMA and / or the CMA, and any subsequent updates to the laws and regulations.
- q- **The Chief Executive Officer (CEO) or Managing Director (MD):** the director with highest rank in the Senior Management of the Company, who is in charge of its daily management, regardless of the title of his or her position.
- r- **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.
- s- **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 has more than 5% interest.
- t- **Concerned Party:** concerned parties are any party that might be affected by the Board's resolutions including but not limited to, management, employees, subsidiaries, and government entities.
- u- **Business Plan:** the current and future plans for the Company including current and future targets, defences, operation, key developments and any other plan the Company deems appropriate.
- v- **General Assembly:** the annual Ordinary General Assembly meeting of shareholders and the Extraordinary General Assembly meeting of shareholders.

## 2. OVERVIEW OF GOVERNANCE ARRANGEMENTS

### 2.1 Company Governance Structure

The governance structure of the Company is set out below:



The Company is headed by the Board which has the collective responsibility for the management of the Company, (including its performance, conduct and regulatory compliance) and shall be accountable to the shareholders and other Stakeholders.

The Board will operate the following Board Committees:

- ❖ Audit Committee
- ❖ Disclosure Committee
- ❖ Executive Committee
- ❖ Investment Committee
- ❖ Nomination & Remuneration Committee
- ❖ Risk Committee

Further details about these committees can be found in Sections 4 of the Board Governance Manual.

### 2.2 Company Approach to Governance

The Company is committed to implementing a sound governance framework through which the objectives of the Company are set and the means of attaining these objectives and monitoring performance is determined.

To achieve this, the Company operates within a set of corporate governance principles. The Board led by the Chairman will:

- Approve the strategic plans and main objectives of the Company including its annual budgets and supervise their implementation.
- Establish a set of corporate values that are communicated throughout the Company.
- Establish and monitor a risk management system, where risks are assessed, managed, and monitored on a continuous basis.
- Ensure an appropriate management structure resourced with persons having the required skills and experience to run the Company.
- Ensure the integrity of the Company's accounting and financial reporting system and the appropriateness of its disclosure process.

- Ensure that the interests of the policyholders are being protected at all times.
- Ensure compliance with applicable statutory and regulatory obligations.
- Review and approve the organizational and functional structures of the Company on a periodical basis.
- Set and enforce clear lines of responsibility and accountability throughout the Company.
- Ensure that Board members and Senior Management are qualified for their positions and have a clear understanding of their role in corporate governance and are able to exercise sound independent judgement about the affairs of the Company.
- Ensure that there is appropriate oversight of the Company's activities by Senior Management.
- Effectively utilise the work conducted by internal and external auditors, as well as other control functions, given their critical contribution to sound corporate governance.
- Ensure that compensation policies and practices are consistent with the Company's ethical values, objectives, strategy and control environment.
- Conduct corporate governance in a transparent manner.
- Maintain an understanding of the Company's operational structure.
- Balance the needs of shareholders and customers.

The Board has approved delegations of authority to the Chief Executive Officer and the terms of reference and mandates of the Board committees. The Board shall not issue a general or open-ended delegation of authority.

### **2.3 Fitness & Propriety**

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 and circulars issued by SAMA at all times.

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.

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

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, and members of Senior Management, in accordance with the requirements of the Insurance Corporate Governance Regulation and the Corporate Governance Regulations, and immediately notify SAMA and relevant authorities of any information and circumstances that may be relevant to the assessment of fitness

and propriety of these persons within (5) Five business days from the day of obtaining the information or from the day that any change occurred.

## **2.4 Independence**

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

The Board shall 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.

## **2.5 Confidentiality**

Members of the Board and its Committees and the Senior Management are prohibited from disclosing to shareholders or the public any confidential information obtained as part of or during the course of performing their role (other than during the course of the General Assembly), and must not use such information for their own benefit and personal gain.

## **3. ROLE OF THE BOARD AND BOARD MEMBERS**

The role of the Board is to organise and direct affairs of the Company in a manner that is most likely to promote the success of the Company for the benefit of its members as a whole and is consistent with the Company's Articles of Association/By-laws, regulatory requirements and the Laws and Regulations. The Board shall at all times be truthful, honest, and loyal in carrying out its duties and care for the interest of the Company and its shareholders.

The Board maintains overall responsibility for the management of the Company; this includes ultimate oversight of the Company's operations and responsibility for ensuring that there is:

- A competent and prudent management team
- Sound planning process
- An adequate system of internal control
- Adequate accounting and other records
- Compliance with applicable statutory and regulatory obligations
- Adequate management information to make informed decisions
- An embedded set of business principles
- A robust process for monitoring progress against strategic objectives and plans

The Board will receive reports and recommendations from time to time on any matter which it considers significant to the Company.

In addition, the board shall ensure that Shareholders.

- are provided with comprehensive, adequate, accurate, and timely information to enable them to exercise their rights efficiently, and ensure that all shareholders receive equitable treatment.
- get access to the minutes of the General Assembly, Articles of Association, and By-laws upon request.
- are 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).
- who are Minority shareholders and non-institutional shareholders are encouraged to fulfill their roles as shareholders of the Company.

Board Members shall allocate sufficient time to fulfill their obligations and preparing for the Board and Committee meetings. Board Members shall continue to develop their experience and knowledge of the Company's activities and industry. A Board Member should resign from the Board if unable to fulfill his duties on the Board.

### **3.1 Matters reserved for the Board**

In line with the requirement of sound corporate governance, there are a number of matters which are required to be decided by the Board of Directors as a whole. These are as follows:

#### **❖ Strategy and Management**

- Responsibility for the overall management of the Company and supervising the Senior Management.
- Providing strategic guidance to the Company, including setting objectives and formulating strategic plans.
- Supervising the implementation of strategic plans and major transactions
- Setting a specific timetable for receiving reports from its committees and internal and external auditors at the beginning of each year.
- Approval of the Company's long-term objectives and commercial strategy.
- Approval of the annual operating and capital expenditure budgets and any material changes to them.
- Review of performance in light of the Company's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- Approval of any extension of the Company's activities into new business or geographic areas.
- Approval of any decision to cease to operate all or any material parts of the Company's business.
- Approving key policies and procedures and regularly reviewing and updating them.

#### **❖ Structure and Capital**

- Approval of changes relating to the Company's capital structure including reduction of capital, share issues, share buy-backs.
- Approval of major changes to the Company's corporate structure.
- Approval of changes to the Company's management and control structure.

- Approval of any changes to the Company's listing or its status as a 'cooperative insurance company'.

#### ❖ **Financial Reporting and Controls**

- Ensuring the integrity of the Company's accounting and financial reporting system and the appropriateness of its disclosure process
- Approval of reports required in line with relevant laws and regulations.
- Approval of interim and annual report and accounts.
- Approval of the dividend policy.
- Recommendation of the dividend.
- Approval of any significant changes in accounting policies and practices.
- Approval of treasury policies.

#### ❖ **Internal Controls**

- Establishing and monitoring the Company's internal control system and ensuring its adequacy and effectiveness.
- Establishing and monitoring a risk management system, where risks are assessed, managed, and monitored on a continuous basis.
- Ensuring maintenance of a sound system of internal control and risk management including:
  - receiving reports on, and reviewing the effectiveness of, the Company's risk and control processes to support its strategy and objectives;
  - undertaking an annual review of the adequacy of the processes for assessing controls; and
  - approving an appropriate statement for inclusion in the annual report.

#### ❖ **Contracts**

- Approval of major capital projects, investments or contracts in excess of the amount delegated to the Executive Committee.
- Approval of lending or borrowing by the Company made outside the treasury policy of the Company.

#### ❖ **Disclosure, Transparency & Communication**

The Board shall

- ensure 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.
- 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.
- Approve resolutions and corresponding documentation to be put forward to shareholders at a General Assembly.
- Approve all circulars, prospectuses and listing particulars.

- Approve press releases concerning matters decided by the Board.
- Provide the General Assembly with a report containing comprehensive and objective assessment of the Company's situation and performance (Board of Directors Report and Annual Financial Statements), on an annual basis. The Board of Directors report should cover at a minimum all of the requirements specified under the CMA Listing rules, the CMA Corporate Governance regulations and the SAMA Insurance Corporate Governance Regulations for Insurance Companies.
- Ensure all information under the Board responsibilities are presented on timely manner.

#### ❖ **Board Membership and Appointments**

- Approval of changes to the structure, size and composition of the Board, following recommendations from the Nomination & Remuneration Committee.
- Ensuring adequate succession planning for the Board and senior management following recommendations by the Nomination & Remuneration Committee.
- Appointments to the Board, following recommendations by the Nomination & Remuneration Committee.
- Selection of the Chairman of the Board and the Managing Director.
- Membership and Chairmanship of the Board Committees.
- Continuation in office of directors (subject to the SAMA Corporate Governance Regulation, and Company's Articles of Association/By-laws and shareholder approval at the General Assembly).
- Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the Company, subject to the law and their service contract.
- Appointment or removal of the Company Secretary for the term of the Board.
- Appointment, reappointment or removal of the external auditors to be put to shareholders for approval, following recommendation from the Audit & Risk Committee.
- Appointments to Boards of any subsidiaries.
- Appointments of Senior Management and ensuring that the Company has an appropriate succession plan for these positions.
- 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.
- Subject to non-objection from SAMA, the Chairman shall be chosen by the Board from amongst the non-executive Directors of the Board.
- The Board can dismiss its elected Chairman by a majority vote of all Board Members.
- The Board can select a non-executive Board Member as Vice-Chairman.
- The Board shall authorise the Chairman to organise its activities and grant him the necessary powers to discharge his responsibilities.
- The Chairman shall not have any other executive position in the company, such as the Managing Director, and his responsibilities shall not overlap with the Managing Director.
- The Chairman cannot be appointed in the role of the Managing Director within one year after serving as the Company's Chairman.

- The Chairman of the Board shall not be a member of the Audit Committee. He may be a member of other committees, provided that he is not the chairman of any committee.
  
- ❖ **Remuneration**
  - Putting in place a remuneration and compensation policy.
  - Determining the remuneration policy for the Directors, Board Committee members, Company Secretary and other Senior Executives.
  - Board members' remuneration can only be modified by the extraordinary General Assembly, and, if necessary, after amending the Company's By-laws.
  - Determining the remuneration and reimbursement of the directors, subject to the Company's Articles of Association/By-laws and shareholder approval as appropriate (no director shall be involved in any decisions as to their own remuneration).
  - The introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.
  
- ❖ **Delegation of Authority**
  - Approval of the division of responsibilities between the Chairman and the Managing Director.
  - Approval of delegated authority limits assigned to the Managing Director.
  - Approval of terms of reference of Board Committees.
  - Receiving reports from Board Committees on their activities.
  
- ❖ **Corporate Governance Matters**
  - Reviewing of the Company's overall corporate governance arrangements.
  - Undertaking a formal and rigorous written review annually of its own performance and that of the Board Committees and individual directors, including assessing the skills and experience of the Board.
  - Carrying out the necessary arrangements to obtain assessment of its performance from an independent third-party every three years.
  - Determining the independence of directors as per applicable Laws and Regulations on an annual basis.
  - Considering the balance of interest between shareholders, employees, customers and the community.
  - Establishing and monitoring a risk management system, where risks are assessed, managed, and monitored on a continuous basis
  - Receiving and considering reports on the views of the Company's shareholders.
  - Promoting higher standards of corporate governance and ensuring compliance with applicable laws and regulations at all times.
  - Promoting a culture of good corporate governance and high ethical standards.
  
- ❖ **Policies & Management of Conflicts of Interest**
  - Approval of policies and procedures to ensure the Company's compliance with relevant laws and regulations and the Company's obligation to disclose material information to shareholders, regulators and other stakeholders.

- Developing a written policy that would regulate conflict of interest and remedy any possible cases of conflict by members of the Board of Directors, executive management and shareholders. This includes misuse of the company's assets and facilities and the arbitrary disposition resulting from dealings with the related parties.
- Putting in place controls to ensure that 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. Activities performed through general bidding, where the member is the best bidder, shall be an exception. These controls shall include the following:
  - 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.
  - Members of the Board and Senior Management 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
  - No member of the Board or Senior Management shall, without disclosing to the Board, and 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. The member with a competing interest shall refrain from voting on such decisions both in Board meetings and at the General Assembly.
  - Notify the General Assembly, when convened, of the activities and contracts where a member of the Board and/or Senior Management may have a personal interest along with amounts involved, and shall attach to such notification a special report prepared by the Company's external auditors.
  - 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.
  - 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.
  - Board Members are prohibited from misusing or benefitting, directly or indirectly, from any of the Company's assets, information or investment opportunities presented to the Company or to him in his/her capacity as a member of the Board. This includes investment opportunities which are within the activities of the Company, or which the Company wishes to make use of. Such prohibition shall extend to Board Member who resigns to,

directly or indirectly, use investment opportunities that the Company wishes to use, which came to his/her knowledge during his/her membership in the Board.

- No member of the Board or Senior Management may accept gifts from any person who has entered into commercial transactions with the Company if such acceptance of gifts may lead to a conflicts of interest.

#### ❖ **Joint Ventures**

- The operations of associates and joint ventures will normally be governed by the provisions of a Shareholders' and/or Joint Venture Agreement, the terms of which would include, inter alia, the powers of the board of the associate or joint venture, and the procedure for creating and approving business plans for the associate or joint venture.
- Joint venture agreements will normally contain a power of veto and referral to the Board that can be invoked where the appointed executive disagrees with the joint venture board on any business decisions and/or points of principle relating to governance matters.
- No associate or joint venture agreements should be entered into without the prior approval of the Board.

#### ❖ **Other**

- Approval of the appointment of the Company's principal professional advisers.
- Approval of the Company's Business Continuity Plan.
- Prosecution, defence or settlement of litigation which is material to the interests of the Company.
- Approval of the overall levels of insurance for the Company including directors' & officers' liability insurance and indemnification of directors.
- Major changes in the fund management arrangements.
- Supervising Senior Management and monitoring the Company's performance against the performance objectives set by the Board, and providing a written review to the Senior Management.
- Ensuring that the interests of the policyholders are being protected at all times.

### **3.2 Matters not specifically reserved to the Board**

Matters which the Board considers suitable for delegation are contained in the terms of reference of the Board Committees.

Also, matters not specifically reserved to the Board are delegated to the Chairman and the Managing Director (who may in turn sub-delegate certain matters within his powers to other members of the Executive Committee).

#### ❖ **Delegated Authorities**

The Board has specifically delegated the following limits for the approval of individual projects or business initiatives (including any series of connected projects/initiatives):

### **Schedule of Delegated Authorities**

<b>Project/Initiative Spend</b>	<b>Authority Required</b>
Over SAR 6 million (or the equivalent in any other currency)	To be discussed and approved by the Board
Between SAR 3 million and 6 million	To be discussed by the Executive Committee and approved jointly by Managing Director and Chief Financial Officer
Less than SAR 3 million	Managing Director <sup>1</sup>

### **3.3 Matters requiring Shareholder approval**

Certain fundamental matters relating to the activities of the Company fall outside the powers of the Board. They are matters which require the approval of the shareholders of the Company. There are four main sources of these:

- ❖ The Companies Law
- ❖ The Listing Rules issued by the CMA
- ❖ The Corporate Governance Regulations issued by the CMA
- ❖ The Insurance Corporate Governance Regulations issued by SAMA
- ❖ The Company's Articles of Association/By-Laws

It is not possible to give an exhaustive list of matters requiring shareholder approval, but examples include:

- ❖ Changes to the Company's Articles of Association/By-Laws
- ❖ Term/duration of the Company (set at 99 years)
- ❖ Remuneration and reimbursement of directors
- ❖ Appointment of the external auditors and fixing of their remuneration
- ❖ Changes to the share capital of the Company
- ❖ Dissolution of the Company prior to the expiry of its term
- ❖ Approval of dividends
- ❖ Approval of Financial Statements and Board of Directors report
- ❖ Transactions between the Company and its directors

The Company Secretary is responsible for advising directors on the need for shareholder approval.

### **3.4 Board Meetings**

The Board will meet at least 4 times a year provided that they hold meetings at least once every quarter. At these meetings amongst other things, strategy is set, operational performance is reported and reviewed against plan and the interim and annual financial statements are presented and approved by the Board.

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<sup>1</sup> Authority below this level is contained in the "Liva Team, Delegated Authority Tables".

The Board shall meet upon the invitation of the Chairman or upon a request from two of its members. These meetings can be held either physically where members are physically present or through teleconference (telephone meetings) where members can dial into the meeting through the phone, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting. A person so participating through telephone communication shall be deemed to be present in person at the meeting and shall accordingly be counted for quorum and shall be entitled to vote.

Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed shall be forwarded to each member of the Board and any other person required to attend no later than 10 working days before the date of the meeting. Supporting papers shall be sent to Board members and to other attendees as appropriate, ten (10) working days in advance of the meeting as reasonably practicable. The Board shall approve the agenda once the Board meeting is convened. Any member of the Board may raise any objection in respect of the agenda, which shall be recorded in the minutes of the meeting. Board Members are entitled to propose additional items to the agenda.

The meeting of the Board shall not be deemed as valid unless attended by at least half of the members, either personally or vicarious the members attending in person shall be at least three (3) members. Resolutions of the Board shall be passed unanimously. In case of disagreement these resolutions shall be passed by at least two thirds majority vote of the members present or represented by proxy. A director who remains opposed to a proposal after a vote can ask for his dissent to be noted in the minutes. By all means, all the voting proceeds should be noted in the minutes of the meetings.

In addition to resolutions passed at Board meetings, when matters of urgency arise between meetings of the Board, Board resolutions may be issued by written resolution that shall be circulated amongst all the directors and approved through email and /or signatures, unless one of the directors' requests, in writing, to hold a meeting to discuss the resolution. In this case the resolutions shall be held back and presented to the Board at the next meeting that is convened. Such written resolutions approved through circulation by all the directors, shall have the same force as a resolution passed at a meeting of the directors.

Minutes of the meetings of the Board shall be prepared and circulated promptly to members of the Board. These shall be submitted to the following meeting and, subject to formal approval, signed by the Chairman and the Company Secretary and maintained as record.

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

All records and documents reviewed during the meeting and/or referred to in the minutes shall be attached to the minutes. In addition, the minutes should include, at least, the following information:

- A) meeting's attendance;
- B) topics and issues discussed;
- C) items being deliberated and discussed,
- D) voting process and objections and abstentions from voting including the reasons if any; and
- E) decisions taken and reservations by any member of the Board.

Minutes of the Board's 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 shall, 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.

The Board shall provide the General Assembly with a report, to be accessible through the website, containing comprehensive and objective assessment of the Company's performance, at least on an annual basis, which shall include, among other things, the following information:

- 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;
- G) assessment of potential risks and how such risks are being managed;
- H) projections of future performance; and

any other relevant information that could affect shareholders position and voting.

### **3.5 Training**

The Company should organize a formal induction session for newly appointed Board Members to explain the roles and responsibilities of the members, how the Board is managed, corporate governance obligations and relevant requirements of SAMA,

CMA and any other regulatory requirements within the Kingdom of Saudi Arabia applicable to the Company.

The Company should facilitate participation of Board Members in relevant continuing education programs when requested by a Board Member or when the Board concludes that such education would be of significant benefit to a Board Member.

#### **4. BOARD COMMITTEES**

The Board shall operate the following Board Committees.

##### **4.1 Audit Committee**

The Audit Committee is responsible for overseeing the application of the financial reporting and internal control principles within the Company and for maintaining an appropriate relationship with the Company's auditors.

Detailed terms of reference for the Audit & Risk Committee are set out at **Appendix A**.

##### **4.2 Disclosure Committee**

The Disclosure Committee shall assist the Managing Director and the Chief Financial Officer in fulfilling the Board's responsibility for oversight of the accuracy and timeliness of the disclosures obligations of the Company.

Detailed terms of reference for the Disclosure Committee are set out at **Appendix B**.

##### **4.3 Executive Committee**

The Executive Committee is the Managing Director's forum for major operational decisions.

Detailed terms of reference for the Executive Committee are set out at **Appendix C**.

##### **4.4 Investment Committee**

The Investment Committee shall assist the Board in managing all aspects of the investment policy and strategy for the Company and provide oversight of the operation of the Company's investment portfolio within established strategy and risk frameworks.

Detailed terms of reference for the Investment Committee are set out at **Appendix D**.

##### **4.5 Nomination & Remuneration Committee**

The Nominations & Remuneration Committee shall be responsible for leading the process for Board appointments and directors' remuneration and making recommendations to the Board. The Committee shall also support the Board with respect to the Board's responsibility with respect to ensuring adequate level of

independence in the Board and Board Committees as well as putting in place a remuneration and compensation policy for the Company.

Detailed terms of reference for the Nomination & Remuneration Committee are set out at **Appendix E**.

#### **4.6 Risk Committee**

The Committee has the responsibility to oversee the Company's risk management arrangements ensuring the risk appetite is appropriate and adhered to and that key risks are identified and managed.

Detailed terms of reference for the Risk Committee are set out at **Appendix F**

### **5. ROLE OF THE CHAIRMAN OF THE BOARD**

The Chairman of the Board is responsible for:

#### **5.1 Strategy**

Oversight of the Company's strategy.

#### **5.2 Meetings**

- Chairing the Board and general meetings.
- Running the Board and ensuring its effectiveness in all aspects of its role, including regularity and frequency of meetings.
- Setting the agenda for Board meetings in consultation with the Managing Director and other Board members, presiding over Board meetings, and overseeing the process of providing the Board with information and reports.
- Ensuring that there is appropriate delegation of authority from the Board to executive management.
- Ensuring that the directors receive accurate, timely and clear information, including that of the Company's current performance, to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of the Company.
- Managing the Board to allow enough time for discussion of complex or contentious issues. The Chairman should ensure that directors (particularly non-executive directors) have sufficient time to consider critical issues and obtain answers to any questions or concerns they may have and are not faced with unrealistic deadlines for decision making.
- Ensuring that the Board conducts its activities responsibly, without unduly interfering with the Company's operational activities.

#### **5.3 Directors**

- Facilitating the effective contribution of non-executive directors and encouraging active engagement by all members of the Board.
- Ensuring constructive relations between the executive and non-executive directors.
- Holding meetings with the non-executive directors without the executive(s) being present.

#### **5.4 Induction, Development and Performance Evaluation**

- Ensuring that new directors participate in a full, formal and tailored induction program facilitated by the Company Secretary.
- Ensuring that the development needs of directors are identified and, with the Company Secretary having a key role, these needs are met. The directors should be able to continually update their skills and the knowledge and familiarity with the Company required to fulfill their role on the Board and its Committees.
- Identifying the development needs of the Board as a whole to enhance its overall effectiveness as a team.
- Ensuring the performance of the Board, its committees and individual directors is evaluated at least once a year and acting on the results of such evaluation by recognizing the strengths and addressing the weaknesses of the Board. Where appropriate, through the Nomination & Remuneration Committee, proposing that new members be appointed to the Board or seeking the resignation of others.

#### **5.5 Relations with Shareholders**

- Ensuring effective communication with shareholders.
- Maintaining sufficient contact with major shareholders to understand their issues and concerns, in particular discussing governance, strategy and remuneration with them.
- Along with the Chief Executive Officer, ensuring that the views of shareholders are communicated to the Board as a whole so that all directors develop an understanding of their views.

#### **5.6 General Assembly Meetings**

- Serve as the Chairman of the General Assembly meetings, or arrange for his deputy or other Board Members in his absence.
- Providing the General Assembly with the required reports and representations.
- Arranging for the Chairmen of Board committees to be available to answer questions at the General Assembly Meeting and for all directors to attend.

#### **5.7 Additional Expectations**

In addition to the above responsibilities, it is expected that the Chairman should:

- Uphold the highest standards of integrity and probity.
- Set the agenda, style and tone of Board discussions to promote effective decision making and constructive debate.
- Ensure that the Board members are fully informed about all issues on which the Board will have to make a decision, through briefings with the Managing Director, the Company Secretary, and members of the executive management as appropriate.
- Ensure clear structure for, and the effective running of, Board Committees.
- Ensure effective implementation of Board decisions.
- Promote effective relationships and open communication between executive and non-executive directors both inside and outside the boardroom, ensuring an appropriate balance of skills and personalities.

- Build an effective and complementary Board, and with the Nomination & Remuneration Committee, initiate change and succession plan in Board appointments (except that of a successor as Chairman) subject to Board, regulatory and shareholder approval.
- With the assistance of the Company Secretary, promote the highest standards of corporate governance, seeking compliance with the relevant laws and regulations. If full compliance is not possible, ensure that the reasons for non-compliance are fully understood, agreed by the Board and explained to shareholders.
- Ensure an appropriate balance is maintained between the interests of shareholders and other stakeholders (employees, customers, suppliers and the community).
- Ensure the long-term sustainability of the business.
- Ensure the continual improvement in quality and calibre of the executives.
- Establish a close relationship of trust with the Managing Director, providing support and advice while respecting executive responsibility.
- Represent the Company before judicial bodies and supervise the relationships between the board and internal and external parties.
- Provide coherent leadership of the Company, including, in conjunction with the Managing Director, representing the Company to customers, suppliers, regulators/government bodies, shareholders, financial institutions, the media, the community and the public.
- Supporting the Board's efforts in promoting higher standards of corporate governance and always ensuring compliance with applicable laws and regulations.

## 6. ROLE OF THE MANAGING DIRECTOR

The Managing Director (MD) is accountable and reports to the Board and is responsible for running the Company's business. The MD, within the authority limits delegated by the Board and his Executive Licence<sup>2</sup>, is responsible for the following:

### 6.1 Overall Responsibility

- To lead the setting and execution of the strategy for the Company and communication of matters affecting the Company to both internal and external parties.
- To manage the business of the Company in accordance with the Business Plan approved by the Board, incurring capital and revenue expenditure on projects and new initiatives as appropriate to meet the objectives contained in the Business Plan, or as may separately be approved by the Board.
- Generally, to make decisions in all matters affecting operations, performance and strategy of the Company (being any matters not specifically reserved by law or regulation or the Articles of Association and By-Laws to shareholders or not reserved to the Board or specifically delegated by the Board to its Committees), in accordance with Company policies approved by the Board and any specific instructions given by the Board from time to time.
- The oversight of the Company's approach to its customers.
- Oversighting the regulatory and compliance issues of the Company.

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<sup>2</sup> Executive Licence is provided to the MD through the RSA Delegated Authority Framework.

## 6.2 Business Strategy and Management

- Developing Company objectives and strategy having regard to the Company's responsibilities to its shareholders, customers, employees, regulators and other stakeholders.
- The successful achievement of objectives and execution of strategy following presentation to, and approval by, the Board.
- Recommending to the Board a Business Plan and ensuring their achievement following Board approval.
- Optimizing as far as is reasonably possible the use and adequacy of Company resources.

## 6.3 Investment and Financing

- Examining all trade investments and major capital expenditure and recommendation to the Board proposals which are material either by nature or cost.
- Identifying and executing acquisitions and disposals, approving major proposals or bids.
- Leading business and/or geographic diversification initiatives.
- Identifying and executing new business opportunities outside the current core activities.

## 6.4 Risk Management and Controls

- Ensuring full compliance with the regulatory and governance requirements of the Company.
- Managing the Company's risk profile in line with the extent and categories of risk identified as acceptable by the Board.
- Ensuring appropriate internal controls are in place and effective.

## 6.5 Board Committees

- Making recommendations on remuneration policy, executive remuneration and terms of employment of the senior management team including the Company Secretary, to the Nomination & Remuneration Committee.
- Making recommendations to the Nomination & Remuneration Committee on the role and capabilities required in respect of the appointment of executive directors.

## 6.6 Communication

- Providing a means for timely and accurate disclosure of information, including an escalation route for issues.
- Ensuring effective communication with all internal and external stakeholders.

## 6.7 Other

- Setting Company HR policies, including management development and succession planning for the senior management team and approving the appointment and termination of employment of members of that team.
- To approve the apportionment and allocation of roles and responsibilities of the executive management team of the Company.
- To approve the creation of any new subsidiaries and dissolution of any subsidiaries.
- For subsidiaries that are not classified as principal subsidiaries of Liva, to approve or recommend the composition, appointment and removal of directors of the boards of

these subsidiaries, subject to the articles of association/by-laws of the relevant subsidiary.

- To approve all capital and revenue transactions, including acquisitions and disposals, not specifically reserved for the Board.
- To approve the issue of non-binding letters of comfort by the Company or any subsidiary.
- To approve the granting, amendment and revocation of powers of attorney authorising one or more individuals to represent or otherwise act on behalf of the Company or any subsidiary.
- To approve the appointment of individuals to act as proxies or as corporate representatives of the Company.
- To approve the authorisation of individuals to execute documents on behalf of the Company or any subsidiary, subject to such conditions or limitations as may be appropriate.

### **6.8 The duties derived from delegated responsibilities.**

The duties which derive from these responsibilities include:

- Leading the senior management team in the day to day running of the Company's business, including chairing the Executive Committee and communicating its decisions/recommendations to the Board.
- Ensuring effective implementation of Board decisions.
- Regularly reviewing the operational performance and strategic direction of the Company's business.
- Regularly reviewing the Company's organizational structure and recommending changes as appropriate.
- Formalizing the roles and responsibilities of the senior management team, including clear delegation of authorities.
- Supervising the activities of subsidiary companies' most senior executives.
- Developing senior teams within subsidiaries and ensuring succession planning.
- Overseeing the development and maintenance of appropriate and timely policies.
- Ensuring that all Company policies and procedures are followed and conform to the highest standards.
- Together with the Chairman of the Board, provide coherent leadership of the Company, including, representing the Company to customers, suppliers, government bodies, regulators, shareholders, financial institutions, employees, the media, the community and the public.
- Keeping the Chairman of the Board informed of all important matters.
- The Managing Director is responsible for approving the expenses of the Chairman of the Board.

Except where the Board gives specific direction otherwise, the Managing Director can delegate any of these matters to other members of the Executive Committee.

## 7. ROLE OF SENIOR MANAGEMENT

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

- Implementing the strategic plans of the Company.
- Managing the day-to-day activities of the Company.
- Setting procedures for identifying, measuring, mitigating and monitoring risks.
- Setting policies, procedures, and controls to ensure the adequacy and effectiveness of the internal control system.
- Record keeping and audit trails.
- Acting on the Board's instructions and reporting to the Board, including providing recommendations, proposals, and information and records to allow the Board to fulfill its role.
- Ensuring that regulatory and supervisory requirements are met to the highest extent possible.
- Implementing the Company's policies, including corporate governance.

The Senior Management shall be accountable to the Board and provide a comprehensive overview of its performance in every meeting.

## 8. ROLE OF THE CHIEF FINANCIAL OFFICER

The following powers are delegated by the Managing Director to the Chief Financial Officer (CFO):

### 8.1 Responsibility

The CFO has primary responsibility in relation to the creation and delivery of the Company's business plan. This incorporates oversight of the planning process, adherence to prescribed timetables and testing and challenging of the business plan.

Together with the Managing Director, the CFO will have responsibility for managing the relationships with key stakeholders, including shareholders and regulators.

Additionally, the CFO will have overall responsibility for:

- Financial, management and regulatory reporting
- The oversight of the Company's control environment, including risk management framework
- Capital management and allocation
- Capital raising (debt and equity)
- Management of cash within the Company
- Company taxation

### 8.2 Specific Matters

- To create and deliver for approval the Company's business plan.
- To lead (with the Chairman and Managing Director) the oversight of the Company's governance framework and control environment.
- To lead (with the Chairman and Managing Director) the key stakeholder relationships, including shareholders, debt holders, regulators and rating agencies.

- To lead the process of quarterly reviews of operating performance and regular re-forecasting and report thereon to the Executive Committee and the Board.
- To provide comprehensive financial reporting and effective management information to the Board and, when appropriate, the markets and rating agencies.
- To ensure that the Company embeds strong financial disciplines into its operating and reporting processes.
- To make recommendations to the Board on dividend policy.
- To monitor and protect shareholder net asset value.
- To provide effective capital management and allocation.
- To provide effective cash management for the Company.
- To agree with the Executive Management team the key projects whose delivery will be monitored by the Company and reported to the Board.
- To ensure adequate oversight of tax planning.
- To lead the process that assists the Board to formulate its strategy for managing risk for review and approval by the Executive Committee, and approval by the Board.
- To ensure effective and efficient oversight of the Company's system of internal control, including financial, operational, compliance and risk management.
- To authorise the creation, operation and closure of bank accounts for the Company and to determine individual authorities to operate such accounts.
- Recommend any increase/reduction in the issued share capital of the Company after consultation with the Managing Director.
- In the absence of the Managing Director, the CFO will act in relation to any matter delegated to him by the Managing Director.

## 9. ROLE OF THE COMPANY SECRETARY

### 9.1 Responsibilities

The Company Secretary is responsible for:

- Ensuring the smooth running of the Board and Committees' activities by helping the Chairmen to set agendas, preparing papers and presenting papers to the Board and its Committees, advising on Board procedures and ensuring the Board follows them.
- Arranging meetings of the Board and ensuring the availability of communication means for the exchange and recording of information between the Board and its committees.
- Ensuring communication between members of senior management and non-executive Board members are effective.
- Maintaining Company documents and records of minutes and decisions taken by the Board and its committees, and making records available to the Board.
- Giving advance notices, sending meeting agendas with any relevant materials to Board members and ensuring their delivery within a period of (10) working days prior to the Board's meeting.
- Keeping under close review all legislative, regulatory and corporate governance developments that might affect the Company's operations, and ensuring the Board is fully briefed on these and that it has regard to them when taking decisions.
- Ensuring the concept of stakeholders is in the Board's mind when important business decisions are being taken.
- Acting as a confidential sounding board to the Chairman, non-executive directors and executive director(s) on points that may concern them.

- Acting as a primary point of contact and source of advice and guidance for, particularly, non-executive directors as regards the Company and its activities in order to support the decisions making process.
- Acting as an additional enquiring voice in relation to Board decisions which affect the Company, drawing on his experience and knowledge of the practical aspects of management including relevant laws and regulations.
- Ensuring, where applicable, that standards and/or disclosures required by SAMA and Capital Market Authority Applicable Regulations are observed and, where required, reflected in the annual report of the directors including playing a key role in drafting the annual report, and agreeing disclosures with the Board and Disclosure Committee.
- Compliance with Listing Rules, for example ensuring publication of annual and interim accounts within the periods laid down in the Listing Rules; dissemination of regulatory announcements such as financial information to the market; ensuring that proper notification is made of director's dealings in the Company's securities.
- Managing relations with investors, particularly institutional investors, with regard to corporate governance issues and the Board's practices in relation to corporate governance.
- Inducting new directors into the business and their roles and responsibilities.
- As regards offences under Capital Market Law, ensuring that the Board is fully aware of its responsibility to ensure that it does not mislead the market by putting out or allowing the release of misleading information about its financial performance or trading condition, or by omitting to state information which it should state, or by engaging in a course of conduct which could amount to misleading the market.
- Ensuring compliance with all statutory filings.
- Making arrangements for and managing the whole process of the Annual General Assembly Meeting and establishing, with the Board's agreement, the items to be considered at the Annual General Assembly Meeting, including resolutions dealing with governance matters.

## 9.2 Qualifications

The Company Secretary 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.

The Corporate Secretary should have either of the following:

- A bachelor's degree in law, finance, accounting or administration or their equivalent, and relevant practical experience of not less than three years; or
- relevant practical experience of not less than five years.

The Corporate Secretary may not be dismissed except pursuant to a decision of the Board.

## 10. KEY CONTROL FUNCTIONS

### 10.1 Risk Management Function

The risk management function shall be responsible for identifying, assessing, quantifying, controlling, mitigating and monitoring the Company's risks on a continuous basis and at an individual and aggregate level.

The key responsibilities are as follow

- Develop and agree a Risk Management strategy, framework and annual plan that will ensure the Operations continues to meet the requirements of Risk Management best practices and SAMA's regulations and rules.
- Lead and assist the operations in the implementation of the Company's risk management strategy, procedures, controls, policies and standards.
- Develop Risk Management related Policies and procedures to be approved by the Risk Committee.
- Ensure accuracy, quality and timeliness of reporting to the Management/Risk Committee/ Audit Committee.
- Support and Lead the Operations in the Implementation and management of the Risk Management processes.
- Monitor and challenge the effectiveness within the Operations for Implementation of the agreed policies and standards and actions taken in the event of detected weakness or breaches.
- Prepare, monitor and report risk information to meet the requirements of the risk management framework.
- Build and manage relationships across the Operations in order to ensure and support embedding the Risk management framework
- Support the operations in the implementation and management of the Operational Risk Management framework
- Ensure appropriate risk management input in significant corporate transactions.
- Have an oversight of the various audit issues, and monitor timely closure
- Monitor the Company's risk profile.
- Identify emerging risks and recommending remedial actions to mitigate and control them.
- Regularly evaluate the Company's tolerance for, and exposure to, risks.
- Liaison with Internal Audit on all Internal Audit reviews and participation in review management process.
- Coordination of Internal Audit Issue closure process with the management.
- Supervise, coordinate and manage activities for the Operations pertaining to Business Continuity Management in accordance to the BCM Policies and standards and conduct the BCM Tests as per the Annual Test calendar.
- Manage report and take action to address and/or escalate risks, non-application of policies, agree remedial actions and/or provide early warning of issues and implications to the Executive Team of the Operations.
- To provide staff training and awareness-raising on risk management framework and requirements.
- Support Compliance Department in the implementation of the Anti Money Laundering procedures in compliance with AML Policy, rules and regulations.

## 10.2 Compliance Function

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

The key responsibilities are as follow

- Develop, agree and implement a compliance strategy, framework and annual plan that will ensure that the Company continues to meet the requirements of the Risk Management Framework and relevant Laws and Regulations.
- Implement robust systems and controls to ensure ongoing compliance.
- Specify and ensure appropriate levels of monitoring
- Take appropriate action to address and report non-compliance or misalignment
- Ensure accuracy, quality and timeliness of reporting consistency with the Company formats and standards
- Manage and coordinate the relationship with the regulators and all relevant outside agencies such as the CMA, SAMA, CCHI, Police, Labour Ministry, MOCI etc, communicating as necessary in order to ensure:
  - The maintenance of good working relations and lines of communication.
  - Contribute to an effective management and resolution of issues and/or disputes arising.
  - The regulator's information requirements are met.
  - Smooth organisation of audit and inspection visits.
- In conjunction with the Company Secretary to be a key focus for shareholders and act as a point of reference on regulatory matters concerning the company
- Contribute to the development and implementation of the overall business strategy via leadership, consulting and advice on regulatory compliance.
- Ensure appropriate involvement in regulatory compliance aspects of significant corporate transactions in the Company.
- To manage the implementation of Company's regulatory compliance management policies.
- Monitor regulatory developments, providing regular updates on changing and emerging regulation to relevant stakeholders.
- Provide the necessary input to the Board through high quality briefings on material issues and developments.
- Take appropriate action to address and/or escalate instances of non-compliance, agree remedial actions and/or provide early warning of breaches, issues and implications.
- Participate fully in relevant projects to ensure that all regulatory requirements are identified and addressed.
- Build and manage relationships across the various functions in order to ensure/support:
  - Embedding of compliance into all facets of the businesses.
  - Development and improvement of regulatory compliance capabilities within the functions.
  - Increase awareness through Trainings.

- To manage and coordinate the implementation of the Anti Money Laundering (AML) procedures in line with AML Policy, rules and regulations, and SAMA's regulation and rules

### 10.3 Actuarial Function

#### ❖ Role and Responsibilities of the Appointed Actuary

For the purpose of providing unbiased and objective advice in accordance with these Rules, 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:

- 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.
- 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.
- 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.
- Review and take responsibility for all work carried out on their behalf.
- 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.
- 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.
- Perform Actuarial Services where competent and appropriately experienced to do so.
- Ensure consistency of their work with applicable financial reporting standards in the Kingdom.
- 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.

❖ **In addition to the roles and responsibilities set out in these Rules, the Appointed Actuary of a Company authorized to transact Protection and Savings insurance business shall undertake the following:**

- Perform a profit test of the adequacy of premium rates at the introduction of new products and whenever it is proposed that premium rates shall be revised, and advise on Technical Prices.
- Advise on the terms and conditions of insurance policies, including the fairness of expenses charged and investment returns allocated to policyholders.
- Determine and ensure the adequacy of insurance contract Assets and Liabilities including Mathematical Reserves, based on appropriate experience studies.
- Advise on the determination of the allocation of surplus, profits or bonuses to the with-profits Protection and Savings insurance policyholders.

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.

❖ **Role and Responsibilities of the Board of Directors and Senior Management as Regards the Appointed**

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:

- Providing the Appointed Actuary with direct access to the Board of Directors and Senior Management and internal and external auditors of the Company.
- Providing the Appointed Actuary with access to such information and explanations as needed to comply with these Rules.
- Responding to requests for information from the Appointed Actuary in an accurate, comprehensive and timely manner.
- Considering and taking such actions as they consider appropriate based on the recommendations included in all reports provided by the Appointed Actuary.
- 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.

❖ **Reporting by the Appointed Actuary**

The Appointed Actuary must ensure that each actuarial report they produce in accordance with these Rules 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 these Rules 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 reliances 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 (including Appendices) 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 Rules 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:
  - If there are immediate or future threats facing the Company that may significantly adversely affect it, including but not limited to the following:
    - 1- Solvency.
    - 2- Obligations of Reinsurance Companies and the Company's. obligations to its Reinsurance Companies.
    - 3- Risk Retention levels.
    - 4- Profitability of the Company's products.
    - 5- Pricing of the Company's products.
    - 6- Adequacy of Insurance contract liabilities.
  - If the Company has evidently breached the provisions of the Law and its Implementing Regulation or these Rules 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
  - 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, these 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.

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

- 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 these Rules and SAMA's instructions should contain, as a minimum, the following:
  - 1- 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.
  - 2- 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.
  - 3- A full description of the data that was used.
  - 4- A full description of all data validations carried out.
  - 5- The precise period of investigation that the data is derived from must be stated.
  - 6- Reasonableness checks against data in the most recent prior report should be described.
  - 7- An explanation of any adjustments or filtering of the raw data, and the impact estimated.
- 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.
- 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.

❖ **Data Confidentiality**

- Companies must establish a documented code of conduct, internal policies, procedures and controls and sufficient safeguards to ensure the confidentiality of all data within the scope of these Rules, whether in written, electronic, or other digital form, and to monitor and ensure compliance with that code of conduct and applicable data privacy or confidentiality obligations.
- As a minimum, the code of conduct, internal policies, procedures and controls must address:
  - 1- The physical, electronic and cyber security of data:
    - Within the Company,
    - When data is being exchanged and reports transmitted to and from the Appointed Actuary. where the Appointed Actuary is not an employee of the

Company, held by the Appointed Actuary, where the Appointed Actuary is not an employee of the Company, and.

- Reports being transmitted to SAMA.
  - 2- Whether data may be transmitted outside the Kingdom, and what additional safeguards are required if this is the case (such as encryption or requiring Actuarial Services to be carried out on the Company's premises and using its information technology systems).
  - 3- Compliance with the Company's code of conduct and the effectiveness of controls over the confidentiality of data within the scope of these Rules must be tested at least annually.
- The Company, the Appointed Actuary and the Actuarial Service Provider shall comply with all relevant data confidentiality and protection laws and regulations of the Kingdom.

❖ **The Appointed Actuary's Role 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.
  - 4- In respect of Protection and Savings insurance business:
    - a. Determine and ensure the adequacy of the Insurance Contract Assets and Liabilities (including where relevant) Mathematical Reserves).
    - b. Advise on the determination of the allocation of surplus, profits or bonuses to the policyholders.

❖ **The Appointed Actuary's Role in Respect of 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 Protection and Savings products and such other classes of business as are required by SAMA's instructions; and,
  - 2- In respect of Protection and Savings Insurance business:
    - a. Perform a profit test of the premium rates.
    - b. Review and advise on product development and design, including the terms and conditions of Insurance contracts and pricing, along with the estimation of the capital required to underwrite the products.
  - 3- 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.

- A Company and its Appointed Actuary should derive Technical Prices using the Company's own experience where this information is available and reliable.
- 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.
- 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.
- 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.
- 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.

#### ❖ **The Appointed Actuary's Role in Assessing Solvency and Capital**

- 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 in order to assess its financial strength and identify the major risk factors affecting the Company.
- 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.
- 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.

#### ❖ **The Appointed Actuary's Role 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.
- 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.
  - 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.
  - 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.
  - The Appointed Actuary of a Company shall submit an investment and asset liability management report to the Company's Senior Management, Board of Directors and SAMA in a form and at dates to be prescribed by SAMA.
  - This report shall assess the suitability of the Company's investment policy and asset liability management strategy, having regard to the total exposure currently underwritten and expected to be underwritten in the following financial year, addressing the nature and timing of Insurance Contract Assets and Liabilities and the availability of appropriate assets, coordinating with the Investment Committee and investment manager for the purposes of its production.

#### 10.4 Internal Audit Function

The responsibility of Internal Audit function is to support the Board and senior management in discharging their stewardship responsibilities and achieving their strategic and operational objectives by providing independent assurance on the effective functioning of the organization's internal control environment. The Internal Audit function shall report to the Audit Committee and shall be given access to information and documents and shall be able to obtain the same without any restrictions. The Internal Audit function shall be independent and shall not be assigned any other duties.

Key responsibilities include:

- To set the audit action plan for the Company using a risk based methodology, Implementing it and monitoring performance against the plan, to be approved by the Audit Committee and updated annually;
- Prepare and submit a written report on its activities at least quarterly to the Board and the Audit Committee. Such report shall include an assessment of the Company's internal control system and the final opinion and recommendations.
- Prepare a general written report to be submitted to the Board and the audit committee on the audit activities it carried during the fiscal year compared to the approved audit action plan. Such report shall explain the reasons for any deviation from the plan, if any, during the quarter following the end of the relevant financial year.
- Review on an annual basis the key activities and operations, including the activities of the risk management and the compliance departments.
- Contribute to the delivery of a internal audit operating plan particularly with respect to the scheduling and prioritizing of audits and meet applicable standards and requirements
- Conduct and co-ordinate internal audit schedules with relevant stakeholders so as to facilitate input to Audits from relevant technical specialists, minimize duplication of activity and encourage the sharing of relevant information
- Reviewing the risk management and internal control processes developed and maintained by the management to achieve agreed strategic and operational goals;
- Conduct audits, reporting on the overall position including the aggregate impact of risks or weaknesses exposed, supporting conclusions and recommend appropriate actions
- Follow-up audit recommendations on a regular basis to prompt action to mitigate relevant risks and/or improve risk management practice
- Assessing compliance with those plans, policies, procedures, laws and regulations which could have a significant impact on strategic and operational goals;
- Evaluating the efficient and effective use of resources.
- Conducting special investigations into incidents of control failure, fraud etc;
- Assessing the effectiveness of the risk management, governance and control procedures in relation to major change programmers;
- To monitor the Company's performance through evaluating and verifying the operations to ensure that there are no financial or non-financial violations of the Company's internal systems, particularly to the policies and procedures related to the Company's different activities.
- Providing review, advice and guidance for the continuous improvement of risk management, governance and control procedures;

- Monitoring progress on the timely and effective implementation of actions arising from internal audit activity;
- To ensure the compliance with the internal control systems and to ensure the effectiveness and efficiency of those systems;
- To verify the implementation of decisions and actions resulting from internal audit's activities;
- Continuously developing the internal audit function in the light of internal audit best practices.
- Build, develop and maintain strong relationships with the Audit Committee and senior management of the Company, to encourage an early and open discussion of issues arising and joint commitment to problem solving.

### **10.5 External Auditors**

The Company shall appoint two or more independent and competent external auditor to prepare an objective and independent report to the Board and the shareholders, setting out whether the Company's financial statements clearly and impartially express the financial position of the Company and its performance in the significant areas.

The external auditor shall:

- owe the duties of loyalty and care to the Company.
- not have interests that conflict with the interests of the Company.
- notify SAMA and the CMA if the Board fails to take appropriate actions in respect of suspicious issues it raises.
- request the Board to call for a General Assembly meeting if the Board has not facilitated his mission.
- shall be liable to compensate the Company, the shareholders, or third parties for damages resulting from errors it commits in the course of its engagement. If an error is attributable to more than one external auditor, they shall be jointly responsible.

The Ordinary General Assembly shall appoint the Company's external auditor based on a recommendation from the Board, provided that the following requirements are met:

- the nomination shall be based on a recommendation from the Audit Committee;
- the external auditor shall be licensed in the Kingdom of Saudi Arabia;
- at least two nominees shall be presented to the General Assembly.

## **11. SHAREHOLDERS**

### **11.1 Shareholders' Rights**

The Board shall ensure equal and fair treatment of all shareholders. Every public shareholder shall have the same access to documents made available by the Company to ensure they have equal opportunity to exercise their rights as shareholders. The shareholders shall be provided the opportunity and ample time to raise questions to the Board members and the Company's auditors during the General Assembly meetings.

Among other rights, all shareholders shall have equal rights to:

- Participate and vote in General Assembly meetings.
- Including access to all materials necessary to make informed decisions.
- Nominate and elect Board members.
- Obtain adequate information regarding the Company.
- To receive dividends.
- preemptive rights to subscribe to new shares in accordance with the Company's By-laws.

The Company shall select an appropriate venue and time for the General Assembly meetings to maximize the greatest number of shareholder participation and guarantee the shareholders can exercise their rights with ease. Notice of the General Assembly meetings including the agenda and Audit Committee's report shall be announced on Tadawul and on the Company's website according to the Laws and Regulations to ensure maximum shareholder attendance. The Company shall equally accommodate all shareholders rights to appoint a proxy to attend the General Assembly meetings and vote on their behalf. Material for the General Assembly meetings shall be made available to shareholders at the meeting in a clear and organized manner to allow shareholders to make informed decisions. Material about the nominees for Board membership, including their experience, qualifications, skills, and jobs and memberships, shall be announced on Tadawul and available on the Company's website and its head office.

Shareholders may access the minutes of the General Assembly meetings, the Company's Articles of Association and By-Laws, the Board Annual Report, the quarterly and annual financials, the Audit Committee's report and other written materials presented to the General Assembly upon submitting a written request to the Corporate Secretary at the Company's head office or by sending a request to the email address listed under the Company's profile on Tadawul. The Corporate Secretary shall make available the above-mentioned documents at the Company's head office within seven (7) days from receiving the shareholder request.

### **11.2 Minority Shareholders**

The Company will monitor the interests of minority and non-institutional shareholders to enable them to exercise their rights and interests. The Board will ensure that minority shareholders have the opportunity to openly communicate their interests and concerns in relation to the Company's plans and actions.

The Board should consider the impact its decisions and recommendations have on the minority shareholders and non-institutional investors and make recommendations on measures that will assure extra the exercise of their rights.

### 11.3 General Assembly

#### ❖ Jurisdiction

- Except those matters falling under the jurisdiction of the Extraordinary General Assembly as per the Company's By-Laws and the Companies Law, the Ordinary General Assembly shall have jurisdiction over all matters related to the Company including any matters set forth in Article 12 of the CMA's Corporate Governance Regulations.
- In addition to its prescribed authorities, the Extraordinary General Assembly may pass resolutions falling primarily within the jurisdiction of the Ordinary General Assembly, subject to the same conditions and in the same manner as prescribed for the Ordinary General Assembly.

#### ❖ Convening the General Assembly

- The Ordinary General Assembly meeting shall convene at least once annually within six months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be called any time as necessary.
- In accordance with the Laws and Regulations, the General Assembly should convene upon a request of the Board. The Board should invite a General Assembly to convene pursuant to a request of the external auditors within (30) thirty days, the Audit Committee, or a number of shareholders whose shareholdings represent at least 10% of the shares that have voting rights. The external auditor may invite the General Assembly to convene if the Board does not invite the General Assembly within thirty (30) days from the date of the external auditor's request.
- The Company shall inform the shareholders about the rules governing the General Assembly and the voting procedures.

#### ❖ Agenda

- The date, place and agenda of the General Assembly shall be announced at least ten days prior to the date thereof; the invitation shall be published on the website of Tadawul, the Company's website and in a daily newspaper distributed in the province where the Company's head office is located. The Company may invite the General Assembly to convene using methods of contemporary technologies.
- In preparing the agenda for the Ordinary General Assembly, the Board should take into consideration matters that the shareholders desire to be placed on the agenda. Shareholders holding 10% or more of the Company's shares that have voting rights are entitled to add one or more items to the meeting agenda.
- The agenda for the Ordinary General Assembly shall at least cover the following:
  - The approval of the annual report, annual financial statements, including balance sheet, profit and loss statements, statement of cash-flows, and notes to the financial statements, as well as the distribution of profits and losses based on the results of the fiscal year;
  - The approval of external auditors' report;
  - The appointment of the external auditors and approval of their fees;
  - The approval of the remuneration for Board members;
  - Discharge the liabilities of the Board for decisions made during the financial year.
- The shareholders shall be provided materials for the General Assembly through the Company's website and Tadawul in order to enable them to make an informed decision.

The Company shall update this information in the event the General Assembly agenda is amended.

- The Board shall separate each of the matters listed in the agenda of the General Assembly meeting as an independent item, not combine significantly different matters under one item, and not combine the businesses and contracts in which Board members have a direct or indirect interest under one item, for the purpose of obtaining the shareholders' approval.

❖ **Minutes and Results of the General Assembly Meetings**

- The Company shall provide the CMA with a copy of the minutes of the General Assembly meetings within ten (10) days of the meeting.
- The results of the General Assembly meetings shall be announced to the public after the meeting in accordance with the rules set forth by the CMA.

## 12. STAKEHOLDERS RELATIONSHIP

The Company depends on its ability to understand, influence, and manage the expectations of our stakeholders by providing high standards of performance and service delivery.

The Company takes into account the interests of its external and internal stakeholders, including current and potential shareholders, clients, suppliers, employees, the public, and the government.

The Company will convey its aims and policies through open, honest, and timely communications with stakeholders in line with its responsibilities as a publicly listed company. The Company provides corporate information to stakeholders through its website and on Tadawul.

### 12.1 Employees

The Company encourages open and active dialogue between all levels of its organization through informal and formal communication channels. These open communication channels ensure colleagues understand their roles and responsibilities and act with the highest professional and ethical standards to achieve the Company's objectives.

### 12.2 Shareholders and potential investors

The Company communicates with its shareholders and potential investors through its website and on Tadawul. Shareholders have access to the Board and Senior Management at the General Assembly meetings and by sending inquiries and relaying concerns to the Company Secretary.

### 12.3 External Stakeholders

External stakeholders are provided open access to the Company's Senior Management through face-to-face meetings and other means to allow them to convey their comments and complaints and make inquiries.

The Company's transactions with stakeholders are entered into on fair and reasonable terms without any discrimination or bias in comparison with its dealings

with shareholders and related parties. The Company shall always hold the information of its external stakeholders with the utmost confidentiality.

### 13. Social Responsibility Policy

The Company takes seriously its responsibility to manage the way it business affects the environment, people and communities. Fundamentally, that means behaving responsibly and ethically as individuals and as a company. As a major insurer of commercial, industrial and individual risks, we have the opportunity to use our influence adding value to society while delivering commercial benefits.

Social responsibility is the process by which a company integrates environmental and social concerns across its operations and interactions with stakeholders. Our approach to social responsibility is based on our business principles and brand beliefs, which underpin everything we do and how we interact with stakeholders.

#### 13.1 Statement of Principles

- The Company will endeavor to provide active community programmes for employees to participate in and engage local communities where we operate in accordance with our community policy.
- The Company will work towards ensuring the principles of human rights are upheld in our operations and look to work with suppliers and business partners who share our operations and supply chain in accordance with our standards.
- The Company seeks to provide all our customers with the best insurance products and excellent customer service while focusing on ways our products and services can contribute further to society.
- The Company will aim to work with suppliers to improve the social and environmental impact of our purchases across the lifecycle of products and services.
- The Company will engage and communicate with relevant stakeholders. We seek to work with peers and business partners and to participate in public policy debates to further responsible behaviour.
- The Company will ensure social responsibility strategy, approach and performance is reviewed at a minimum twice annually by the Senior Management and annually by the Board.
- The Company will communicate its principles to its employees, Board and Committee members, and other stakeholders on an annual basis via the Board's annual report.

#### 13.2 Social Initiatives

The Board promotes the Company's involvement in various social initiatives to enhance the community and contribute to its development in adherence to its Social Responsibility policy.

- The Company provides workshops to build community awareness of initiatives, including awareness of potential risks such as fire hazards and ways to manage those risks to protect lives and reduce injury.
- The Company promotes the role of women in the market by employing women in strategic positions throughout its organization.
- The Company's Senior Management will seek opportunities to participate in programs to better the community.

## 14. WHISTLE-BLOWING

The Company is committed to conduct its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behaviour.

The Company has implemented a policy to establish and define procedures that allows employees and other stakeholders to confidentially submit their concerns to an independent person to investigate any issues and take appropriate action. Employees shall be informed about these procedures and any subsequent amendments to these procedures.

## 15. PROFESSIONAL CONDUCT

The Company implements a code of professional conduct and ethics for Board Members, committee members, and all employees to promote a culture of ethical conduct within the Company. The Company's management and employees must exercise all reasonable care in taking decisions that demonstrate the Company's commitment to acting in an ethical and fair manner at all times, even if this requires the Company to comply with more than the minimum obligations of the law.

The Company's code defines the spirit in which the Company intends to do business and will act as a guidance on day-to-day affairs. Senior Management must set an example for stakeholders through open dialogue and communication.

### 15.1 Conflicts of Interest

Stakeholders shall exercise all care to avoid any conflicts that will compromise their duties of loyalty and care to the Company by complying with the Company's policy governing conflicts of interest.

### 15.2 Ethical and Fair Dealing and Integrity and Honesty

The Company's success depends on the honesty, integrity and confidence from its employees, customers, and shareholders.

The Board and its committees, Senior Management, and employees shall deal fairly with customers, suppliers, competitors, independent auditors, shareholders, and one another and shall not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing or practice.

Stakeholders shall exercise all care to avoid any conflicts that will compromise their duties of loyalty and care to the Company by complying with the Company's policy governing conflicts of interest.

### 15.3 Protection of Company Assets

The Company's resources, material, equipment and information are provided exclusively for its benefit. Board Members, committee members, employees, and those who represent the Company are trusted to act responsibly and use good judgment to conserve company resources.

Company equipment and supplies such as copiers and vehicles shall not be used in the conduct of an outside business or in support of any religious, political or other non-business related activity, except for social responsibility activities approved by the management. Performing non-work related activities during work hours is prohibited.

In order to protect the interests and assets of the Company and our employees, the Company reserves the right to monitor or review all data and information contained on an employee's company-issued computer or electronic device, the use of the Internet or the Company's intranet. We will not tolerate the use of company resources to create, access, store, print, solicit or send any materials that are harassing, threatening, abusive, sexually explicit or otherwise offensive or inappropriate.

#### **15.4 Confidentiality**

The Company protects confidential Company information as well as non-public information entrusted to it by employees, customers and other business partners. Confidential and proprietary information includes such things as pricing and financial data, customer names/addresses, and financial information and/or non-public information about other companies, including current or potential supplier and vendors. The Company will not disclose confidential and non-public information without a valid business purpose and proper authorization. It is equally important that the Company respects the property rights of others. The Company will not acquire or seek to acquire improper means of a competitor's trade secrets or other proprietary or confidential information. The Company will not engage in unauthorized use, copying, distribution or alteration of software or other intellectual property.

#### **15.5 Record Keeping**

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. 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.

#### **15.6 Compliance with Laws and Regulations**

Liva as a 'publicly listed cooperative insurance company' is required to comply with the laws and regulations and rules as applicable to listed Cooperative Insurance Companies in the Kingdom of Saudi Arabia, including but not limited to the regulations of the Saudi Arabian Monetary Authority, the Capital markets Authority, the Ministry of Commerce & Investment, and the Council for Cooperative Health Insurance, together with the Articles of Association/By-Laws of the Company.

#### **15.7 DISCLOSURE POLICY**

The Company shall promptly disclose to the public and the regulatory authorities any material developments which may have an impact on the assets and liabilities or financial position or on the general course of business of the Company or its

subsidiaries that leads to movements in the price of its shares, or significantly affects the Company's ability to meet its commitments in respect of debt instruments.

In determining whether a development is material, the Company shall assess whether any investor would likely take into consideration the development when making investment decisions regarding the Company's shares.

All disclosures shall be clear, fair, accurate, and timely. There is zero tolerance for misrepresenting facts or falsifying records, which shall not be tolerated for any reason whatsoever. Employees shall inform Senior Management and the Compliance and Audit departments if they become aware that any information in any filing or public communication was untrue or misleading at the time it was made or if subsequent information would affect a similar future filing or public communication.

Disclosures shall be made on Tadawul or both the Tadawul and the Company's website in adherence to the Control and Disclosure of Insider Information Policy, and in compliance with SAMA's Insurance Corporate Governance Regulations, the CMA's Corporate Governance Regulations, the CMA's Disclosure Rules, the Listing Rules, and other relevant laws.

The Company will also not selectively disclose (whether in one-on-one or small discussions, meetings, presentations, proposals or otherwise) any material non-public information with respect to the Company, its securities, business operations, plans, financial condition, results of operations or any development plan. The Company shall be particularly vigilant when making presentations or proposals to customers to ensure that its presentations do not contain material non-public information.

The Company ensures that all announcements are required to be prepared and endorsed by the Disclosure Committee.

**APPENDIX A**  
**Audit Committee – Terms of Reference**

**1. Purpose**

The Committee will be responsible for monitoring the integrity of the Company's financial statements and the effectiveness of the external audit process, internal audit and compliance functions. It will also have a responsibility for reviewing at an overall level the risk management functions and assessing the Company's processes relating to its risk and internal control systems.

**2. Membership<sup>3</sup>**

2.1. Members of the Committee shall be appointed by the General Assembly, on the nomination of the Board and recommendation of the Nomination & Remuneration Committee for a term of three (3) years coinciding with the term of the Board. Membership on the Audit Committee shall be limited to two terms only.

The Committee shall comprise not less than three (3) and no more than five (5) members, with at least one member being an Independent Director. The majority of the Committee shall be non board members. Where a Board member is also a member of the Audit Committee, such member shall be an Independent board member. All members shall be duly approved by Saudi Arabian Monetary Authority prior to being appointed. The following persons shall not be eligible to be appointed as members of the Audit Committee.

- the Company's executives, employees, consultants
- representatives of any parties connected to the Company, including but not limited to major shareholders and founders, external auditors, suppliers, the Company's customers
- persons who have first-degree relationships with the Company's Board of Directors or executives
- Persons who have any financial or business relationship with the Company, unless permitted by SAMA and/or the CMA.

2.2. The Chairman of the Board shall not be a member of the Committee or chairman of the Audit Committee. Further, an Audit Committee member shall not be a member of a Board or an Audit Committee of any other company operating in the insurance sector in the Kingdom of Saudi Arabia.

2.3. No Audit Committee member shall simultaneously serve on the audit committees of more than four public companies.

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<sup>3</sup> Any conflict arising from change in the applicable regulations issued by the Saudi Arabian Monetary Authority, or the Capital Market Authority, or any other government authority, the new regulations supersede the rules defined herein until the submission of the updated Terms of Reference to the approval of the first meeting of the General Assembly.

- 2.4. The Audit Committee member nominated for membership shall be independent.
- 2.5. The members of the Audit Committee shall be appropriately qualified to discharge their responsibilities. At least two Audit Committee members including the Committee Chairman shall, have recent and relevant accounting or financial management expertise or experience.
- 2.6. Only members of the Committee and the the Company Secretary have the right to attend committee meetings. However, the Committee is entitled to invite whoever it deems relevant from inside or outside the Company to attend its meetings such as the Chairman of the Board, Managing Director, other directors, the heads of risk, compliance and internal audit and representatives from the finance function to attend all or any part of the meeting as and when appropriate.
- 2.7. The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 2.8. The appointment of the Audit Committee Members is subject to obtaining SAMA's written no-objection and obtaining approval of the General Assembly.
- 2.9. The appointment of the Audit Committee Members is subject to the rules defined by the Companies Law.
- 2.10. Any member of the Audit Committee may resign by giving one month notice to the Board, providing that such resignation shall be notified to authorities in writing along with the reasons within five (5) working days from the date of the resignation.
- 2.11. Membership of the Audit Committee shall terminate automatically upon any change which results in a violation of the Audit Committee Regulation or any other relevant regulations or circulars, providing that such member shall not attend any meeting of the Audit Committee after the date of the change.
- 2.12. The term of the Committee shall be for a duration of three years. After obtaining SAMA's written non- objection, the Board may renew the term of membership of a members for another three year term only once, subject to the approval of the General Assembly.
- 2.13. An Audit Committee member shall be deemed to have resigned if he or she fails to attend three consecutive meetings of the Committee without giving an acceptable excuse to the Board.
- 2.14. If any position on the Committee falls vacant during the term, the board after obtaining SAMA's no objection shall appoint a new member within one month of the position falling vacant to complete his or her predecessor's term. The

Board shall present the new member to the next Ordinary General Assembly meeting to obtain approval for the appointment.

2.15. Subject to non-objection from SAMA, the Board can elect new members of the committee, and can also dismiss a member of the committee if he or she ceases to satisfy membership terms or violates the provisions of the relevant Regulations. The Board shall present the new member to the next Ordinary General Assembly meeting to obtain approval for the appointment.

### **3. Chairman and Secretary**

The Board shall appoint the Committee Chairman after obtaining SAMA's non-objection. In the absence of the chairman, the remaining members present shall elect one of themselves to chair the meeting.

The chairman of the Audit Committee should be an Independent Director. The chairman of the Audit Committee shall not have any financial or business relationship with any members of the Board.

The Audit Committee shall appoint a Committee Secretary from the Company's staff to handle its administrative tasks. The Secretary of the Audit Committee shall not be a Secretary of any other board committee.

### **4. Quorum**

The quorum necessary for the transaction of business shall be the presence of the majority of the members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Voting on the Audit Committee's decisions on behalf of, or by proxy from any other member shall not be allowed. The Audit Committee's decisions shall be determined by the majority of the members' votes who are present. In case of equal votes, the Committee's Chairman shall have the casting vote, provided that the Audit Committee's Secretary shall record the views of all sides in the meeting minutes.

### **5. Meetings**

The Committee shall meet a minimum of six times per annum at appropriate times in the reporting and audit cycle and otherwise as required, including an annual meeting with the Board. .

The Audit Committee is entitled, if the need arises, to hold other meetings in response to any of the following cases including but not limited to:

- Upon the request of the Chairman of the Board.
- Cases in which the External Auditor, Internal Auditor, Compliance Officer or Actuary requests a committee meeting due to reason that requires so.

- Meetings on other issues such as Financial and audit issues, Compliance issues, Conflicts of interest, professional and ethical codes of conduct

These meetings can be held either physically where members are physically present or through teleconference (telephone meetings) where members can dial into the meeting through the phone, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting. A person so participating by through telephone communication shall be deemed to be present in person at the meeting and shall accordingly be counted for quorum and shall be entitled to vote

In addition to resolutions passed at Committee meetings, when matters of urgency arise between two meetings of the Committee, Committee resolutions may be issued by written resolution that shall be circulated amongst all the members and approved through email and/or signatures unless one of the members requests, in writing, to hold a meeting to discuss the resolution. In this case the resolutions shall be held back and presented to the Committee at the next meeting that is convened. Such written resolutions approved through circulation by all the Committee members, shall have the same force as a resolution passed at a meeting of the Committee.

## **6. Notice of Meetings**

- 6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive members, no later than 10 working days before the date of the meeting. Supporting papers shall be sent to the Committee members and to other attendees as appropriate, at the same time.

## **7. Minutes of Meetings**

- 7.1 The secretary shall minute the proceedings and decisions of all meetings of the Committee, including the names of those present and in attendance. These shall be submitted to the following meeting and, subject to formal approval, signed by the Chairman and the Secretary and maintained as record.
- 7.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.3 Minutes of committee meetings shall be circulated promptly to all members of the Committee within a period not exceeding 15 days of the meeting and, once agreed, to all members of the Board.

## 8. Conflict of Interest

- 8.1 An Audit Committee's member shall not have any direct or indirect interest in the Company's business and contracts concluded by it.
- 8.2 An Audit Committee member shall not take part in any business that might compete with the Company or trade in the activities performed by the Company. The Company has the right to claim indemnification for any losses caused by such business or act.
- 8.3 The Company shall not issue or renew any insurance policy for any of the Audit Committee's members or parties related thereto before the full payment of the due premium. If any of the Audit Committee's members submits a request for the payment of a claim under a policy issued to him or her by the Company, the claim should be treated in accordance with procedures and rules set forth by the company without any exception or preference. The Compliance Officer should be notified of any payment due to the member'.

## 9. Committee Members' Remuneration

Every member of the Audit Committee including the Committee's Secretary shall be eligible for remuneration for undertaking the responsibilities of a Committee member and also attendance at each Committee meeting. The amount of such remuneration shall be determined under a policy recommended by the Board of Directors and approved by the General Assembly and shall be reasonable in comparison with the board members' remuneration.

## 10. General Assembly Meeting

The Chairman of the Committee shall attend the Annual General Assembly meeting prepared to respond to any shareholder questions on the Committee's activities.

## 11. Duties

The Committee should carry out the duties below as appropriate.

### 11.1 Internal Control

The Committee shall:

- Keep under review the effectiveness of the Company's financial reporting, internal controls and risk management systems;
- Review the Company's annual statement on its systems of internal controls prior to endorsement by the Board. In reviewing the effectiveness of internal controls, consideration shall include:
  - 1- The changes since the last annual assessment in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
  - 2- The scope and quality of management's ongoing monitoring of risks and of the system of internal control, and, where applicable, the work of its internal audit function and other providers of assurance;
  - 3- The extent and frequency of reporting to the Board (or Board Committees) which enables it to build up a cumulative assessment of the state of the system

of internal control in the Company and the effectiveness with which risk is managed;

- 4- The incidence of significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and
  - 5- The effectiveness of the Company's public reporting process.
- Review the Company's procedures for whistleblowing and investigating and handling allegations from whistleblowers and ensure arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of internal controls or other matters.
  - The Company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company.

## 11.2 Compliance

The Committee shall provide oversight on the compliance function. In particular, the Committee shall:

- Approve the appointment and removal of the Head of Compliance function; after obtaining SAMA's written non-objection
- Review the effectiveness of the Company's compliance arrangements;
- Review the Company's compliance policy, strategy and annual compliance plan as approved by the Committee;
- Review the reports from the head of compliance on compliance and regulatory issues and activities throughout the Company. The Committee shall be informed of the systems and processes by which these compliance issues are identified and managed by the Company management. It shall also identify owners of the compliance and regulatory risk issues, the priority attached to them and current treatments in place to address them;
- Review promptly all significant reports from the Head of Compliance;
- Review and monitor management's responsiveness to the findings of the head of compliance;
- Assess the level of compliance with Regulatory requirements.
- Assess the efficiency, effectiveness and objectivity of work performed by the Compliance Officer.
- Ensure independence of the Head of Compliance in performing their tasks.
- Ensure that there are no barriers or restrictions on implementing the tasks of the Head of Compliance.
- Meet the Head of Compliance at least once a year, without management being present, to discuss their remit and any issues raised by Compliance. In addition, the Head of Compliance shall be given right of direct access to the Chairman of the Board and to the Chairman of the Committee;
- Review the comments of SAMA and other relevant supervisory and control entities related to any regulatory violations or corrective actions requested and make recommendations thereon for the Board.

- Follow up the reports issued by SAMA and other relevant supervisory and control entities and make recommendations thereon for the Board.
- Determine the monthly salary, bonus and other remuneration of the Compliance Officer in accordance with the company's internal policies as approved by the Board.
- Ensure that the Company has a written code of conduct duly approved by its Board of Directors to ensure that the Company's activities are conducted in a fair and ethical manner.
- Follow up on the important lawsuits filed by or against the Company and submit periodic reports thereon to the Board.
- Ensure the optimal use and controls of information technology necessary to generate accurate and reliable information and data are in place.
- Ensure the Company's compliance with the relevant laws, regulations, policies and instructions.

### 11.3 Internal Audit

The Committee shall provide oversight on the internal audit function. In particular, the Committee shall:

- Approve the appointment and removal of the head of the internal audit function; after obtaining SAMA's non-objection.
- Consider and approve the terms of reference of the internal audit function.
- At the start of each audit year review the nature and scope of the annual audit plan. It shall also review the costs related to the annual audit plan.
- Ensure the internal audit function is independent, adequately resourced and has an appropriate standing within the Company.
- Review the management of financial matters and focus upon the independence allowed to the internal auditors.
- Review promptly all significant reports on the Company from the internal auditors and submit the recommendations to the Board.
- Review and monitor management's responsiveness to the findings and recommendations of the internal auditor.
- Meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given right of direct access to the Chairman of the Board and to the chairman of the Committee.
- Review and monitor the effectiveness of the internal audit function including its application of a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.
- Determine the monthly salary, bonus and other remuneration of the Internal Auditor in accordance with the company's internal policies as approved by the Board.

#### 11.4 External Audit

The Committee shall provide oversight on the external audit function. In particular, the Committee shall:

- Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Assembly meeting, in relation to the appointment, re-appointment and removal of the Company's external auditors. This may include ensuring that the nominated external auditors have the necessary experience in auditing Insurance and/or Reinsurance Companies.
- Oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- Oversee the relationship with the external auditors including (but not limited to):
  - a) Approval of their remuneration, whether fees for audit or non-audit services and that the fees are appropriate to enable an adequate audit to be conducted.
  - b) Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
  - c) Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services.
  - d) Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditors and the Board members and the Senior Management and the Company (other than in the ordinary course of business);
  - e) Agreeing with the Board a policy on the employment of former employees of the Company's auditors, then monitoring the implementation of this policy.
  - f) Monitoring the auditors' compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firms, office and partner and other related requirements.
  - g) Assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditors on their own internal quality procedures.
  - h) Seeking to ensure co-ordination with the activities of the internal audit function.
    - i) key amendments made by the company to its accounting policies.
    - j) Material conflicts with the management regarding any issue pertaining to the safeguarding of invested assets.
    - k) violations of Laws, Regulations and Instructions issued by the supervisory and control entities or non-compliance with the Company's policies and procedures.
    - l) comments of other auditors (of external, non-Saudi Arabian, branches) on accounting procedures, reports and professional conduct.
    - m) deficiencies in the general structure and performance of internal control systems.
    - n) material errors in financial statements.

- o) management decisions and the basis on which the external auditors relied to validate critical accounting estimates, such as technical provisions and reserves.
  - p) accounting principles and standards and disclosure decisions related to extraordinary transactions.
  - q) adequacy of technical provisions and reserves set by the Actuary.
  - r) actuary's Reports relevant to the Financial Statements.
  - s) any major problems in dealing with the management that affected the the audit process.
  - t) any amendments introduced to the audit scope and the reasons thereof.
  - u) reviewing letters to management prepared by the external auditors and the Company's management comments thereon.
- Meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditors at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
  - Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
  - Discuss the annual and interim quarterly financial statements with the external auditors and the Company's Senior Management before issuing its reports.
  - Review the findings of the audit with the external auditors. This shall include but not be limited to, the following:
    - a. a discussion of any major issues which arose during the audit;
    - b. any accounting and audit judgements; and
    - c. level of errors identified during the audit.
  - Review any representation letter(s) requested by the external auditors before they are presented to the Board for approval;
  - Review the management letter and management's response to the auditors' findings and recommendations; and
  - Develop and implement a policy on the supply of non-audit services by the external auditors, taking into account the relevant laws, regulations and ethical guidance on the matter.

## 11.5 Financial Reporting

The Committee shall:

- Keep under review the consistency of accounting policies both on a year on year basis and across the Company;
- Provide the Board with assurance on the effectiveness of the Company's procedures for reviewing disclosure and presentation;
- Review intra-group transactions and related parties transactions, and providing its recommendations to the Board.
- Review the Actuary's reports and make recommendations thereon to the Board. Also ensure the Company's compliance with the Actuary's proposals and recommendations, where these are mandatory and required by Regulations or SAMA's instructions.
- Review and challenge where necessary the actions and judgements of management in relation to the financial statements of the Company, including its annual and

interim reports, preliminary results' announcements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature. The Committee shall take into account the recommendations of the Disclosure Committee before submission to and approval by the Board and before clearance by the auditors. In addition, the Committee shall review:

- a) critical accounting policies and practices, and any changes in them;
- b) decisions requiring a major element of judgement;
- c) the extent to which the financial statements are affected by any unusual transactions and how they are disclosed;
- d) the clarity of disclosures, paying particular attention to any matters which are referred to it by the Board or the Disclosure Committee;
- e) significant adjustments resulting from the audit;
- f) the going concern assumption;
- g) compliance with accounting standards;
- h) compliance with Tadawul, SAMA and other legal and regulatory requirements.

## 12. Reporting Responsibilities

- 12.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;
- 12.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 12.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.
- 12.4 In the event of a conflict between the Audit Committee's recommendations and the Board's actions, the recommendations of the Audit Committee shall be stated in the Board's annual report and the reasons for not following such recommendations.

## 13. Other Matters

The Committee shall:

- 13.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 13.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 13.3 Give due consideration to relevant laws and regulations;
- 13.4 Be responsible for co-ordination of the internal and external auditors;
- 13.5 Oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort; and
- 13.6 At least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

#### 14. Authority

The audit committee shall have 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.

Further the Committee is authorised:

- 14.1 To seek any information, it requires any employee of the Company in order to perform its duties.
- 14.2 To obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference.

## APPENDIX B

### Disclosure Committee – Terms of Reference

#### 1. Purpose

The Committee will be responsible, amongst other things, for ensuring the Company's compliance with all legal and regulatory requirements relating to announcements, notifications, submissions, filings and approvals arising from its listing on the Tadawul.

#### 2. Membership<sup>4</sup>

- 2.1 The Committee shall be comprised of the Managing Director, Chief Financial Officer and other non-executive members of the board. All appointments to the Committee shall be made by the Board on the recommendations of the Nomination & Remuneration Committee.
- 2.2 Only members of the Committee and the Company Secretary have the right to attend committee meetings. However, other individuals such as other directors, employees or external professional advisers may be invited to attend for all or part of the meeting, as and when appropriate.
- 2.3 The term of the Committee shall be for a period of three years at a time. Upon expiry of the term of the Committee, members shall be eligible for reappointment to the new term of the Committee. During the term, members of the Committee may be replaced, or new members added, at any time or from time to time by the Board.
- 2.4 The Board shall appoint the Committee chairman. In the absence of the chairman, the remaining members shall elect one of their number to chair the meeting.

#### 3. Secretary

The Company Secretary or his nominee shall act as the secretary of the Committee.

#### 4. Quorum

The quorum necessary for the transaction of business shall be Two A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any authorities, powers and discretions vested in or exercisable by the Committee.

Voting on the Committee's decisions on behalf of, or by proxy from any other member shall not be allowed. The Committee's decisions shall be determined by the majority of the members' votes. In case of equal votes, the Committee's Chairman shall have the casting vote, provided that the Committee's Secretary shall record the views of all members in the meeting minutes.

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<sup>4</sup> The Committee shall comprise not less than three (3) and no more than five (5) members.

## 5. Frequency of Meetings

The Committee shall meet as frequently as circumstances dictate to (a) ensure the accuracy and completeness of the disclosures made to the Tadawul and such other disclosures as the Managing Director and Chief Financial Officer determine and (b) evaluate the disclosure controls and determine whether any changes are necessary or advisable, with at least one meeting being held prior to the publication of any financial statement, including annual accounts.

## 6. Notice of Meetings

6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the chairman.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend 10 days before the date of the meeting, barring exceptional circumstances which render a shorter notice inevitable. Supporting papers shall be sent to the Committee members and to other attendees as appropriate, at the same time.

## 7. Meetings held by Electronic Means

There may be occasions for reasons of expediency to hold meetings by electronic means at short notice, for example when a stock exchange announcement needs to be approved for release to the market. On such occasions:

- any member of the Committee may validly participate in a meeting of the Committee through the medium of conference telephone or any other form of communication equipment, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting, or by a series of telephone calls from the chairman of the meeting, or by exchange of facsimile transmission or electronic mail addressed to the chairman of the meeting;
- A person so participating by being present or being in telephone communication with or by exchanging facsimile transmissions or electronic mails with those in the meeting or with the chairman of the meeting shall be deemed to be present in person at the meeting and shall accordingly be counted in a quorum and be entitled to vote. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no group which is larger than any other group, where the chairman of the meeting is situated.

## 8. Minutes of Meetings

8.1 The secretary shall minute the proceedings and decisions of all meetings of the Committee (other than ones where resolutions are approved by a series of emails and / or facsimiles as described above under para 7) , including the names of those present and in attendance. These shall be submitted to the following meeting and, subject to formal approval, signed by the Chairman and the Secretary and maintained as record.

8.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

- 8.3 In respect of resolution passed by exchange of e-mails and / or facsimiles in the manner described in para 7 above, no separate minutes shall be maintained apart from a record of the series of e-mails and / or facsimiles as the case may be. These resolutions shall be valid and effectual as if they had been passed at a meeting of the Committee duly convened and held.
- 8.4 Minutes of committee meetings (other than ones where resolutions are approved by a series of emails and / or facsimiles as described above under para 7) shall be circulated promptly to all members of the Committee within a period not exceeding 15 days of the meeting and, once agreed, to all members of the Board.

## 9. Duties

The Committee shall:

- 9.1 ensure that information required to be disclosed by the Company in reports pursuant to Saudi accounting, statutory or listing requirements is made known to it by others within the Company and recorded, processed, summarised and reported within the time periods specified and in accordance with the requirements referred to above;
- 9.2 establish an effective procedure for reviewing disclosure and presentation, including the establishment of controls and other procedures that are designed to ensure (a) that information required to be disclosed is recorded, processed, summarised and reported accurately and on a timely basis, and (b) information is accumulated and communicated to management in such a way as to allow timely decisions regarding such disclosure;
- 9.3 reporting as necessary to the Board and its Committees all relevant information with respect to the preparation of disclosure statements and the evaluation of the effectiveness of the Company's disclosure controls;
- 9.4 consider and determine whether certain issues or events have given rise to inside information which requires the creation of new, or amendments to existing, insider list;
- 9.5 ensure that the disclosed information is comprehensive, meaningful, relevant, timely, consistent, reliable, and accessible by public without undue expense or delay.
- 9.6 develop methods to monitor compliance with these procedures.
- 9.7 establish and periodically review Tadawul Disclosure process

## 10. Reporting Responsibilities

- 10.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. Also, the Committee shall prepare periodic papers to the Audit & Risk Committee as appropriate.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## **11. Other**

The Committee shall at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **12. Authority**

12.1 The Committee is authorized to seek any information it requires from any employee of the Company in order to perform its duties.

12.2 The Committee is authorized to obtain, at the Company's expense, outside legal or professional advice on any matters within its terms of reference.

**APPENDIX C**  
**Executive Committee – Terms of Reference**

**1. Purpose**

The Committee is mandated by the Board of Liva to supervise the management to ensure they are complying with the Company’s strategic plans and objectives. Its activities would cover areas such as:

- a) Deliberation of policy matters requiring in-depth study and making appropriate recommendation to the relevant Board committees and/or where necessary to the Board directly;
- b) Advising on strategic matters of business;
- c) Monitoring the performance of the Company and reviewing the strategy and operating plans prior to their presentation to the relevant board committees and/or where necessary to the board directly;
- d) assisting the Nomination & Remuneration Committee in the nomination of proficient manager and/or directors and the election of the most fit for purpose and in selecting the appropriate and necessary executives for the executive management; and
- e) deliberation, advice and assisting on any other matter considered appropriate by the board committees and/or the Board.

**2. Membership<sup>5</sup>**

- 2.1 The Committee shall be made up of not less than three (3) and no more than five (5) members appointed by the Board, on the recommendation of the Nomination & Remuneration Committee.
- 2.2 Only members of the Committee and the Company Secretary have the right to attend committee meetings. However, such other members of the management team as may be required to participate may be invited to attend all or part of any meeting, as invitees.
- 2.3 The term of the Committee shall be for a period of three years at a time. Upon expiry of the term of the Committee, members shall be eligible for reappointment to the new term of the Committee. During the term, members of the Committee may be replaced, or new members added, at any time or from time to time by the Board

**3. Chairman of The Committee**

The chairman of the Committee shall be approved by the Board. In the absence of the chairman, the remaining members present shall elect one of themselves to chair the meeting.

**4. Secretary**

The Company Secretary or his nominee shall act as the secretary of the Committee.

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<sup>5</sup> The Committee shall comprise not less than three (3) and no more than five (5) members.

## 5. Quorum

A meeting of the Committee shall not be valid unless at least half of its members are present or represented.

Attendance at the meeting shall be evidenced by the documentation of attendance in the minutes of the meeting.

The Committee shall propose its recommendations to the Board or the Board's committees, where appropriate, by a simple majority vote of the members present. In case of a tie vote, the Chairman of the Committee will have casting vote shall decide the issue. Recommendations will be documented and agreed in writing by the Committee members.

## 6. Frequency of Meetings

The Committee shall meet at least 6 times during the year or as required for the standard agenda (as agreed by the Committee) or at other times at the discretion of the Chairman.

Meetings shall also be convened by the Chairman upon request made by two (2) or more members of the Committee.

## 7. Notice of Meetings

Meetings of the Committee shall be summoned by the secretary of the Committee at the request of the Chairman.

Unless otherwise agreed upon, notice of each meeting confirming the place, time and date, together with an agenda of items to be discussed, shall be sent to each Committee member and any other person required to attend, no later than 5 business days prior to date of the meeting. Supporting papers are sent to the committee members and to other attendees as appropriate, at the same time.

## 8. Conduct of Meetings

Except as outlined above, meetings of the Committee shall be conducted in accordance with the provisions of the Company's Articles of Association and By-laws governing the proceedings of directors.

## 9. Minutes of Meetings

9.1 The secretary shall minute the proceedings and decisions of all meetings of the Committee, including the names of those present and in attendance. These shall be submitted to the following meeting and, subject to formal approval, signed by the Chairman and the Secretary and maintained as record.

9.2 Minutes of committee meetings shall be circulated promptly to all members of the Committee within a period not exceeding 15 days of the meeting and, once agreed, to all members of the Board.

## 10. Duties

The principal functions of the Committee are:

10.1 Review the Company's comprehensive long-term business strategy presented by Management and make appropriate comments and recommendations to the Board.

10.2 Review the Company's Annual Budget, underlying assumptions and make appropriate comments and recommendations to the Board. The budget exercise should consider among others the following critical aspects:

- a) Capital and Solvency
- b) Reinsurance strategy
- c) New Products
- d) Market and competitor analysis
- e) Legislative changes and its impact if any
- f) Manpower planning
- g) Capital expenditure budget
- h) Review of existing office locations as well as proposed new office locations
- i) Distribution channel assumptions and introduction of new channels and the cost analysis
- j) Any other critical factor considered in the budget

10.3 Reviewing the organisational structure of the Company and making recommendations for change;

10.4 Review new products proposed by management for its underwriting guidelines, pricing, acquisition costs and reinsurance support.

10.5 Review of policies and procedures of the Company in collaboration with the Management.

10.6 The Committee shall, at minimum, collaborate and support the Board Nomination & Remuneration Committee in respect of the following Nomination & Remuneration responsibilities:

- a) Developing succession planning for the Executive Management, Board and Chairman
- b) Identifying and nominating suitable qualified persons to act as interim Directors on the board in the event of a seat becoming vacant.
- c) Providing advice when electing Directors to ensure they possess the skills and abilities required by the Company.
- d) Identifying qualified persons to assume senior executive positions, as required or directed by the Nomination & Remuneration Committee.
- e) Reviewing performance bonus, allowances and incentive policy for the Executive Management and staff

- f) Recommending remuneration related matters such as Annual increments and Bonus including individual allocation list for staff (excluding CEO), to the Nomination & remuneration Committee for approval.
- g) Review nationalization Mandate and related matters
- h) Reviewing policies periodically, taking into account market conditions and company performance.
- i) Avoiding any conflict of interests, and seeking assistance and advice of any other party in order to better deliver its tasks.

10.7 The Committee shall be empowered to:

- a) Seek presence of the Executive Management as invitees in the meetings of the Committee.
- b) Seek any information necessary for decision making from the company.
- c) Secure the advice and attendance of outsiders with relevant expertise if considered necessary.

### 11. Reporting Responsibilities

11.1 The Chairman shall report formally to the Board, at each Board meeting, on the proceedings of the Committee since the previous Board meeting.

11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

### 12. Other

The Committee shall at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

### 13. Authority

13.1 The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties.

13.2 The Committee is authorised to obtain, at the Company's expense, outside legal or professional advice on any matters within its terms of reference.

13.3 The Committee shall assume all authorities designated by the Saudi Arabian Monetary Authority or the Board.

## APPENDIX D

### Investment Committee – Terms of Reference

#### 1. Purpose

- 1.1 The responsibility of the Committee is to manage all aspects of the investment assets held by the Company subject to adherence to the terms of the Investment Policy and the Committee Dealing Limits (see section 9 below) and in line with the applicable laws of the Kingdom of Saudi Arabia.
- 1.2 The Committee will ensure that at all times the investment portfolio is broadly matched by currency with the projected profile of the operation's liabilities, subject to any limits under local regulations.

#### 2. Membership

- 2.1 The Committee shall be comprised of not less than three (3) and not more than five (5) members made up of independent, executive and non-executive members. All appointments to the Committee shall be made by the Board on the recommendation of the Nomination & Remuneration Committee.
- 2.2 Only members of the Committee and the Company Secretary have the right to attend committee meetings. However, other individuals such as other directors, employees or external professional advisers may be invited to attend all or part of the meeting, as and when appropriate.
- 2.3 The term of the Committee shall be for a period of three years at a time. Upon expiry of the term of the Committee, members shall be eligible for reappointment to the new term of the Committee. During the term members of the Committee may be replaced, or new members added, at any time or from time to time by the Board.
- 2.4 The Board shall appoint the Committee chairman. In the absence of the chairman, the remaining members shall elect one of their members to chair the meeting.
- 2.5 The Committee members shall collectively have sufficient expertise to understand the important issues related to investment policy.
- 2.6 The Committee shall also ensure that all individuals conducting and monitoring investment activities have sufficient levels of knowledge and experience.

#### 3. Secretary

The Company Secretary or his nominee shall act as the secretary of the Committee.

#### 4. Quorum

The quorum necessary for the transaction of business shall be two (2) members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any authorities, powers and discretions vested in or exercisable by the Committee.

Voting on the Committee's decisions on behalf of, or by proxy from any other member shall not be allowed. The Committee's decisions shall be determined by the majority of the members' votes who are present. In case of equal votes, the Committee's Chairman shall have the casting vote, provided that the Committee's Secretary shall record the views of all members in the meeting minutes

## 5. Frequency of Meetings

The Committee shall meet quarterly and at such other times as the chairman of the Committee shall require.

These meetings can be held either physically where members are physically present or through teleconference (telephone meetings) where members can dial into the meeting through the phone, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting. A person so participating by through telephone communication shall be deemed to be present in person at the meeting and shall accordingly be counted for quorum and shall be entitled to vote.

In addition to resolutions passed at Committee meetings, when matters of urgency arise between two meetings of the Committee, Committee resolutions may be issued by written resolution that shall be circulated amongst all the members and approved through email and/or signatures unless one of the members requests, in writing, to hold a meeting to discuss the resolution. In this case the resolutions shall be held back and presented to the Committee at the next meeting that is convened. Such written resolutions approved through circulation by all the Committee members, shall have the same force as a resolution passed at a meeting of the Committee.

## 6. Notice of Meetings

6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the chairman.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than 10 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## 7. Minutes of Meetings

7.1 The secretary shall minute the proceedings and decisions of all meetings of the Committee, including the names of those present and in attendance. These shall be submitted to the following meeting and, subject to formal approval, signed by the Chairman and the Secretary and maintained as record.

7.2 Minutes of committee meetings shall be circulated promptly to all members of the Committee within a period not exceeding fifteen (15) days of the meeting and, once agreed, to all members of the Board.

## 8. Duties

The Committee shall:

8.1 Formulate the investment policy and review its implementation on a quarterly basis. Such policy shall be reviewed and approved yearly by the Board before its implementation and shall not be amended or updated without the approval of the Board.

- 8.2 delegate authority to one or more individuals or to appoint an external Asset Manager with prior approval of the Board, to manage the investment assets of the Company on behalf of the Committee, to set parameters within which the portfolio is to be managed and to provide maximum dealing limits to each individual, which are to be set and monitored by the Committee.
- 8.3 to monitor the investment portfolios of the Company and to ensure that the investment assets are invested in accordance with the terms of the Investment Policy.
- 8.4 Ensure the compliance of all investment activities with the requirements of the Investment Regulation issued by SAMA and any other applicable laws and regulations related to investment.
- 8.5 to review and approve in advance all investment transactions proposed by the individuals authorised under section 8.1 that exceed the maximum dealing limits of that individual and to ensure that such transactions do not breach the dealing limits of the Committee (see section 9 below);
- 8.6 to review reports on all breaches of the Investment Policy, to report on all such breaches to the Board and to consider actions that can be taken to ensure similar breaches do not recur.
- 8.7 to review all communications from the Board in relation to the investment assets of the Company and to ensure that all actions requested in such communications are performed.
- 8.8 Monitor the overall risks of the investment policy.

## 9. Committee Dealing Limits

- 9.1 Any transaction submitted to the Committee for approval must be referred to the Board if it exceeds in aggregate the following limits (limits apply to acquisitions only):

Government Bonds	SAR 15 million/USD 4 million
Corporate Bonds	SAR 15 million/USD 4 million
Bank Deposits	SAR 15 million/USD 4 million
All Other Asset Classes	SAR 15 million/USD 4 million

## 10. Reporting Responsibilities

- 10.1 The Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## 11. Other

The Committee shall at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **12. Authority**

- 12.1 The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties.
- 12.2 The Committee is authorised to obtain, at the Company's expense, outside legal or professional advice on any matters within its terms of reference.

## APPENDIX E

### Nomination & Remuneration Committee – Terms of Reference

#### 1. Purpose

- 1.1 The Committee shall ensure transparency in the procedures for the selection, appointment and removal of directors. All appointments and removals are to be ratified by the General Assembly.
- 1.2 The Committee will also be responsible, amongst other things, for establishing policies regarding the indemnity and remuneration of directors and senior managers.

#### 2. Membership<sup>6</sup>

- 2.1 The Committee shall comprise of not less than three (3) and not more than five (5) members and shall be appointed by the Board. At least two of the members shall be independent members. None of the executive directors shall be members of the Committee. The Chairman of the Board shall not be Chairman of the Committee
- 2.2 Only members of the Committee and the Company Secretary have the right to attend committee meetings. However, other individuals such as the Managing Director, Human Resources Director and external advisers may be invited to attend all or part of the meeting, as and when appropriate.
- 2.3 The term of the Committee shall be for a period of three years at a time. Upon expiry of the term of the Committee, members shall be eligible for reappointment to the new term of the Committee. During the term, members of the Committee may be replaced, or new members added, at any time or from time to time by the Board.
- 2.4 The Board shall appoint the Committee chairman who shall be an independent member of the Board. In the absence of the Committee chairman, the remaining members present shall select one of them to chair the meeting. The Chairman of the Board shall not be chairman of the Committee.

#### 3. Secretary

The Company Secretary or his nominee shall act as the secretary of the Committee.

#### 4. Quorum

The quorum necessary for the transaction of business shall be two (2). A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any authorities, powers and discretions vested in or exercisable by the Committee.

Voting on the Committee's decisions on behalf of, or by proxy from any other member shall not be allowed. The Committee's decisions shall be determined by the majority of the members' votes who are present. In case of equal votes, the Committee's Chairman shall have the casting vote, provided that the Committee's Secretary shall record the views of all members in the meeting minutes.

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<sup>6</sup> The committee shall be composed of not less than three (3) members and not more than five (5). Two of these must be independent members. The Chairman of the Board cannot chair this committee.

## 5. Frequency of Meetings

The Committee shall meet at least twice a year and at such other times as the chairman of the Committee shall require.

These meetings can be held either physically where members are physically present or through teleconference (telephone meetings) where members can dial into the meeting through the phone, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting. A person so participating by through telephone communication shall be deemed to be present in person at the meeting and shall accordingly be counted for quorum and shall be entitled to vote.

In addition to resolutions passed at Committee meetings, when matters of urgency arise between meetings of the Committee, Committee resolutions may be issued by written resolution that shall be circulated amongst all the members and approved through email and/or signatures unless one of the members requests, in writing, to hold a meeting to discuss the resolution. In this case the resolutions shall be held back and presented to the Committee at the next meeting that is convened. Such written resolutions approved through circulation by all the Committee members shall have the same force as a resolution passed at a meeting of the Committee.

## 6. Notice of Meetings

- 6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the chairman.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than 10 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## 7. Minutes of Meetings

- 7.1 The secretary shall minute the proceedings and decisions of all meetings of the Committee, including the names of those present and in attendance. These shall be submitted to the following meeting and, subject to formal approval, signed by the Chairman and the Secretary and maintained as record.
- 7.2 Minutes of committee meetings shall be circulated promptly to all members of the Committee within a period not exceeding 15 days of the meeting and, once agreed, to all members of the Board.

## 8. General Assembly Meeting

The Committee chairman shall attend the annual General Assembly meeting prepared to respond to any shareholder questions on the Committee's activities.

## 9. Duties

The Committee shall carry out the following duties as appropriate.

### 9.1 Nomination

The Committee shall:

- regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
- be responsible for identifying and nominating for the approval by the General Assembly, candidates to fill Board vacancies as and when they arise;
- before any appointment is made by the General Assembly, evaluate the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
  - use open advertising or the services of external advisers to facilitate the search;
  - consider candidates from a wide range of backgrounds;
  - consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position.
- keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace;
- keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- review annually the time required from members of the Board. Performance evaluation should be used to assess whether Board Members are spending enough time to fulfil their duties;
- ensure that on appointment to the Board, non-executive and independent members receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;
- Regularly evaluate the structure and composition of the Board and its committees and determine their points of weakness and make recommendations that are compatible with the company's interest
- Assess and monitor the independence of Board and Board committee members and ensure the absence of any conflict of interest, including ensuring the independence of the independent members, at least on an annual basis.
- Make recommendations to the Board with regards to selecting and dismissing members of Senior Management and the Senior Management structure.
- Establish a succession policy and procedures for the Managing Director and other key members of Senior Management and monitor the implementation of the

succession plans and process, including the procedures to be followed if there is a vacancy on the Board or in the Senior Management.

The Committee shall also make recommendations to the Board concerning:

- formulating plans for executive, non-executive and independent members of the Board, and in particular the key roles of the Chairman and Managing Director;
- membership of the Audit & Risk, Executive, Nomination & Remuneration, Investment and Disclosure committees, in consultation with the chairman of those committees;
- the continuation in office of any non-executive/independent director having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- Any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract;
- the appointment of any director to executive or other office.
- Reviewing the structure of the Senior Management and changes that may be made to the structure.

In carrying out its duties with respect to identifying and nominating for the approval by the General Assembly, candidates to fill Board vacancies whether mid term or on expiry of a board term, the Committee shall follow the procedures as set out in the New Board Member Nomination / Appointment Procedure attached as annexure to this Terms of reference.

## 9.2 Remuneration

The Committee shall:

- Develop a remuneration and compensation policy covering all levels and categories of employees, whether regular or contractual. The remuneration policy shall address the following at minimum:
  - Objectives of the compensation scheme (with focus on promoting effective risk management and achieving financial soundness and stability of the Company)
  - Structure of the compensation system (including key determinants of compensation, alignment of compensation with risk taking, etc.)
  - Determinants of the mix of remuneration components (fixed and variable components; cash and non-cash benefits, etc.)
  - Linking compensation with Performance
- The Committee shall be responsible to ensure that the compensation level and structure are fair, are aligned with the Company's objectives, encourage prudent behaviours and does not induce taking high risk actions to achieve short-term profits, and it complies with the Company's risk management policy approved by the Board

- determine and agree with the Board the framework or broad policy for the remuneration of the Company's Managing Director, Chairman, the executive directors, the Company Secretary and such other members of the executive management as it is designated to consider. The remuneration of non-executive Board members shall be a matter for the Chairman and the executive member(s) of the Board. No director or manager shall be involved in any decisions as to their own remuneration;
- in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- review the ongoing appropriateness and relevance of the remuneration policy;
- put in place a performance measurement system 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.
- approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made and if so, the overall amount of such awards, the individual awards to executive director(s) and other senior executives and the performance targets to be used;
- 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.
- ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- within the terms of the agreed policy and in consultation with the Chairman and/or Managing Director as appropriate, determine the total individual remuneration package of each executive director and other senior executives including bonuses, incentive payments and share options or other awards;
- in determining such packages and arrangements, give due regard to any relevant legal and regulatory requirements; in particular, 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.
- review and note annually the remuneration trends across the Company;
- oversee any major changes in employee benefits structures throughout the Company;
- agree the policy for authorising claims for expenses from the Managing Director and Chairman
- ensure that all provisions regarding disclosure of remuneration are fulfilled;

- be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.
- Members of the Board and Senior Management (except sales managers) shall not receive any commission or rewards on sales-related activities. 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.

## 10. Reporting Responsibilities

- 10.1 The Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall make a statement in the annual report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used.

## 11. Other

The Committee shall at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## 12. Authority

- 12.1 The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties.
- 12.2 The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

## 13. Committee Members' Remuneration

Every member of the Nomination and Remuneration Committee shall be eligible for remuneration for undertaking the responsibilities of a Committee member and also attendance at each Committee meeting. The amount of such remuneration shall be determined under a policy recommended by the Board of Directors and approved by the General Assembly.

**Annexure to Appendix E**  
**New Board Member Nomination / Appointment Procedure**

**1. Background and Context**

Liva Insurance Company is a listed joint stock Company in the Kingdom of Saudi Arabia and is licensed to carry on Insurance Business by the Saudi Arabian Monetary Authority (SAMA). The Company is bound by the regulation in KSA and the principal ones that are applicable with respect to all matters concerning the Board of Directors are the regulations issued by the Saudi Arabian Monetary Authority (SAMA), the Capital Markets Authority (CMA) and the Ministry of Commerce and Investment (MOCI), and Council of Cooperative Health Insurance (CCHI).

The purpose of this procedure document is to outline the procedures that are to be followed with respect to the selection, nomination and appointment of members to the Board of Directors of the Company and ensure alignment and compliance with the regulatory requirements as well as corporate governance best practices as applicable in KSA.

The Company has a ‘Board of Directors Membership Policy Statement’ and this procedure document must be read in conjunction with the Board of Directors Membership Policy Statement.

**2. Board Composition and types of membership**

The Board of Liva shall comprise of eleven Directors. At least three or one third (whichever is greater) of the Board shall be independent (the “Independent Directors”), whose appointment shall be made on the recommendation of the Board. The Board shall be made up of majority non-executive Directors.

RSA (ME) shall nominate five directors for so long as it owns 50% or more of the voting shares of the Company. Riyadh Bank shall nominate two directors, for so long as it owns 19% or more of the voting shares of the Company.

The Company shall notify the CMA of the names of the Board Members and description of their memberships within five business days from the commencement date of the Board term or from the date of their appointment, whichever is shorter, as well as any changes that may affect their membership within five business days from the occurrence of such changes.

The majority of the Board shall be made up of non-Executive Directors.

### **Independent Director**

An Independent Director is a member of the Board of Directors who enjoys complete independence, as set out under Article 6 (Definitions) of the SAMA Corporate Governance Regulations for Insurance Companies. By way of example, the following shall constitute an infringement of such independence:

- a) Owning the equivalent of 5% of the Company's shares or those of any subsidiaries.
- b) Representing a shareholder with legal personality who possesses the equivalent of 5% of the Company's shares or those of any subsidiaries.
- c) Being a member of the board in a Related Company or one of its subsidiaries or having been one during the past two years.
- d) Being a member of the board of the Company for more than nine years.
- e) Holding a senior management position on the Company or in a Related Company or having held one in the past two years.
- f) Being an employee with the Company with a Related Company or a company that provides services to the Company (e.g. Auditors, consulting firms etc.) or having worked with any of the above during the past two years.
- g) being a Related Person of a member of the Board or Senior Management of the Company or a Related Company.
- h) having a direct or indirect interest in the businesses and contracts executed for the Company's account.
- i) Being under any financial obligation towards the Company or any members of the board of Senior Management.
- j) Engaging in a business that competes with the Company, or conducting businesses in any of the Company's activities.
- k) Receiving financial consideration from the Company other than for being a Member of the Board or Committees.

Independent Directors shall express their opinions in respect of the Company's strategic issues, policies, and performance and appointing members of the Senior Management. Independent Directors shall ensure that the interest of the Company and its shareholders are taken into account and given priority in case of any conflicts of interest.

### **Non-Executive Director**

A Non-Executive Director is a member of the Board of Directors 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.

### **Executive Director**

An Executive Director is a member of the Board 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.

### 3. Term of Board

The term of the Board shall be for a maximum of three years. Where any vacancy arises mid-term, the term of office of a new member appointed to fulfil the vacancy will at a maximum be up to the expiry of the current term of the Board.

The term of a Board Member shall terminate due to any of the following circumstances:

- Expiration of the current term of the Board
- The resignation or death of the Member.
- Breach of duty by a member or by acting in a manner detrimental to the interest of the company
- Conviction of crime, fraud, breach of trust or honour.
- Becoming unfit for membership in accordance with the provisions of any in-force regulation in Saudi Arabia.
- Being absent from 3 consecutive meetings without an acceptable excuse by the Board.
- Being replaced by the corporate entity being represented.
- Upon request of the shareholders at a General Assembly meeting.
- Upon the General Assembly's rejection to renew its authorization of a Board Member's conflict of interest or competing interest, unless the Board Member ends the conflict of interest or competing interest prior to the date set by the General Assembly.

The Company shall disclose the termination or resignation of a Board Member and the reasons thereof to the CMA and announce the same on Tadawul. A resigning Board Member who has comments on the Company's performance shall submit those comments to the Chairman to be provided to the Board.

When a vacancy arises on the Board of Directors, the Board has the responsibility to appoint temporary member in the vacant position. The Board will be supported by the Nomination & Remuneration Committee in this regard. The appointment shall be presented to the next Ordinary General Assembly following the appointment of the new member. If the number of members on the Board of Directors drops below the minimum required as set out in the company By-Laws, the Ordinary General Assembly shall take place as soon as possible to elect the minimum required number of members.

#### 4. Board Member Nomination Process

##### Appointment for new Board Term

The following procedure shall be followed when appointing Board members for a new three-year term upon completion of a full Board term:

- Announcement for opening of nominations for Board membership to be made not less than 45 days before the proposed date of the General Assembly Meeting by posting on Tadawul and the Company's website.
- Receiving / collating the following documents from all prospective candidates including those being nominated by the Corporate Shareholders of the Company – RSA Insurance (Middle East) BSC (c) and Riyadh Bank.
  - Statement of resume and copies of qualifications from interested candidates including copy of the national identity for Saudi or passport for non-Saudi.
  - Completed Fit & Proper form issued by the SAMA.
  - Completed form (3) issued by the Capital Market Authority pertaining to the curriculum vitae of the candidates for membership of the Board of Directors.
  - For candidates who have already been members of the Board of Directors or one of its committees, statement indicating the number of meetings attended and participation in the Board and committees.
- The above documents must then be sent to the Board Secretary, who will present them to the Nomination and Remuneration Committee.
- The Committee shall consider within a week of the closing date the submitted applications and assess if they meet the conditions of nomination.
- In the event that the Committee decides to reject any applications it must communicate to the concerned candidate its decision and reasons for rejection.
- The Fit & Proper forms and curriculum vitae of candidates who meet the requirements of the Nomination & Remuneration Committee should be submitted to SAMA to obtain its no objection.
- After obtaining the SAMA's no objection, form (3) should be to be sent to the Capital Market Authority.
- The Curriculum Vitae of candidates should then be posted on the Company's website.
- Upon calling for the General Assembly, the Company shall announce on Tadawul information about the candidates for the membership of the Board which shall include the candidates' Curriculum Vitae, including their experience, qualifications, skills and previous and current jobs and

memberships. The Company shall make available a copy of the information in the Company's head office and on its website.

- A General Assembly meeting should be convened in the usual manner to elect the Board members for the new term. The cumulative method of voting shall be applied in appointing the board members.
- Following the General Assembly decisions, announcements must be made on Tadawul, and communications be sent to SAMA and the CMA

A Board candidate shall disclose to the Board or the General Assembly any conflicts of interest, including:

- Having direct or indirect interest in the contracts and businesses entered into for the benefit of the Company in which he/she desires to be nominated to the Board; and
- Engaging in business that may compete with the Company or any of its activities.

The Company must notify SAMA when a nomination proposal for board membership has been rejected and must specify the reason for rejection.

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.

#### **Appointments to fulfil vacancies that arise mid-term.**

If the position of a board member becomes vacant, the board can, after obtaining SAMA's prior written approval, temporarily appoint a new member to the vacant position for the remainder of his/her predecessor's term, provided that such appointment is presented for approval at the next General Assembly meeting.

The following procedures shall be followed when appointing members to fulfil vacancies that arise mid-term.

#### For members in their personal capacity

- The Nomination and Remuneration Committee shall recommend to the Board of Directors to choose a candidate stating clear reasons for the recommendation.
- The Fit & Proper forms and curriculum vitae of candidates who meet the requirements of the Nomination & Remuneration Committee and the Board should be submitted to SAMA to obtain its no objection.

- After obtaining the SAMA's no objection, form (3) should be to be sent to the CMA.
- The Board of Directors will appoint the member in the vacant position to, complete his predecessor's term
- Present this appointment to the General Assembly at the first meeting following the appointment.

For the representatives of corporate entities:

- Request for the Corporate Entity (i.e. RSA Middle East or Riyadh Bank as the case may be) to nominate another representative of the corporate entity on the Board of Directors.
- The Nomination & Remuneration Committee must consider within a week of the corporate entity's nomination date, to assess if the nominated person meets the conditions of nomination.
- In the event that the Committee decides to reject any applications it must communicate to the concerned candidate its decision and reasons for rejection.
- The Fit & Proper forms and curriculum vitae of candidates who meet the requirements of the Nomination & Remuneration Committee should be submitted to SAMA to obtain it's no objection.
- After obtaining the SAMA's no objection, form (3) should be to be sent to the Capital Market
- Nomination and Remuneration Committee shall recommend to the Board of Directors to choose a candidate stating clear reasons for the recommendation.
- The Board of Directors appoints the member in the vacant position to, complete his predecessor's term
- Present this appointment to the General Assembly at the first meeting following the appointment.

## 5. Board members selection criteria

In making its recommendations the Nomination and Remuneration Committee shall ensure the Board collectively has the appropriate diversity with respect to qualifications, knowledge, experience and skills in the various areas of the Company's business and operations. Board Members must hold the minimum qualifications or expertise required for membership, as determined by the Nomination and Remuneration Committee and SAMA's instructions concerning the requirements of appointment to Boards of Directors.

Board Members shall be eligible to do the work assigned and must have a clear understanding of the role required with the ability to exercise good governance in an objective and independent manner in all company matters, and have a high

degree of reputation, efficiency and responsibility. Board Member must possess a strong understanding of the Company's financials and have the ability ability to advise on best practices.

A board member of the Company shall

- a) Not be a board member of another local insurance and/or reinsurance Company or occupying any leadership or board committee position in such Companies.
- b) Not have been convicted of an offence prejudicial to honor, integrity or contrary to the laws and regulations in the Kingdom or any other country, unless proving innocent.
- c) Not have previously received a court ruling or decision settling in civil proceedings linked to investment, business or finance or misconduct or embezzling funds in Saudi Arabia or any other country.
- d) Not be a Board Member of more than five joint stock companies, and not be a Board Member of any company operating in the insurance sector.
- e) Within 30 days of the approval by the General Assembly appointment, own not less than ten thousand riyals equivalent of the company's shares.

## APPENDIX F

### Risk Committee – Terms of Reference

#### 1. Purpose

- 1.1. The Committee has the responsibility to oversee the Company's risk management arrangements ensuring the risk appetite is appropriate and adhered to and that key risks are identified and managed.
- 1.2. Subject to any restrictions imposed under the Delegated Authority (Executive Licence) Framework, the Committee will be responsible, amongst other things, for reviewing risk management functions and assessing the Company's processes relating to its risk and internal control systems.

#### 2. Membership<sup>7</sup>

- 2.1 The Committee shall be made up of members appointed by the Board, on the recommendation of the Nomination & Remuneration Committee (subject to conditions specified in footnote (9) below).
- 2.2 Only members of the Committee and the Company Secretary have the right to attend committee meetings. However, other individuals such as the Audit Committee members, other Business Representatives and Internal audit may be invited to attend all or any part of the meeting as and when appropriate.
- 2.3 The term of the Committee shall be for a period of three years at a time. Upon expiry of the term of the Committee, members shall be eligible for reappointment to the new term of the Committee. During the term, members of the Committee may be replaced, or new members added, at any time or from time to time by the Board
- 2.4 The chairman of the Committee shall be appointed by the Board. In the absence of the chairman, the members present will elect one those present to chair the Committee.
- 2.5 If a regular member is unable to act due to absence, illness or any other cause, a substitute/replacement will be accepted upon agreement from the chairman.

#### 3. Secretary

The Company Secretary or his nominee shall act as the secretary of the Committee.

#### 4. Quorum

The quorum necessary for the transaction of business shall be the presence of the majority of the members, provided that at least two members shall be non-executive. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

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<sup>7</sup> The risk committee shall be composed of at least (3) members and not more than (5) members headed by a non-executive member. The chairman of the risk committee and the majority of its members shall be non-executive directors. Its members shall have an appropriate financial and risk management knowledge.

Voting on the Committee's decisions on behalf of, or by proxy from any other member shall not be allowed. The Committee's decisions shall be determined by the majority of the members' votes who are present. In case of equal votes, the Committee's Chairman shall have the casting vote, provided that the Committee's Secretary shall record the views of all members in the meeting minutes.

## **5. Frequency of Meetings**

The Committee shall meet not less than four times each year, and at such other times as the Chairman of the Committee may require.

These meetings can be held either physically where members are physically present or through teleconference (telephone meetings) where members can dial into the meeting through the phone, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting. A person so participating by through telephone communication shall be deemed to be present in person at the meeting and shall accordingly be counted for quorum and shall be entitled to vote

In addition to resolutions passed at Committee meetings, when matters of urgency arise between two meetings of the Committee, Committee resolutions may be issued by written resolution that shall be circulated amongst all the members and approved through email and / or signatures unless one of the members requests, in writing, to hold a meeting to discuss the resolution. In this case the resolutions shall be held back and presented to the Committee at the next meeting that is convened. Such written resolutions approved through circulation by all the Committee members shall have the same force as a resolution passed at a meeting of the Committee.

## **6. Notice of Meetings**

6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members if they consider it necessary subject to prior approval by the Chairman.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend no later than 10 working days before the date of the meeting.

## **7. Minutes of Meetings**

7.1 The secretary shall minute the proceedings and decisions of all meetings of the Committee, including the names of those present and in attendance.

7.2 The members of the Committee shall, at the beginning of each meeting, declare the existence of any conflicts of interest arising and the Secretary shall minute them accordingly.

7.3 Minutes of committee meetings shall be circulated promptly to all members of the Committee within a period not exceeding fifteen (15) days of the meeting and, once agreed, to all members of the Board.

## 8. Board Meeting

The chairman of the Committee shall proactively discuss issues arising out of the Committee which need to be brought to the Board attention during the quarterly Board meeting and will respond to any Board members' questions on the Committee's activities.

## 9. Duties

The Committee should carry out the duties below as appropriate.

### 9.1 Internal Control

The Committee shall:

- Keep under review the effectiveness of the Company's internal controls and risk management systems.
- Review the Company's annual statement on its systems of internal controls prior to endorsement by the Audit Committee. In reviewing the effectiveness of internal controls, consideration shall include:
  - The changes since the last annual assessment in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment.
  - The scope and quality of management's ongoing monitoring of risks and of the system of internal control.
  - The extent and frequency of reporting to the Board (or Audit Committee) which enables it to build up a cumulative assessment of the state of the system of internal control in the Company and the effectiveness with which risk is managed.
  - The incidence of significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's operational and financial performance or condition.
- The Committee shall review the Company's procedures for Anti Money Laundering, detecting and reporting fraud.

## 9.2 Risk Management

The Committee shall:

- Define a comprehensive risk management strategy for the Company, oversee its implementation, and review and update it on a regular basis by taking into account developments that are internal and external to the Company.
- Review the effectiveness of the Company's risk management arrangements and shall review reports on the key risks facing the Company. This includes the following risk categories:
  - Strategic,
  - Insurance
  - Operational.
  - Financial.
  - Reputational
- Ensure that material risks facing the company have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively.
- Recommend the Company framework of risk limits and risk appetite to the Board for approval.
- Review the reports from the Head of Risk-on-risk management issues and activities throughout the Company. The reports should highlight strategic, external, operational and financial risk matters and compliance issues. The reports shall inform the Committee of the systems and processes by which these risks and compliance issues are identified and managed. It shall also identify owners of the risk/issues, priority attached to them and current treatments in place to address them. The Committee shall review, and challenge information received to ensure that the Company is not exceeding the risk appetite set by the Board.
- Review the profile of the Company's key risks and associated controls to the Board at least annually.
- Re-evaluate the Company's tolerance for, and exposure to, risk on a regular basis.
- Keep under review the consistency of the company policies both on a year-on-year basis and across the Company.
- Review critical policies, and any changes in them.
- Review the level of compliance with Company policies and standards.
- Consider any other matters relevant to the Company's risk management that are referred to it by both the Business and the Board.

### 9.3 Legal & Regulatory Compliance

The Committee shall:

- Ensure that Company's legal and compliance arrangements are properly embedded by the Company functions to effectively manage legal, regulatory and reputational risks that the company faces during the course of its business;
- Review the reports from the Audit Committee and head of compliance on compliance and regulatory risk issues and activities throughout the Company and ensure that corrective actions are implemented by the various areas of business;
- Review any other matter relevant to the Company's legal obligations and define corrective action plans where applicable.

### 9.4 Internal/ External/ Technical Audits/ Regulatory reports

The Committee shall:

- At the start of each audit year acknowledge the internal audit program.
- Review promptly all reports on the Company regarding the findings of the audit with the Internal Audit. This shall include but not be limited to, the following:
  - A discussion of any major issues which arose during the audit.
  - Any audit judgments; and
  - Level of issues identified during the audit.
- Review and monitor management's responsiveness to the findings and recommendations of the internal auditor/ Technical Audit and the regulator through its supervisory reviews.

## 10. Reporting Responsibilities

10.1 The chairman of the Committee shall proactively discuss issues arising out of the Committee which need to be brought to the Board attention.

10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## 11. Other Matters

The Committee shall:

- 11.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 11.2 Give due consideration to the Risk Management framework and local laws and regulations;
- 11.3 At least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **12. Authority**

The Committee is authorised:

- 12.1 To seek any information, it requires an employee of the Company in order to perform its duties.
- 12.2 To obtain outside legal or other professional advice on any matter within its terms of reference.
- 12.3 To investigate any activity within its terms of reference.