

Salama Cooperative Insurance Co. "SALAMA"

Conflict of Interest Policy

May 2022



سلاومة
SALAMA

شركة سلامة للتأمين التعاوني
SALAMA Cooperative Insurance Company

Document Control

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Registered Name: Salama Cooperative Insurance Co. "SALAMA"

Head Office: Jeddah (7864), Salama Tower, 12th floor, Al Madina Road, Kingdom of Saudi Arabia

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Policy

1. Introduction

This Policy concerns the protection of the interests of the Company, by addressing possible conflicts of interest with each member. The Policy is drafted to help the Company gain the trust of its clients in preventing and reducing conflict and to identify and manage any conflict between the personal interests and the interests of the Company.

2. Objective

The Salama Cooperative Insurance Company (Salama) aims at establishing the best standards and practices and applying corporate governance rules, including avoiding conflicts of interest within the Company, establishing rules and procedures in case of exhibitors, and determining the means of reporting external activities of the members and approving them if they are considered important, as per the codes and regulations, their derivative rules, and the matters approved by the General Assembly of the Company.

3. Scope

Conflict of Interest policy applies to all prospective or current employees of the company, as well as independent contractors and persons acting on behalf of the company.

4. Purpose

Conflict of Interest Policy refers to any case where an employee's personal interest might contradict the Company's interest. Such unwanted circumstances may have heavy implications on the employee's judgement and commitment to the Company, and by extension to the realization of its goals. The purpose of the Conflict of Interest policy is to protect Salama's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Company.

5. Effective Date

The effective date of this policy is from the date of approval from the Board of Directors of Salama.

Note: Any modifications or changes to this policy and to the information it contains should be initiated by the Compliance Officer. Amendments made by any executive power in the company will be considered invalid if not referred to Compliance Department. This document shall be approved by the Chief Executive Officer and the Board of Directors of Salama. This document is controlled by the Compliance Officer.

6. Definitions

- Company: Salama Cooperative Insurance Company
- Board: Board of Directors.
- CMA: The Capital Market Authority of Saudi Arabia.
- SAMA: Saudi Central Bank
- First Class Relatives: Father, mother, husband, wife and children.

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- **Related Person:** Close family members of parents, spouse, descendants; any person with a business relationship that might influence the decision making process; and any establishment in which any member of the Board of Directors has more than 5% interest.
- **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.
- **Significant Shareholder:** Natural or legal persons that, directly or indirectly, alone or in association, controls 5% or more of the Company's shareholding.
- **Senior Management:** The Managing Director, Chief Executive Officer, General Manager, their deputies, Chief Financial Officer, Managers of key departments, officers of risk management, internal audit, and compliance functions, and similar positions in the Financial Institution, in addition to incumbents of any other positions determined by SAMA.
- **Owners:** Any person with an interest with the Company such as shareholders, employees, creditors, customers, suppliers, and society.

7. Provisions for Board of Directors

- A member of the Board or Senior Management (with the exception of sales managers) may not receive commissions or rewards for the work they contribute towards the benefit of the company. It is also not permissible to link any part of the remuneration and compensation of a member of the Board or management to sales.
- It is not permissible for a member of the Board to have any direct or indirect interest in the business and contracts that are made for the account of the company without a prior authorization from the Ordinary General Assembly, to be renewed every year. The member of the Board shall inform the Board of his direct or indirect interest in the business and contracts that are made for the company's account, and this notification shall be recorded in the minutes of the meeting. This member may not participate in voting on this resolution.
- The Chairman of the Board must inform the Ordinary General Assembly, when it convenes the meeting, about the business and contracts in which one of the Board members has a direct or indirect interest, and the notification shall be accompanied by a special report from the Company's external auditor.
- If a Board member fails to disclose his direct or indirect interest in any of the contracts, the company or any interested party may claim before the competent judicial authority to invalidate the contract or obligate the member to pay any profit or benefit that has accrued to him from that.
 - A member of the Board of Directors or senior management may not, without approval from the General Assembly, to be renewed each year, participate in any business that would compete with the business of the Company.
- Members of the Board and Senior Management who have an interest in any of the insurance service provider (such as insurance brokers and agents):
 - Disclose in writing to the Board of Directors their interest in the insurance related company as soon as possible
 - Refrain from encouraging dealing with the company in which they have interest

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- Refrain from voting on any of the decisions related to dealing with the company in which they have interest.
- Disclose to the General Assembly, when it convenes, its dealings with any of the companies related to insurance in which any member of the board of directors or senior management has a personal interest. This notification shall be accompanied by a special report from the auditors.
- The Chairman of the Board of Directors must provide the General Assembly with the details of insurance contracts in which a member of the Board of Directors or Senior Management or parties related to them have an interest, including the type and size of these contracts and any losses resulting from them, if any.
- The company may not provide a cash loan of any kind to members of its Board or guarantee any loan contracted by one of them with others, with the exception of banks and other credit companies.
- A Board member is prohibited from accepting powers of attorney on behalf of the shareholders to attend the meetings of the General Assembly.
- In all cases, the members of the Board of Directors of the Company, Senior Management, or any person related to any of them, may not deal with any securities of the Company during the prohibition periods determined by the Capital Market Authority.
- Ensuring annually, the independence of the independent members of the Board and the absence of any conflict interests if the member is a Board member of another company.
- Each member of the Board shall avoid conflicts of interest and suspicion of a conflict of interest.

8. Provisions for Senior Management

- Senior Management of the Company shall refrain from engaging in any special transactions with the Company without the prior approval of the from the general assembly, to be renewed each year.
- The Company's Senior Management shall refrain from participating in any business that may compete with the Company's activities which is inconsistent with its functional responsibilities and obligations towards the company.
- The Company's Senior Management shall refrain from exploiting their employment status in the Company to achieve any interest, benefit or personal gain.
- Company Management must refrain from disclosing non-public or confidential information or use any of this information for personal interests.

9. Provisions for Company Employees

Employees of the company are committed to:

- Not misusing the Company's assets.
- Not entering any transactions with the Company without the approval of the Board of Directors.
- Not misusing company's confidential information for personal purposes.
- Not accepting gifts, benefits and services from the parties dealing with the company that would undermine the objectivity of the employee.

10. Example of some cases of conflicts of interest:

- An employee using or exploiting his professional authority or his influence in the Company for his personal interest or for the benefit of third parties.
- Disclosing secrets or giving information that is considered to be the private property of the Company, which he is aware of by virtue of his position, even after leaving the service,

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whether for the purpose of obtaining material gains directly or indirectly to him or any of his family members.

- Carrying out the work of the trusteeship, guardianship, or agency with or without payment when the person covered by such a trusteeship, guardianship, or agency has a direct or indirect interest with any entity that deals with or seeks to deal with the Company.
- Purchase of any materials, equipment, or property based on information from within the Company for the purpose of selling or leasing such items to the Company for profit.
- Making any statement or act that may influence the shares of the Company in the market.
- Accepting gifts or services from any party dealing with or seeking to deal with the Company. In this regard, the employee should notify the direct manager of all gifts received personally or by a member of his family with the Company with someone related to that entity.

11. Trading in the Company's Shares

- Members of the Board are prohibited from trading in the Company's shares when they become aware of any important events or decisions that may affect the Company's share prices.
- In all cases, the members of the Board of Directors of the Company, Senior Management, or any person related to any of them, may not deal with any securities of the Company during the prohibition periods determined by the Capital Market Authority.
- A member of the Board shall notify the Company and the Capital Market Authority at the end of the trading day of any the following events that occurred on that day:
 - When the person becomes owner or holder of (5%) or more of any class of shares which entitles him right to vote, or debt instruments convertible into shares.
 - In the event of an increase or decrease in the ownership or interest of the person referred to in paragraph (1).
 - When calculating the total number of shares in which any person has an interest, the person who has an interest in any shares owned or controlled by any of the following persons shall be considered:
 - The spouse of that person or his minor children.
 - The Company controlled by that person when he/ she has 30% or more of the voting rights, or when the Company or its Board is acting on the instructions of that person.
 - Any other persons to whom that person agrees to obtain interest in the shares of the Company, wherein the notice referred to shall be in accordance with the form prepared by the Authority
- In the event that the previously disclosed ownership changes, the person concerned with that event should notify the Company and the Capital Market Authority immediately after the change has occurred.

12. Procedures for Issuing and Compensating Board of Directors and Senior Management.

- There is no preferential treatment for the members of the Board and Senior Management.
- The Company should necessarily obtain prior approval of the Saudi Central Bank before entering into a contract with a member of the Board or Senior Management (in case of commercial insurance).
- Payment should be fully made in advance by the Board or Senior Management.
- If any of the members of the Board or Senior Management submits a claim for compensation for an insurance policy issued by the Company, the claim shall be treated in accordance with the procedures applicable to the claims of other customers without preferential treatment.

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13. Report of the Board of Directors

The Company is obliged to attach to its annual financial statements a report issued by the Board of Directors, including an overview of its operations during the last financial year and all the factors influencing the Company's business, which helps the investor to evaluate the Company's assets, liabilities, and financial position.

The report of the Board of Directors should include two main points:

- A description of any transaction between the Company and a related party.
- Information relating to any acts or contracts to which the Company is a party or information that is of interest of a member of the Board of Directors of the Company, Senior Management, or any person related to any of them. In the case where there are no such businesses or contracts, the Company should then provide a declaration of this matter.

14. Record retention

Salama will comply with the record retention requirements contained in the SAMA and CMA Corporate Governance Regulations and Insurance Market Code of Conduct Regulations and will ensure that all related documentation pertaining to the conflict of interests are retained for a minimum of 10 years either physically or electronically.

15. Policy review and approval

The Conflict of Interest Policy will be reviewed periodically (on an annual basis) or when major changes are warranted or recommended by the Board Risk Committee. The Board is responsible for approving this policy (as required by SAMA).