

# CORPORATE GOVERNANCE REPORT

Arab Insurance Group B.S.C (“Arig”) is committed to follow international Best Practices of Corporate Governance. We firmly believe that there is a link between strong ethical standards, good governance and the creation of shareholder value. In our communication with stakeholders and the general business community, we aim to be fully transparent through high standards of disclosure.

Arig was Established on 9 June 1980 as a reinsurance company. As at 31st December 2022, Arig has an authorized capital of US\$500 million and paid-up capital of US\$220 million.

## Central Bank of Bahrain – Rulebook Volume 3 – High Level Control

The Company follows the Corporate Governance requirements as laid down in Volume 3 of the Central Bank of Bahrain Rulebook. This Corporate Governance Report is also included as a separate item as part of agenda for the Annual General Meeting.

## Shareholders

Arig is a public listed company, and its shares are listed on Bahrain Bourse.

Arig held two shareholders meeting during the year, the Annual General Meeting held virtually on 29th March 2022, and the Ordinary General Meeting held virtually and via physical attendance at Arig premises on 26th September 2022 to elect members of the Board of Directors of the Company for the term from September 2022 to March 2025. The election was for three positions to the Board of Directors, and the remaining three positions were nominees of major shareholders in accordance with Article 32 of the Company’s Articles of Association.

Further shareholders details are set out in the Notes of the Consolidated Financial Statements (Note 20, i(a), i(b) & i(c)). As set out in page 67.

## Framework

The Company, through its Board of Directors, maintains a governance framework in all areas of its operations, which includes formalized policies, procedures, guidelines and relevant management reporting requirements. Arig’s governance practices are reviewed and amended from time to time.

## The Board of Directors

The members of the Board are elected and can be terminated by the shareholders of the Company in accordance with the provisions under the Articles of Association, the Commercial Companies Law of Bahrain

and the Central Bank of Bahrain (CBB) regulations. In accordance with Arig’s Articles of Association, any shareholder with 10% or more of the Company’s shares shall have the right to appoint a member of the Board of Directors, while any shareholder exercising such right shall be barred from voting to elect other members of the Board of Directors at a General Meeting.

The Board holds the ultimate responsibility for the overall direction, supervision and control of the Company. It regularly assesses the Company’s financial and commercial performance and approves its business plan. The Board continuously oversees the corporate governance processes in order to ensure good standards within the Company. The Board further reviews and assesses the adequacy of the management of all risks the Company may be exposed to.

The current Board was elected by the shareholders at the Ordinary General Meeting to elect three Board members, as held on 26th September 2022 for a period until March 2025, while the other three Board members were appointed by three shareholders with 10% or more of the Company’s shares. Formalized Board procedures enhance the professional development of the Board members and include induction training to new directors, continuous learning, and self-evaluation. The names of the current directors and biographical details are set out in page 20.

Members of the Board are all non-executive, as per the current Board composition. Based on the composition of the Board members as a result of the aforementioned election and appointment, one out of six-members is an independent non-executive director, as the other independent Board member did not meet the criteria as per the CBB regulations. As the current composition does not meet CBB regulations which requires that at least one-third of the Board members shall be independent directors. The Board is currently reviewing the composition of the Board members and the proposal to resolve the matter is under consideration. The Board formally reviews and evaluates its own performance together with the performance of the individual directors, as required by the Volume 3 of the CBB Rulebook.

## Board Committees

While principal matters are handled by the Board, separate Committees are mandated to assist the Board in carrying out its duties in an efficient manner. The Audit & Risk Committee oversees financial reporting process, Company’s system of internal controls, risk management and compliance with laws regulations. The Nomination & Remuneration Committee is tasked to review the nomination and compensation of the Board of Directors and the members of the Company’s General Management. All Board

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Committees meet periodically to achieve their objectives and to also annually assess the Committees' efficiency.

## Board Meetings

According to the Articles of Association and local regulations, the Board is required to meet at least four

times in a year and 50% of the Board meeting to be held in Bahrain. During the year 2022, Board met nine times, and more 50% of the Board meetings were held in Bahrain.

The following table lists the number of meetings held during 2022, including Board Committees and the individual attendance:

Directors	Board Meetings (9)	Audit & Risk Committee (5)	Nomination & Remuneration Committee (6)
Mr. Saeed Mohammed AlBahhar *	9	N	6
Mr. Ahmed Omar AlKarbi	4	N	N
Mr. Mohamed Saif AlSuwaidi	9	N	5
Mr. Mohamed Ahmed AlKarbi	4	2	1
Mr. Abdulla Saeed AlGhfeli	4	2	N
Mr. Wael Ibrahim Abu Khzam	8	5	5
Mr. Mohamed Saif AlHameli	4	N	N
Mr. Ahmed Saeed AlMahri *	5	3	5
Dr. Bader Abdulla AlJaberi *	5	3	5

\* - Independent Non-Executive Director

\* N - Not a member

\* Mr. Mohamed AlHamli, Mr. Ahmed AlMahri and Dr. Bader AlJaberi terms completed on 26th September 2022.

\* Mr. Ahmed AlKarbi and Mr. Mohamed AlKarbi joined the Board via election and Mr. Abdulla AlGhfeli joined the Board via appointment on 26th September 2022.

## Management

Responsibilities of the Chairman and the Chief Executive Officer (CEO) are separated. The Chairman of the Board is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda, considering the issues relevant to the Company and the concerns of all Board members.

The Acting CEO executes leadership in the day-to-day management of the Company.

Biographical details of the Acting CEO are set out in page 21.

## Directors' and General Management Compensation

The Directors' remuneration is determined in accordance with the Bahrain Commercial Companies Law including the executionary regulations and amendments and the provision under the Company's Articles of Association including its amendments and is approved by the shareholders. Directors' compensation includes remuneration, allowances and reimbursement of expenses. The compensation of the General Management is determined by the Board of Directors based on the recommendations of the Nomination & Remuneration Committee, and includes salaries, allowances, reimbursement of expenses, post-employment benefits and performance related incentives. Details as required under the CBB Rulebook are held at the Company's premises for the availability of the shareholders.

## Organizational Structure

The Company has in place a detailed organizational structure to achieve the Company's objectives, its strategic development and internal controls. However, due to the shareholders' decision to cease reinsurance operations, the Board has decided to defer filing up certain vacant positions.

## Succession Planning

The Company recognizes the value of its human resource and the significance of ensuring qualified and orderly successions. The Nomination & Remuneration Committee oversees reviewing and approval of the succession plan. However, currently some of the key positions remain vacant due to the approval by the Shareholders to cease writing new reinsurance business.

## Policy on the Employment of Relatives

As required by the CBB Rulebook, the Company has formulated a policy on the employment of relatives of the approved persons.

## Key Persons Dealing in Arig Securities

Arig has an established policy with regard to key persons dealing in Arig securities, which complies with the Bahrain Bourse guidelines and the Rulebook Volume 6 (Capital Markets) issued by the Central Bank of Bahrain. During the year, the Company has complied with relevant reporting

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and monitoring requirements as stipulated under these regulations.

Following are the details of Arig shares held by members of the Board, including their representatives, and members of the General Management, including their spouses, children or other persons under their control as per Arig's record:

Particulars	Directors (including Corporate Directors)	General Management
Shares held at 1-1-2022	116,729,768	-
Add: Shares acquired during the year	-	-
Less: Shares sold during the year	-	-
Shares held at 31-12-2022	116,729,768	-

## Investor Relations

Arig makes considerable effort to maintain active investor relations through open, fair and transparent communication. A dedicated shareholder affairs unit is responsible for the timely dissemination of all relevant information to its stakeholders. The Company's website ([www.arig.net](http://www.arig.net)) provides detailed information on corporate governance, business and financial information.

The Annual General Meeting of shareholders was held within 90 days of the end of the financial year in accordance with legal and regulatory requirements. Notice to the Annual General Meeting was released well in advance to shareholders, regulators and stock exchanges. Copies of the Annual Report and accounts were made available at least one week prior to the meeting ensuring that shareholders have sufficient time to prepare for the discussion of the Company's performance with the Board of Directors.

## Capital and Shares

Arig's authorised capital is comprised of 500 million ordinary shares with a nominal value of US\$ 1 each. The issued, subscribed and paid-up capital is US\$ 220 million. Shares are held by 4,260 shareholders mostly throughout the GCC countries. These are tradable by people of any nationality through the Bahrain Bourse. Further shareholding information is given as per note no. 20 as set out in page 68 of this Annual Report.

## Compliance

Arig has established a Board approved comprehensive compliance framework covering all rules and regulations applicable to the Company's business operations. The Company has a separate Compliance unit headed by a Compliance Officer who reports to the Audit & Risk Committee of the Board of Directors. This unit ensures that Arig meets all regulatory requirements stipulated

by the Central Bank of Bahrain, the Bahrain Ministry of Industry and Commerce, and Bahrain Bourse. There were no financial penalties incurred during the year 2022.

## Internal Control

The Board holds ultimate responsibility for overseeing the functioning of all internal controls within the Company. Management is responsible for the design and operation of internal controls through a network of policies, guidelines, procedures, and authorization levels. Performance monitoring is operative in all areas of the Company's operations, including periodical reviews and updates, where appropriate. All significant authority limits for underwriting, claims and other operational areas are reviewed and approved by the Board. In daily operations, the management at various levels safeguards the application of all control mechanisms and ensures that a positive control environment is maintained.

All transactions with related parties are conducted at arm's length. However, during the year there are no transactions with related parties as defined in the CBB Rulebook.

On behalf of the Board, the Audit & Risk Committee periodically oversees the application of the Company's internal control framework and the assessments of these controls from the evaluation reports produced by Arig's internal and external auditors. The Committee then advises the Board of Directors on the status and effectiveness of the Company's control environment and necessary actions that are to be taken by management to strengthen any identified control weaknesses.

The Audit & Risk Committee outsourced the Internal Audit function during the year in accordance with Volume 3 of the CBB Rulebook.

## Business Strategy

Following the resolution of the shareholders to cease writing new reinsurance business, Arig is in the process of carrying out the following:

- Carry out an orderly run-off of the existing portfolio internally or by appointing a third party to carry out the run-off including the sale of portfolio;
- While the Company is under run-off, explore the possibility of finding a buyer to take over the company.

Shareholders have authorized the Board to take all action as required to preserve and enhance Shareholder value.

## Enterprise Risk Management (ERM)

Arig applies an ERM regime that aims at closely monitoring the risks the Company could be exposed to and

their potential effects on capital as well as financial and operational performance. Regular reviews are carried out to assess the development and trends in the Company's exposures and, whenever possible and reasonable, introduce measures to mitigate the potential for negative effects.

The Company maintains an ERM framework under the responsibility of the Head of Risk Management who reports to the Audit & Risk Committee of the Board of Directors. The Risk Register is reviewed and actively managed with the goal to keep the use of capital at risk at efficient performance levels without over-exposing the shareholders' equity interest.

Our key risk categories are underwriting risk, reserve risk, market risk, operational risk, credit risk and liquidity risk.

The Company has a number of risk avoidance and mitigation strategies in place to manage its key risk exposures.

- *Risk Appetite Statement* - Arig maintains a defined statement of its risk appetite expressing its maximum tolerance to losses for each of the main risk categories. The Risk Appetite Statement represents a key document in guiding the Company's business conduct which is reviewed periodically and approved by the Board of Directors.
- *Underwriting risk* is contained through a mixture of underwriting guidelines that are system and management controlled, pricing tools and reinsurance covers with highly rated retro markets to cap peak exposures.
- *Reserve risk* is managed through regular internal and external reviews of the reserves to ensure that prudent and adequate reserves are carried.
- *Market risk exposure* is controlled by a basket of investment guidelines and policies that would include maximum allocations to asset classes, trend analyses, and performance monitoring tools, including stop loss disposal orders.
- *Operational risk* represents exposures which jeopardizes the operational capabilities of the Company.

These multiple exposures are closely monitored and a continuous effort to mitigate it.

- *Credit risk* is managed by stringent counter-party checks and Arig's preference is to deal with solid and, for the most part, highly rated market entities. At the same time, receivables are monitored through ageing analysis and outstanding balances are actively pursued.
- Finally, *liquidity risk* represents the actual or perceived loss to the Group arising from a potential inability either to meet claims, investments or operational obligations. Arig's investment, claims management and liquidity risk management policies give due consideration to liquidity risk management and as a matter of prudence Arig maintains liquid assets well above its annually modelled liquidity requirements.

## External Auditors

External auditors are appointed by the shareholders through the General Assembly. KPMG Fakhro of Bahrain were re-appointed as external auditors for the Financial Year 2022 based on the decision of the General Assembly, as delegated to the Board. Shareholders can obtain the details of the External Auditor fees upon request.

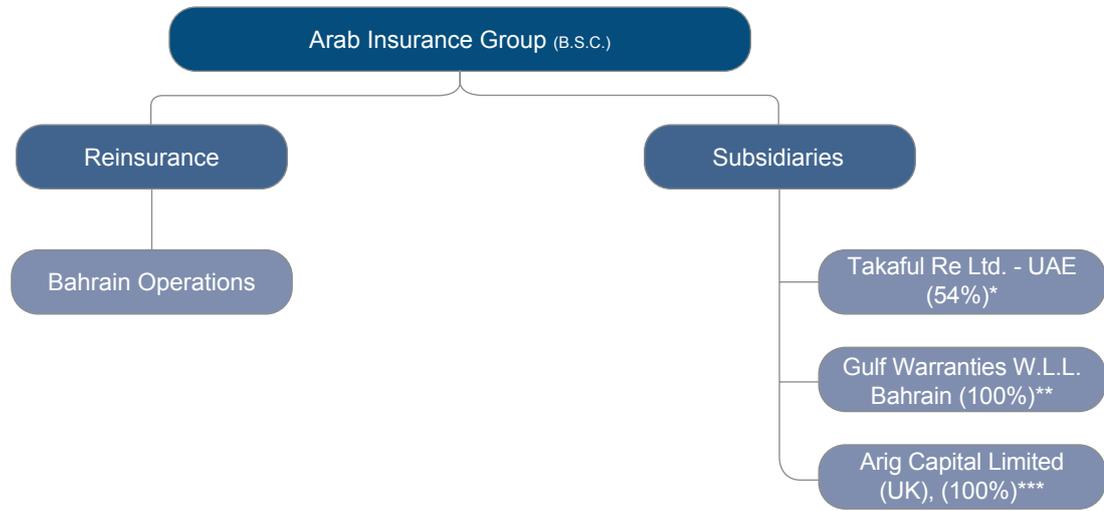
External Auditors were engaged in addition to the External Audit, the Agreed Upon Procedures (AUP) which are to be carried out only by External Auditors. Shareholders can obtain the details of such service fees paid to the External Auditors for the above non-audit services upon request.

## Statutory Solvency

Statutory Solvency requirements are determined by Arig's regulator in Bahrain, the Central Bank of Bahrain. The minimum solvency is defined with reference to a prescribed premium and claims basis. The solvency position of the Company as at 31 December 2022 is given below:

	Amount in US\$ '000	
	2022	2021
Capital Available	235,006	227,203
Required margin solvency	2,388	9,771
Total excess capital available over the required margin of solvency	232,618	217,432

ARIG GROUP STRUCTURE

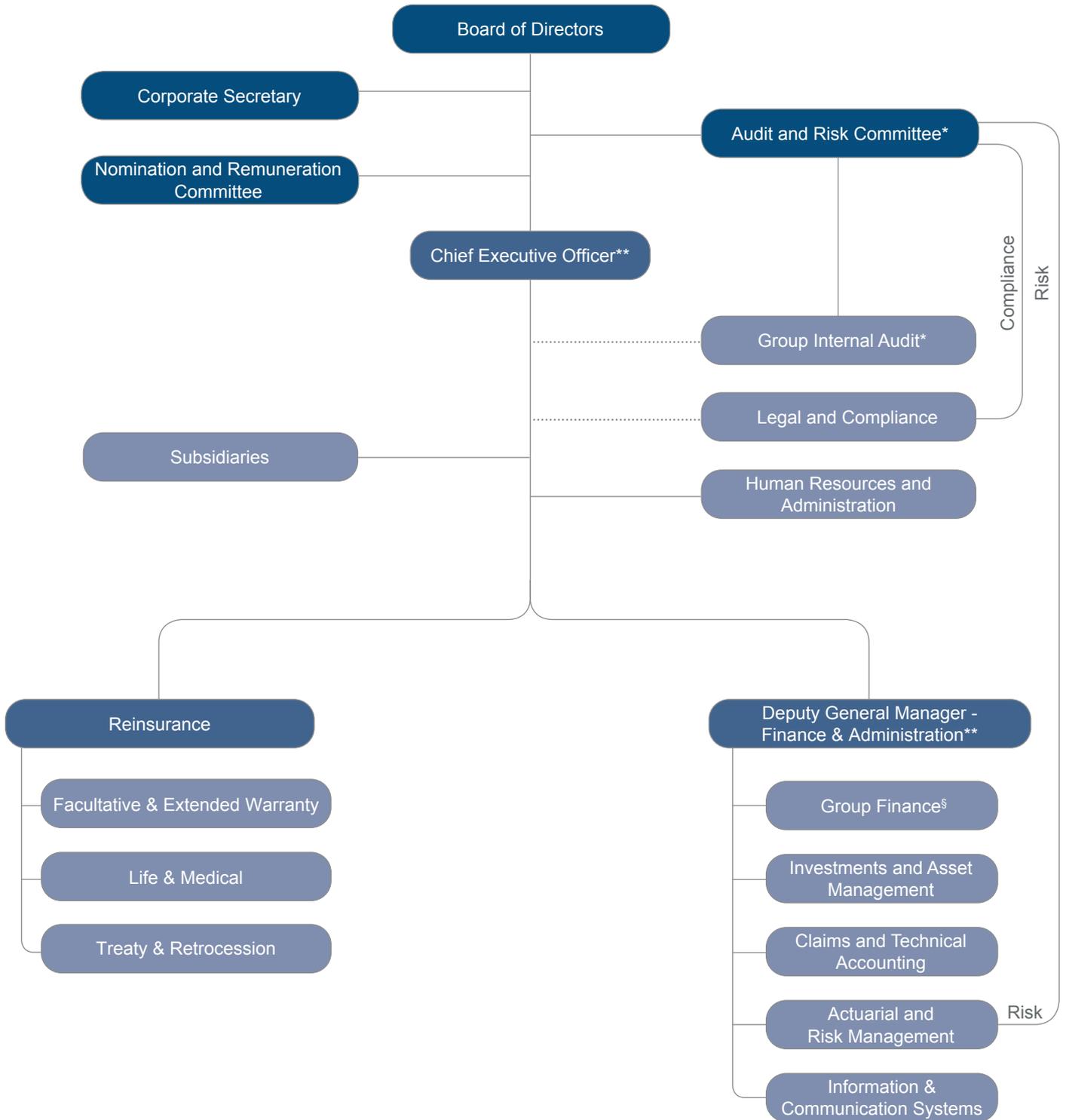


\* Takaful Re Limited stopped writing business and is in run-off since April 2016.

\*\* During 2019, Gulf Warranties W.L.L. has been placed under voluntary liquidation.

\*\*\* During 2020, Arig Capital Limited (UK) was placed under run-off.

**ORGANISATION CHART**



\* Internal Audit function is outsourced to EY.

\*\* DGM - Finance and Administration is currently the Acting CEO.

## BIOGRAPHIES OF BOARD MEMBERS

### BOARD MEMBERS

#### **Saeed Al Bahhar**

Saeed Mohammed AlBahhar Chairman of the Board and member of the Nomination and Remuneration Committee.

*B.Sc. Economics, Jacksonville University, U.S.A.*

Saeed Mohammed AlBahhar has been a member of the Board of Directors, since 25 March 2014 and Chairman of the Board since 12 June 2017. He holds the position of Chairman in Takaful Re Limited, and directorship on the Board of Arab Satellite Organisation, K.S.A.

#### **Ahmed Al Karbi**

Ahmed Omar Alkarbi is a director and the Vice Chairman of the Board.

*Bachelor's Degree in Accounting and Business Administration from UAE University.*

Ahmed Omar Alkarbi has been a member of the Board of Directors since 26th September 2022. He is currently a Board member in AlDhabi Investment – UAE, Umm Al Quwain Investment Company – UAE, and the Chairman of Dubai Building Cooperative Society – UAE.

#### **Mohamed AlSuwaidi**

Mohamed Saif AlSuwaidi (Representing Emirates Investment Authority, U.A.E.) Director and member of the Nomination and Remuneration Committee.

*Bachelor of Accounting from U.A.E. University, U.A.E.*

Mohamed Saif AlSuwaidi has been a member of the Board of Directors since 25 March 2014.

Previously, he served as Executive Director of the Asset Management at Emirates Investment Authority. He also served as Executive Director of the Fixed Income Department at Abu Dhabi Investment Authority "ADIA".

#### **Mohamed Al Karbi**

Mohamed Ahmed Al Karbi is a Director and the Chairman of the Audit & Risk Committee and the Nomination & Remuneration Committee.

*B.Sc. in Civil Engineering Science – American University of Sharjah, Master's degree of Business Administration from UAE University - Abu Dhabi and certified Project Management (PMP).*

Mohamed Ahmed Al Karbi has been a member of the Board of Directors since 26th September 2022 (previous member from 2014 to 2017). He is currently a Project Manager in ADSSC – UAE, Board member in RAK White Cement and building materials since 2021, Board member in Sharjah Cement & Industrial Development Co. since 2017, Board Member in Al Mushrif CO.OP – Abu Dhabi since 2014, and ex-Board member of Takaful Re Limited.

#### **Wael Abu Khzam**

Wael Ibrahim Abu Khzam (Representing The Central Bank of Libya) Director and member of the Audit & Risk Committee and Nomination & Remuneration Committee.

*B.Sc. in Accounting, Tripoli University and Master in Banking Finance, Libyan Academy.*

Wael Ibrahim Abu Khzam has been a member of the Board of Directors since 20 March 2017. He is currently employed as a Director of the Risk Management Department at the Central Bank of Libya.

#### **Abdulla Al Ghfeli**

Abdulla Saeed Al Ghfeli (representing the General Pension & Social Security Authority (GPSSA) - UAE) is a Director and a member of the Audit & Rik Committee.

*Master of Science in International Business and Finance from London Metropolitan University - UK and qualified Chartered Financial Analyst (CFA Designation).*

Abdulla Saeed Al Ghfeli has been a member of the Board of Directors since 26th September 2022. He is currently the Investment Manager within the Investment Department of the General Pensions & Social Security Authority (GPSSA) - UAE. Board member in AlRamz Corporation, Abu Dhabi Ship Building (ASDB) and Emirates Buildings.

## GENERAL MANAGEMENT

### **Samuel Verghese**

Acting CEO and Deputy General Manager, Finance and Administration.

*Bachelor of Commerce from Osmania University, India and an Associate member of The Institute of Chartered Accountants of India.*

Samuel Verghese joined Arig in March 1997 in the finance department and assumed the role of Director, Finance in January 2008. He joined General Management Team in January 2017. He currently holds Board memberships at Arima Insurance Software (Bahrain), Arig Capital Limited (UK) and Senior Executive Officer and Director of Takaful Re Limited (DIFC). Prior to joining the Company, he held various managerial positions in companies in India.