

CORPORATE GOVERNANCE REPORT

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Arab Insurance Group B.S.C ("Arig") was established on 9 June 1980 as a reinsurance company with its registered office in Bahrain. During the Extraordinary General Assembly Meeting dated 13th August 2020, it was resolved to cease underwriting activities. As at 31st December 2024, Arig has an authorized capital of US\$500 million and paid-up capital of US\$220 million.

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.

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 – as there were no changes to HC Module of Volume 3 during the period. 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 meetings during the year. The General Meetings held were at Arig premises on 28th March 2024 and 16th April 2024.

Further shareholders details are set out in the Notes of the Consolidated Financial Statements (Note 17, i(a), i(b) & i(c)). As set out in page 65.

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 Board formally reviews and evaluates its own performance together with the performance of the individual directors, as required by Volume 3 of the CBB Rulebook.

The current Board was elected/appointed by the shareholders at the Ordinary General Meeting held on 26th September 2022 for a period until March 2025. 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. The current Board of Directors is comprised of 6 Directors, 100% Directors are male and no female members.

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, which require that at least one-third of the Board members shall be independent directors. The Board of Directors decided to submit a recommendation to the next General Assembly to increase the members of the Board of Directors from 6 to 9 to comply with the CBB regulations.

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 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 2024, Board met 7 times, and more 50% of the Board meetings were held in Bahrain.

The following table lists the number of meetings held during 2024, including Board Committees and the individual attendance:

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Directors	Board Meetings	Audit & Risk Committee	Nomination & Remuneration Committee
	(7)	(5)	(5)
Mr. Saeed Mohammed AlBahhar *	7	N	5
Mr. Ahmed Omar AlKarbi	7	N	N
Mr. Mohamed Saif AlSuwaidi**	1	N	1
Mr. Mohamed Ahmed AlKarbi	7	5	5
Mr. Abdulla Saeed AlGHfeli	7	5	N
Mr. Wael Ibrahim Abu Khzam	7	5	5
Mr. Abdulrahman Mohamed AlBaker**	6	N	N

• * Independent Non-Executive Director

• N Not a member

• ** Mr. Abdulrahman Mohamed AlBaker joined the Board on 21st March 2024 representing Gulf Tamin Ltd., to replace Mr. Mohamed Saif AlSuwaidi who was representing Emirates Investment Authority due to purchase of Emirates Investment Authority's shares by Gulf Tamin Ltd.

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 General and Senior Management 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. (for further information refer page 5). 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 (shown on page 19) 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 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 1-1-2024	116,758,946	-
Add: Shares acquired during the year	-	-
Less: Shares sold during the year	-	-
Shares held at 31-12-2024	116,758,946	-

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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) 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 4,218 shareholders mostly throughout the GCC countries. These are tradable by people of any nationality through the Bahrain Bourse. Further shareholding information is given on page 65 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 2024.

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. 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.

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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. BDO Bahrain was appointed as external auditors for the Financial Year 2024 based on the decision of the General Assembly, as delegated to the Board.

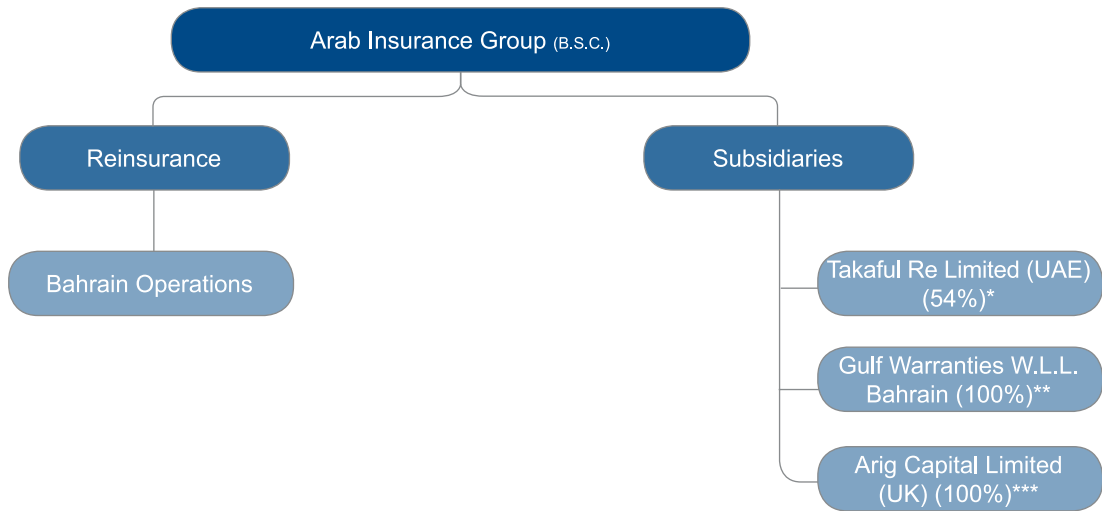
Fees paid to BDO for the review and audit of the financial statements of the company for the year 2024 is US\$ 73,000 and other fees paid for mandatory review requirements under the agreed upon procedures and the insurance firm return is US\$ 3,000.

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 2024 is given below:

	Amount in US\$ '000	
	2024	2023
Capital Available	262,583	220,554
Required margin solvency	2,388	2,388
Total excess capital available over the required margin of solvency	260,195	218,166

ARIG GROUP STRUCTURE

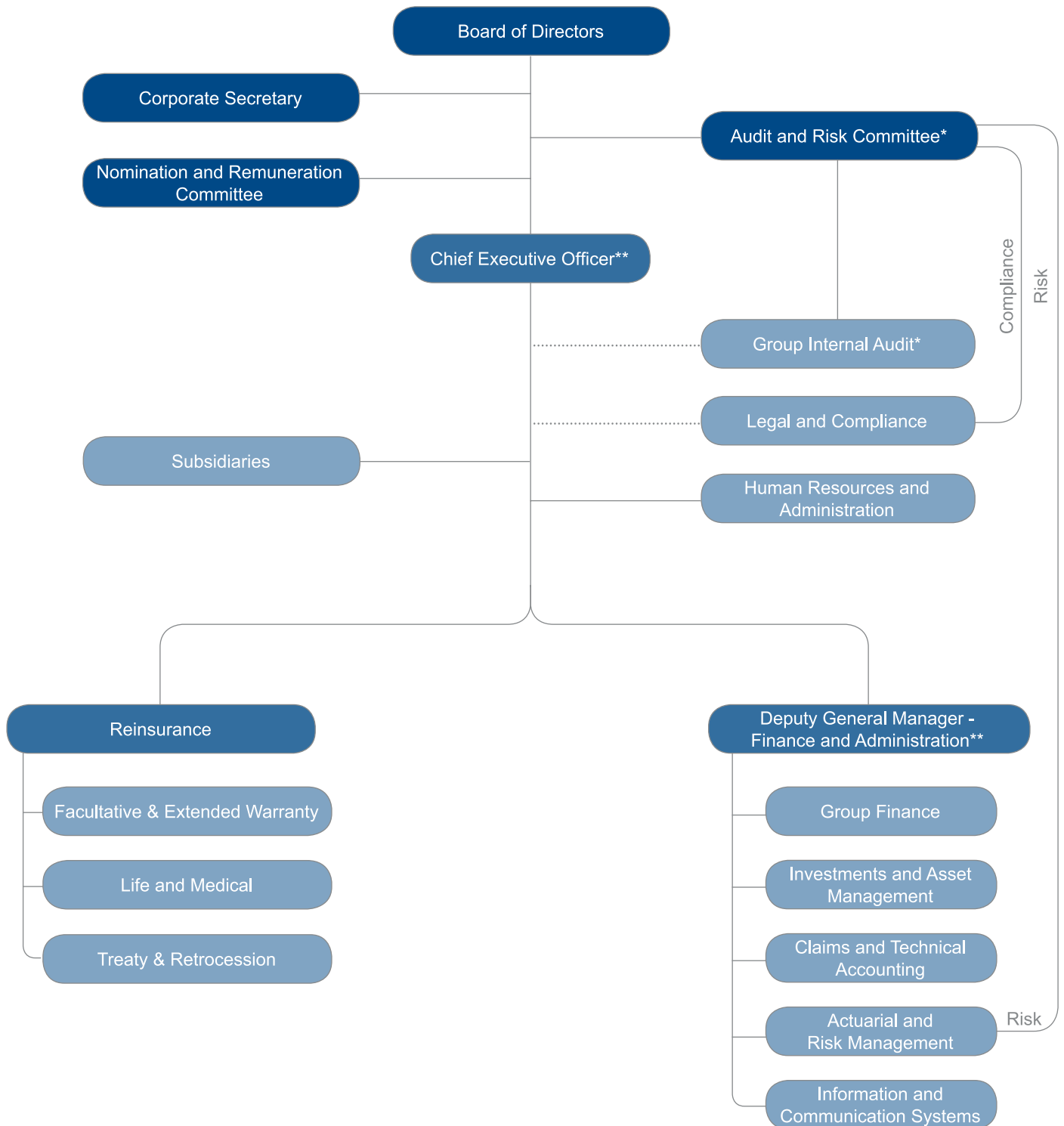


* Takaful Re Limited stopped writing business and is in run-off since April 2016.

** 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 GT.

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