

Bupa Arabia for Cooperative Insurance Company
Board of Directors Report
for the period ended 31/12/2017G (13/04/1439H):

The Board of Directors of Bupa Arabia for Cooperative Insurance Company (the Company, or Bupa Arabia) is pleased to present the Annual Board Report (ABR) covering the Company's financial results and achievements for the twelve-month period ended 31 December 2017G.

This ABR must be read in conjunction with the Company's stock exchange announcements, and the Annual Report & Accounts (ARA), which including the Annual Financial Statements (AFS) and, where not repeated herein, so as to avoid repetition, the contents shall be considered to include all Company announcements, the ARA, and all AFS contents, in fulfilment of the regulatory requirements of the ABR.

All Bupa Arabia stakeholders are additionally referred to the Company website's Investor Relations section, for key information about the Company's results, governance, stock exchange announcements and General Assembly (GA) minutes.

This ABR includes the most important developments, financial results, operational activities, and outlook disclosures, in compliance with the rules and regulations of the Kingdom of Saudi Arabia (KSA, or the Kingdom, or Saudi Arabia) and for comparative purposes uses the respective twelve month periods ending 31/12/2017G (13/04/1439H) and 31/12/2016G (02/04/1438H).

1. Activities:

a) Main activities:

Bupa Arabia is a publicly listed Saudi joint stock company (listed 17/05/2008G (11/05/1429H)) registered in Saudi Arabia under Commercial Registration number 4030178881, issued 10/05/2008G (05/05/1429H).

The Company specializes in cooperative health insurance activities and operates in accordance with the relevant rules of all the relevant regulatory bodies in the Kingdom.

The Company's first fiscal period commenced on the issuance of the ministerial declaration to establish the Company (issued on 01/05/2008G (24/04/1429H)) and ended on 31 December 2009G.

These financial statements, for the twelve month period ended 31/12/2017G (13/04/1439H) represent the ninth statutory financial statements of the Company.

b) Third Party Administration (TPA) activity:

As announced, on 01/01/2018G (14/04/1439H), Bupa Arabia signed a TPA Services Agreement with Saudi Aramco which entails providing TPA services to Saudi Aramco employees, retirees, and their dependents, effective from 01/03/2018G (13/06/1439H).

During 2017, as per requested TPA regulatory service requirements, Bupa Arabia commenced formalities to create the required TPA entity, for which final regulatory approvals/required formalities are expected to conclude during 2018.

2. Bupa Arabia business results:

2017 was a challenging year; as a result of the economic environment as well as competitor pricing behaviour, which was particularly predatory in Q1 2017. In this context we estimate that the total Saudi insurance market premiums declined slightly and that the Saudi health insurance market premiums increased by 2-3% in 2017. This was driven by what we believe to be workforce shrinkage, down-trading and general resistance to any renewal price increases.

In the context of the 2017 challenges Bupa Arabia has delivered what it believes is a very robust financial performance, due to its sound financial management, as demonstrated by the relatively strong core operating results, and other positive outcomes during the year:

- an improved solvency position for the third successive year, sufficiently that we were still able to pay dividends of SR120m,
- Growth in Cash/Investments of SR0.4 billion, an increase of 7% versus the prior year,
- Cash/Investments SR1.5b higher than our Technical Reserves, reflecting a very strong liquidity position,
- achieved a loss ratio of 83.5%, an increase of only 2.9% versus the 80.6% of last year, despite medical inflation at a much higher level than this and not being able to pass on price increases,
- maintained the technical reserves ratios in line with prior years,
- achieved record customer satisfaction and net promoter scores,
- continued to invest in the business, in particular in systems, processes and governance.

• 2.1 Summary profit results:

Statement of Insurance Operations	2013	2014	2015	2016	2017
	SR000s	SR000s	SR000s	SR000s	SR000s
	12 months	12 months	12 months	12 months	12 months
Gross written premiums (GWP)	3,177,480	5,740,449	7,328,016	7,938,630	7,732,961
Net earned premiums (NEP)	2,604,458	4,595,075	6,739,398	7,667,316	7,672,314
Total revenue	2,620,260	4,626,554	6,766,363	7,747,595	7,772,006
Gross claims paid	2,074,049	3,289,128	5,007,697	5,944,793	6,428,617
Net claims incurred (NCI)	2,094,354	3,649,005	5,211,046	6,178,445	6,405,003
Total expenses	380,720	650,280	824,141	915,201	863,084
Surplus from insurance operations	145,186	327,269	731,176	653,949	503,919
Shareholders' net income	147,334	301,275	645,077	630,705	500,614

NEP increased by SR5m, +0.1%, but the net underwriting result decreased by SR222m due to a deteriorating loss ratio. The net income decrease, mainly due to the higher loss ratio, was partially offset by lower operating expenditures, a significantly improved BDP and higher investment income compared to the previous year.

• 2.2 Summary balance sheets:

INSURANCE OPERATIONS' ASSETS	2013 SR000s	2014 SR000s	2015 SR000s	2016 SR000s	2017 SR000s
Cash and cash equivalents	232,267	1,384,281	205,565	132,030	110,384
Murabaha deposits	956,230	1,213,027	3,047,529	3,057,816	2,912,577
Investments	186,107	189,968	185,143	544,090	820,776
Prepayments and other assets	27,892	70,815	91,483	131,546	157,535
Premiums receivable - gross	462,645	676,545	863,715	1,123,540	1,013,656
Allowance for doubtful premiums receivable	(52,550)	(77,858)	(114,266)	(142,997)	(142,674)
Premiums receivable - net	410,095	598,687	749,449	980,543	870,982
Reinsurer's share of unearned premium	43011	39733	900	1356	5146
Reinsurer's share of outstanding claims	13708	13432	3012	1720	1030
Deferred policy acquisition costs (DAC)	46,678	56,601	78,415	72,281	71,076
Total insurance operations' assets	1,915,988	3,566,544	4,361,496	4,921,382	4,949,506
SHAREHOLDERS' ASSETS	2013 SR000s	2014 SR000s	2015 SR000s	2016 SR000s	2017 SR000s
Cash and cash equivalents	101,260	462,569	593,297	93,800	119,500
Murabaha deposits	126,993	44,730	500,000	987,494	1,032,806
FVIS investments	446,338	454,578	439,785	714,330	900,914
Other receivables	1,319	1,746	3,563	17,445	12,993
Amount due from insurance operations	-	-	-	148,477	200,000
Goodwill	98,000	98,000	98,000	98,000	98,000
Furniture, fittings and equipment	43,059	60,667	77,167	90,945	133,497
Accrued Interest on statutory deposit	-	-	-	3,585	5,121
Statutory deposit	40,000	40,000	80,000	80,000	80,000
Total shareholders' assets	856,969	1,162,290	1,791,812	2,234,076	2,582,831
TOTAL ASSETS	2,772,957	4,728,834	6,153,308	7,155,458	7,532,337

INSURANCE OPERATIONS' LIABILITIES AND SURPLUS	2013 SR000s	2014 SR000s	2015 SR000s	2016 SR000s	2017 SR000s
Unearned premiums (UEP)	1,323,069	2,383,358	2,890,679	3,094,990	3,091,079
Outstanding claims (OCP)	450,096	812,530	1,054,369	1,321,622	1,341,536
Reinsurance balance payable	505	3253	-	15117	39613
	1,773,670	3,199,141	3,945,048	4,431,729	4,472,228
Accrued expenses and other liabilities	79,113	263,468	262,149	171,292	137,984
Obligation under Long-Term Incentive Plan (LTIP)	14,751	22,754	-	-	-
	1,867,534	3,485,363	4,207,197	4,603,021	4,610,212
Amount due to shareholders' operations	-	-	-	148477	200000
Policyholders' share of surplus from insurance operations	48,454	81,181	154,299	169,884	138,581
Fair value reserve for available for sale investments	-	-	-	-	713
Total insurance operations' liabilities and surplus	1,915,988	3,566,544	4,361,496	4,921,382	4,949,506
SHAREHOLDERS' LIABILITIES AND EQUITY	2013 SR000s	2014 SR000s	2015 SR000s	2016 SR000s	2017 SR000s
Accrued expenses and other liabilities	31,419	42,398	50,494	65,725	74,083
Accrued Zakat and income tax	35,000	23,903	42,577	116,953	148,704
Amount due to a related party in respect of goodwill	-	-	-	-	-
Accrued Interest on statutory deposit	-	-	-	-	5,121
Amount due to related parties	59,490	44,490	32,201	24,344	33,586
Total shareholders' liabilities	125,909	110,791	125,272	207,022	261,494
Share capital	400,000	400,000	800,000	800,000	800,000
Statutory reserve	88,491	148,746	277,761	403,902	504,025
Fair value reserve for available for sale investments	-	-	-	-	(1880)
Share based payment	-	-	9600	16931	17220
Shares held under Employees' Share Scheme	(7,052)	-	(13,101)	(23,404)	(28,915)
Retained earnings	249,621	502,753	592,280	829,625	1,030,887
Total shareholders' equity	731,060	1,051,499	1,666,540	2,027,054	2,321,337
Total shareholders' liabilities and equity	856,969	1,162,290	1,791,812	2,234,076	2,582,831
TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY	2,772,957	4,728,834	6,153,308	7,155,458	7,532,337

Investments and cash grew during 2017, increasing by SR367m to SR5.9b, an increase of 7% from the 2016 close of SR5.5b. This followed the 2016 increase of SR500m, which was an increase of 10% compared to 2015. Premium receivables also declined, by SR110m, during the year, reflecting the stellar collection performance despite the difficult market environment. The Days Sales Outstanding (DSO) improved by 18%, a reduction to 18 days from 22 days versus the previous period.

• 3 Bupa Arabia financial highlights:

• 3.1 Summary key performance indicators (KPIs):

Description	2016 SR000s (12 Months)	2017 SR000s (12 Months)	2017 Change SR000s	2017 Change %
Gross written premiums (GWP)	7,938,630	7,732,961	(205,669)	(2.6%)
Net earned premiums (NEP)	7,667,316	7,672,314	4,998	0.1%
Total expenses	923,163	874,137	(49,026)	(5.3%)
Total operating expense ratio	12.0%	11.4%	(0.6%)	(5.4%)
Surplus of insurance operations	653,949	503,919	(150,030)	(22.9%)
Policyholders' share of insurance operations' surplus	65,395	50,392	(15,003)	(22.9%)
Net shareholders' income	630,705	500,614	(130,091)	(20.6%)
Weighted average no of ordinary shares (thousands)*	79,826	79,783	(43)	(0.1%)
Basic earnings per share (Saudi Riyals) *	7.90	6.27	(1.63)	(20.6%)

Our 2017 GWP contracted slightly, by 3%, and we estimate that our total insurance market share closed at +/- 21%, versus the 21.6% of 2016. This was a strong performance in a challenging market; with many clients resistant to any increase in premiums, some laying off staff, some trading down (hospital networks) and some attracted to short term competitive pricing (which we believe is not sustainable). With a marginal increase in NEP, but a deteriorating loss ratio (83.5% for 2017 versus 80.6% for 2016), this resulted in a decrease in the net underwriting result of SR222m for 2017.

Operating costs decreased 5.3% due in part to lower levies but also as a result of various cost optimization efforts during the year, resulting in a lower operating expense ratio for the year (11.4% versus 12.0%).

The BDP expense was significantly favourable year on year, as was investment income, which grew from SRSR130m to SR158m, mainly due to improved returns on cash and equivalents. Overall net income fell to SR501m, with a profit margin of 6.5%, versus the 8.2% of 2016.

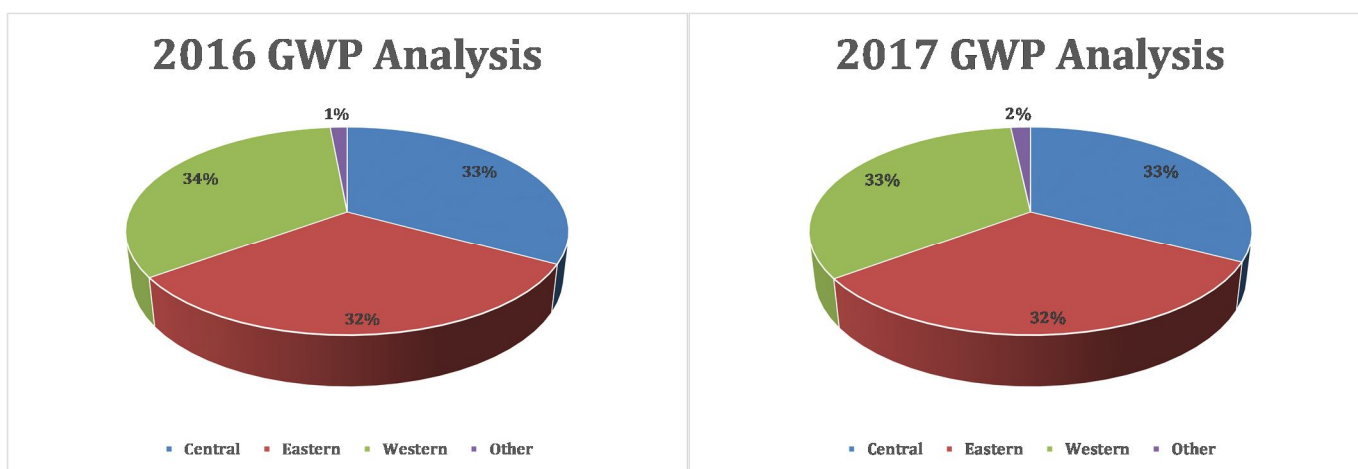
Description	2016 SRm	2017 SRm	2017 Change SRm	2017 Change %
Reported results	630.7	500.6	(130.1)	(20.6%)
Adjustment for BDP expense	35.3	3.7	(31.6)	(89.5%)
Less Investment Income and Other Income	(130.4)	(157.8)	(27.4)	21.0%
"Underlying" results	535.6	346.5	(189.1)	(35.3%)

Our "Underlying" results decreased by SR189m, to SR347m, which represented an underlying margin of 4.5%, compared to 7.0% for 2016. Our underlying results represent the net of premiums earned, claims incurred and operating expenses. This deterioration in the underlying results reflects the higher loss ratio reported for the year but the results still reflect a solid 2017 financial performance considering the market conditions.

• 3.2 GWP geographical analysis:

Description	2016 SR000s (12months)	2017 SR000s (12months)	2017 Change SR000s	2017 Change %
Central	2,618,518	2,524,883	(93,635)	(3.6%)
Eastern	2,539,532	2,486,353	(53,179)	(2.1%)
Western	2,663,465	2,589,212	(74,253)	(2.8%)
Other	117,115	132,513	15,398	13.1%
Total GWP	7,938,630	7,732,961	(205,669)	(2.6%)

We write only health insurance in Saudi Arabia and our GWP is concentrated in the main Central, Western and Eastern regions (collectively 98% of our 2017 GWP, versus 2016 at 99%). The 2017 geographical premium mix change was largely inconsequential versus 2016 with the Central and Eastern regions identical, at respectively 33% and 32%, and a minor 1% mix change between Western at 33% (versus 34%) and "Other" at 2% (versus 1%). In order to better illustrate the geographical mix some key accounts were reclassified from Central to Eastern during 2017, and the 2016 geographical mix re-stated for comparative purposes.



• 3.3 Net claims incurred and net claims incurred ratio:

Description	2016 SR000s (12 Months)	2017 SR000s (12 Months)	2017 Change SR000s	2017 Change %
Net claims incurred (NCI)	6,178,445	6,405,003	226,558	3.7%
Net claims incurred to NEP ratio (loss ratio)	80.6%	83.5%	2.9%	3.6%

The 3.7% increase in NCI was due to medical inflation and the growth in claims not matched by increases in premium resulting in a loss ratio of 83.5%, which is higher than our historical average, and the 80.6% of 2016, but still a relatively good result given the 2017 circumstances.

• 3.4 Total operating expenses:

Description	2016 SR000s (12 Months)	2017 SR000s (12 Months)	2017 Change SR000s	2017 Change %
Insurance operations' operating expenses	915,201	863,084	(52,117)	(6%)
Shareholder operations' operating expenses (G&A)	7,962	11,053	3,091	39%
Total operating expenses	923,163	874,137	(49,026)	(5%)
Total operating expense to NEP ratio	12.0%	11.4%	(0.6%)	(5%)

The total operating expense ratio to NEP improved versus the prior year, reducing to 11.4%, and the absolute decrease was mainly driven by expenses related to the GWP decline and optimization in staff and marketing costs. The increase in Shareholder Operations' operating expenses was mainly due to increased professional fees. The Insurance Operations' expenses are described in section 3.5.

• 3.5 Total insurance operations' operating expenses:

Description	2016 SR000s (12 Months)	2017 SR000s (12 Months)	2017 Change SR000s	2017 Change %
CCHI and SAMA levies	119,079	115,994	(3,085)	(3%)
BDP expense	35,326	3,718	(31,608)	(89%)
Other sales and marketing expenses	381,306	375,289	(6,017)	(2%)
Total S&M expenses-Insurance operations	535,711	495,001	(40,710)	(8%)
Total G&A expenses-Insurance operations	379,490	368,083	(11,407)	(3%)
Total Insurance operations operating expenses	915,201	863,084	(52,117)	(6%)

• 3.5.1 Total Sales & Marketing (S&M) expenses - Insurance operations:

- The CCHI and SAMA levy expenses decreased by a combined SR3.1m, due to the 3% lower 2017 GWP.
- The BDP expense declined to 0.4% of gross premiums receivable, versus the 3.1% of 2016, due to the 2017 excellent collection performance.
- The decrease in other S&M expenses of 2% was due to various cost optimization efforts during the year, mainly in staff costs and marketing expenses.

• 3.5.2 Total General and Administration (G&A) expenses – Insurance operations:

- The Insurance operations' G&A expense decreased 3%, mainly due to various cost optimizations, despite various additional professional fees incurred during 2017.

• 3.6 Surplus from insurance operations:

Description	2016 SR000s (12 Months)	2017 SR000s (12 Months)	2017 Change SR000s	2017 Change %
Surplus from insurance operations	653,949	503,919	(150,030)	(23%)

The decrease in the surplus from insurance operations was mainly due to the decrease in the net underwriting result, of SR222m. Total expenses decreased by SR49m (a reduction of 5% versus the GWP decrease of 3%), through various cost optimization initiatives, and investment income increased by SR28m, leaving the surplus from insurance operations SR150m lower.

• **3.7 Investment income:**

Description	2016 SR000s (12 Months)	2017 SR000s (12 Months)	2017 Change SR000s	2017 Change %
Insurance operations' investment income	80,188	99,668	19,480	24%
Shareholder operations' investment income / (loss)	50,237	58,573	8,336	17%
Total investment income	130,425	158,241	27,816	21%

Investment income significantly increased as a result of; the favourable rates locked in during the second half of 2016 and the enhanced diversification through a higher allocation to fixed income securities, per Bupa Arabia's 2017 investment strategy. These factors improved the overall yield from the portfolio, resulting in the highest ever investment income, from both the shareholder operations' and insurance operations' investments, a combined increase of 21%. As with prior years, due to the challenging admissibility factors associated with higher yield investments, and the need to maintain investments in high admissibility asset classes (predominantly cash and investment grade debt instruments) we maintained a predominantly risk averse investment strategy during the year.

• **3.8 Net shareholders' income:**

Description	2016 SR000s at 31/12/16	2017 SR000s at 31/12/17	2017 Change SR000s	2017 Change %
Net shareholders' income	630,705	500,614	(130,091)	(21%)

The SR130m decrease in net shareholders' income was driven mainly by a decreased surplus from insurance operations. This was due to the decrease in the net underwriting result of SR222m, which was partially offset by the decreased costs associated with lower GWP (levies and commission costs), cost optimizations, other reduced costs, and an increase in investment income.

• **3.9 Summary statement of financial position:**

Description	2016 SR000s at 31/12/16	2017 SR000s at 31/12/17	2017 Change SR000s	2017 Change %
Insurance operations' assets	4,921,382	4,949,506	28,124	1%
Shareholder operations' assets	2,234,076	2,582,831	348,755	16%
Total assets	7,155,458	7,532,337	376,879	5%
Insurance operations' liabilities and surplus	4,921,382	4,949,506	28,124	1%
Shareholders' liability	207,022	261,494	54,472	26%
Shareholders' equity	2,027,054	2,321,337	294,283	15%
Total liabilities, surplus and shareholders' equity	7,155,458	7,532,337	376,879	5%

The increase in liabilities was mainly due to an increase in Shareholder's liability due mainly to additional accrued zakat and income tax provisions.

• 3.10 Total assets:

Description	2016 SR000s at 31/12/16	2017 SR000s at 31/12/17	2017 Change SR000s	2017 Change %
Total assets	7,155,458	7,532,337	376,879	5%

The increase in total assets was due mainly to the net increase in investments of SR463m, offset by a reduction of SR96m in cash and cash equivalents. The reduction in premiums receivable, of SR110m, was offset by a SR94m increase in amounts due from insurance operations (refer sections 3.11-313).

• 3.11 Cash and cash equivalents:

Description	2016 SR000s at 31/12/16	2017 SR000s at 31/12/17	2017 Change SR000s	2017 Change %
Insurance operations' cash and cash equivalents	132,030	110,384	(21,646)	(16%)
Insurance operations' murabaha deposits	3,057,816	2,912,577	(145,239)	(5%)
Shareholder operations' cash and cash equivalents	93,800	119,500	25,700	27%
Shareholder operations' murabaha deposits	987,494	1,032,806	45,312	5%
Total cash and cash equivalents	4,271,140	4,175,267	(95,873)	(2%)

The net decrease in total cash and cash equivalents, of SR96m, was mainly driven by partially funding the growth in investments, as shown in section 3.12. The amount payable to/receivable from shareholders' operations is settled by transfer of cash at each reporting date and, during 2017 insurance operations transferred cash of SR421m to shareholders' operations, versus SR189m in 2016.

• 3.12 Investments:

Description	2016 SR000s at 31/12/16	2017 SR000s at 31/12/17	2017 Change SR000s	2017 Change %
Insurance operations' investments	544,090	820,776	276,686	51%
Shareholder operations' investments	714,330	900,914	186,584	26%
Total investments	1,258,420	1,721,690	463,270	37%

In 2017 we implemented a new investment strategy of diversifying the investment portfolio for enhanced and stable investment income. The increase in investments, of SR463m during the year, was an outcome of this diversification strategy and entailed a move from deposits to other fixed income instruments (such as Sukuk and Money Market Funds) to capitalize on the improved rates.

Complementing the new investment strategy was a change in accounting treatment for investment holdings, reclassifying some of the portfolio from Fair Value through Income Statement (FVIS) to Available For Sale (AFS) effective 1 January 2017G.

• 3.13 Premiums receivable, net:

Description	2016 SR000s at 31/12/16	2017 SR000s at 31/12/17	2017 Change SR000s	2017 Change %
Total premiums receivable, net	980,543	870,982	(109,561)	(11%)

The decrease in total, gross and net, premiums receivable was due mainly to the excellent collection performance. The allowance for doubtful premiums receivable was consistent year-on-year at SR143m but the ratio to the gross premiums receivable increased slightly to 14% (2016 at 13%), due to the lower 2017

premiums receivable (SR110m lower than 2016).

• 3.14 Technical reserves:

Description	2016 SR000s at 31/12/16	2017 SR000s at 31/12/17	2017 Change SR000s	2017 Change %
Unearned premium reserves (UEP)	3,094,990	3,091,079	(3,911)	0%
Claims reserves (OCP)	1,321,622	1,341,536	19,914	2%
Technical reserves	4,416,612	4,432,615	16,003	0%

Technical reserves closed broadly in line with the previous year, reflecting a minor overall increase of SR16m, driven mainly by a SR20m growth in the claims reserves, due to the increased loss ratio. As a result of the reduced GWP the unearned premium reserves decreased by SR4m, whilst the UEP ratio to GWP was stable at 40%, (versus the 2016 UEP ratio at 39% and 2015 at 40%).

The claims reserves ratio to NCI remains extremely consistent with prior years and closed 2017 at 21%, identical to 2016, and broadly in line with 2015 at 20%. As in previous years the technical reserves were correctly estimated and provided for in accordance with SAMA's implementing regulations, and having been verified, for each quarter during the year, and for the year-end position, by the independent external actuary.

4. Statutory payments, and payable, to regulatory bodies during the year:

Bupa Arabia made payments, and had amounts payable, to the various Saudi Arabian regulatory bodies as detailed within the table, and thereafter explained in the narrative, below:

•4.1 Table of payments and amounts payable to regulatory bodies:

Description	Paid		Paid Change	Payable		Payable Change
	2016 SR000s	2017 SR000s	2016 vs 2017 SR SR000s	2016 SR000s	2017 SR000s	2016 vs 2017 SR SR000s
Zakat and income taxes (to GAZT)	62,978	47,478	(15,500)	116,953	148,704	31,751
Levies and license fees (to CCHI and SAMA)	181,566	115,641	(65,925)	16,293	16,647	354
GOSI	24,338	25,208	870	1,989	2,412	423
Total	268,882	188,327	(80,555)	135,235	167,763	32,528

•4.2 The General Authority of Zakat and Income Tax (GAZT):

The total paid during the year, for Zakat and Income Tax, was SR47m being SR20m for the 2016 GAZT return (SR12m for Zakat and SR8m for Income Tax), SR26m as 2017 advance tax, and SR1m other payments (Zakat and Tax related to prior years).

The SR149m payable includes a SR40m provision for the 2017 GAZT return (SR9m Zakat and SR31m Income Tax), payable in 2018, and the remainder is predominantly additional contingent provisions for Zakat matters, for the year 2017, of SR39m, and prior years, which are under appeal. In addition to the amounts detailed and described, an additional amount of SR5m was paid during 2017 for withholding tax and SR4m has been provided in the 2017 results' related to withholding tax payable in 2018 incurred in 2017.

•4.3 The Saudi Arabian Monetary Authority (SAMA):

The total paid to SAMA was SR38,547k, comprised of SR33,116k for the first three quarters of 2017 and SR5,431k for the fourth quarter of 2016. The 2017 results include a provision for the 2017 fourth quarter of SR5,549k.

•4.4 The Council for Cooperative Health Insurance (CCHI):

The total paid to CCHI was SR77,094k, comprised of SR66,232k for the first three quarters of 2017 and SR10,862k for the fourth quarter of 2016. The 2017 results include a provision for the 2017 fourth quarter of SR11,098k.

•4.5 The General Organisation for Social Insurance (GOSI):

The total paid to GOSI during the year was SR25,208k, comprised of SR23,219k relating to 2017 and SR1,989k for 2016. An amount of SR2,412k has been provided in the 2017 results for the 2017 related GOSI amount which is payable in 2018.

•4.6 Tadawul (Saudi Stock Exchange) and Edaa (the Saudi Depository Centre Company (SDC)):

During 2017 the Company paid SR864k (versus 2016 at SR425k) for stock exchange related services, which including SR400k to Tadawul as general service fees, SR451k for newly introduced Edaa Annual Listing Fees, and SR13k other service fees. The 2016 SR425k was paid to Tadawul and was SR400k for general service fees and SR25k for license fees.

•4.7 Regulatory penalties:

During 2017 the Company paid the CMA a SR100k penalty for a violation of Article (45) of the Capital Market Law, a SR55k penalty for a Labour Law breach, and a SR59k penalty to GOSI for Social Insurance. In all instances processes have been enhanced, and full staff communications issued where applicable, to ensure full compliance in future.

4.8 Approval of the renewal license from SAMA:

The company's SAMA license qualification remains in place, SAMA insurance license number 20088/18/TMN, dated 10/08/2008G (09/08/1429H), having been successfully renewed previously, on 03/05/2017G (07/08/1438H), for a further three year period to 30/03/2020G (06/08/1441H), as announced on Tadawul on 02/05/2017G (06/08/1438H).

•4.9 Approval of the renewal license from the CCHI:

During 2017, on 16/02/2017G (19/05/1438H), the company successfully renewed its CCHI license, number 3531/636, qualification for the further three year period from 16/02/2017G (19/05/1438H), as announced on Tadawul on 19/02/2017G (22/05/1438H).

5. Financial statements presentation:

In compliance with the CMA's regulation dated 27/08/2008G (25/08/1429H), permitting the issuance of financial statements according to International Financial Reporting Standards (IFRS), the statements presented are in accordance with International Financial Reporting Standards ("IFRSs") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. The Company confirms that the financial statements have not been materially affected by this practice.

6. Maintenance of proper records and books of account:

As required in terms of the CMA disclosure requirement of Article 90, paragraph 39, point a), and as required by Saudi Arabian insurance regulations, the Company, and the Board, confirms that proper books of account have been maintained and that it maintains separate accounts for each of Insurance Operations and Shareholder Operations, within its accounting records, and can confirm that it has maintained proper accounting records during the financial year.

7. Unqualified opinion of the independent external auditors:

The joint independent external auditors' report contains an unqualified opinion that the financial statements, taken as a whole, present fairly in all material aspects the financial position of the company and that the

financial statements comply with the requirements of the Regulations for Companies and the Company's By-Laws.

8. Dividends and the Company's policy for the distribution of profits:

As required in terms of the CMA disclosure requirement of Article 90, paragraph 24, the Company's By-Laws state the following with respect to the calculation and distribution of profits:

- the exclusion of Zakat and Income Tax.
- that 20% of net profits are allocated to form a statutory reserve. The general assembly has the authority to cease this transfer once the statutory reserve is equivalent to the paid up capital of the company.
- based on the Board's recommendation, the general assembly can also hold a particular percentage of the annual net profit to form a reserve and it may allocate it to purposes of its choosing.
- the balance shall be distributed as a first payment in the amount not less than 5% of paid-up capital to the shareholders.
- the remaining balance shall be distributed to the shareholders as a share in the profits or to be transferred to the retained profits account.
- the Board may issue a decision to distribute periodical profits to be deducted from annual profits as specified in paragraph 4 above in accordance with the relevant regulating rules issued by the concerned authorities.

In addition to that stated within the Company By-Laws, during 2017 the Company approved the following as additional Dividend Policy:

"In addition to the distribution of profits requirements as reflected within the Company By-Laws (Articles of Association) the Company Dividend Policy is as reflected below:

To distribute any excess cash as dividends to shareholders subject to:

- a) maintaining a solvency position in adherence to local laws and regulations at each quarter end, and,
- b) receiving the required regulatory and shareholder approvals for the dividend(s) wherever applicable, and,
- c) having accounted for the Company's requirements in meeting its Capital Management Policy and relevant Risk Management policies, which policies covering the business and investment requirements."

During 2017 the Company paid SR120,000,000 cash dividends relating to fiscal year 2016, as per SAMA no-objection letter number 381000062551, representing SR1.50 per share, 15% of the nominal share value. The below table illustrates Bupa Arabia's recent Dividend history:

Dividends for the Fiscal Years	2012	2013	2014*	2015*	2016
Description	SR000s	SR000s	SR000s	SR000s	SR000s
Retained Income (pre-Zakat & Inc. Taxes)	134,406	147,334	301,275	645,077	630,705
Dividend Amount	40,000	20,000	N/A	160,000	120,000
Pre-Zakat & Inc. Taxes Dividend Pay-out Ratio	29.8%	13.6%	N/A	24.8%	19.0%
Number of Shares in Issue	40,000	40,000	40,000	80,000	80,000
Saudi Riyals Dividends per Share	1.00	0.50	N/A	2.00	1.50
% of Dividend/Year/Quarter Distributed	100% 2013Q2	100% 2014Q2	N/A	100% 2016Q2	100% 2017Q2

*SR400 million of the 2014 retained earnings was used in 2015 to double Bupa Arabia's share capital to 80,000,000 shares, through issuing one bonus share for every share held.

• 9 Key other functional activities during the year:

• 9.1 Our proposition and marketing:

Brand and brand proposition:

During 2017 we launched the new Bupa Arabia brand proposition, with three key pillars, reinforcing what we stand for as the leading health insurance provider in Saudi Arabia.

The three key pillars are:

a) Global Expertise and Reach:

Bupa's global network and reach enables us, as Bupa Arabia, to extract best practices and global medical guidelines from all around the world, and implement them in Saudi Arabia. Therefore, we continuously strive to combine our global expertise and capabilities with our in-depth local knowledge of our local customers' needs, all to ensure that we are able to offer all our members the very best in healthcare products and services.

b) Life-touching Healthcare Services:

In our commitment to offer our members unique healthcare services that add real value to their lives, we created the Tebtom healthcare program to help all our members and their families feel taken care of by our team members. The Tebtom program provides tangible services to all our members and which go well beyond health insurance, such as the medication refill and home delivery services for chronic patients, and also the home vaccination service for children. Our doctors are also available to facilitate, through authorised third parties where appropriate, quick and immediate answers, to questions about their personal, and their families', medical needs.

c) Exceptional Experiences at Hospitals:

We created the "Rahatkom" program, a significant enhancement of our previous "Point-of-Care (POC)" program. This involved physically transforming nearly 40 offices, led by almost 70 Bupa Arabia delegates, at top hospitals across the Kingdom. It makes members feel secure and well taken care of by guiding them, catering for their needs, and making their hospital visits easier, faster and less stressful (and even includes mobile hospital delegates to help our members where it matters the most).

Additionally we positioned experienced Bupa Arabia doctors across top hospitals to represent our members with the hospitals' physicians. This "Rahatkom" program now offers our members distinct service excellence competencies such as; Bupa Arabia Hospital Delegates, Clinical Excellence and Continuity of Care. Hospital visit times can be reduced by over 50% through our "Rahatkom" program and it continues to support our commitment to stand out and to be there when and where it matters the most.

During 2017 Bupa Arabia was ranked the number one most powerful insurance brand, and the overall eighth most powerful Company brand, in Saudi Arabia, through the Brand Z brand ratings of 2017.

20th Anniversary:

During 2017 we celebrated the 20th anniversary of our operational presence in Saudi Arabia and used this opportunity, as the leading health insurance provider, to highlight our strong heritage through a 20th anniversary campaign providing appreciation to our clients, employees, and other key stakeholders. The key asset of the external campaign was a 20th anniversary video which showcased our leaders/representatives, highlighting our 20 year journey, and was accompanied by a full social media campaign thanking our clients (which achieved +3.2 million video views and provided excellent public relations coverage).

Strategic Health Partnerships (SHP):

Bupa Arabia continued to leverage its strategic partnerships, with the Al-Ittihad and Al-Hilal football clubs, to drive its healthcare programs, services and CSR orphan campaigns. We used star players from both clubs to endorse both the Tebtom and Rahatkom programs' services, through dedicated marketing campaigns, and we also continued investing in improving our value proposition by focussing on unmatched healthcare services.

TPA Services activities:

During 2017 Bupa Arabia progressed a number of activities in support of fulfilling the regulatory and client requirements of TPA Services during 2018.

• 9.2 Our corporate social responsibility (CSR):

Bupa Arabia continued its promise to help, change and support the lives of all orphans under the supervision of the Ministry of Labour and Social Development (MLSD). 2017 is the seventh successive year of providing free health insurance and medical cover to the orphans living in the orphanages under the MLSD, in 46 orphanages kingdom wide, across 13 cities.

During 2017 the orphans also visited both Al-Ittihad and Al-Hilal where they experienced “once-in-a-lifetime” opportunities to meet the players at the clubs’ centres, experience match-days and receive player autographed club memorabilia.

Also, to ensure our employees and our community remain engaged with our CSR activities, we donated more than 74,000 items to charities registered under the Ministry, for distribution to disadvantaged families as part of the Ministry’s Ramadan program.

• 9.3 Our operations, customer service and total quality management (TQM):

We continue to invest in our service delivery by continuously enhancing our capabilities, systems and service proposition, and our operations unit succeeded with the following significant outcomes during the year:

- improved Net Promoter Score (NPS) to a record high of 65% (versus 57% for 2016)
- Customer Satisfaction continued at a record high of 90% (versus 86% for 2016)
- continued to strengthen the Health Care Operations (HCO) differentiation through more focused services and touched more than 1.6m customers,
- built new capabilities in claims processes through the Health Risk Management (HRM) initiative
- Total Quality Management (TQM) quality assurance continued to drive quality index improvements
- completed the ‘Lean management’ concept on SME, resulting in the halving of cycle times and significantly increasing staff productivity, and which we will continue to expand the lean process design throughout 2018,
- A strong focus on claims costs resulting in our bending the medical inflation curve
- continued to strengthen the service platform “Up Your Service Passion” focusing on cultural and service excellence activities.

• 9.4 Our technology:

In support of Bupa Arabia’s business strategy the Technology Services & Business Transformation (TSBT) team provided technological business support for key solutions based on a clear strategy of viable solutions:

- infrastructure modernization projects resulted in a high stability of our infrastructure and operational environment, and supported establishing a record general systems availability of close to 100%.
- systems have been implemented to support Bupa Arabia’s strategy and business:
 - developed and Implemented VAT systems requirements
 - developed and implemented Aramco TPA systems requirements, enabling readiness for the launch of Aramco TPA related services.
 - developed and implemented the “Tebtom” Digital platform.
 - developed further automation of analytical dashboards covering most key business areas (Tableau).
 - continued implementing Microsoft Dynamics for financial ERP (AX) (covering budget/purchasing processes).
 - implemented a new Sales Commission System (IBM).
 - implemented self-service staff systems provisioning
 - developed, for early 2018 implementation, an E-commerce platform, based on enhanced processes and design

- A major focus remains our new Customer Relationship Management (CRM) system, of which several key modules were deployed and others will continue to be progressed and implemented throughout 2018.
- The HRM initiative is fully supported through advanced and predictive analytics and incorporates over 700 medical rules which have been integrated into the HRM solution.
- TSBT has also supported new regulatory requirements, including SAMA's recent requirements on IT governance and Cyber security.

In addition to implementing Bupa Arabia's enhanced Digital strategy during 2018, TSBT will also focus on extending the use of systems to drive efficiencies and increase customer satisfaction.

• 9.5 Our people:

We continue to create a high performance based culture by empowering and engaging our employees and we believe that attracting, retaining and developing talented, competitively compensated, employees will better serve our clients. During 2017 we implemented a variety of initiatives that impacted the Company positively and will support sustainable business results.

We maintained our Platinum status in Nitaqat (the Saudisation program of the Saudi Ministry of Labour) through a constant focus on attracting, and retaining, top Saudi talent and which supported an increase in our Saudisation level to almost 72% (refer section 10.6).

During 2017 we attracted over 500 new employees, carried out a variety of focussed training and development programs, and continued to develop our talent and succession planning programs, facilitating the future internal mobility of our leaders.

We continue to promote the development and employability of our Saudi youth, through our "Future Leaders Program". The program has a number of well qualified "Management Associate Trainees" currently undergoing on-the-job training in a variety of Bupa Arabia's functions. During 2017 we accepted a further intake to the program, which has the ultimate aim of identifying and developing talented young Saudi nationals who have the potential to fill future Bupa Arabia leadership roles.

We also achieved a "Mowaamah Silver Certificate" in recognition for our efforts in creating a caring culture involving employees with special needs. We also ranked 13th in the 'Great Place to Work in Saudi Arabia' annual survey.

• 9.6 Our Chief Executive Team (CET):

During 2017 the CET changed through the addition of a Chief Sales Officer, a new Chief Human Resources Officer joining, and a change of role of the Chief Commercial Officer to Chief Business Development Officer. The CET, at the end of the financial period, comprised:

- **Chief Executive Officer, (CEO) Tal Nazer (Saudi)**

Mr. Tal Hisham Nazer has been CEO of Bupa Arabia since 2008. Leading this top and fast growing specialized health care company to higher standards, his relationship circle has widened and strengthened in the insurance market in Saudi Arabia with regulators, healthcare providers and the insured.

Mr. Tal Nazer is a Board member on various companies and committees. He is a Board member of Nawah Healthcare and a member of the Executive Insurance Committee. Mr. Tal Nazer is also a member of the Young Presidents Organization (YPO) and a member of Young Global Leaders (YGL). He joined Choate's Board in New York in 2014.

Mr. Tal Nazer holds an MBA from The Wharton School, Pennsylvania, USA (in Finance and Buyouts, completed in 2001) and a BA in Economics from the University of California at Los Angeles (completed in 1996).

- **Chief Financial Officer, (CFO) Nader Ashoor (Saudi)**

Mr. Nader Ashoor has more than 15 years' finance experience and joined Bupa Arabia, in 2016 as CFO, having spent over 14 years with Saudi Aramco, with whom he undertook a variety of professional, supervisory and leadership roles. Nader's last role at Saudi Aramco was as Director, Finance readiness-IPO. Nader also served as a Board investment committee member of the Saudi Aramco Entrepreneurship Ventures Company. Nader holds an MBA degree, achieved with distinction, in leadership from IMD International, Lausanne, Switzerland, and a Bachelor's degree in Accounting (first class honours) from KFUPM. Nader also holds the CMA and CIA certifications, and has successfully completed the CPA rigorous examination requirements. He has been the recipient of multiple renowned awards, including the IMA's Distinguished Performance Award and the IIA's William S. Smith Certificate of Honour Award.

- **Chief Business Development Officer, (CBDO) Ali Sheneamer (Saudi)**

Ali Mohammed Sheneamer has over 20 years' collective experience in marketing, sales and general management of which 5 years in Saudi health insurance, having joined in 2013 as Chief Commercial Officer. Ali has served, before joining Bupa Arabia, as the Deputy Governor and Chief Operating Officer of SAGIA for five years. Prior to this Ali was employed as group marketing head at the National Commercial Bank for two years and in various marketing assignments at Procter & Gamble for eight years. Ali currently serves as a board member of Baazeem Trading Company (a publicly traded Saudi secondary market company) and as a member of the SAMA health insurance sub-committee. Ali holds a Bachelor's degree in science (computer engineering) from King Abdulaziz University, Saudi Arabia.

- **Chief Human Resources Officer, (CHRO) Tariq Alamoudi, (Saudi)**

Mr. Tariq Alamoudi joined during the year and prior to that was responsible for a variety of HR leadership roles at global and regional levels at Procter & Gamble (P&G). Tariq was the P&G Saudi Arabia leader and also led the HR/Organizational development for the Global Development Organization (GDO), on assignment at P&G headquarters in Switzerland, which had a worldwide reach. Prior to that, he held key roles at Tetra Pak in business development, KPMG in People Consulting and AIESEC (Australia) in leadership development. Tariq established his own executive HR consultancy, providing executive leadership hiring and assessment services to major companies in Saudi. Tariq holds an MBA degree in Strategy and HRM from Griffith Business School and a Bachelor's degree in Marketing Management from Griffith University, Australia. He has completed executive programs in leadership, strategy and innovation from IMD, Switzerland.

- **Chief Operations Officer, (COO) Arif Hunashi**

Mr. Arif Hunashi joined Bupa Arabia during 2014, as COO, and before this worked for Unilever Arabia for 15 years, 10 years of which was at a Director level, and covering a number of General Manager and Customer Development Director roles across the Middle East (including Saudi Arabia, UAE, Oman, Bahrain and Qatar). Arif also previously worked more than four years in two leading Saudi family businesses as the Managing Director (Distribution) and COO. Arif holds an MBA in Marketing from the University of Leicester, UK (2005), and a Bachelor of Engineering in Instrumentation & Control from the University of Teeside, UK (1993). Arif is also a Chartered Electrical Engineer, Institute of Electrical Engineering, UK (2002).

- **Chief Risk Officer, (CRO) Ali Fawzi Hamdan**

Mr. Ali Hamdan joined Bupa Arabia in January 2016, as a CRO, bringing more than 15+ years of risk management and advisory experience, which capitalizes on multifaceted industry knowledge and significant exposure in leading multicultural teams. Prior to joining Bupa Arabia, Ali was the Middle East, North Africa and Turkey Chief Audit Executive for General Electric for almost four years. Ali also spent three years with Dubai Holding as the Head of Risk Management and Internal Audit for its subsidiary Sama Dubai, based out of Dubai, UAE. Prior to that, Ali worked for Deloitte and Andersen in the Enterprise Risk Services and Assurance & Business Advisory Services, respectively. Ali holds an Executive MBA degree (2015) from London Business School and a Bachelor's degree in Business Administration (2001) from the American University of Beirut in Lebanon. Ali also holds the CIA and CCSA certifications.

- **Chief Sales Officer, Atef Mufti (Saudi)**

Mr. Atef Mufti joined during 2017 and prior to that was the Chief Commercial Officer, and a member of the Board of Directors, of Panda Retail Co. for six years and in which role he was responsible for all the commercial buying and supply chain of Panda's business in KSA, the UAE and Egypt. Atef began his career with Saudi British Bank (SABB) in 1995 and spent more than 12 years working in the banking industry and, during which tenure, he held senior management roles in branch network, sales and customer services. He thereafter assumed Executive roles as the Deputy General Manager, Personal Financial Services, responsible for all sales functions (branch, direct sales, financial planning and Takaful sales) in KSA. He was Managing Director for the Saudi Distribution Company (part of the Saudi Research & Marketing Group) followed by two years as the Western Region General Manager for Bank Al Bilad. Atef holds a Bachelor's degree in Marketing from the King Fahad University of Petroleum and Minerals with a minor degree in Management.

- **Chief Strategy Officer, (CSO) Fraser Gregory**

Mr. Fraser Gregory has more than 20 years' health experience (Insurance, Hospitals and Medical Services) since joining Bupa in its UK operation during 1995 he held a variety of senior finance roles covering; Bupa Group Financial Controller (integrating 2.0b sterling of acquisitions), Bupa Hospitals Finance Director (sold business to private equity in 2007 for 1.4b sterling) and also Bupa Insurance CFO for a handful of years. Prior to Bupa, Fraser had 10 years' experience with Diageo (Brands and Wholesale Drinks), Lloyds Bank (Debit and Credit card business) and STC (Telecoms component manufacturer). Fraser is a qualified accountant (Fellow of the Chartered Institute of Management Accounts - CIMA) and holds a Bachelor's degree in Finance and Commerce (University South Bank, London, UK, 1982), a Diploma in Managed Care (Leeds University, UK, 1998) and an Executive mini MBA (Wharton, USA 2001). Fraser joined Bupa Arabia as CFO during 2010 and moved into the CSO role at the end of 2016.

10. Bupa Arabia's significant plans, decisions and developments during the year:

Certain elements of Bupa Arabia's significant plans, decisions and developments, during 2017, are detailed within this section whilst others are described throughout this ABR.

- **10.1 Our Strategy review:**

Bupa Arabia's strategic vision is aligned with the Kingdom's 2030 Vision for healthcare:

"Bupa Arabia is the greatest healthcare company in the Arab world. It is designed to deliver on its purpose. When it touches you, whether you are an employee, a customer or a community member, you live a longer, healthier, happier life. We have written history."

At the heart of this vision is for Bupa Arabia to keep building its status as a healthcare partner to millions of people in Saudi Arabia. We aim to provide health insurance that leads the market in unlocking wider access to affordable, high-quality healthcare. As the largest health insurance company in the Kingdom, Bupa Arabia provides:

- Global expertise and reach, being part of the largest healthcare network in the world outside of the US and with over 70 years of experience.
- A drive to shift the healthcare industry to a patient-centric, outcomes-focussed paradigm. We provide life-touching healthcare services with our Tebtom program and care when needed most, in hospitals, with our Rahatkom program.
- Partnerships with government and other stakeholders in Saudi society to tackle the most pressing healthcare needs, subject to the legal and regulatory environments.

At Bupa Arabia, we believe in the "service profit chain" and know that extraordinary business performance cannot be delivered without a healthy and highly engaged workforce; hence we strive to attract and retain talented, skilled and engaged employees who love working at Bupa Arabia because of our 'amazing culture', which we define on five dimensions:

- We are leaders in all we do,
- We have an innovative and caring culture,
- We are loved by customers,
- We have amazing talent,
- We consistently act according to our values.

We have made steady progress in delivering our strategy in 2017, in what was a turbulent market, with a difficult economy, competitive pricing pressures and a more demanding regulatory environment, and despite this we have delivered a very robust financial performance, and our aim is to continue on this impressive trajectory in 2018, with a key pillar being to improve margins through more robust targeted pricing. In addition, our top strategic priorities are:

- **To strengthen our distribution;**
 - In particular, to continue to develop our product proposition to better serve the Small Medium Enterprises (SME) segment, a lower priced segment where we see potential for significant growth.
- **To better serve our members;**
 - To continue building our differentiation as the leading provider of health insurance in Saudi Arabia. In 2018, our key focus in this area will be to work with providers to ensure our customers get the best possible service when they receive medical care. We will extend our Rahatkom hospital delivery program, providing very visible and accessible personnel on the ground to support and advise our members at the time of their greatest need.
 - To protect our leadership position by maintaining strong bonds with our significant customer base, proactively streamlining, automating and deepening our retention services across all channels.
 - Health Risk Management (HRM): we will also be leveraging best practice from other Bupa worldwide businesses and will be upgrading our capabilities by automating the receipt, processing and adjudication of claims. The “rules engine” we are developing will increasingly allow us to identify and tackle fraud and abuse in real time, as well as build efficiency and scalability.
 - To continue improving our IT capabilities by providing new technologies to underpin our continued business growth. We continue to deploy a new CRM platform in 2018, and continue to build on this with a “Lean” program in 2018 to review and improve our key processes. We believe we can reduce cycle times to improve customer outcomes and satisfaction, plus reduce unit operating costs and give us more scalability for the future.
- **In light of the prevailing regulatory enforcement drive, we will also continue to;**
 - Enhance the sustainability of the Company’s governance and oversight through improving Bupa Arabia as a Risk Intelligent Organisation via:
 - mature: Company Secretariat, Cyber Security and Technology Risk (including business continuity management), Risk Management, and Legal Affairs and Corporate Governance practices,
 - comprehensive policies and procedures through a world-class Enterprise Policy Management Framework, and
 - business enabling and reliable independent and objective independent functions in the form of our Compliance and Internal Audit functions.
 - Proactively accelerate our readiness to meet the key new regulatory requirements, such as the SAMA Risk Based Supervisory (RBS) Framework, SAMA Cyber Security Framework, SAMA Customer Service requirements, and the CMA Corporate Governance regulations.
 - For more details on governance related activities/plans please refer to the detailed governance sections in this report.

During 2017 Bupa Arabia was ranked the number one Saudi insurance company, and the overall 6th ranked company in Saudi Arabia, in the Corporate Governance Index (CGI) rankings, at the AIFaisal University’s first Annual Corporate Governance Conference, for strong Corporate Governance practices during 2015 (a 2017 award).

- **To continue to build the people talent, capability and capacity to deliver on our future;**
 - During 2018 we will continue to pursue our Saudisation journey with a continuous focus on leadership succession planning for Saudi talent (Refer sections 9.5 and 10.6 for further information on our People/Saudisation).
- **To continue to expand our service offering:**
 - To successfully deploy the newly won Saudi Aramco TPA contract and exceed Aramco members' expectations.
- **We remain committed to working with all the Saudi health authorities and regulators to identify and address the biggest health challenges facing Saudi society.**
 - We will work closely with the Ministry of Health (MOH), on the most important health issues in Saudi Arabia, including privatization, health insurance for Saudis in the public sector, and other ad-hoc health related projects, subject to all legal and regulatory requirements and environments.
 - As is proposed in the Saudi Vision 2030 and the National Transformation Program (NTP), we also believe that partnerships, between the public and private sectors, remain a very valuable tool in improving the healthcare of the Kingdom.

• 10.2 Our Corporate social responsibility (CSR):

The continuous and ongoing development of our CSR programs remains a core element of our strategy and we will continue to explore opportunities of enhancing our community activities in all our areas of operation (refer section 9.2 for our CSR related activities and achievements).

• 10.3 Our Corporate governance and risk intelligence:

Building and maintaining a risk intelligent organisation is of the highest strategic priority for Bupa Arabia as we understand that having "great brakes" is just as important as a "powerful engine".

We continue to invest in our corporate governance, including the continuous embracing of the "Three Lines of Defence" (3LoD) model and the ongoing recruitment and development of appropriate capabilities to ensure a world class governance environment with world class controls.

During 2017 we capitalised on our 2016 Risk and Governance developments, through the further enhancement of the control function capabilities (talent and tools), by successfully filling all vacancies and also significantly improving the Risk function Saudisation level (refer section 15, for the Corporate governance developments during the year).

• 10.4 Our Business continuity management (BCM):

During 2017, Bupa Arabia continued to invest in the development and implementation of systems and procedures to support a high quality BCM, Crisis Management and Cyber Security capability, in compliance with regulatory requirements as well as leading industry and sector practices.

In order to sustain its activities in such a manner that protects the Company's strategic position and reputation, Bupa Arabia completed the significant project aimed at implementing technologies, processes and procedures to enable the appropriate recovery of key operations in line with targeted restoration schedules and to reduce the impact on clients for any other loss due to potentially sustained operational outages.

This included the activation of an integrated crisis management/incident response structure encompassing plans required to respond to a disruptive incident, and including:

- Emergency Response Plans
- Crisis Management Plan
- Business Continuity Plans
- IT Disaster Recovery Plan

During 2017 we implemented an enhanced Business Continuity Management policy and further, as required by SAMA regulations, completed our Cyber Security assessment and developed our Cyber Security Framework roadmap to ensure we implement best practice Cyber Security governance in accordance with the Saudi

regulations.

Multiple IT Disaster Recovery Plan tests were conducted with some of the identified gaps closed and others scheduled for closure during 2018. Additionally during 2018 we will continue to progress our systems and processes and implement annual training plans to ensure all relevant stakeholders are aware of their respective roles and responsibilities relating to the BCM Program.

• 10.5 Our Shariah compliance:

Bupa Arabia maintained its Shariah compliance and, on 28/05/2017G (02/09/1438H), received the approval of the Shariah Review Bureau (SRB) for its Shariah status (reference BPA-150-04-01-05-17) in line with the approval received during 2013. All Shariah certificates remain valid, as announced on Tadawul, on 29/05/2017G (03/09/1438H), on the following functions:

- Certificate No:BPA-196-08-08-11-13: for the full separation of all investment and other bank accounts (shareholder and policyholder) concluded during 2013,
- Certificate No:BPA-195-07-07-11-13: for the compliance of all shareholder and policyholder investments with Shariah Guidelines,
- Certificate No:BPA-199-09-09-11-13: for the Declaration and Product Provision, conditional pending SAMA approval, and submitted for final approval to SAMA.

The Company continues to develop its policies and evaluate its contracts in support of achieving overall Shariah compliance in the future.

• 10.6 Our development of Saudis and Saudisation:

Bupa Arabia continues to prioritise the recruitment, development and enhancement of the careers of Saudi nationals and to increase its Saudisation level. During 2017 the Company was successful in increasing its 2017 Saudisation level to circa 72% (2016 at circa 60%). We also continued to receive recognition for our female workforce mix.

• 10.7 Our shareholders and our disclosure of information to all stakeholders:

In line with best practice Bupa Arabia is committed to treating all its shareholders consistently and fairly and keeping them informed of all relevant key developments, whether through either Tadawul announcements or the Company's website.

During the year the composition of Bupa Arabia's major shareholders changed due to the purchase by Bupa Investments Overseas Limited (BIOL) of an additional 8.0% shareholding in Bupa Arabia, from the Nazer Group's ASAS Healthcare Company, effective on, and as announced on Tadawul on, 14/06/17G (19/09/1438H). As at 31/12/17G (13/04/1439H) the major shareholders, were as per the below:

Description	Shares	% Shares
Bupa Investments Overseas Limited (BIOL)	27,400,000	34.25%
Nazer Group control through the below three legal entity companies:	14,471,035	18.09%
Nazer Group Holding Company Limited (Nazer)	7,200,000	9.00%
Modern Computer Programs Company Limited	7,200,000	9.00%
ASAS Healthcare Company Limited	71,035	0.09%
Major Shareholders	41,871,035	52.34%
Public Shareholders	38,128,965	47.66%
Total	80,000,000	100.00%

During 2018 the composition of Bupa Arabia's major shareholders is expected to change due to the purchase by BIOL of an additional 5.0% shareholding in Bupa Arabia from the Nazer Group, as announced on Tadawul on 15/03/18G (27/06/1439H).

The Company policy on information disclosure to its stakeholders is to ensure that it provides all information

required to be disclosed in terms of all Saudi regulations, including both financial and non-financial information, accurately, promptly, consistently and without discrimination, in a clear, correct and non-misleading manner, so as to ensure that all shareholders, and other stakeholders, are able to obtain a comprehensive view of the Company's position, so as to be able to exercise their rights to the fullest extent.

In support of this commitment the Company has implemented a process of fully bi-lingual stock exchange announcements and Company website content to ensure that all shareholders/investors, and other stakeholders, are equally and fully informed of the Company's financial information, governance and other performance.

All Board members are informed through Board meeting updates of the shareholders' questions, also via attendance of the GA meetings and the sharing of the GA minutes to all Board members and Executive Management thereafter.

11. Bupa Arabia outlook, future prospects, risks and developments:

• 11.1 Competition and market dynamics:

The Company's objective is to provide the best access to the highest appropriate quality and cost effective care for its members. In doing so, it also seeks to make a sustainable return such that it may invest in the future while retaining a solvent position to ensure that member liabilities are never at risk of default.

In 2017 the economy continued to be impacted by reduced oil income and structural economic adjustments. The budget deficit was circa SR200b and preliminary data suggests GDP contracted by almost 1% year on year. Inflation is likely to rise in 2018 as we exit from the low base of 2017, and compounded by increases in electricity, fuel, VAT, and other. This will likely continue to impact consumer expenditure and confidence, potentially partly offset by the launch of the Citizens account. The Kingdom has announced an expansionary budget for 2018, wherein it will slow the pace of austerity measures and also boost Government expenditure, and plans to spend some SR978b in 2018, up nearly 6% from the SR926b estimated to have been spent in 2017. We anticipate that any positive impact on business activity, and employment, will most likely be towards the end of 2018, or early 2019.

Bupa Arabia welcomes Vision 2030 and its drive to enhance the role and impact of the private sector (contribution to GDP to rise from 40% to 65% by 2020) and we see many opportunities to work in collaboration with the government and MOH specifically in healthcare funding and provision. We are confident that the government and authorities will move decisively to address the cost effectiveness, quality and accessibility of the healthcare system in the Kingdom and Bupa Arabia welcomes this urgency.

We estimate that the Saudi market for health insurance GWP grew only marginally in 2017, compared to a slight decline in 2016. The last two years have been particularly impacted by the economic recession in the Kingdom, in particular due to the significant staff reductions in some industries (e.g. contracting) and, more recently, the exit of many foreign workers (mostly blue collar), and expatriate dependents, with steeply rising expatriate levies. The GWP change is not as great as the fall in number of lives covered, due to the reduction of lives at premiums which were lower than average. Additionally, we have experienced some client "down-trading" to less expensive hospital networks, or a general resistance to any increase in premiums, irrespective of the rise in underlying medical inflation. We do expect some improvement in pricing, as the competitive pressure will have to ease somewhat after two years of margin dilution (and rapidly rising loss ratios). We see the fiscal backdrop for 2018 remaining difficult, with the impact of VAT and the rising costs of living and we would look to 2019, when government debts are paid, and capital projects initiated, for an overall improvement in the economy and growth in private sector employment.

In addition to the economic climate in which the private sector operates, another key element is regulatory enforcement, ensuring population coverage and product appropriateness. An enforcement program has been implemented aimed at removing low priced business to client (B2C) policies (Iqama renewal related) and preventing individuals from purchasing health insurance directly, via ensuring only purchased through employers, and this should result in proper pricing at the lower end of the market in future.

Overall we anticipate a continued difficult business environment for the majority of our clients, while affordability will continue to be challenge, with many clients looking for extended payment terms, and/or lower network coverage. We will look to continue to provide the best services and differentiated products and we are proud of the extraordinary customer satisfaction levels we have achieved in 2017.

Containing medical inflation remains a key focus and will continue to be challenging in 2018. Medical health provider costs will likely be impacted by rapidly rising energy costs and expatriate levies as well as reduced government (MOH) patients, at lower fees. Additional capacity, from either private sector players, or the 'corporatisation' of public sector hospitals is critical to tackle the undersupply in the healthcare industry, and help create proper price competition amongst them, but this will take time. We continue to invest in our Health Risk Management to help detect and reduce fraud, abuse, as well as continuing to manage our network providers to give us, as the health insurance market leader, the best prices, whilst still presenting networks of high quality and coverage to our members.

At the end of 2017 Bupa Arabia estimates it has a total Saudi insurance market share of +/-21%, versus the 21.6% of 2016, with the total market GWP declining slightly. We mostly took a hit in the first quarter (due to predatory competitive pricing), and then held broadly flat year on year for the remainder of 2017. We have witnessed rapid market deterioration in health loss ratios as 2017 unfolded. With the deployment of unified policy enforcement, coupled with stopping the individual policies in phases, the market became more price-driven with medium and small insurance companies offering very low, and in our view not sustainable, prices. We do expect some improvement in pricing, as the competitive pressure will have to ease somewhat after two years of margin dilution, and that the CCHI will also be extending the benefit coverage, on renewal, from July 2018, and this should boost 2018 GWP, in the third and fourth quarters, with a more material benefit to the 2019 earned premium.

• 11.2 Key Risks:

Part of the Bupa Arabia Risk Management System is the Risk Management Cycle, a continuous process that ensures a detailed understanding of our risk profile. Bupa Arabia has identified the top risks that may impact its ability to achieve its strategic objectives and annual operating plans, in a manner consistent with legal, regulatory and client expectations. Many of these risks remain systematic and inherent to the entire market place and/or industry, making them unpredictable and impossible to completely avoid:

- Interdependencies of SME strategy in 2018 with the timely regulatory enforcement and/or market practices taking efficient time to self-regulate.
- Loss of market share due to aggressive competitor pricing, neither in accordance with sound actuarial and underwriting practice, nor in compliance with regulatory requirements.
- Over treatment and/or fraudulent claims by providers.
- Economic contraction with negative effects on consumer and business confidence, potentially adversely impacting Bupa Arabia written premiums and growth.
- Over-stretch to calibrate and comply with emerging regulatory requirements: SAMA Risk Based Supervisory (RBS) Framework, SAMA Customer Experience Benchmarking, SAMA Cyber Security Framework, new GAZT Value-Added Tax (VAT) regulations requirements (by 1 January 1 2018G).
- Insufficient provision capacity to cope with the increasing healthcare demands of the Kingdom, resulting in material increases in medical inflation.
- Adverse risk of relevance, usability and timeliness of existing BCM and Disaster Recovery capabilities and infrastructure, including cyber resilience.

Although it is challenging to mitigate such "non-diversifiable" risks, we are deploying hybrid risk management strategies to reduce residual risks to business tolerable levels. The focus is relentlessly on aligning key stakeholders in delivering the right client outcomes in the here and now, whilst ensuring that financial and brand strength is upheld, so that Bupa Arabia can continue to deliver on its purpose for the foreseeable future.

12-13 Board and Board Committees:

In support of the Company achieving its strategic aims the Board constitutes Board Committees, so as to support it in the execution of its responsibilities, and the following sections contain information relating to the Board/Board Committees', more significant activities during the year.

New (fourth) Board Term, effective 22/01/2017G (24/04/1438H) to 30/06/2019G (27/10/1440H):

The Board membership, as per the approval of the GA meeting of 20/12/2016G (21/03/1438H), is:

Membership Role	Board Member name	Term Number	For the current term representing:
Independent	Mr. Abdulhadi Ali Saif Shayif	3 rd	Not applicable
	Mr. Zaid Abdulrahman Al-Gwaiz	2 nd	Not applicable
	Dr. Adnan Abdulfattah Soufi	1 st	Not applicable
Non-Executive	Eng. Loay Hisham Nazer	4 th	Nazer
	Mr. David Martin Fletcher	2 nd	BIOL
	Mr. Martin Potkins	2 nd	BIOL
	Mr. Aamer Abdullah Ali Reza	4 th	Nazer
Executive	Mr. Tal Hisham Nazer	4 th	Not applicable

Dr. Adnan Soufi joined the Board as Independent Board member, in place of Mr. Aamer Alireza whom no longer considered independent having served three terms as Independent Board member.

The Board membership was selected through a transparent, consistent and fair process, in accordance with the shareholder approved Nomination and Appointment Policy and Procedure, per the N&RC recommendation and, after SAMA no-objection, the approval of the shareholders on the regulatory required accumulative voting basis.

As a result of the new term all Board/Committee memberships were re-constituted, after receipt of SAMA no-objection for each member and Committee Chairman, and thereafter robust induction training provided through both internal management, and external industry professionals, sessions. Additionally the Board members attended Corporate Governance training provided by the Saudi regulators.

The Board/Board Committees, approve matters through both circulation and formal meetings, and where items are approved through circulation they are further approved, through ratification approval, in the formal meeting which follows the by circulation approval.

Board Committee recommendations, where followed by Board/GA approvals, are not repeated in the Board/Board Committee sections.

12 Board of Directors:

• 12.1 Board purpose, composition and meetings:

Board Purpose	Board Composition	Board Meetings
The purpose of the Board is to set strategy and deliver value to all shareholders and stakeholders, in compliance with the regulations and laws of the Kingdom in an ethical and transparent manner. The Board is responsible for the Company's values, mission and long-term vision and for providing strategic direction and guidance for the Company's operations, including the ultimate responsibility of ensuring the Company follows exemplary corporate governance and ethics and for the provision of a robust system of internal controls and procedures to be in place to fulfil compliance of the Company, in both content and timeliness, with all the requirements of all the applicable laws and regulations of the	The Board comprises eight members of which one Executive member and seven Non-Executive members (of which three are	The Board convened eight (8) times during 2017 (2016 six (6) times)

<p>jurisdictions in which it operates.</p> <p>The Board is responsible for establishing Board Committees, as required by regulations, to support the Board in achieving its responsibilities, and to support the Executive Management. The Board is responsible for establishing and approving matters it deems significant enough to be reserved for only the Board's decision and for those matters which it delegates to the relevant Board Committees (both as specified within the Board approved Schedule of Matters Reserved for the Board (SMRB) and the Board Delegated Authorities Framework (BDAF)).</p>	<p>independent Board members) - the Board therefore has more than one third (37.5%) of its members as independent members).</p>	
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Amongst matters reserved for Board approval, subject to regulatory, public shareholder, or Board Committee recommendation, approval, where applicable, include, but are not limited to:

- Strategy, vision and mission
- Long-term plans, annual operating plans, and material deviations from Board approved plans,
- ABR, AFS, Interim Financial Statements (IFS) and the appointment of the external auditors
- Appointment of the Board roles (Chairman, Vice-Chairman, CEO and Company Board Secretary),
- Appointment of Board, and Board Committee, members and the associated Board and Board Committee Member Nomination and Appointment Policy and Procedure
- Board, and Board Committee, Member Remuneration Policies
- CSR strategy and programs
- The Company Long-Term Incentive Plan (LTIP) and the authorisation of the LTIP Shares purchases
- Dividend Policy and the authorisation of Dividends
- Key policies, such as relating to; Governance, Ethics, Code of Conduct, Risk, Risk Appetite Statements, Solvency, Disclosure, Conflicts of Interests, Board Committee Charters, Company Employee Remuneration Policy and Chief Executive Team Remuneration Policy
- Material contracts, acquisitions, disposals and the timely and adequate disclosure of significant events,
- Major changes to internal controls and risk management related, including the appointment of regulatory contacts
- Board Charter, SMRB, and BDAF
- Changes to capital, the corporate structure, the company organisation executive management structure or the status of the company
- Any significant changes in key governance and accounting policies, practices and disclosures
- Investment strategy, Capital Management Policy, Treasury and Investment policies, including Investment Policy Statement (IPS).
- Pricing and/or loss ratio contribution decisions as specified per the SMRB/BDAF.

• **12.2 Board member experience, qualifications, and membership in other Saudi joint-stock companies:**

The Board member details, at 31 December 2017, were as follows:

Name	More Relevant Recent Experience and Roles	More significant qualifications	Board Membership in other Saudi PLCs
Eng. Loay Hisham Nazer	Chairman and Board member of Bupa Arabia since inception in 2008. Founder and Chairman of the Nazer Group and Board member of various Nazer companies. Current Vice-Chairman of the Saudi Olympic Committee and previously a CCHI Board member.	MBA, Anderson Graduate School of Management, UCLA, USA (1989), B.Sc. Mechanical Engineering, UCLA, USA (1987)	Not applicable
David Fletcher	Bupa Arabia Board member since 2014. Currently Bupa Group Chief Risk Officer (since	B.A. Honours Modern History, Durham	Not applicable

	01/01/17G) and member of its Executive Team after being MD of Bupa International Development Markets, since 2014, and having joined Bupa as Chief Internal Auditor. Prior to that was President Director/CEO, for 4 ½ years, of Permata Bank, Indonesia, an affiliate of Standard Chartered, after an extensive banking career at Standard Chartered. Has extensive international experience in banking, having held various senior positions with Standard Chartered and Citibank, and including Head of Audit and CEO roles.	University, UK (1985).	
Tal Hisham Nazer	Bupa Arabia CEO/Board member since inception in 2008. Refer CEO profile in section 9.6 and below for other more significant roles.	Bachelor Economics, UCLA, USA (1996) and MBA Finance and Buyouts, Wharton, USA (2001)	Not applicable
Abdulhadi Shayif	Bupa Arabia Independent Board member, since 2011, Audit Committee (AC) Chairman, from 2011 to 2017, Risk Management Committee (RMC) Chairman from 22/01/17. Board member and Chairman of various committees at the Alawwal Bank, SGS, and Deutsche Securities. Previously Chairman of the FWU International advisory Board, Munich, Germany. Previously GM and Board member of NCB.	Bachelor Economics, American University of Beirut, Lebanon (1970).	Alawwal Bank, Saudi Ground Services Co. (SGS)
Zaid Algwaiz	Bupa Arabia Independent Board member since 2014 and Investment Committee (IC) Chairman from 2014 until 30/12/17. Joined the Nomination and Remuneration Committee (N&RC) during 2016 and became its Chairman on 31/12/17 whilst still currently also a member of the IC. Spent many years in the banking sector and was Deputy Managing Director of HSBC Saudi Arabia. A Board and Committee member for a variety of Companies.	Bachelor Accounting, King Saud University, KSA (1987).	Not applicable
Dr. Adnan Soufi (from 22/1/2017)	Previously a Board Member of the (CMA) (2014-2016), a Royal Decree appointment. Adjunct Professor of Leadership, Strategy and Governance at the King Abdulaziz University (2013 to present), Executive leadership experience at SEDCO Holding (1991-2013 including as CEO (2010-13)) and at the King Abdulaziz University (1979-2006, including as Dean of the Faculty of Economics 1995-98)). Board Member of Arab Cement Company (2012-2014).	PH.D. Business Admin. George Washington University, Washington D.C., USA, (1984), MBA, Seattle University, USA (1979), and Bachelor, Electrical Engineering, Seattle University, USA (1979).	Not applicable
Aamer Ali-Reza	Bupa Arabia Independent Board member since inception in 2008 until completion of the third Board term on 21/1/17. Currently a Bupa Arabia Board member representing Nazer and also the Chairman of the Bupa Arabia IC, since 31/12/17, an N&RC member and was its Chairman until	Bachelor of Economics and Political Science, Pitzer College, California, USA (1994). Advanced Management Program at Harvard University (2016)	Board member of Saudi Industrial Services Company (SISCO), from 2014 to still current.

	30/12/17).		
Martin Potkins	Bupa Arabia Board member since 2016. Bupa Group Corporate Controller, since 2015, after having spent many years in a variety of Senior Finance roles at reputable Finance and Insurance Companies, such as Friends Life, Resolution Operations LLP, where he was Group Financial Controller, Prudential plc, as Head of Financial Control, and prior to that spent six years with Aviva plc working in both the UK General Insurance business (as Finance Control Director) and the UK Life and Pensions business (as Deputy Finance Director).	Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) (FCA). Bachelor of Science (Joint Honours) Computer Science & Mathematics, University Of Manchester, UK (1982).	Not applicable
Paul Davis (to 21/01/2017)	Bupa Arabia Board member since 2016. Over 25 years' experience in legal, risk and compliance roles, Bupa's Group Risk Director Governance and Assurance since 2015, previously with Grant Thornton, as Associate Director. Extensive international experience having held a number of senior management positions in India, the Middle East and Asia during a 13-year career with Standard Chartered Bank.	Solicitor, England and Wales, College of Law, Chester, Law Society Finals (1988-89) and LLB (Hons), University of Reading, London, UK (1985-88).	Not applicable

Name	Other Relevant Significant Bupa Arabia Board Member Roles (current and previous) in other Companies	Period
Eng. Loay Hisham Nazer	<p>Board member/representative in a variety of Nazer businesses of which the most current and relevant are:</p> <ol style="list-style-type: none"> 1. Nazer Group Holding Company (Chairman) 2. Modern Computer Program Co. Ltd (MCPC) (Chairman) 3. ASAS Healthcare Company (Chairman) 4. Nawah Healthcare Company (Chairman) 5. International Medical Clinics Company (Partner) 6. Nazer Dialysis and Advanced Healthcare Services Co. Ltd (Partner) 7. Loay Hisham Nazer Company Ltd. (General Manager) 8. Arab Conference Organizing Co. (ARC) (Chairman) 9. Diaverum Arabia Company (Chairman) <p>Bupa /Nazer JV:</p> <ol style="list-style-type: none"> 10. Bupa Middle East Holdings Two WLL (Board Member) <p>Other more relevant:</p> <ol style="list-style-type: none"> 11. Chairman of the Advisory Council of the King Abdullah Medical City in Makkah. 12. National Unified Procurement Co. for Medical Supplies (NUPCO). 13. Chairman of the Saudi Arabian Judo Federation. 14. Vice-Chairman of the Saudi Olympic Committee 15. CCHI Board member 	<ol style="list-style-type: none"> 1. 1990 - Current 2. 1990 - Current 3. 1997 - Current 4. 1995 - Current 5. 2013 - Current 6. 2009 - Current 7. 2011 – Current 8. 2005 – Current 9. 2010 – Current 10. 2009 - Current 11. 2016 – Current 12. 2016 – Current 13. 2013 - 2016 14. 2016 - 2017 15. 2007 - 2013
David Fletcher	<p>Board and Committee member of a variety of Bupa businesses of which the most current and relevant are:</p> <ol style="list-style-type: none"> 1. Bupa International Markets Limited 2. Bupa Middle East Holdings Two WLL (Bupa/Nazer JV) 3. Max Bupa Health Insurance Company Limited 	<p>Various</p> <ol style="list-style-type: none"> 1. 2015 – Current 2. 2015 – Current

	Prior to Bupa more relevant more recent Board role: 4. President Director/CEO, Bank Permata Indonesia	3. 2014 – Current 4. 2009 - 2014
Tal Hisham Nazer	Board member/representative in a variety of Nazer businesses of which the most current and relevant are: 1.Nazer Group Holding Company (Board member) 2.Modern Computer Program Co. Ltd (MCPC) (Board member) 3.ASAS Healthcare Company (Board member) 4.Nawah Healthcare Company (Board member) 5..Nazer Dialysis and Advanced Healthcare Services Co. Ltd (Board member) 6. Quick Solutions for Trading Company (Board member) 7. Nazer Bupa for Medical Equipment Company (Board member) 8. Tal Hisham Nazer Company Limited (General Manager) 9. Arab Conference Organizing Co. (ARC) (Board member) Bupa /Nazer JV: 10.Bupa Middle East Holdings Two WLL (Board Member) Other more relevant: 11.Committee Member of the SAMA Insurance Companies General Committee 12.Board member of the Human Resources Development Fund (HRDF) 13.Board member of Choate Rosemary Hall, New York	1. 2004 – Current 2. 2008 – Current 3. 2013 – Current 4. 2010 – Current 5. 2014 - 2016 6. 2005 – Current 7. 2015 – Current 8. 2011 – Current 9. 2005 - Current 10. 2009 – Current 11. 2015 – Current 12. 2013 – 2016 13. 2014 - Current
Abdulhadi Shayif	1. AIAwwal Bank: • Independent Board member • Executive Committee member • Nomination and Remuneration Committee Chairman 2. Saudi Ground Services: • Independent Board member • Audit Committee member 3. Health Water Bottling Co. (Riyadh), Board member and Audit Committee Chairman 4. AIMajdouie Group (Dammam) Board member 5. AIAttieH Group (Jeddah) Board member 6. Deutsche Securities Saudi Arabia (Riyadh), Board Chairman 7. Nama Cargo (part of Nesma Group), Board Chairman	1.2008 - Current 2. 2015 - Current 3. 2016 – Current 4. 2006 - Current 5. 2007 - Current 6. 2011 - Current 7. 2015 - Current
Zaid Algwaiz	1. Independent Board member, and Audit Committee member, of Al-Rahji Steel Company 2. Member of the Saudi British Bank (SABB) Nomination & Remuneration Committee 3. Chairman of the Risk and Assets & Liability Committee of Mohammed Ibrahim AISubaie & Sons Investment Company (MASIC) 4. Audit Committee member of Thakher Real Estate Development Company 5. Ex-Independent Board member of Al-Yusr Leasing and Finance (closed joint stock company) 6. Ex-Independent Board Member and Chairman of the Audit Committee in AIAwwal Capital (formerly, Saudi Hollandi Capital), 100% Subsidiary of AIAwwal Bank 7. Ex-Independent Board member of Middle East Specialised Cables Company (Saudi PLC) 8. Ex-Independent Board member of HSBC Saudi Arabia Mutual Funds Board	1. 2014 – Current 2. 2016 – Current 3. 2014 – Current 4. 2016 - Current 5. 2015 – 2016 6. 2010 – 2016 7. 2009 – 2015 8. 2008 – 2015

	9. Ex-Independent Board member of the Gulf Finance Company, Saudi Arabia.	9. 2012 - 2015
Dr. Adnan Soufi	<ol style="list-style-type: none"> 1. Founder and Managing Partner of DAS Partners, Jeddah 2. Member of the Board of Trustees, University of Business and Technology (UBT), Jeddah 3. Member of Board advisors to UCLA Centre for Middle East Development. 4. Investment Committee Member, King Abdulaziz University Endowment. 5. OECD MENA Investor Council Member 	<ol style="list-style-type: none"> 1. 2016 - Current, (previous 2013-2014) 2. 2013 – Current 3. 2011 – Current 4. 2013 – 2014 5. 2013 - 2014
Aamer Ali-Reza	<p>Board member of the Xenel Group of Companies and representative in a variety of its businesses and of which the more significant and relevant are:</p> <ol style="list-style-type: none"> 1. Managing Director of the Xenel Group Services Division 2. CEO of Red Sea Gateway Terminal (RSGT) 3. Chairman of the Board of Saudi Trade & Export Development Company (Tusdeer) 4. CEO of Saudi Trade & Export Development Company (Tusdeer) <p>Also:</p> <ol style="list-style-type: none"> 5. Chairman of the Board of AECOM Arabia Co. Ltd. 6. Board member of Tabadul 	<p>2003 - Current</p> <ol style="list-style-type: none"> 1. 2003 – Current 2. 2007 – Current 3. 2017 – Current 4. 2007 - 2017 5. 2003 – Current 6. 2016 - 2017
Martin Potkins	<p>Board member of a variety of Bupa subsidiary companies of which the most significant are:</p> <ol style="list-style-type: none"> 1. Bupa Investments Overseas Limited (BIOL) 2. Bupa Investments Limited 3. Bupa Finance Plc 	<p>Various</p> <ol style="list-style-type: none"> 1. 2015 – Current 2. 2015 – Current 3. 2015 - Current

The Board approves the Board Chairman, Board Vice-Chairman, CEO and Company Board Secretary for each term, subject to regulatory approval where applicable, and for the fourth term all were re-appointments of the third term.

The Board also appoints the Board Committee Secretaries for each new term, based on the recommendation of the N&RC where required and applicable, and for the new term appointed the CRO as AC Secretary, the CHRO as N&RC Secretary (refer profiles in section 9.6). The Board also appointed the Director – Company Secretariat as the Board Committee Secretary for all the other Board Committees, please refer to the profile below:

[Director – Company Secretariat, and Company Board Secretary, Mark Sutcliffe](#)

Mr. Mark Sutcliffe has a collective 30+ years' experience in a variety of Senior Finance and Governance roles in a variety of internationally renowned, or listed, companies, including the most recent, more than 17 years, in Saudi Health insurance, having joined the Bupa business in Saudi Arabia, during 2000. Amongst his significant experience at Bupa Arabia, Mr. Sutcliffe has managed all the financial statements and regulatory reporting related of the business, as well as all the Company Secretariat related, as Company Board Secretary and Secretary of the majority of the various Board Committees, since its inception. Mr. Sutcliffe has tertiary qualifications from the Nelson Mandela Metropolitan University (NMMU), Port Elizabeth, South Africa, in the form of a Diploma Cost & Management Accounting (1988), achieved with an Academic Merit Award, and a Higher Diploma in Management (1990), for which he achieved both Academic Colours, and the Best Student Prize award. He also completed a Company Secretary course via the George Washington University (achieved with distinction).

• 12.3 Board member summary changes during the year:

Outgoing and date	Incoming and date	Representing
Mr. Aamer Alireza (21/1/17)	Dr. Adnan Adbulfattah Soufi (22/1/17)	Independent
Mr. Paul Davis (21/1/17)	N/A	BIOL
N/A	Mr. Aamer Alireza (22/1/17)	Nazer

• 12.4 Board/Board Committee and Executive remuneration policies, benefits and emoluments of board/board committee members and senior executives:

The policies for the remuneration of Board/Board Committee/CET members were most recently updated and approved by the 30 November 2017G GA meeting:

- Board Member Remuneration Policy.
- Board Committee Member Remuneration Policy.
- Chief Executive Team Remuneration Policy.

Board/Board Committee members are remunerated per these policies and which are based on Bupa Arabia's view of the roles/responsibilities, as per appropriate market bench-marking and ensuring adherence to the Company By-Laws and all relevant Saudi Arabia regulations. Bupa Arabia's policy is not to pay any attendance fees for any Board/Board Committee meeting but to settle customary related costs on a reimbursement of actual costs basis, and to settle the remuneration fees on a quarterly in arrears basis.

The Board member remuneration analysis follows and the attendance allowance amounts provided in 2016 were reversed in 2017, and not settled, as the updated remuneration policies do not include any attendance allowances. The amounts detailed are as per the Board Member Remuneration policy and without any deviation from the policy:

Board Members' Board and Board Committee Membership Remuneration Fees & Allowances 2017 versus 2016	2017			2016		
	Fees SR000s	Allowanc e SR000s	Total SR000s	Fees SR000s	Allowance SR000s	Total SR000s
Mr. Abdulhadi Shayif (C)	375	-	375	375	12	387
Mr. Zaid Algwaiz (C)	375	-	375	375	12	387
Dr. Adnan Soufi (C)	375	-	375	N/A	N/A	N/A
Mr. Aamer Alireza (C)	N/A	N/A	N/A	375	12	387
Total Independent Board Members	1,125	-	1,125	1,125	36	1,161
Eng. Loay Hisham Nazer (Chairman) (C)	500	-	500	500	12	512
Mr. David Martin Fletcher (Vice-Chairman)*	300	-	300	300	12	312
Mr. Aamer Alireza (C)	375	-	375	N/A	N/A	N/A
Mr. Martin Potkins*	300	-	300	300	12	312
Mr. Paul John Davis* (C)	N/A	N/A	N/A	375	12	387
Total Non-Executive Board Members	1,475	-	1,475	1,475	48	1,523
Mr. Tal Hisham Nazer (CEO/Ex. Member)#	300	-	300	300	12	312
Total Executive Board Members	300	-	300	300	12	312
Totals for all Board Members (C) Board Committee Chairman	2900	-	2900	2900	96	2996

*The Board/Board Committee remuneration fees for Bupa employee representatives are received by the Bupa legal entity BIOL and not by the individual persons in their personal capacity (refer sections 12, 13 and 20).

Other than the above annual amounts, and the reimbursement of actual expenses, Bupa Arabia Board members do not receive any other benefits from Bupa Arabia.

The table below summarises salaries, emoluments, allowances and bonuses, expensed/or provided for within the 2016/2017 results, by/for, the board members and the senior management, and which also includes the CEO and CFO:

Description	Executive Board Member (CEO)	Independent and Non-Executive Board Members	Senior Management (including CEO and CFO)		
	2017 SR000s	2017 SR000s	2017 SR000s	2016 SR000s	2017 (Reduction)
Salaries and emoluments	300	2,600	14,265	12,604	1,661
Board Allowances	Nil	Nil	N/A	N/A	N/A
Bonuses	N/A	Nil	5,834	6,450	(616)
LTIP and EOS	N/A	Nil	5,234	7,929	(2,695)
2017	300	2,600	25,333	26,983	(1,650)
2016	312	2,684	26,983		
2017 (Reduction) SR000s	(12)	(84)	(1,650)		

The annual bonus and LTIP remuneration entitlements, of the Company's Senior Management, are based on a combination of Company results performance measures, and individual performance measures, both having to be achieved.

• [12.5 Description of the Bupa Arabia equities of the board members and their immediate family members:](#)

The Bupa Arabia equities held by the Bupa Arabia Board members, and their immediate family members, are as detailed below as at 31/12/2017G:

Interest of the Company's Board members and their spouses and minor children in the shares or debt instruments of the Company or any of its subsidiaries						
Name of Board Member	Opening 31/12/2016		Closing 31/12/2017		Change	
	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
Mr. Abdulhadi Shayif	352,074	-	201,000	-	(151,074)	(43%)
Mr. Zaid Algwaiz	2,000	-	2,000	-	-	-
Dr. Adnan Soufi	N/A	N/A	-	-	-	-
Eng. Loay Hisham Nazer	2,000	-	2,000	-	-	-
Mr. Aamer Alireza	7,128	-	7,128	-	-	-
Mr. David Fletcher (BIOL*)	-	-	-	-	-	-
Mr. Martin Potkins (BIOL*)	-	-	-	-	-	-
Mr. Paul John Davis (BIOL*)	-	-	N/A	N/A	-	-
Mr. Tal Hisham Nazer [^]	2,000	-	1,000	-	(1,000)	(50%)

* BIOL registered 1,000 shares with the CMA for each Board member as guaranteed shares for its

representatives on the Bupa Arabia Board (as required by the previous CMA regulations). During December 2015 the company issued bonus shares, one bonus share for each share held, and the closing shares relating to BIOL increased to 2,000 shares. 150,050 (75,025 before the bonus shares issue of 2015) of the shares reflected as the shares for Mr. Abdulhadi Shayif are shares which were already owned by Mr. Abdulhadi Shayif prior to his commencement of any term as a Board member of Bupa Arabia.

• **12.6 Description of the Bupa Arabia equities of the senior management executives and their immediate family members:**

The Bupa Arabia equities held by the senior management executives, and senior/key management as per the SAMA definition, which the Company interprets as the CET members, Director - Company Secretariat/Company Board Secretary and leaders of the control functions (Legal and Corporate Governance, Legal Counsel, Risk Management, Actuarial, Compliance and Internal Audit Departments), and their immediate family members, in their personal capacity, are as detailed below:

Interest of the Company's Senior Executives, Senior Managers, and their spouses and minor children in the shares or debt instruments of the Company or any of its subsidiaries:						
Name of Executive/Senior Manager	Opening 31/12/2016		Closing 31/12/2017		Change	
	No of shares	Debt Instrum.	No of shares	Debt Instrum.	In shares	%
Mr. Tal Hisham Nazer^ (CEO)	2,000	-	1,000	-	(1,000)	(50%)
Mr. Nader Ashoor (CFO)	-	-	-	-	-	-
Mr. Ali Sheneamer (CBDO)	4,106	-	4,106	-	-	-
Mr. Tariq Alamoudi (CHRO)	N/A	N/A	-	-	-	-
Mr. Arif Hunashi (COO)	-	-	-	-	-	-
Mr. Ali Fawzi Hamdan (CRO)	-	-	-	-	-	-
Mr. Atef Mufti (CSO)	N/A	N/A	-	-	-	-
Mr. Fraser David Gregory (CSO)	-	-	-	-	-	-
Mr. Mark Lance Sutcliffe (Co. Board Sec.)	8,614	-	8,614	-	-	-
Mr. Nasser AlQawas (Legal Counsel)	N/A	N/A	-	-	-	-
Mr. Jamil Dakkak (Actuarial)	N/A	N/A	-	-	-	-
Mr. Ahmed Jaber (Risk)	-	-	-	-	-	-
Mr. Ali Jazzar (Compliance)	N/A	N/A	-	-	-	-
Mr. Assem Hammam (Internal Audit)	N/A	N/A	-	-	-	-

^ The shares reflected for Mr. Tal Nazer are the same shares per the Board members' equities table in section 12.5.

• **12.7 Description of any interest in a class of voting shares held by other persons:**

As required in terms of the CMA disclosure requirements of Article 90, paragraph 25, other than the equities and interests of the Board members, senior executives/managers, and their respective immediate family members, as detailed within sections 12.5 and 12.6, Bupa Arabia is not aware of any other interest in a class of voting shares held by persons that have notified Bupa Arabia of their holdings pursuant to Article 45 of these rules.

• **12.8 Board meetings, member roles, membership and attendances:**

As required in terms of the CMA disclosure requirements of Article 90, paragraph 31, the Board meeting details are reflected below:

Board member name, role and period	Board 1 24/01	Board 2 15/02	Board 3 20/03	Board 4 27/04	Board 5 8/06	Board 6 16/08	Board 7 9/10	Board 8 30/11	Overall
Eng. Loay Hisham Nazer Board Chairman (full year)	Y	N	Y	Y	Y	Y	Y	N	75%
Mr. David Martin Fletcher Board Vice-Chairman (full year)	Y	Y	Y	N	N	Y	Y	Y	75%
Mr. Tal Hisham Nazer Executive Board member (full year)	Y	Y	Y	Y	Y	Y	Y	Y	100%
Mr. Abdulhadi Ali Saif Shayif (Independent) (full year)	Y	Y	Y	Y	Y	Y	Y	Y	100%
Mr. Zaid Abdulrahman Algwaiz (Independent) (full year)	N	Y	Y	Y	Y	Y	Y	Y	88%
Dr. Adnan Abdulfattah Soufi (Independent) (from 22/1/17)	Y	Y	Y	Y	Y	Y	Y	Y	100%
Mr. Aamer Abdullah Ali Reza (Independent until 21/1/17) (full year)	Y	Y	Y	Y	Y	Y	Y	Y	100%
Mr. Martin Potkins (full year)	Y	Y	N	Y	Y	Y	Y	N	75%
Mr. Paul Davis (to 21/1/17)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total % Board Member Attendance	88%	88%	88%	88%	88%	100%	100%	75%	89%

• **12.9 Major board approvals/resolutions:**

Amongst the major Board resolutions/approvals during the year were the following:

- The quarterly IFS, for fourth quarter 2016, and all 2017 quarters, the 2016 AFS and ABR, and the conflicts of interests, and related party transactions contained therein, per the AC recommendation, after receiving SAMA approval, and subject to the public shareholders' approval in the GA, where applicable,
- The appointment of the Board Chairman, Board Vice-Chairman, CEO, and Company Board Secretary,

- The appointment of the Board Committees'; Chairmen, Members and Secretaries, per N&RC recommendations,
- The approval of dividends for the 2016 fiscal year, per the EC recommendation
- The updated Corporate Governance Framework, update of the Code of Corporate Governance, the Board Charter and SMRB, and the Charters of each of the Board Committees, per each Board Committee recommendation,
- The reduction in the current Board term to end on 30/06/2017G,
- The GA meeting agendas and the respective content of the agenda items (refer section 14)
- The appointment of the joint external Auditors as Ernst & Young and KPMG Al Fozan & Partners, and the setting of the external auditors' fees, for the company's financial statements for the year ending 31/12/2017G (13/04/1439H), per AC recommendation
- The contracts of the scale and pricing where required to be approved in terms of the SMRB
- The Company Underwriting Manual/Policy, per AC recommendation
- The Dividend Policy, per EC and IC recommendation
- The Cyber Security Framework Roadmap, per RMC recommendation
- The update of the Risk Management Framework, and Risk Appetite Statements, per RMC recommendation,
- The update of the Business Continuity Management (BCM) Policy, per AC recommendation,
- The 2018 AOP, per EC recommendation

Refer sections 12.11, 14, AFS note 12, and the GA meeting minutes of the Tadawul announcements for further details of the related party transactions and conflicts of interests. Where any Board/Board Committee member has any conflict of interest the matter is addressed through the voting of the Board/Board Committee member(s) excluding the Board/Board Committee member(s) which have the related party conflict and/or conflict of interest.

• **12.11 Related party transactions:**

The Company has related party transactions due mainly to the ownership, by Bupa and Nazer, in a few of the companies Bupa Arabia deals with. Further details are reflected within the AFS and the GA minutes which can also be found on the Company's website, for further information, both historic and expected future.

Legal Entity	Related parties	Description	Period	2016 SR000s	2017 SR000s	2017 SR000s Change
BIOL	Bupa	Tax recovered from the overseas shareholder*	1/1 - 31/12	31,304	-	(31,304)
Bupa Middle East Holdings Two W.L.L.	Bupa and Nazer	Trade mark fees	1/1 - 31/12	19,331	19,321	(10)
Nazer Medical Clinics Company	Nazer	2016 payable to Nazer Medical Clinics is due mainly to building reinforcement costs recharged by Nazer Medical Clinics to Bupa Arabia	1/1-31/12	1,397		(1,397)
Nazer Medical Clinics Company	Nazer	2017 receivable from Nazer Medical Clinics to Bupa Arabia is Microsoft Dynamics licence recharged by Bupa Arabia	1/1-31/12		284	284

Nazer for Dialysis and Healthcare Services Co. Ltd (Diaverum)	Nazer	Claims paid to medical provider	1/1-31/12	779	1,237	458
Shariah Review Bureau (SRB)	Mr. Abdulhadi Shayif	Shariyah consulting services **	1/1/ - 14/10/17	150	119	(31)
Total transactions listed				52,961	20,961	(32,000)

*The 2017 Tax to be recovered from the overseas shareholder is pending finalisation of the accounting treatment, due to the impact of the change in the overseas shareholding during 2017.

**The 2017 change in Shariah consulting transactions is due to Mr. Abdulhadi Shayif no longer owning any share in the SRB from 15/10/17.

Details of health insurance contracts' associated with Bupa Arabia's Board members are reflected below:

				GWP			
Board Member Name	Contract Description / Explanation	Period	Saudi Riyals	2017	2016	2017 Change	2017 % Change
A) Mr. Abdulhadi Shayif	Personal Family and personal Employees' Health Insurance	01/01 - 31/12	SR 000s	67	61	6	10%
B) Mr. Zaid AlGwaiz	Personal and personal family health insurance	24/06 - 23/06	SR 000s	28	26	2	8%
C) Eng. Loay H. Nazer	Nazer Group Related Contracts (multiple contracts)	Various	SR millions	8	8	1	10%
D) Mr. Aamer Alireza	Xenel Group Related Contracts (multiple contracts)	Various	SR millions	53	58	-5	-9%
E) Mr. Tal Nazer	Bupa Arabia Employees Health Insurance Scheme	01/07 - 30/06	SR millions	16	14	2	14%
A) Mr. Abdulhadi Shayif	Settles family and personal employees' health insurance cover amounts directly to Bupa Arabia						
B) Mr. Zaid AlGwaiz	Settles personal and family health insurance cover amounts directly to Bupa Arabia						
C) Eng. Loay H. Nazer	Health cover for self and family is as an employee of the Nazer Group and the Nazer Group settles to Bupa Arabia directly						
D) Mr. Aamer Alireza	Health cover for self and family is as an employee of the Xenel Group and the Xenel Group settles to Bupa Arabia directly						
E) Mr. Tal Nazer	Health cover for self and family is as an employee member of the Bupa Arabia Health Insurance scheme and reflected within the Bupa Arabia staff costs						
Bupa Arabia Board Members' Other Related Party Health Insurance with Bupa Arabia				GWP			
Board Member Name	Contract Description / Explanation	Period	Saudi Riyals	2017	2016	2017 Change	2017 % Change
A) Mr. Abdulhadi Shayif	Health Water Bottling Company (Mr. Shayif a Board Member)	30/06 - 29/06	SR millions	4	4	0	-6%
B) Mr. Zaid AlGwaiz	Rahji Steel Company (Mr. AlGwaiz a Board Member)	24/06 - 23/06	SR millions	7	N/A	N/A	N/A
Mr. David Fletcher Mr. Martin Potkins	During 2017 there were 28 contracts (2016 : 36 contracts) which Bupa (England UK) had an interest in	Various	SR millions	4	7	-3	-41%

Any health insurance cover which Bupa Arabia provides to any Bupa Arabia Board member, and/or if applicable his company/ family members, or with whom he may be associated or have an interest, is done strictly on an arm's length basis, with no preferential treatment in any form, and in accordance with the Company's pricing and loss ratio targets per the Company's Underwriting Policy/Manual. This is in full adherence to each of the SAMA medical pricing regulations, and the CCHI medical insurance product regulations.

• 12.12 Assessment of the Board/Board Committees and the members' performance:

The Company routinely assesses the performance of the Board/Board Committees, and the respective members, on an ongoing basis, through the closed Board sessions and via the Nomination and Remuneration Committee (N&RC) and, for new terms the N&RC conducts assessments in terms of the GA approved Nomination and Appointment policy and procedure. During 2018 the Company will implement more formal assessment processes, and which will include plans for the use of external parties to perform such assessments on a periodic basis.

13 Board Committees:

During 2017 the Board Committees were reconstituted and memberships appointed for the new Board term and, due to regulatory requirements, and/or balancing the responsibilities of the Board/Board Committee members, the below changes in Board Committee Chairmen occurred during the year:

- Audit Committee (AC): due to the previous AC Chairman having completed two terms as AC Chairman (Dr. Adnan Soufi replaced Mr. Abdulhadi Shayif, both independent Board members),
- Risk Management Committee (RMC): due to change in Board and AC memberships, (Mr. Abdulhadi Shayif, independent Board member, replaced Mr. Paul Davis),
- Investment Committee (IC) and Nomination and Remuneration Committee (N&RC) changes, in order to

put in place an independent N&RC Chairman, Mr Zaid Algwaiz replaced Mr. Aamer Alireza as N&RC Chairman and Mr. Aamer Alireza replaced Mr. Algwaiz as IC Chairman.

The Board Committee remuneration fees, excluding Board member remuneration, are reflected below:

Non-Board Member Committee Member Fees & Allowances 2017 versus 2016	2017			2016		
	Fees SR000s	Allowance SR000s	Total SR000s	Fees SR000s	Allowance SR000s	Total SR000s
Audit Committee (AC)	250	-	250	170	25	195
Executive Committee (EC)#	-	-	-	-	-	-
Investment Committee (IC)	200	-	200	132	25	157
Nomination & Remun. Committee (N&RC)	100	-	100	100	25	125
Risk Management Committee (RMC)	200	-	200	100	25	125
Total Non-Board Member Committee Members' Remuneration	750	-	750	502	100	602

The more significant Board Committees' remuneration cost change versus 2016 was that the RMC was constituted during 2016 whereas for 2017 the RMC cost is for the full year.

As the EC members are also Board members there are no separate EC fees paid or payable.

Non-Board Member Committee Member Remuneration Fees	2017 SR000s
Mr. David Hunt	125
Mr. Khalid Al-Soliman	125
Sub-Total AC Non-Board	250
Mr. Khaled Al-Khattaf	100
Mr. Niall Dooner*	100
Sub-Total IC Non-Board	200
Ms. May Al-Hoshan	100
Sub-Total N&RC Non-Board	100
Mr. Rami Makaram	100
Mr. Paul John Davis*	100
Sub-Total RMC Non-Board	200
Total Non-Board Member Board Committee Members' Remuneration Fees	750

• 13.1 Audit Committee (AC):

AC Purpose	AC Member Names	AC Meetings
The principal role of the AC is to monitor the integrity of the Company's financial statements, in accordance with the relevant financial reporting standards, compliance with laws and regulations, to review and, where appropriate, make recommendations to the Board on	Dr. Adnan Soufi (AC Chairman and Independent Board member (from 22/01/17))	The AC convened seven (7) times during 2017 (2016)

<p>internal financial controls, Compliance, Internal Audit and to review the External Audit process and External Auditors performance. The Committee shall also have oversight, through the Company's RMC, for ensuring that the Company's risk management processes are adequate and effective, particularly with regard to the impact on the Company's financial reporting and its code of business conduct. A further lead role responsibility of the AC is the monitoring of the effectiveness, performance and objectivity of the Compliance function and the Internal Audit function, through the Compliance and Internal Audit functions reporting directly to the AC Chairman.</p>	<p>Mr. Abdulhadi Shayif (AC member and Chairman (until 21/01/17) and Independent Board member (since 2011))</p> <p>Mr. David Hunt (Independent, non-Board, Committee member, since 1/12/16)</p> <p>Mr. Khalid Al-Soliman (Independent non-Board, Committee member, since 1/12/16)</p> <p>(The composition of the AC, as at 31/12/17, is therefore 100% Independent Members and a majority non-Board members</p>	<p>six (6) times)</p>
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The 2017 AC meeting attendances are reflected below and the fifth meeting was the AC meeting with the Board.

AC member name and period	Relevant experience and qualifications	AC1 8/2	AC2 11/4	AC3 17/5	AC4 11/7	AC5 9/10	AC6 10/10	AC7 11/12	%
Dr. Adnan Soufi (Independent) (AC Chair from 22/01/17)	Refer Board section 12	Y	Y	Y	Y	Y	Y	Y	100%
Mr. David Hunt (Independent) (full year)	B.Sc. Banking & Finance, Loughborough University of Technology, UK (1987). 30 years banking and insurance experience, more recently as CEO of Gulf Finance (KSA and UAE), 25 years' experience with the HSBC Banking Group, including as MD for SABB Takaful (2007-2011).	Y	Y	Y	Y	Y	Y	Y	100%
Mr. Khalid Ali-Soliman (Independent) (full year)	B.Sc. Accounting, King Saud University, (1986) and CPA (1994). Variety of senior NCB roles	Y	Y	N	Y	Y			

	including, Senior Fin. Controller (2004-2014), Head of the Accounting Dept. (2001-2003), and Head of Finance (1997-2000).						Y	Y	86%
	Total Overall % AC Member Attendance	100%	100%	67%	100%	100%	100%	100%	95%

During 2017 the AC received further thorough induction and insurance industry specific training from the Executive management, and also from external industry professionals, over multiple days.

The result of the annual review of the effectiveness of the internal control procedures of the Company was found to be satisfactory and the opinion of the AC was that the Company's Internal Control System was adequate and that good progress had been made in enhancing the Company's control systems and processes.

Amongst other major AC approvals during the year, other than recommendations to the Board, were:

- The 2018 Internal Audit Department's (IAD) internal audit plans
- The 2018 Compliance Department's compliance inspection plans
- The 2018 Audit Committee plans
- Various Enterprise Policies

• **13.2 Executive Committee (EC):**

EC Purpose	EC Member Names, roles and period	EC Meetings
The purpose of the EC is to support the Board with the management of the business through the review, and monitoring, of all aspects of the operational performance of the Company on a routine basis to ensure that there are no barriers to achieving the strategy and objectives set. It recommends to the Board the annual income targets, and proposed dividends, accounting for solvency requirements, and also reviews and approves, as required per the SMRB, certain aspects of a commercial nature, including its Charter. It also supports the Board and the business in ensuring that the Company is compliant with regulatory requirements.	<p>Eng. Loay Nazer (EC Chairman and Board Chairman) (Full Year)</p> <p>Mr. David Fletcher (Vice-Chairman of the Board) (Full Year)</p> <p>Mr. Martin Potkins (Board Member) (Full Year)</p> <p>Mr. Tal Nazer (CEO and Board Member) (Full Year)</p> <p>For EC Members' main experience and qualifications please refer Board section 12.2.</p>	The EC convened five (5) times during 2017 (six (6) times during 2016)

During 2017 the EC approved:

- The pricing and loss ratio of contracts of the scale/pricing where required to be approved or EC recommended in terms of the SMRB/EC Charter,
- The updated Company website framework for the Investor Relations section, per the Company Board Secretary recommendation.

EC member name	Meet 1 16/1	Meet 2 8/6	Meet 3 8/10	Meet 4 14/11	Meet 5 30/11	Overall
Eng. Loay Hisham Nazer	Y	Y	Y	N	N	60%
Mr. David Martin Fletcher	Y	Y	Y	Y	Y	100%
Mr. Tal Hisham Nazer	Y	Y	Y	Y	Y	100%
Mr. Martin Potkins	Y	Y	Y	Y	Y	100%
Overall Total %	100%	100%	100%	75%	75%	90%

• 13.3 Investment Committee (IC):

IC Purpose	IC Member Names	IC Meetings
The purpose of the IC is to assist the business in developing its investment policy and to thereafter supervise its adherence to it. To manage the company's investments to achieve the best return for the business, within the given risk parameter as approved by the Board, taking into account liquidity requirements and solvency constraints. The IC will also monitor investment performance and act as the liaison between third party investment managers and Bupa Arabia to ensure investments are in line with its IPS, SAMA's regulations and are fully Shariah compliant. Among other duties, the IC also provides investment advice to the Company and the Board and will approve institutions to be used for significant investment placements.	<p>Mr. Aamer Alireza (IC Chairman (from 31/12/17) and Board member since 2008)</p> <p>Mr. Zaid Algwaiz (IC Chairman (from 2014 until 30/12/17) and Independent Board member since 2014)</p> <p>Mr. Khaled Alkhattaf (independent Committee member (since 2013) and non-Board member)</p> <p>Mr. Niall Dooner (Committee member (since 2013) and non-Board member)</p>	The IC convened four (4) times during 2017 (2016 four (4) times)

The IC membership changed with the addition of Mr. Aamer Alireza during the year and the meeting details are reflected below:

IC member name and period	Relevant experience and qualifications	IC 1 26/04	IC 2 16/08	IC 3 18/10	IC 4 13/12	Overall
Mr. Aamer Alireza (member and IC Chairman from 31/12/17)	Refer Board section 12.2	N/A	N/A	N/A	N/A	N/A
Mr. Zaid Algwaiz (full year) (IC Chairman until 30/12/17)	Refer Board section 12.2	Y	Y	Y	Y	100%
Mr. Khaled Al-Khattaf	Over 20 year's investment/banking experience, more recently Nomura CEO & MD, since 2010, and Gulf Investment Corp. (GIC) Chairman, since 2008. M.Sc.	Y	Y	Y	Y	

(full year)	Finance (1996), and M.Sc. Accounting (1995) (both University of Colorado), B. Art Accounting King Saud University (1989), and CPA 1998.					100%
Mr. Niall Dooner (full year)	Head of Asset Management for the Bupa Group (2015), prior to that Portfolio Management Expert for the European Central Bank and Senior Investment Dealer for the Central Bank of Ireland. B.Sc. Financial and Actuarial Mathematics (2007) from Dublin City University and Fellow of the UK's Institute and Faculty of Actuaries (2011).	Y	Y	Y	Y	100%
Overall Total %		100%	100%	100%	100%	100%

• 13.4 Nomination and Remuneration Committee (N&RC):

N&RC Purpose	N&RC Member Names	N&RC Meetings
<ul style="list-style-type: none"> To effectively manage Board, and Board Committee, member appointments, in accordance with both regulations and the approved policies and procedures, through recommendation to the Board, or regulators, where required, including ensuring the independence of the independent members, the absence of any conflict of interest, and that there are no reasons, versus the regulatory requirements, preventing the proposed membership(s), of Board, and Board Committee, members, prior to submission to SAMA by the Company. To evaluate the structure and composition of the Board, and the Board Committees, and recommend changes to the Board. To annually review the requirements of suitable skills for membership of the Board, and Board Committees, and reflect updates of the same within the Nomination and Appointment Policy and Procedure, for the approval of the public shareholders. To develop clear policies regarding the compensation and remuneration of the Board, and Board Committee, members, following industry and market benchmarking, and to recommend them to the Board, To recommend the Company's Long-Term Incentive Plan (LTIP) to the Board, To recommend the Company's Chief Executive Team Remuneration Policy, and Employee Remuneration Policy, to the Board. To review and approve the remuneration, and incentive payments (short term incentives/bonuses and Long-Term Incentive Plan (LTIP)) of the CEO, CET and the Company. To recommend succession plans for the Board and the Board Committees, to the Board. To establish and monitor succession plans for the CEO and the CET. To annually assess and evaluate the performance of the Board, the Board Committees, and their respective members. 	<p>Mr. Zaid Algwaiz (N&RC member for full year and Chairman from 31/12/17 and Independent Board member)</p> <p>Mr. Aamer Ali Reza (N&RC member for full year and Chairman until 30/12/17, Committee member and Board member)</p> <p>Ms. May Al-Hoshan (Committee member and non-Board member, since 22/1/17)</p>	<p>The N&RC convened four (4) times during 2017, (twice (2) during 2016)</p>

During 2017 Ms. May Al-Hoshan joined in place of Mrs. Cathryn Richardson and, effective 31/12/17G, Mr. Zaid Algwaiz replaced Mr. Aamer Alireza as N&RC Chairman.

At 31/12/2017G the N&RC comprised a majority of independent members, having as Chairman an independent person not the Chairman of the Board, and the 2017 meeting details are reflected below:

N&RC member name, role and period	Relevant experience and qualifications	N&RC1 15/6	N&RC2 8/10	N&RC3 14/11	N&RC4 12/12	Total
Mr. Zaid Algwaiz (Full Year, N&RC Chairman from 31/12/17)	Refer Board section 12.2	Y	Y	Y	Y	100%
Mr. Aamer Ali-Reza (Full Year, (N&RC Chairman until 30/12/17)	Refer Board section 12.2	Y	Y	Y	Y	100%
Ms. May Al-Hoshan (From 22/01/17)	Alawwal Bank's General Manager Human Resources (since 2014 to present), MD – Head of Human Capital Management, NCB Capital (2007-2014), Master's in Engineering (Knowledge Management) at the George Washington University, Bachelor Science, B.Admin. (Organizational Behaviour), at the Boston University.	Y	Y	Y	Y	100%
Ms. Cathryn Owens (now Mrs. Catherine Richardson) (Until 21/01/17)	Over 10 years HR experience, incl. as People Director at Bupa, UK, Holds a Bach. Business, Human Resource Management and Marketing Management, double major (1999), Australia.	N/A	N/A	N/A	N/A	N/A
Overall Total %		100%	100%	100%	100%	100%

• **13.5 Risk Management Committee (RMC):**

During 2017 the RMC scope was expanded to include Corporate Governance, per the CMA Corporate Governance Regulations articles 94 and 95, to ensure visibility/enhancement of the oversight of our Governance activities.

RMC Purpose	RMC Member Names	RMC Meetings
The main purpose of the RMC is to assist the Board in its risk management strategy and oversight of risk across Bupa Arabia. This includes overseeing the current risk exposures and risk strategy, development of the overall risk appetite and tolerance, monitoring the effectiveness of the risk management framework including risk policies, process and controls, and the promotion of a risk aware culture throughout Bupa Arabia. The Committee is also committed to excellence in risk management and enhancing Bupa Arabia by: <ul style="list-style-type: none"> • Being sighted on risk and engaging risk management to deliver sustainable performance 	Mr. Abdulhadi Shayif (RMC member and Chairman since 22/1/17), Mr. Paul Davis (RMC member for full year and Chairman until	The RMC met four (4) times during 2017, (twice (2) during 2016, after having been constituted during the 2016 second

<ul style="list-style-type: none"> • Owning the whole of Bupa Arabia's risk profile and acting on risk themes holistically • Recognizing emerging risks and proposing risk appetite changes to the Board, as needed • Defining and owning Bupa Arabia's risk culture and the mechanisms for installing this • Recommending policies for the approval of the Board, in terms of its Charter • Oversight of the implementation of Corporate Governance, per the CMA Corporate Governance Regulations articles 94 and 95. 	<p>21/1/17).</p> <p>Mr. Tal Nazer (Member and Executive Board Member, CEO)</p> <p>Mr. Rami Makarem (Non-Board Committee Member)</p>	half)
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RMC member name, role and period	Relevant experience and qualifications	RMC1 29/3	RMC2 24/5	RMC3 2/10	RMC4 11/12	Overall %
Mr. Abdulhadi Shayif (Member and Chairman since 22/1/17)	Refer Board Section 12.2	Y	Y	Y	Y	100%
Mr. Paul Davis (Member for full year and Chairman and Board member until 21/1/17)	Refer Board Section 12.2	Y	Y	Y	Y	100%
Mr. Tal Nazer (Committee member and Executive Board member, CEO)	Refer Board Section 12.2	Y	N	N	Y	50%
Mr. Rami Makarem (Full Year: Committee member and Non-Board member)	Nazer COO since 2013 and the CFO of a UAE holding Co the 5 years prior to that. MBA London Business School, Post Graduate Diploma in Financial Strategy, Said Business School, Oxford University, UK, completed CPA and CMA exams (USA), and B.Sc. Business Admin., Lebanon.	Y	Y	Y	Y	100%
Overall %		100%	75%	75%	100%	88%

14 General Assembly (GA) meetings:

During 2017 the Company held two GA meetings; 1) An Extraordinary GA Meeting (EGM) mainly for the routine approval of the prior year results, the Company LTIP Scheme and LTIP shares purchases, and Company's By-Laws update, and other regulatory required policy updates, , and 2) An Ordinary GA Meeting (OGM) to conclude the approval of updates of the Company Code of Corporate Governance, other Board/Board Committee related materials, and Company Policies, to enhance alignment with the new corporate governance regulations.

Shareholders are entitled to peruse the minutes of the GA and the Company shall provide the authority with a copy of these minutes within ten days of the concluding of such meeting and the stock exchange immediately informed of the results of the GA. The GA minutes are available on the Company website.

For ease of Shareholder reference this report highlights our key 2017 stock exchange announcements, and the summary of the resolutions approved during the 2017 GA meetings, as opposed to the complete repetition of the full minutes of the GA meetings, and the 2017 announcements within this report, we refer our Shareholders to the respective announcements on Tadawul, the 2017 AFS, and our Company website's Governance section, which also contains our GA minutes (and which contain the detailed voting results for every GA resolution), as we feel they contain sufficiently full information to enable Shareholders to be fully informed about the Company so as to make their decisions:

14-1 EGM on 08/05/2017G (12/08/1438H):

The results, as announced on Tadawul on 09/05/2017G (13/08/1438H), comprising the approvals of:

Resolution (1): The Annual Board Report for the year ended 31/12/2016G.

Resolution (2): The External Auditors Report for the year ended 31/12/2016G.

Resolution (3): The Annual Financial Statements for the year ended 31/12/2016G.

Resolution (4): The selection of the external auditors, for 2017, and their fees.

Resolution (5): The ratification/advance approval of the related party transactions/Board member interests.

Resolution (6): The dividend distribution of SR1.50/share, SR120m, representing 15% of the paid up capital.

Resolution (7): The remuneration paid to the Board members, at SR2,900K, for the year ended 31/12/2016G.

Resolution (8): The amendments of the Company's By-Laws.

Resolution (9): The absolving of the Board of Directors of their responsibility for managing the company for the year ended 31/12/2016G.

Resolution (10): The Company's proposed Board Member Remuneration Policy.

Resolution (11): The Company's proposed Board Committee Member Remuneration Policy.

Resolution (12): The Company's Long-Term Incentive Plan (LTIP) and to authorize the Board of Directors to determine the terms of the plan and to authorize the execution of the LTIP shares transaction.

Resolution (13): The purchase of LTIP shares, by the company to maximum value of SR11,058,750, to a maximum number of shares of 150,000, for its LTIP, for its entitled employees.

14-2 OGM on 30/11/2017G (12/03/1439H):

The results, as announced on Tadawul on 03/12/2017G (15/03/1439H), comprising the approvals of:

Resolution (1)#: The update of the Company's Board Member Remuneration Policy.

Resolution (2): The update of the Company's Board Committee Member Remuneration Policy.

Resolution (3): The update of the Company's Board and Board Committee Member Nomination & Appointment Policy and Procedure.

Resolution (4): The Company's proposed Chief Executive Team Remuneration Policy

Resolution (5): The update of the Company's Code of Corporate Governance, including the Board Charter, Schedule of Matters Reserved for the Board, and all the Charters of all Board Committees.

Resolution (6): The Change of the current Board Term to conclude 30 June 2019.

As required in terms of the CMA disclosure requirement of Article 90, paragraph 5, the Company, and the Board, confirms that it follows a procedure of ensuring all its Board members are aware of the shareholders' suggestions and remarks, on the Company and its performance, by circulating the GA minutes with the Board materials.

14-3 GA meetings attendance by the Board Members:

Board member name	Board Membership	GA 1 08/05/17	GA 2 30/11/17	Overall
Eng. Loay Hisham Nazer	Non-Executive (Board Chairman)	Y	N	50%
Mr. David Martin Fletcher	Non-Executive (Board Vice-Chairman)	N	Y	50%
Mr. Tal Hisham Nazer	Executive, CEO	Y	Y	100%
Mr. Abdulhadi Ali Saif Shayif	Non-Executive – Independent	Y	Y	100%
Mr. Zaid Abdulrahman Algwaiz	Non-Executive – Independent	Y	Y	100%
Dr. Adnan Abdulfattah Soufi	Non-Executive – Independent	Y	Y	100%
Mr. Aamer Abdullah Ali Reza	Non-Executive	Y	Y	100%
Mr. Martin Potkins	Non-Executive	Y	N	50%
Overall Board Member % GA Attendances		88%	75%	82%

15 Bupa Arabia Corporate Governance and Risk Management:

• 15.2 Corporate Governance and Bupa Arabia Commitment:

Bupa Arabia is fully committed, through all levels of the Company hierarchy, including its Board and its Board Committees, to the implementation of world class corporate governance standards and to implementing, and thereafter adhering to, the Corporate Governance regulations of all Saudi regulators. Bupa Arabia will develop and implement corporate governance structures, frameworks, codes, policies, procedures and standards to support its achievement of best practices and adherence to the regulations and will maintain these up to date and aligned with regulatory requirements. This will ensure Bupa Arabia succeeds in fulfilling the five key elements of Corporate Governance:

- Strong commitment to Corporate Governance
- Strong commitment to world class Board practices
- Appropriate control environments and processes
- Strong regime of disclosure and transparency
- Protection of all Shareholders' rights, including minority shareholders.

In addition Bupa Arabia is also committed to the implementation of international best practice standards for the prevention of bribery and corruption, fraud, financial crimes and is committed to preventing anti-competitive practices. During 2017 Bupa Arabia further developed its Code of Conduct, which covered the afore-mentioned, and will implement improved related practices during 2018, including an enhanced "Speak-Up/Whistleblowing Policy and associated procedures.

Bupa Arabia has created a formal Corporate Governance Framework (CGF), of which a Code of Corporate Governance (CCG) constitutes certain elements, in alignment with international best practice, and in adherence to the regulators' Corporate Governance regulations, and the CGF and CCG were further updated and have been approved by the Board, during 2017, and thereafter by the public shareholders in the GA meeting, on 30 November 2017.

During 2017 the Company continued to invest and enhance its corporate governance through:

- The completion of the recruitment of the dedicated Risk Division, as led by the CRO, reporting directly to the CEO, and including additional technology and resilience, corporate governance, second line resources, the combining of corporate governance with legal affairs, and the expansion of a dedicated Company Secretariat functionality to better support Board and Board Committee regulatory related activities and coordination with executive management.
- The development and implementation of new/updated company documentation in alignment with Saudi

regulations, as approved by the GA meetings during 2017.

- A continued focus on the development of the Company's Policies and Procedures, including the update of the Company's Enterprise Policy Framework.
- The strengthening and reinforcement of the second and third lines of defence (in accordance with the adopted Three Lines of Defence model in Bupa Arabia).

Control Functions:

In support of ensuring robust practices of legal affairs and corporate governance, internal control, and risk management, and in order to adhere to the relevant Saudi Arabia regulatory requirements of insurance companies, the Company, in addition to its Company Secretariat function, has established the below detailed control functions. In addition to any other regulatory or supervisory requirements the principal role, duties and responsibilities of these control functions include, but are not limited to:

The Legal Affairs and Corporate Governance Department (LACGD):

The LACGD is responsible for the frameworks, codes, policies and procedures governing the management of the relationships, and the associated information sharing to and from, the Company's Management, Shareholders and other stakeholders, including its regulators and its employees, in accordance with all the laws and the relevant regulations.

The LACGD reports to the CRO and is responsible for ensuring the Company's compliance and adherence with the laws and relevant regulations. The LACGD also manages the Company's relationships with the Capital Market Authority (CMA) and stock exchange (Tadawul). During 2017 it was led by the Director – Legal Affairs and Corporate Governance, and Company Legal Counsel, and whose profile is below:

Director – Legal Affairs and Corporate Governance, and Company Legal Counsel, Nassar Al-Qawas

Mr. Nassar Al-Qawas joined Bupa Arabia during 2017 and has over 25 years of substantial legal, compliance, corporate governance and board secretariat experience. Throughout his career he has managed to build a solid acumen in driving organizations to act with the highest level of integrity, and compliance with the local and international prevailing laws, in the different regions where they operate, in addition to administering efficient and transparent legal processes and documentation. During his 20-year tenure at NCB, he was responsible for a variety of different roles and responsibilities, including Legal Advisor, Head of the Legal Execution Section, Manager of Legal Advisory & Research, General Board Secretary, and the Group Chief Compliance Officer. Mr. Al-Qawas holds a Master, and a Bachelor, of Law degree (from the King Abdulaziz University, Saudi Arabia), a diploma in Regulation, Compliance & Anti-Money Laundering (from the University of Reading, England) and Executive Certificates from INSEAD.

The Risk Management Department (RMD):

The RMD is responsible for the overall Risk Management process across Bupa Arabia, coordinating the development of the Risk Management Policy and related frameworks, for monitoring the risk database/register and for reporting on material risks and action plans.

The RMD reports directly to the CRO, with access to the RMC and the structure entails: Enterprise Risk Management, Fraud Risk, Operational Risk Management and Risk Operations, Health & Safety, Management of Insurable Risks, and Risk Analytics.

The RMD is led by the Head of Risk Management and whose profile is reflected below:

Head - Risk Management Department, Ahmed Jaber

Mr. Ahmed Jaber joined Bupa Arabia during 2016, holds a Bachelor Degree in Engineering from the King Fahad University of Petroleum and Minerals, and has 15 years of experience in engineering, risk, credit control, operational risk, fraud prevention and investigations, and internal audit. Prior to joining Bupa Arabia, Mr. Jaber was Head of Investigations and Fraud Prevention at the National Commercial Bank (NCB) and also previously; Head of Operational Risk Management and Acting Head of Retail Banking Audit. He also has an International Diploma in Risk Management (American Academy of Financial Management), an Executive Certificate from the London Business School and other certifications (Certified Fraud Examiner, Certified Risk Analyst, Certified Operational Risk Manager, Project & Contract Risk Specialist and Certified Compliance Officer).

Cyber Security & Technology Risk Department (CSTRD):

The CSTRD is a second line of defence and is responsible for the overall Cyber Security and Technology Risk monitoring processes across Bupa Arabia, coordinating the development of the related Policy and frameworks, and for assessing and monitoring the IT, Cyber Security and Technology risks and for reporting on the associated material risks and mitigation plans.

The CSTRD is responsible for the alignment of the Company with the SAMA Cyber Security Framework and for ensuring the Company's BCM and Crisis Management processes are fit for purpose.

The CSTRD reports directly to the CRO, with access to the AC and RMC as required and its structure covers Cyber Security, Information Systems Resilience & Technology Risk and BCM.

The CSTRD is led by the Head – Cyber Security & Technology and whose profile is reflected below:

Head – Cyber Security & Technology Risk Department, Mohamed Elerian

Mr. Elerian joined Bupa Arabia during the first quarter of 2017, bringing more than 19 years' experience in information technology/security, software development life cycle, ERP implementation, web and applications solutions, data mining, global shared business services, and business process outsourcing. Prior to joining Bupa Arabia, Mr. Elerian was Security IT leader for the North Africa region at General Electric (GE), where he spent six years. Before GE he was the Middle East & Africa Senior Information Systems Manager at Parsons and prior to that was the Middle East IT Manager at Johnson & Johnson (Medical). Mr. Elerian holds an applied Accounting diploma from the American University of Cairo in Egypt, and a Bachelor's degree in Accounting and Business Administration from Ain Shams University in Egypt. He also possesses Certificates in: Lean Six Sigma, Change Acceleration Process, Cognos 8, Business Intelligence Oracle Discoverer Administration and AS Discoverers, and also Kofax Training.

Pricing and actuarial

The pricing and actuarial capability of the Company is an essential control function to ensure the accuracy of the Company's pricing and claims reserving, in accordance with both international best practice and Saudi regulations. The role reports to the Finance function, headed by the CFO, and the pricing and actuarial is currently lead by:

Acting Director - Commercial Finance, Jamil Dakkak

Mr. Jamil Dakkak has more than 10 years' finance experience and joined Bupa Arabia in the first quarter of 2017, as Head - SME Pricing, before being appointed as Acting Director – Commercial Finance. Prior to joining Bupa Jamil was the Assistant Vice President at SEDCO Capital and amongst his responsibilities included portfolio management and investment analysis as well as conducting valuations on publicly listed companies, and on IPO stocks, in the MENA region. Prior to that, Mr. Dakkak was a Manager at Price Waterhouse Coopers where he was involved in financial modelling & analysis, valuation, feasibility studies & market research, business plans, and financial due diligence for companies in different sectors. Mr. Dakkak is a CFA holder and holds a bachelor's degree in Systems Engineering followed by an MBA from KFUPM and Masters in Finance from the University of Tampa; Florida.

Independent Functions:

In line with best practice corporate governance, and as a key part of the Bupa Arabia 3LoD model, the Company has independent functions which report directly to the AC, with dotted line reporting to the CEO for day-to-day administration related, and both functions have full access to the Board, and also Board Committees, where required. The Compliance Department forms part of the Company's 2nd line of defence and the Internal Audit Department is a 3rd line of defence.

The Compliance Department (COD):

The COD is considered as an essential factor for Bupa Arabia's success and market leading position in health insurance in the Kingdom of Saudi Arabia, due to the critical role it plays in effectively managing compliance risks, integrating a strong Compliance culture into daily business activities and strategic planning of Bupa Arabia, maintaining Bupa Arabia's reputation, and protecting Bupa Arabia's Stakeholders.

The COD reports directly to the AC and its structure, roles and responsibilities are authorised by the AC. The COD is constituted of three units; Regulatory Compliance, Compliance Inspection and Financial Crime, and is led by the Head – Compliance, whose profile is detailed below:

Head – Compliance Department, Ali Jazzar

Mr. Jazzar joined Bupa Arabia during the third quarter of 2017, bringing more than 15 years' experience of mainly compliance and corporate governance, and in his previous role to Bupa Arabia he was the SAMA Relations and Monitoring Manager for the National Commercial Bank (NCB) for almost three years. Mr. Jazzar's previous experience also covered Company Secretariat, Shareholders and Investors Relations, Regulatory Investigations, Compliance Monitoring, and Regulatory Relations and Monitoring and throughout his career he has managed to build an effective and robust relationship with the Saudi regulators, engaging with them as they establish regulations, and assuring compliance with such regulations to maintain his employer's reputation for integrity and regulatory compliance. Majoring in Computer Information Technology at Marymount University in Virginia, USA. Mr. Jazzar is a Certified Compliance Officer (CCO) by SAMA, Henley Business School and the American Academy of Financial Management.

The Internal Audit Department (IAD):

The IAD is an independent and objective assurance and consulting activity that is guided by the philosophy of Bupa Arabia's governance and systems of internal controls.

The primary role of IAD is to help Bupa Arabia's Board, and AC, protect the assets, reputation and sustainability of the organization. Internal Audit will achieve this through assessing whether key significant risks are identified and appropriately reported to the Board and the AC, assessing whether they are adequately controlled and by assisting Executive Management to improve the effectiveness of governance, risk management and internal controls.

In its capacity of "third line of defence" it assists Bupa Arabia in accomplishing its purpose of "longer, healthier, happier lives" by bringing a systemic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

The IAD reports directly to the AC and its structure, roles and responsibilities are authorised by the AC and it contains talented audit professionals experienced in Financial, Operational, Compliance and IT audits. The function is led by the Head of Internal Audit whose profile is detailed below:

Head - Internal Audit Department (IAD), Assem Hammam

Mr. Hammam joined Bupa Arabia during the third quarter of 2017, bringing more than 10 years' of experience in Internal Audit, covering value-addition through assurance and consultation services in the financial and operations sectors. Throughout his career, he built a solid acumen in driving organizations to act with the highest level of integrity, risk understanding and management, compliance with internal and external laws and regulations and reporting processes, as well as the implementation and administration of efficient, and transparent, Internal Audit processes and documentation. Prior to joining Bupa Arabia, Mr. Hammam was the Internal Audit Manager/ Acting Head of Internal Audit of the SEDCO Group and, during which 10-year tenure, he held a variety of roles and responsibilities, which including: External Assurance, Laws & Regulations Compliance Inspections, Fraud Investigations, Internal Assurance, Controls Measurement, Reporting Restructuring, Benchmarking and Committee Secretary. Mr. Hammam holds a bachelor degree in Accounting from the King Fahad University of Petroleum and Minerals and various certificates in Internal Assurance.

16 – 24 Additional disclosures (in accordance with laws and regulations):

The following sections contain additional disclosures in accordance with the laws and regulations of Saudi Arabia, including the SAMA Insurance Corporate Governance Regulations, and the CMA Corporate Governance regulations.

16. Other disclosures and information in accordance with laws and regulations:

• 16.1 Provision of corporate governance:

Bupa Arabia is committed to, and is in full compliance with, the full adherence to the provisions of the SAMA Insurance Corporate Governance Regulations, point number 20 'Corporate Governance' and in Compliance with the requirements of these SAMA regulations, as well as with that of the requirements of the Company's Code of Corporate Governance. The Company is in compliance with the CMA Corporate Governance Regulations, as dated 13/2/2017G (16/05/1438H), with no exceptions.

In terms of the CMA Corporate Governance regulation article number 89, regarding policies that regulate the relationship with stakeholders to protect their respective rights, Bupa Arabia's policies were approved by the Board during 2014 and will be enhanced during 2018 to ensure a stronger alignment with regulations and latest international best practice.

Bupa Arabia is fully committed to the CMA Corporate Governance Regulations and the new Company Law and, during 2017, implemented a variety of new policies, and also updated already existing Policies and Procedures, Codes, Charters and other, to increase its alignment with all Saudi regulatory requirements. Bupa Arabia has also through this ABR included a variety of additional disclosures to enhance its transparency and governance, as well as to fulfil new regulatory requirements of the ABR.

• 16.2 Tadawul shareholder database requests:

As required in terms of the CMA disclosure requirements of Article 90, paragraph 32, during 2017 Bupa Arabia made twelve (12) requests of Tadawul for the Bupa Arabia shareholder database for a variety of reasons and which including:

- For the purpose of the GA Meetings,
- For Financial results reporting/disclosure purposes,
- For the identification of specific high volume, bulk, Bupa Arabia shares purchases,
- So as to monitor the composition of the Company's shareholders, both international and local,

the above all being for the purpose of ensuring fulfilment of regulatory requirements and to continue to develop a better understanding of the composition of our Shareholders so as to be able to better understand and serve our Shareholders' needs.

17. No subsidiaries:

As required in terms of the CMA disclosure requirement of Article 90, paragraphs 22 and 23, the Company, and the Board, confirms Bupa Arabia has no subsidiaries and therefore no issued shares, nor any debt instruments, for any subsidiary.

18. No borrowings or loans:

As required in terms of the CMA disclosure requirement of Article 90, paragraph 27, the Company, and the Board, confirms that it has no borrowings or loans outstanding at the end of the current twelve month period and nor has it been required to make any payments against borrowings or loans during this twelve month period.

19. Declarations relating to debt instruments, options, warrants and rights:

As required in terms of the CMA disclosure requirements of Article 90, paragraphs 28, 29 and 30, the Company, and the Board, confirms the below declarations:

That it has not issued, nor granted, any convertible debt instruments, options, warrants or similar rights during

the financial year and accordingly has not received any consideration for the same,

That it has not converted, nor issued, nor granted, any subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights during the financial year,

That it has not redeemed, purchased or cancelled any redeemable debt instruments during the financial year. The Company has no such securities outstanding so the value of the same is nil.

20. Declarations relating to waiver of salary, compensation and rights to dividends:

As required in terms of the CMA disclosure requirements of Article 90, paragraphs 35 and 36, the Company, and the Board, confirms the below declarations:

- That there have been no instances of any arrangements or agreements under which any director or senior executive of the Company has waived any salary or compensation, other than that the Board, and Board Committee, member remuneration fees for the Bupa employee representatives who are Bupa Arabia Board, or Board Committee, members are received by the legal entity BIOL, and not by the individual persons in their personal capacity (refer sections 12.4 and 12.11).
- That there have been no instances of any arrangements or agreements under which any shareholder of the Company has waived any rights to any dividends.

21. Long term incentive plan (LTIP):

As required in terms of the CMA disclosure requirement of Article 90, paragraph 38: during 2015 the Company launched a new and enhanced LTIP scheme, on an equity shares basis only, effective 1 January 2015G, having successfully obtained all the relevant approvals and, during May 2017, per the new Company Law and CMA regulations, obtained the GA meeting approval for the LTIP Scheme, and the approval of the 2017 LTIP scheme's shares purchases, (refer section 14.1), and announced, on 30/05/2017G (04/09/1438H) completing the purchase of the new LTIP shares. At the end of the financial period the Company held 247,381 LTIP shares, of grant date fair value of SR28,915K, on behalf of the LTIP participants. For more details refer to the AFS; "Statement of changes in shareholders' equity" and note 20 "Share Based Payment".

22. Internal control system and effectiveness:

As required in terms of the CMA disclosure requirement of Article 90, paragraph 39, point b), the Company, and the Board, confirms the system of internal control is sound and acceptable in design and effectiveness.

In line with Bupa Arabia's Executive Management commitment to pursue a continual governance improvement journey, an internal control roadmap has been developed to achieve the highest level of internal control assessment maturity ("Excellent") by the end of 2020.

23. Continuation as a going concern:

As required in terms of the CMA disclosure requirement of Article 90, paragraph 39, point c), the Company, and the Board, can confirm that there are no significant doubts concerning the Company's ability to continue as a going concern.

24. External auditors:

The joint external auditors of the Company, as approved per the EGM, refer section 14, for the financial statements for the fiscal year ended 31/12/2017G (13/04/1439H), were Ernst & Young and KPMG Al-Fozan & Partners, as for the 2016 fiscal period.

25. Independent external actuary:

The independent external actuary, for the 2017 fiscal year, as for the 2016 fiscal year, was Manar Sigma Financial Consulting.

Conclusion:

The Board would like to thank all customers for demonstrating continued extremely high levels of loyalty, and all investors, for contributing to the Company's success and leadership within the Saudi Arabian health insurance market. The Board would also like to express its sincere appreciation and gratitude to the Company's

management and all employees for their dedication, strong leadership and efforts throughout the reporting period.