



## **Bupa Arabia for Cooperative Insurance Company Board of Directors Report for the period ended 31/12/2015:**

The Board of Directors of Bupa Arabia for Cooperative Insurance Company is pleased to present the annual Board Report covering the Company's financial results and achievements, followed by the audited financial statements and notes for the twelve-month period ended 31 December 2015. This Board report includes the most important developments, financial results, operational activities and disclosures in compliance with the rules and regulations of the Kingdom of Saudi Arabia.

### **1. Main activities:**

Bupa Arabia for Cooperative Insurance Company (the Company, or Bupa Arabia) is a publicly listed Saudi joint stock company (listed on 17/05/2008G, 11/05/1429H) registered in Saudi Arabia under Commercial Registration number 4030178881 (issued on 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 of Saudi Arabia.

According to the Company's charter and articles of association, the first fiscal year of the Company commences from the date of issuance of the ministerial declaration to establish the Company (issued on 01/05/2008G, 24/04/1429H) and ends on 31 December of the following year.

The current year financial statements, for the twelve month period ended 31/12/2015G, 20/03/1437H represent the seventh statutory financial statements of the Company.

### **2. Asset purchase agreement and transfer of insurance portfolio:**

The Company completed its Initial Public Offering (IPO) process on 15/03/2008G, 07/03/1429H, and a request was submitted to His Excellency the Minister of Trade and Industry to announce the Company. This request was approved by the ministry on 01/05/2008G, 24/04/1429H. The licence to establish the Company was approved by Royal Decree No. M/74 dated 29/08/1428H, 11/09/2007G, and by the declaration from the Council of Ministers No. 279 dated 28/08/1428H, 10/09/2007G.

The Saudi Arabian Monetary Agency (SAMA) permitted Bupa Arabia to conduct the business of cooperative health insurance in Saudi Arabia on the basis of Articles II and III of the law of Supervision of Cooperative Insurance Companies issued by Royal Decree No. M/32 on 02/06/1424H, 01/08/2003G, and Article IV of the law's executive summary issued by the decree of the Minister of Finance No. 1/596 dated 01/03/1425H, 21/04/2004G, and the pronouncement of the Governor of SAMA No. 111/429 dated 08/08/1429H, 10/08/2008G.

An Ordinary General Assembly meeting took place on 30/12/1429H, 28/12/2008G, in which meeting it was approved unanimously to purchase the insurance portfolio of Bupa Middle East Limited E.C. in accordance with the assessment by SAMA and the prescribed SAMA guidelines. The Shareholders authorised the Board of Directors to complete the acquisition and agree on the terms and conditions of the purchase.

The Shareholders approved unanimously, during an Ordinary General Assembly meeting on 19/09/1430H, 09/09/2009G, that the Company enter into a licensing agreement for the use of Bupa's trademark (the word Bupa, with or without logo).

Bupa Arabia received SAMA's approval to finalise the transfer of the insurance portfolio, from Bupa Middle East Limited E.C., through SAMA's letter no IS928 dated 07/07/1430H, 30/06/2009G and the insurance portfolio

transfer agreement and formalities were completed during 2009 at a Goodwill amount of SR98 million. The insurance portfolio purchase/sale agreement provided for the payment of fees relating to the outstanding Goodwill consideration amounts and SR 3,355k final fees were settled to the seller in 2013, after SAMA's approval was received via SAMA letter number 341000017461.

### **3. Approval of the Company's renewal license from the Saudi Arabian Monetary Agency (SAMA):**

The company's SAMA license qualification remains in place having been successfully renewed during the previous year, on 27/05/2014G, 28/07/1435H, for a further three year period to 03/05/2017G, 07/08/1438H, as was announced on Tadawul during 2014, on 28/05/2014G, 29/07/1435H.

### **4. Approval of the Company's renewal license from the Council of Cooperative Health Insurance (CCHI):**

During 2015, on 15/03/2015G, 24/05/1436H, the company successfully renewed its one-year CCHI license qualification for the further one year period from 11/03/2015G, 19/05/1436H, and Bupa Arabia announced this on Tadawul on 16/03/2015G, 25/05/1436H.

### **5. Bupa Arabia significant plans, decisions and developments during the year:**

Certain elements of Bupa Arabia's significant plans, decisions and developments, during 2015, are detailed within this section whilst others are described within the other relevant sections of this Board report. Key Board and Committee approval decisions, during the year, are reflected in sections 13 and 14.

#### **• 5.1 Strategy review:**

Bupa Arabia's strategic vision is clear and unchanged:

***"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 maintain its status as a healthcare partner to millions of people in Saudi Arabia. To deliver this, Bupa Arabia's strategy focuses on three health "pillars". Specifically, we aim to provide:

- Health insurance that leads the market in unlocking access to high-quality healthcare,
- Provision (e.g., clinics and hospitals) sufficient to shift the industry to a patient-centric, outcomes-focussed paradigm, subject to the legal and regulatory environments,
- Partnerships with government and other stakeholders in Saudi society to tackle the most pressing healthcare needs, subject to the legal and regulatory environments.

Outstanding delivery on these pillars has enabled (and will continue to enable) Bupa Arabia to achieve extraordinary business performance.

Bupa Arabia knows it cannot deliver this without a healthy and more engaged workforce; it must have employees that love working at Bupa Arabia because of its amazing culture, which is defined along 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 made excellent progress in delivering our strategy in 2015 and this has driven our outstanding financial performance. Our aim is to continue on this impressive trajectory in 2016. As such, our top strategic priorities are:

- To continue building our differentiation as the best provider of health insurance in Saudi Arabia. In 2016, 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,
- To protect our leadership position in Saudi health insurance by **maintaining strong bonds with our growing customer base**, thus improving retention across all channels,
- To continue developing our product portfolio, our distribution capabilities and our service capacity to **dramatically improve our ability to serve the Small Medium Enterprises (SME) segment**, an area where we see potential for significant growth,
- To **continue our success in the central region**, building from our new Riyadh regional headquarters and our relationship with Al Hilal football club to grow in this highly competitive region,
- To continue **improving our IT capabilities** by providing new technologies that support our significant business growth,
- Critically, to continue **investing in our people** by hiring, training and retaining the right people and ensuring they love working at Bupa Arabia because of our amazing culture. In 2016, this will include expansion into additional workspace in Jeddah to accommodate our growing workforce,
- To continue to **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 the legal and regulatory environments.

Bupa Arabia remains committed to working with the Saudi health authorities to identify and address the biggest health challenges facing Saudi society as it believes partnerships between the public sector and the private sector remain a very valuable tool in improving the healthcare of the nation.

#### • 5.2 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 Social Affairs (MOSA). 2015 is the fifth successive year of providing free health insurance and medical cover to these orphans and now includes cover to all orphans under MOSA (more than 47 orphanages kingdom wide, covering more than 3,000 orphans across 13 cities). During 2015 the cover was extended to reflect a table of benefits improvement and CSR visits were also launched covering 34 orphanages with onsite medical check-ups and blood tests. Bupa Arabia also donated more than 15,000 items to these orphanages as part of its Ramadan program.

During 2015 Bupa Arabia signed a new CSR program, with the National Commercial Bank (NCB), to support disadvantaged, adopted, orphan students aged between 16-18 years. The scheme provides free health insurance coverage to these orphans through a regular corporate contract where NCB pays for the insurance which Bupa Arabia provides at special "at estimated cost" prices. During 2015 600 adopted orphans were enrolled on the scheme and it is envisaged 2,600 will be covered over the next 5 years.

#### • 5.3 Corporate governance:

Maintaining a rigorous corporate governance environment is of the highest priority at Bupa Arabia and we understand that having "great brakes" is as important as a "powerful engine". Bupa Arabia continues to invest time and energy behind its corporate governance, including the continuous embracing of the "Three Lines of

Defence" (3LoD) model, Risk Owner Workshops and Internal Control and Risk Management assessments. In 2016 Bupa Arabia will significantly strengthen its overall governance capability by appointing a Chief Risk Officer (CRO), on the Chief Executive Team, and consolidating all the relevant governance areas of responsibility under one functional structure, and authority, by adding additional resources to widen and deepen the capacity and capability for what is now a significantly bigger business, in more turbulent times.

Bupa Arabia also continued to upgrade compliance to our information governance framework to ensure the protection against cyber-attacks and the security of our corporate records and customer / employee data in a confidential and robust manner. In 2016, Bupa Arabia will also enhance Governance Committees (structures and resources) to ensure we are able to transition smoothly to the new SAMA Corporate Governance, and new SAMA Audit Committee, regulations. This will include the creation of a new Risk Management Committee (RMC), and the updating of all the relevant Governance codes, policies and procedures, as well as the Terms of References (TORs) of each of the Board Committees, and which will need to be approved by the Bupa Arabia Board of Directors, as well as thereafter by the shareholders in a future General Assembly meeting.

#### • 5.4 Business continuity (BCP) and Disaster recovery (DR):

The Company appreciates the significance of risk mitigation through its Business Continuity and Disaster Recovery Plans, whether this is from the enhancement of system redundancy or dual site capability or by maintaining BCP, DR and Crisis Management policies and procedures. Again, these capabilities will be consolidated under the CRO in 2016 with further additional resources appointed to manage the scale, geographic reach and complexity of the business.

#### • 5.5 Shariah compliance:

During 2015 Bupa Arabia continued to move toward Shariah compliance and, on 28/05/2015G (10/08/1436H), received the approval of the Shariah Review Bureau (SRB) for the continuation of its Shariah status (reference Bup-03-03-04-15) in line with the approval previously received during 2013. All Shariah certificates remain valid, as was announced on Tadawul on 31/05/2015G (13/08/1436H), in line with the original 2013 announcement, of 25/11/2013G, 22/01/1435H, 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.

#### • 5.6 Development of Saudis and increased Saudisation:

A priority action for Bupa Arabia, during 2015, was to enhance the career development of Saudi nationals and to increase its Saudisation level. The company was successful, improving from 62% at the end of 2014, to 65% at the end of 2015, therefore maintaining its platinum status, (refer section 12.3 for further details on the development of Bupa Arabia employees).

#### • 5.7 Chief Executive Team (CET):

During 2015 the Bupa Arabia CET remained constant with its members comprising the below:

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

Tal Hisham Nazer has 13 years' experience in Saudi Health insurance, having joined the business during 2002, as Commercial Finance Manager, and has been CEO, and a member of the Bupa Arabia Board of Directors, since its listing in 2008. Tal also currently serves as a Board member for the Council for Cooperative Health Insurance (CCHI), and the Human Resources Development Fund (HRDF), and was previously Chairman of the Saudi Arabia Monetary Agency (SAMA)'s Insurance General Committee. Tal 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, Los Angeles (completed in 1996).

- **Chief Financial Officer, (CFO) Fraser Gregory**

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 joined Bupa Arabia, as Chief Financial Officer, during 2010 and currently serves as member of the SAMA CFO insurance sub-committee. 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).

- **Chief Commercial Officer, (CCO) Ali Sheneamer (Saudi)**

Ali Mohammed Sheneamer has 18 years' collective experience in marketing, sales and general management of which 3 years in Saudi health insurance, having joined the business in 2013 in the current role. Ali has served, before joining Bupa Arabia, as the Deputy Governor and Chief Operating Officer (COO) of SAGIA for 5 years. Prior to this Ali was employed as group marketing head at the National Commercial Bank for 2 years and in various marketing assignments at Procter & Gamble for 8 years. Ali currently serves as a member of the Board of Directors of Bupa Egypt and is 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, in 1997.

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

Arif Hunashi joined Bupa Arabia during 2014, as Chief Operations Officer, 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 4 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 Human Resources Officer, (CHRO) Thamer Al-Harhi, (Saudi)**

Thamer Al Harhi has over 15 years' experience in Human Resources management. His experience was built by being an associate of prominent local and multinational organizations. Before joining Bupa Arabia, in April of 2012, he worked with Fonterra, the world's largest dairy exporter based out of Dubai, as Human Resources Director for the Middle East and Africa. Thamer worked, before Fonterra, as the Head of the Business Partner Unit at the National Commercial Bank (NCB). Prior to that Thamer was with Nicholson International, a UK based HR Consultancy, as a Senior Consultant. Thamer started his HR management career in Unilever where he

served in both the UAE and in Saudi Arabia. In 1996 Thamer graduated with a Bachelor degree in Law from the King Abdulaziz University, Saudi Arabia.

During 2016 the CET will expand through the addition of a Chief Risk Officer (CRO).

#### • 5.8 Tadawul announcements not detailed in the other sections of this Board report:

##### **SABIC contract renewal:**

During 2015 Bupa Arabia renewed its contract with SABIC and informed the market through its announcement, on Tadawul on 21/06/2015G, 04/09/1436H, as follows: "Bupa Arabia for Cooperative Insurance announces it has received, on 21 June 2015, corresponding to 4 Ramadan 1436, the confirmation to renew its contract as the health insurance provider for the Saudi Basic Industries Corporation (SABIC) to provide health insurance for its employees and their families for one year starting 5/7/2015. The contract revenues are expected to be greater than 5% of the 2014 annual gross written premium of Bupa Arabia for Cooperative Insurance and it is expected to have an impact on its 2015 financial results."

##### **SAMA approval of the Board recommendation to increase the share capital:**

On 14/09/2015G, 01/12/1436H, Bupa Arabia received SAMA's approval of the recommendation of the Board of Directors to increase the company's share capital through bonus shares and informed the market through its announcement, on Tadawul, on 14/09/2015G, 01/12/1436H, as follows:

"With reference to the company announcement dated Tuesday 25th August 2015G, corresponding to 10 Thul Al-Qi'dah 1436H, relating to the recommendation of its Board of Directors, to the General Assembly, subject to the obtaining of all required approvals from all the concerned authorities, to increase the capital of the company through bonus shares, Bupa Arabia for Cooperative Insurance announces receiving SAMA's approval for the proposed capital increase. The SAMA approval was received on Monday 14th September 2015G, corresponding to 1st Thul-Hijjah 1436H, through SAMA letter reference 361000150201.

The Company will be submitting its application to the Capital Market Authority (CMA) and completing any other regulatory approvals and processes in due course. The Board of Directors will be recommending, to the General Assembly, a capital increase, from SR400 Million to SR800 Million, representing an increase of SR400 Million, through the issuing of 1 bonus share for every 1 share held, increasing the number of shares from 40 Million shares to 80 Million shares, representing an increase of 40 Million shares, through the utilization of SR400 Million of the Company's existing retained income reserves. The share capital value and the number of shares will therefore both increase by 100%.

The proposed increase in capital will only be initiated once all necessary approvals are received from all the required official authorities, as well as subject thereafter to the approval from the shareholders in the Extraordinary general assembly meeting, and the Extraordinary general assembly meeting date will be announced at a later stage."

##### **SAMA approval of the Inbound Travel Health Insurance product:**

On 11/10/2015G, 28/12/1436H, Bupa Arabia received SAMA's approval for the Inbound Travel Health Insurance product and announced on Tadawul, on 11/10/2015G, 28/12/1436H, as follows: "Bupa Arabia for Cooperative Insurance Company announces receipt on Sunday 28/12/1436H corresponding to 11/10/2015G SAMA letter reference No. 361000156701 dated 25/12/1436H corresponding to 08/10/2015G, containing SAMA's approval for the Inbound Travel Health Insurance product (This product is designed to insure individuals wishing to obtain visit visa to Saudi Arabia)."

**Tadawul announcement of the 2015 Q4 results - the 2015 versus 2014 results improvement narrative:**  
On 19/1/2016G, 9/4/1437H, the company announced its 2015 Q4 interim results, with the following year-on-year twelve-month period results improvement narrative, and in relation to which more detailed information is contained throughout this Board report: "The improvement in results for the twelve (12) month period ended 31st December 2015, versus the same period of 2014, was mainly due to strong business growth resulting in a higher net earned premium and, combined with an improved, lower, net claims incurred to net earned premium ratio (2015 at 77.3% versus 2014 at 79.4%), resulting in a significantly higher net underwriting result. The net underwriting result gains were partially offset by increased growth related operational expenses, such as commissions, levies, bad debt provision expense and other operating expenses, including staff costs, as well as a higher Cooperative distribution expense. Additionally a reduction in investment and other income, of SR23,035K, in part due to the stock market major decline in the third quarter of the current year, versus the same period of the previous year, also partially offset the net underwriting result gains. Gross Written Premium (GWP) increased by SR1,587,567K, an increase of 28%, the Net earned premium increased by SR2,144,323K, an increase of 47%, and the net underwriting result for the twelve month period ended 31st December 2015, versus the same period of 2014, improved by SR582,282K, representing an increase of 62%. The surplus from Insurance Operations of SR731,176K, is an increase of SR403,907K, versus a surplus of SR327,269K for the same period of 2014, representing an increase of 123%. The Cooperative distribution expense was at SR73,118K for 2015, versus 2014 at SR32,727K, an increase of SR40,391K, due to the significantly higher 2015 surplus from Insurance Operations."

## **6. Bupa Arabia future prospects, risks and developments:**

### **• 6.1 Competition and market dynamics:**

In 2016 economic growth in Saudi Arabia is projected to be slightly less than in 2014 and 2015, at approximately 3% in real terms, according to the National Commercial Bank. This forecast is based on a smaller contribution from the oil sector and moderation in the non-oil sector. We believe the slower economic growth will create a healthy level of caution in the private sector, with a focus on cost control in the more uncertain macro-economic environment. While this will impact Bupa Arabia in 2016, it is not expected the impact will be substantial.

The likelihood of sustained lower oil prices has also led to substantial cuts in government spending with the 2016 government budget amounting to SR840bn (a reduction of SR20bn from 2015). Within this, Health and Social Development saw its allocation slashed by nearly 35%. It is unclear where these savings will come from, but it is unlikely to all be from expenditure; it will include the cancellation of some capital projects. Regardless of source, the reduction in health budgets could be a signal from the government that it aims to work more closely with the private sector to manage the health of the nation, a shift that Bupa Arabia strongly supports.

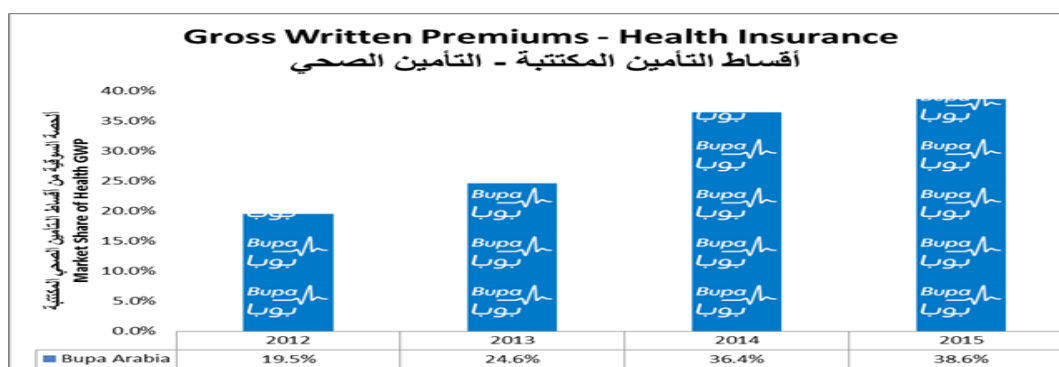
The Saudi market for health insurance lives grew by over 13% in 2015, increasing from 9.6m lives (at the end of 2014) to 10.9m lives (at the end of October 2015). One of the key drivers of this growth was better enforcement of the requirement for dependents of expatriates to have health insurance. There are also a further 2.5 million Saudis working in the private sector (including dependents) who don't have health insurance, despite a legal requirement to do so. As enforcement improves, we expect these uninsured, private sector Saudis to enter the market for health insurance, fueling further growth. Also, we expect enforcement of the requirement for inbound travelers to have medical insurance to be launched in 2016.

In medical provision, government referrals to private healthcare providers have come under increased scrutiny as the government seeks to improve cost efficiency in health spending. The result will be improved utilization

of government hospital capacity and less reliance on referrals to the private sector. Moreover, private sector health providers will look to offset the loss of this revenue stream by expanding their private business. As a result, private sector healthcare provision will be under pressure to improve cost efficiency in order to remain competitive in a tougher market. However, this will be offset by continued capacity and capability shortages, particularly for tertiary care, which will enable these providers to continue increasing prices in the short- to medium-term. Also, increased pressure for providers to manage costs may lead to further abuse and fraud, particularly at lower-end primary care providers.

During 2015, Bupa Arabia optimized its medical provider network, a process that involved over 300 providers. Changes (including additions, removals, upgrades and downgrades) were made in order to support Bupa's growth agenda in Corporate and Retail sectors. Also, nearly 60 medical providers were removed from the network for reasons ranging from license concerns to fraud.

On the competitive side, most insurance operators continued to focus on improving their underwriting results in 2015 and smaller companies have benefited from the increase in individual insurance policies driven by better enforcement. Bupa Arabia retained its market leadership in the health insurance sector increasing its health insurance market share, on a GWP basis, to 38.6% in 2015, up from 36.4% in 2014, based on the published segmented results, refer chart below:



### • 6.2 Financial strength and high-level year-on-year result analysis:

The Company's objective is to provide the highest appropriate quality and cost effective care for its members. In so doing, 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 2015, Bupa Arabia continued to strongly underpin this objective. The Company maintained/or improved its loss ratio, for the fifth successive year, whilst giving full and fair coverage where due to its members. During 2015 Bupa Arabia also utilised SR400 million, of its retained income reserves, to increase its capital to SR800 million, through the issuance of bonus shares following the obtaining of the relevant regulatory approvals during the year (refer sections 13.8, and 13.10, as well as the financial statements note 19, Share Capital). The Company also reported a significant growth in post-tax/post-zakat profits, up to SR619m in 2015, an increase of SR313m and more than double the SR306m post-tax/post-zakat profits of 2014. This enabled Bupa Arabia to maintain its position as the most profitable health insurer in the insurance sector, for the period ended 31<sup>st</sup> December 2015, and, for the first time, through its 2015 annual results, became the most profitable insurance company in Saudi Arabia. This position has been achieved despite being a single-line insurer, focused entirely on health related and health insurance. This was driven by a 28% growth in written premium, a SR582m increase in Net underwriting result, representing an increase of 62%, and a 133% increase in underlying profits (refer section 5.8 for more information relating to the year on year results changes as was announced on Tadawul during 2016).



Cash/Investments grew a further SR1.2 billion, an increase of 33% versus the prior year, representing growth of almost SR3 billion over the past two years. At the end of 2015, Bupa Arabia had surplus cash and investments of SR1b versus its technical reserves (SR5b versus SR4b, +26%).

Additionally, due to a strong collections performance, and despite strongly adverse economic pressures in the second half (including the associated impact of government debt), and despite the continued significant growth in written premiums and associated technical reserves (as impacted by the interpretation of article 69), the Company closed 2015 with a technical solvency surplus (versus 2014 with a slight technical solvency gap). However as a result of the solvency pressure, during the most part of 2015, Bupa Arabia maintained its cash/investments mainly in admissible assets, which suppressed the investment income. Investment income was also impacted, during the second half by the stock market decline, particularly in relation to the shareholder investment income returns.

### • 6.3 Key Risks:

The key risks that the Company's management are actively managing, or planning to mitigate the impact of, are:

- Economic risks, as associated with the oil price and cost escalation (electricity and fuel), and impacting PMI product affordability (down-trading risk), collections/bad debt provisioning (BDP) expense risk and equity market/investment risk,
- Irrational competitor pricing below claims costs (a lower risk now due to Regulatory intervention),
- Overtreatment and fraudulent claims by some providers,
- Continuously escalating prices by providers underpinned by market imbalance of supply and demand,
- Solvency risk management,
- Availability of qualified professionals in a tight labour market,
- Staff retention and recruitment,
- Zakat risk associated with long term investment portfolios,
- Business Continuity/Crisis management and disaster recovery capabilities,
- Data and information security/confidentiality, and including the risk of cyber-attack.

### 7. Financial statements presentation:

In compliance with the Capital Market Authority (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 have been prepared in accordance with International Accounting Standards (IAS) and not in accordance with the accounting standards of the Saudi Organisation for Certified Public Accountants (SOCPA). The Company confirms that these financial statements have not been materially affected by this practice.

For comparative purposes, the results contained within this Board Report use the twelve month period ended 31/12/2015G, 20/03/1437H, as a comparative versus the results for the twelve month period ended 31/12/2014G, 09/03/1436H.

### 8. 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.

## 9. Bupa Arabia business results:

### • 9.1 Summary profit results:

	2010 SR000s 12 months	2011 SR000s 12 months	2012 SR000s 12 months	2013 SR000s 12 months	2014 SR000s 12 months	2015 SR000s 12 months
Gross written premiums	1,749,390	1,993,251	2,194,301	3,177,480	5,740,449	7,328,016
Net earned premiums	1,608,908	1,927,629	2,128,028	2,604,458	4,595,075	6,739,398
Total revenue	1,613,109	1,930,583	2,141,092	2,620,260	4,626,554	6,766,363
Gross claims paid	1,232,218	1,523,835	1,671,622	2,074,049	3,289,128	5,007,697
Net claims incurred	1,308,103	1,551,030	1,701,051	2,094,354	3,649,005	5,211,046
Total expenses	223,888	324,649	296,227	380,720	650,280	824,141
Surplus from insurance operations	81,118	54,904	143,814	145,186	327,269	731,176
Shareholders' net income	70,798	42,244	134,406	147,334	301,275	645,077

The net earned premiums revenue increased by SR2.1b, +47%, the net underwriting result grew by SR0.6b, +62%, net income more than doubled, up 114%, and the "Underlying" result for 2015 also more than doubled, up 133% (refer section 10.1).

### • 9.2 Summary balance sheets:

INSURANCE OPERATIONS' ASSETS	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s	2015 SR000s
Cash and cash equivalents	346,908	551,914	204,533	232,267	1,384,281	205,565
Murabaha deposits	-	58,000	732,340	956,230	1,213,027	3,047,529
FVIS investments	257,178	187,699	87,821	186,107	189,968	185,143
Prepayments and other assets	20,881	30,069	23,786	27,892	70,815	91,483
Premiums receivable - gross	520,004	403,936	279,807	462,645	676,545	863,715
Allowance for doubtful premiums receivable	(30,164)	(64,106)	(44,548)	(52,550)	(77,858)	(114,266)
Premiums receivable - net	489,840	339,830	235,259	410,095	598,687	749,449
Reinsurer's share of unearned premium	-	-	-	43,011	39,733	900
Reinsurer's share of outstanding claims	-	-	-	13,708	13,432	3,012
Deferred policy acquisition costs	15,470	21,097	22,535	46,678	56,601	78,415
<b>Total insurance operations' assets</b>	<b>1,130,277</b>	<b>1,188,609</b>	<b>1,306,274</b>	<b>1,915,988</b>	<b>3,566,544</b>	<b>4,361,496</b>
SHAREHOLDERS' ASSETS	2010 SR000s	2011 SR000s	2012 SR000s	2013 SR000s	2014 SR000s	2015 SR000s
Cash and cash equivalents	13,631	13,631	13,631	101,260	462,569	593,297
Murabaha deposits	-	-	-	126,993	44,730	500,000
FVIS investments	299,462	373,534	497,158	446,338	454,578	439,785
Other receivables	-	244	735	1,319	1,746	3,563
Amount due from insurance operations	48,761	-	-	-	-	-
Goodwill	98,000	98,000	98,000	98,000	98,000	98,000
Furniture, fittings and equipment	38,703	41,565	48,918	43,059	60,667	77,167

Statutory deposit	40,000	40,000	40,000	40,000	40,000	80,000
<b>Total shareholders' assets</b>	<b>538,557</b>	<b>566,974</b>	<b>698,442</b>	<b>856,969</b>	<b>1,162,290</b>	<b>1,791,812</b>
<b>TOTAL ASSETS</b>	<b>1,668,834</b>	<b>1,755,583</b>	<b>2,004,716</b>	<b>2,772,957</b>	<b>4,728,834</b>	<b>6,153,308</b>

<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>	<b>2010 SR000s</b>	<b>2011 SR000s</b>	<b>2012 SR000s</b>	<b>2013 SR000s</b>	<b>2014 SR000s</b>	<b>2015 SR000s</b>
Unearned premiums	659,819	722,739	786,669	1,323,069	2,383,358	2,890,679
Outstanding claims	352,379	381,265	413,509	450,096	812,530	1,054,369
Reinsurance balance payable	1,269	702	443	505	3,253	-
	<b>1,013,467</b>	<b>1,104,706</b>	<b>1,200,621</b>	<b>1,773,670</b>	<b>3,199,141</b>	<b>3,945,048</b>
Accrued expenses and other liabilities	50,508	59,503	63,619	79,113	263,468	262,149
Obligation under Long-Term Incentive Plan (LTIP)	3,477	4,846	8,099	14,751	22,754	-
	<b>1,067,452</b>	<b>1,169,055</b>	<b>1,272,339</b>	<b>1,867,534</b>	<b>3,485,363</b>	<b>4,207,197</b>
Amount due to shareholders' operations	48,761	-	-	-	-	-
Policyholders' share of surplus from insurance operations	14,064	19,554	33,935	48,454	81,181	154,299
<b>Total insurance operations' liabilities and surplus</b>	<b>1,130,277</b>	<b>1,188,609</b>	<b>1,306,274</b>	<b>1,915,988</b>	<b>3,566,544</b>	<b>4,361,496</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>	<b>2010 SR000s</b>	<b>2011 SR000s</b>	<b>2012 SR000s</b>	<b>2013 SR000s</b>	<b>2014 SR000s</b>	<b>2015 SR000s</b>
Accrued expenses and other liabilities	13,855	21,352	26,532	31,419	42,398	50,494
Accrued Zakat and income tax	7,905	15,437	30,306	35,000	23,903	42,577
Amount due to a related party in respect of goodwill	20,990	3,355	3,355	-	-	-
Amount due to related parties	2,818	4,400	4,041	59,490	44,490	32,201
<b>Total shareholders' liabilities</b>	<b>45,568</b>	<b>44,544</b>	<b>64,234</b>	<b>125,909</b>	<b>110,791</b>	<b>125,272</b>
Share capital	400,000	400,000	400,000	400,000	400,000	800,000
Statutory reserve	23,694	32,143	59,024	88,491	148,746	277,761
Share based payment	-	-	-	-	-	9,600
Shares held under Employees' Share Scheme	(2,709)	(2,910)	(4,988)	(7,052)	-	(13,101)
Retained earnings	72,004	93,197	180,172	249,621	502,753	592,280
<b>Total shareholders' equity</b>	<b>492,989</b>	<b>522,430</b>	<b>634,208</b>	<b>731,060</b>	<b>1,051,499</b>	<b>1,666,540</b>
<b>Total shareholders' liabilities and equity</b>	<b>538,557</b>	<b>566,974</b>	<b>698,442</b>	<b>856,969</b>	<b>1,162,290</b>	<b>1,791,812</b>
<b>TOTAL LIABILITIES INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>	<b>1,668,834</b>	<b>1,755,583</b>	<b>2,004,716</b>	<b>2,772,957</b>	<b>4,728,834</b>	<b>6,153,308</b>

Investments and cash grew significantly during 2015, increasing by SR1,222m to SR4,971m, an increase of 33% from the 2014 close of SR3,749m. This follows the 2014 increase of SR1,700m, an increase of 83% from the closing SR2,049m, at the end of 2013. Investments and cash have therefore more than doubled over the past two years, growing SR2.9b (from SR2.0b to SR4.9b).

## 10. Bupa Arabia financial highlights:

### • 10.1 Summary key performance indicators:

Description	2014 SR000s (12 Months)	2015 SR000s (12 Months)	2015 Change SR000s	2015 Change %
Gross written premiums	5,740,449	7,328,016	1,587,568	28%
Net earned premiums	4,595,075	6,739,398	2,144,323	47%
Total expenses	654,351	829,408	175,057	27%
Total operating expense ratio	14.2%	12.3%	(1.9%)	(14%)
Surplus of insurance operations	327,269	731,176	403,907	123%
Policyholders' share of insurance operations' surplus	32,727	73,118	40,391	123%
Net shareholders' income	301,275	645,077	343,802	114%
Weighted average no of ordinary shares (thousands)*	79,796	79,981	185	0%
Basic earnings per share (Saudi Riyals) *	3.78	8.07	4.29	114%

In 2015, the Company achieved significant growth with gross written premium increasing by 28% (part of the scale of the GWP in the third quarter, is the SABIC account renewal (refer section 5.8)). The increase in earned premiums, combined with an improved (reduced) loss ratio (77.3% in 2015 versus 79.4% in 2014) resulted in an increase in the net underwriting result of SR582m, an increase of 62%. The total operating expense ratio improved (reduced) due to the scale of the business and the improved efficiency of operations.

The overheads of the business increased due the top-line growth, a significant increase in the regulatory required allowance for the bad debts provision, as well as higher levies and commissions directly associated with the increased premiums. Regulatory levies alone, 1.5% of the gross written premiums, or SR110m for 2015, were SR24m higher (28%) than the prior year.

Excluding year-on-year bad debt provision movement (mainly driven by government related entities) and the additional levies, overheads increased versus the prior year due to the full year costs of the prior year infrastructure and resource capability build and the current year additional costs associated with the increased volume of customers and extra investment in capability (staff resources, distribution, brand, infrastructure, operations and other key activities).

\*The earnings per share for the previous year, of SR3.78 per share, has been calculated based on the weighted average number of shares in issue after the 2015 Capital increase, to 80,000,000 (eighty million) shares, as was approved during the Extraordinary general assembly meeting of the shareholders during 2015, and the prior year earnings per share re-statement has been made in accordance with the relevant International Accounting Standards.

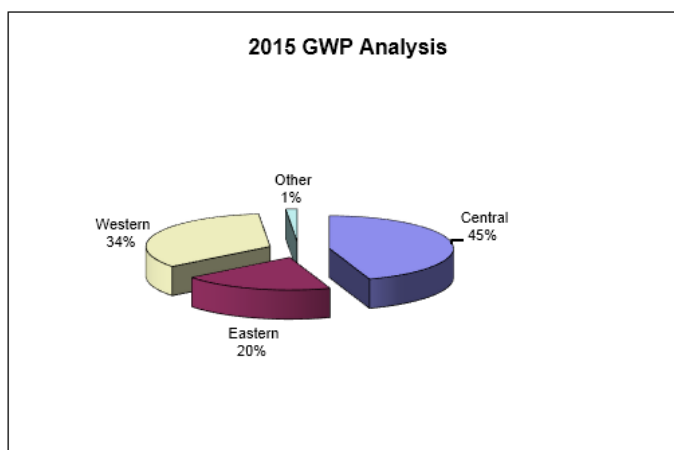
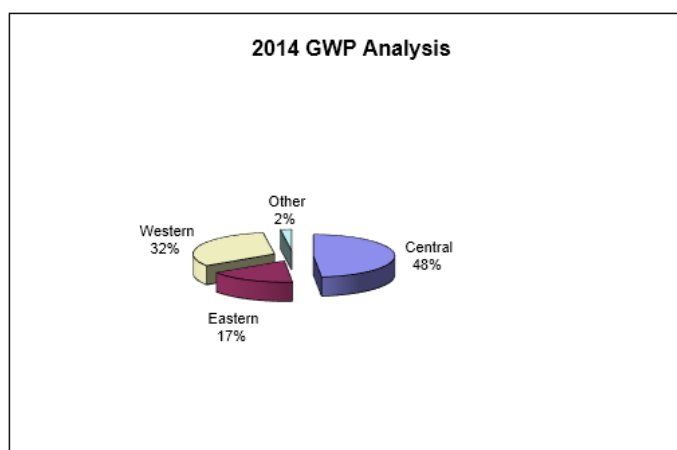
Description	2014 SRm	2015 SRm	2015 Change SRm	2015 Change %
Reported results	301.3	645.1	343.8	114%
Adjustment for BDP expense	25.6	38.6	13.0	51%
Less Investment Income and Other Income	(42.3)	(19.3)	23.0	(54%)
<b>"Underlying" results</b>	<b>284.6</b>	<b>664.4</b>	<b>379.8</b>	<b>133%</b>

The “Underlying” results improved, by SR380m during the year, more than double the previous year, the second successive year of more than doubling the prior year “Underlying” results. Bupa Arabia focusses on “Underlying” as this represents its key competence of underwriting, pricing, claims and operating cost management. The “Underlying” margin improved from 6.2% in 2014, to 9.9% in 2015, as a percentage of net earned premiums.

• 10.2 Gross written premiums (GWP) and geographical analysis:

Description	2014 SR000s (12months)	2015 SR000s (12months)	2015 Change SR000s	2015 Change %
Central	2,778,577	3,279,960	501,383	18%
Eastern	990,345	1,441,723	451,379	46%
Western	1,844,414	2,498,346	653,932	35%
Other	127,113	107,987	(19,126)	(15%)
<b>Total gross written premiums (GWP)</b>	<b>5,740,449</b>	<b>7,328,016</b>	<b>1,587,567</b>	<b>28%</b>

The Company writes only health insurance in Saudi Arabia and its revenue is currently concentrated in the main Central, Western and Eastern regions (collectively comprising 98.85% of Bupa Arabia’s 2015 annual GWP). Significant growth results were achieved by Bupa Arabia, an increase of SR1.6b, +28%, with strong growth in all the main regions (as illustrated in the above table). The 2015 geographical premium mix changed insignificantly from the 2014 position (an increase in the mix of the Eastern and Western regions, of 2.4% and 2.0% respectively, and a reduction in the Central and “Other” mix, of respectively 3.6% and 0.8%). Central, at 44.8%, and Western, at 34.1%, comprise a combined 78.9% of the company’s 2015 Annual GWP.



• 10.3 Net claims incurred and net claims incurred ratio:

Description	2014 SR000s (12 Months)	2015 SR000s (12 Months)	2015 Change SR000s	2015 Change %
Net claims incurred	3,649,005	5,211,046	1,562,041	43%
Net claims incurred to Net earned premium ratio	79.4%	77.3%	(2.1%)	(2.6%)

The increase in net claims incurred was due to the significant business growth, medical inflation, provider price increases and the enhanced CCHI benefits, but was offset by an improved loss ratio due to strong management of medical claims and improved price increases in the first half of the year. Renewal price increases achieved were reduced in the second half of the year, due to a combination of the impact of post the CCHI benefits increase, which were implemented effective from July 2014 and economic pressures. As a result the Company was able to improve its loss ratio to 77.3% for 2015, from the stable circa 80% loss ratio levels of 2014 and 2013.

• **10.4 Total operating expenses:**

Description	2014 SR000s (12 Months)	2015 SR000s (12 Months)	2015 Change SR000s	2015 Change %
Insurance operations' operating expenses	650,280	824,141	173,861	27%
Shareholder operations' operating expenses (G&A)	4,071	5,267	1,196	29%
<b>Total operating expenses</b>	<b>654,351</b>	<b>829,408</b>	<b>175,057</b>	<b>27%</b>
Total operating expense ratio to net earned premium	14.2%	12.3%	(1.9%)	(13%)

The total operating expense ratio to net earned premium improved versus the previous twelve-month period and this was mainly driven by growth related, due to the scale and operating efficiencies implemented, compensating increased absolute growth related expenses (such as levies (refer section 19), commissions and an increase in the regulatory required allowances for doubtful debts) and also resourcing and infrastructure related. The increase in the Shareholder operations' operating expenses was mainly due to an increase in the costs associated with the CSR programs of SR1m, relating to an increase in CSR claims and donations costs (refer section 5.2 for more details on the CSR programs). The increase in the Insurance Operations' expenses is further described in section 10.5.

• **10.5 Total insurance operations' operating expenses:**

Description	2014 SR000s (12 Months)	2015 SR000s (12 Months)	2015 Change SR000s	2015 Change %
CCHI and SAMA levies	86,107	109,920	23,813	28%
Bad debt provision expense	25,626	38,571	12,945	51%
Other sales and marketing expenses	249,004	356,876	107,872	43%
<b>Total S&amp;M expenses-Insurance operations</b>	<b>360,737</b>	<b>505,367</b>	<b>144,630</b>	<b>40%</b>
Total G&A expenses-Insurance operations	289,543	318,774	29,231	10%
<b>Total Insurance operations operating expenses</b>	<b>650,280</b>	<b>824,141</b>	<b>173,861</b>	<b>27%</b>

• **10.5.1 Insurance operations' sales and marketing expenses (S&M):**

- The 2015 CCHI levy, and SAMA levy, expenses increased by a combined SR24m versus the prior year due, to the higher written premium of 2015 (refer sections 9.3, 9.4 and 10.1).
- The increase in the year-on-year allowance for doubtful premiums receivable, of SR13m for the twelve month period ended 31/12/2015, was due mainly to the 2015 growth (Article 69 written aged basis of provisioning) and the timing of collections, but was also impacted in the second half by the economic issues related to the oil price and the impact of higher government debt, as at 31/12/2015, versus the 31/12/2014 closing doubtful premiums receivable.
- The increase in other Sales and Marketing expenses was due to increased marketing initiatives spend,

as well as commission costs and staff costs, in support of the brand development and the enhancement of the Company's regional presence and infrastructure, to support the growth. There was a combined increase of SR96m from increased commissions, staff and marketing costs.

• **10.5.2 Insurance operations' general and administrative expenses (G&A):**

- The Insurance operations' general and administration expense increase during the year related mainly to the full year staff and infrastructure costs resulting from the prior year and the current year additional expenditure incurred due to enhancing the organisational capability in support of the Company's customer growth and strategic initiatives. Of the SR29m increase in General and Administration expenses, during the year, the most significant increase was in staff costs, which increased by SR26m.

• **10.6 Surplus from insurance operations:**

Description	2014 SR000s (12 Months)	2015 SR000s (12 Months)	2015 Change SR000s	2015 Change %
Surplus from insurance operations	327,269	731,176	403,907	123%

The increase in the surplus from insurance operations was mainly due to the higher net underwriting result, due to the higher net earned premium, combined with the improved loss ratio, down to 77.3% for 2015, versus 79.4% for 2014, but offset by an unfavourable year-on-year increase in levies and BDP, and higher growth related expenses, such as levies and commissions, staff and infrastructure costs. An increase in net underwriting result of SR582m was achieved; an increase of 61.5% versus the prior year, but this was partially offset by an increase in operating expenses as described in sections 10.4 and 10.5.

• **10.7 Investment income:**

Description	2014 SR000s (12 Months)	2015 SR000s (12 Months)	2015 Change SR000s	2015 Change %
Insurance operations' investment income	18,844	26,261	7,417	39%
Shareholder operations' investment income / (loss)	10,804	(7,714)	(18,518)	-171%
<b>Total investment income</b>	<b>29,648</b>	<b>18,547</b>	<b>(11,101)</b>	<b>(37%)</b>

Investment income during the year decreased versus the previous year as a result of the 2015 third quarter stock market decline (impacted by the oil price driving economic uncertainty) adversely impacting the equity investments and resulting in investment losses from the shareholder operations' investments. Investment income, from insurance operations, increased by SR7m, up 39%, as a result of a more conservative investment approach, with less exposure to equities, and improved rates, versus the previous year, from the money market. 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) Bupa Arabia maintained a predominantly risk averse investment strategy during the year.

• **10.8 Other income:**

The Insurance operations' surplus in 2014 included SR12.6m of other income related to Bupa Arabia health consultancy support during 2014 (2015 nil).

• 10.9 Net shareholders' income:

Description	2014 SR000s (12 Months)	2015 SR000s (12 Months)	2015 Change SR000s	2015 Change %
Net shareholders' income	301,275	645,077	343,802	114%

The increase in the net shareholders' income for the twelve-month period was driven mainly by the increased surplus from insurance operations, due to the improvement in the net underwriting result, but offset by the increase in the allowance for doubtful premiums receivable and the increased costs associated with growth (levies and commission costs). The net shareholders' income was adversely impacted by the investment income SR11m lower than the previous year (refer 10.7).

• 10.10 Summary statement of financial position:

Description	2014 SR000s at 31/12/14	2015 SR000s at 31/12/15	2015 Change SR000s	2015 Change %
Insurance operations' assets	3,566,544	4,361,496	794,952	22%
Shareholder operations' assets	1,162,290	1,791,812	629,522	54%
<b>Total assets</b>	<b>4,728,834</b>	<b>6,153,308</b>	<b>1,424,474</b>	<b>30%</b>
Insurance operations' liabilities and surplus	3,566,544	4,361,496	794,952	22%
Shareholders' liability	110,791	125,272	14,481	13%
Shareholders' equity	1,051,499	1,666,540	615,041	58%
<b>Total liabilities, surplus and shareholders' equity</b>	<b>4,728,834</b>	<b>6,153,308</b>	<b>1,424,474</b>	<b>30%</b>

The increase in liabilities during the twelve-month period was due mainly to an increase in the technical reserves associated with the growth in written premiums (technical reserves and the GWP both grew by +23% during the period).

During 2015, the Company generated SR1,298m, versus 2014 at SR1,695m, of net cash from its operating activities, representing a decrease of SR397m, down 23%, being SR652m and SR539m from insurance operations and shareholder operations respectively, versus 2014 at SR1,407m and SR288m respectively.

• 10.11 Total assets:

Description	2014 SR000s at 31/12/14	2015 SR000s at 31/12/15	2015 Change SR000s	2015 Change %
Total assets	4,728,834	6,153,308	1,424,474	30%

The increase in total assets during the twelve-month period was due mainly to the net increase of cash and cash equivalents/investments (a combined net increase of SR1,222m, refer 10.12 and 10.13) and the increase in net premiums receivable of SR151m, refer 10.14.



• 10.12 Cash and cash equivalents:

Description	2014 SR000s at 31/12/14	2015 SR000s at 31/12/15	2015 Change SR000s	2015 Change %
Insurance operations' cash and cash equivalents	1,384,281	205,565	(1,178,716)	(85%)
Insurance operations' murabaha deposits	1,213,027	3,047,529	1,834,502	151%
Shareholder operations' cash and cash equivalents	462,569	593,297	130,728	28%
Shareholder operations' murabaha deposits	44,730	500,000	455,270	1018%
<b>Total cash and cash equivalents</b>	<b>3,104,607</b>	<b>4,346,391</b>	<b>1,241,784</b>	<b>40%</b>

The increase in cash and cash equivalents was due mainly to significant gross written premium growth, combined with an excellent collections and debt management performance, which included full settlement of the SABIC contract inception premium. A 2015 total amount of SR601m, 2014 total amount of SR277m, was payable to the shareholders' operations by insurance operations and was settled by transfer of SR601m cash (2014 was settled by transfer of SR277m cash) to shareholders' operations as at 31/12/2015.

• 10.13 Investments:

Description	2014 SR000s at 31/12/14	2015 SR000s at 31/12/15	2015 Change SR000s	2015 Change %
Insurance operations' investments	189,968	185,143	(4,825)	(3%)
Shareholder operations' investments	454,578	439,785	(14,793)	(3%)
Total investments	644,546	624,928	(19,618)	(3%)

The original SR550 million investment placement remains under the management of the same external third party as originally approved by the Board and Investment Committee during 2010.

• 10.14 Total premiums receivable, net:

Description	2014 SR000s at 31/12/14	2015 SR000s at 31/12/15	2015 Change SR000s	2015 Change %
Total premiums receivable, net	598,687	749,449	150,762	25%

The increase in total net premiums receivable was due to the significant growth during the year but, due to a strong collections performance, the growth in net premiums receivable was below the level of GWP growth (25% versus 28%).

• 10.15 Technical reserves:

Description	2014 SR000s at 31/12/14	2015 SR000s at 31/12/15	2015 Change SR000s	2015 Change %
Unearned premium reserves	2,383,358	2,890,679	507,321	21%
Claims reserves	812,530	1,054,369	241,839	30%
<b>Technical reserves</b>	<b>3,195,888</b>	<b>3,945,048</b>	<b>749,160</b>	<b>23%</b>

The growth in the technical reserves is mainly due to the growth in the written premium, of 28%, combined with a stable seasonality of written towards the second half of the year. As a result of the significant growth, the unearned premium reserves, at 31/12/2015, increased by SR507m to SR2,891m and represent 39.5% of the

2015 annual gross written premium (versus the 41.5% as at 31/12/2014). The claims reserves increased by SR242m to SR1,054m and represent 20.2% of the annual net claims incurred during 2015 (versus 2014 at 22.3% and 2013 at 21.5%), therefore broadly in line with the prior year's ratios. The technical reserves, as at 31/12/2015, increased by 23%, therefore broadly in line with the GWP growth of 28%, and, as was the case in prior years', were correctly calculated and provided for in accordance with SAMA's implementing regulations, as well as having been verified as accurate by an independent external actuary.

### 11. Company's policy for the distribution of profits:

As required in terms of the CMA disclosure requirement of Article 43, paragraph 9, article 44 of the Company's code of business conduct states 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.

### 12. Key sales, operations and other functional activities during the year:

#### • 12.1 Sales and marketing:

On the marketing front, Bupa Arabia continued to strengthen its market position in 2015 and also developed a market-research-backed menu of innovative products targeting new segments in the Saudi market. For example, the Saudi family's products menu of *Saudi Individual, Customized Family, Maternity, Inpatient and Outpatient* was designed to suit the different needs of the members of the Saudi family - in the public sector - across different stages in their lives. The Saudi university student or single government employee can now enjoy a great PMI coverage not provided by any other company in the market unlike PMI for expatriate which is offered by every company. The Saudi family can also choose a fully customized solution based on their health lifestyle or needs or could chose an Inpatient only PMI in case of major medical interventions that require hospitalization or could chose an Outpatient only PMI and benefit from the public hospitals in case of admission and surgeries. The Saudi family products were launched with a significant marketing campaign across all communication mediums.

The International Health Plans (IHP) for Corporate and SME customers were launched targeting a niche segment of frequent international travelers of executives and board members, in the corporates or SME, where they enjoy a very rich cover inside and outside the Kingdom with elective treatment across the world including the United States.

Bupa Arabia's innovative and value-adding suite of healthcare services were packaged and launched in a marketing campaign that used various mediums to reach to the target audience under the name of "Tebtom" which means "be well". Those healthcare services include Bupa doctor, international second medical opinion, maternity care, child care, chronic diseases care, elderly care and cancer care.

Another significant marketing milestone for Bupa Arabia, during 2015 was complementing the established healthcare partnership with Al-Hilal Football Club (FC) in Riyadh during 2014 with a similar partnership with Al-Ittihad Football Club (FC) in Jeddah giving Bupa Arabia access to the fan base of the biggest two football clubs in Saudi Arabia. Both partnerships have been elevated as the Bupa Arabia logo was placed on the right shoulder of every player's shirt giving the business stronger visibility and awareness as well as brand association and recall. The partnership was featured during a significant TV campaign using star players from Al-Hilal FC extended to online and social media.

On the sales front, Bupa Arabia continued enhancing its position in all three main regions, specifically in the Central region, which has been a growth area during the past three years. Bupa Arabia has successfully secured significant new corporate accounts during 2015, such as the General Authority of Civil Aviation (GACA), Nesma, Binzagr and Marafiq, and also successfully renewed many significant corporate accounts, such as SABIC, Mobily, Abdulatif Jameel Co. and Rajhi Bank.

#### • 12.2 Operations management, customer service and total quality management (TQM):

Bupa Arabia continues to invest in its service delivery by continuously enhancing its capabilities, systems and service proposition, and during 2015 revamped its total quality management (TQM) structures and processes and implemented a new "Point of Care" (POC) program to complement and enhance its Healthcare Operations (HCO) unit. Aligned with a high performance culture, and a service excellence mindset, and a continuation of the "Up Your Service Passion" program launched in 2011, the operations unit of the business succeeded in the below significant outcomes during 2015:

- Improved Customer Satisfaction to a record high of 86.0%, compared to 83.5% in 2014,
- Improved Net Promoter Score (NPS) to a record high of 45.0%, compared to 37.0% in 2014,
- Successfully launched NPS closed loop throughout Operations (lead IDM launch),
- Expanded HCO differentiation through more focused services and touched >1.5m customers,
- Improved LR% through extensive cost control,
- Expanded retention model to additional customers) and added strong claims effectiveness stream,
- TQM KPIs reflected improvement of 45% per KPI and TQM implemented Operations Excellence, Process Excellence, and Service Innovation as new functions,
- Increased the number of "Up Your Service Passion" activities from over 5,000 to over 10,000, focusing on cultural and excellence activities,
- Generated over 100 innovative ideas under "Service Innovations", 33 of which are to be implemented targeting "Tebtom", Marketing, Membership, Pre-Authorisation, Reimbursement and SME enhancements,
- Launched "The Sentinel", a continuous medical educational program to enhance the Bupa Arabia medical team's knowledge, and the company's continuous medical development.

#### • 12.3 Bupa Arabia's people:

Bupa Arabia strongly believes in a high performance based culture with extremely engaged employees. Fairly treated, well trained, developed and competitively compensated employees, will better serve our clients and will facilitate business growth and success.

Additionally Bupa Arabia attracts, develops and retains its people effectively. In 2015, Bupa Arabia implemented a number of initiatives that brought a wide range of benefits across the organization. Bupa Arabia maintained its Platinum status in Nitaqaat, through maintaining its focus on attracting and retaining top Saudi

talent and 65% of our employees are Saudi nationals. During 2015 Bupa Arabia implemented a new recruitment framework (attracting over 680 new employees), invested in training and development programs (which provided over 500 training sessions), and established talent and succession planning reviews (which led to many internal transfers and promotions). Our Global People Survey (GPS) results for the year contained improvements in every index and theme and Bupa Arabia also maintained its rank at number 10 in the “Great Place to Work” in Saudi Arabia survey.

In addition Bupa Arabia won the following awards in 2015:

- 1st rank in the category of “Most Women-Friendly Employer” by: Human Resources Development Fund (HRDF).
- 2nd rank in the category of “Excellence in Learning and Development” by: Human Resources Development Fund (HRDF).
- Best insurance company in Saudi Arabia by: Arabian Business.
- Best Corporate for Investor Relations – Saudi Arabia, part of the Middle East Investor Relations Society (MEIRS) Awards

#### • 12.4 Technology Services & Business Transformation (TSBT):

In support of Bupa Arabia’s business strategy and plans the Technology Services & Business Transformation (TSBT) team provided technological business enablement in support of a key number of solutions implemented in 2015:

- A major focus was on our new **Client Relationship Management (CRM)** system; in 2015 the building of the core foundation of CRM was progressed through detailed business requirements gathering analysis, followed thereafter by completion of the CRM infrastructure readiness. Transforming our CRM capability is critical for the business to provide a 360 degree customer view, to facilitate the leveraging of automation to increase revenues, to optimize operational efficiency, to further expand self-services and enable enhanced, company service support mobility.
- Amongst other new developments were a **new mobile application** (a first of its kind) "Claim Submission" which allows members to simply upload a file straight from mobile phones, plus **revamped, automated online services** including Family Sales and bank assurance, and client debtor account management related processes (such as collections, invoices, statements and allocations automation related).
- 2015 also witnessed other major deliverables such as the **Swipe Card implementation** at a significant number of providers which resulted in significant fraud elimination and associated savings.
- The implementation of a **strategic relationship**, connecting providers electronically to receive clean claims through secure MediSwitch-POINT integration channel, resulted in 42% improvements in claims processing, and the optimization of a number of FTEs previously working manually in Claims.
- **Membership Card Printing at clients’ premises** also resulted also in operational efficiency and improvements in client experience and supported retention.
- A predominantly **paperless HR Performance Management System** was introduced (50% efficiency improvements in 2015 vs. 2014), as well as improved HR processes and systems such as; Employee Transfer and Promotion System, Time and Attendance, Employees On-Boarding and Induction Process.
- In 2015 Technology Services and Business Transformation efforts of **report consolidation and license optimization** succeeded in realising enhanced operational processes and cost saving.

Bupa Arabia continued its focus on modernizing its infrastructure to include end-to-end upgrades and integration of the telephony systems and services aimed at efficiently supporting millions of calls and telephony services in 2016 and beyond. The “Business Office in a Box” solution where Bupa Arabia staff on the move, or home based agents and remote users can securely access all Bupa Arabia corporate applications, telephony and IT services from anywhere and at any-time provided Bupa an edge in the overall Saudi market.

The 2016 IT and systems strategy will continue to innovate through the CRM, core systems enhancements, “Workforce Management (WFM) in Customer Service”, mobile applications and digital applications, geared at optimizing scheduling, minimizing agents’ idle time, and leading to direct improvements in service levels while balancing the cost to serve and ultimately yielding significant operational expenditure savings. Data analytics and dashboard information reporting will also equip Bupa Arabia with greater real time meaningful data to make more effective business insights and improved decisions making.

2016 will also see the commencement of a data centre colocation program which will significantly improve the resiliency and business continuity by planning and commencing the transition of the existing Production Data Center into fully redundant, highly available and reliable Data Centre hosted in Tier 3 grade telecom service provider infrastructure. Virtual desktop infrastructure will be another key highlight of 2016 allowing Bupa Arabia delegates, SABIC doctors, hospital users, remote users and staff on the move with immediate, fast and reliable access to Bupa Arabia’s IT resources and services from anywhere at any time.

• **12.5 Company Secretarial:**

During the year the Company successfully completed the increase in the share capital of the Company, from SR400 million to SR800 million, through the utilisation of SR400 million retained income reserves, and the increasing of the share capital, from 40 million shares to 80 million shares, through the issuance of bonus shares, one bonus share for every one share held, following the obtaining of all the required internal and regulatory required approvals (refer sections 6.2, 13.8 and 13.10, and the financial statements note 19, Share Capital).

**13 - 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 and the details include some of the requirements of the recently introduced new SAMA Corporate Governance Regulations. Certain elements of these new SAMA Corporate Governance regulations, and new SAMA Audit Committee regulations, are pending clarification and, once clarified, and where required to be updated to the public shareholders via the General Assembly meeting, aspects clarified post the announcement of the Annual Board Report, will, where-ever possible, be included within the Bupa Arabia Annual Report & Accounts (ARA). The Bupa Arabia ARA will be presented to the shareholders during the General Assembly meeting which approves the Annual Financial Statements and other related matters.

• **13.1 Board role, and Board members term and membership in other joint stock companies’ Boards:**

Board Purpose	Board Composition and Board Member Names	Meetings
The purpose of the Board is to set strategy and deliver value to shareholders and stakeholders, in compliance with the regulations and laws of the Kingdom of Saudi Arabia in an ethical and transparent manner. The Board is responsible for the	The Board comprises one Executive Board member and seven Non-Executive Board members (of which	The Board convened six (6) times during 2015

<p>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 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 of the business. 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 Delegation of Authorities Framework).</p>	<p>three are independent Non Executive Board members - as detailed within the tables following).</p>	<p>(2014 five (5) times)</p>
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Amongst the matters reserved for Board approval, subject to regulatory and public shareholder general assembly meeting approval, where required and/or appropriate, include, but is not limited to:

- Strategy, vision and mission,
- Long-term plans, annual operating plans, and material deviations from Board approved plans
- Annual financial statements, interim financial results, appointment of the external auditors, after the Audit Committee recommendation of approval,
- Annual Board Report, after the Audit Committee recommendation approval,
- Corporate Social Responsibility (CSR) strategy and programs,
- Key policies, for example relating to Governance, Ethics, Conduct, Risk, and Risk Appetites, Solvency, Dividends, Disclosure, Conflicts of Interests, Board Committee Terms of References,
- 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 and Board Committee members,
- Delegated Authorities Framework,
- Changes to capital, the corporate structure, the executive management structure or the status of the company,
- Any significant changes in key governance and accounting policies, practices and disclosures,
- Investment strategy, Treasury and Investment policies.

During the previous year the Board of Directors commenced its new three year term, from 05/06/2014G, 07/08/1435H, and which three-year term concludes on 02/05/2017G, 06/08/1438H, (2<sup>nd</sup> May 2017G, corresponding 6 Sha'baan 1438H), as was announced on Tadawul, as part of the General Assembly meeting minutes' announcement, of 08/06/2014G, 10/08/1435H.

The Board of Directors, as at 31<sup>st</sup> December 2015, including their respective membership of other joint stock Boards, comprised the immediately below (for changes in the members of the Board of Directors, during the

current period, please refer section 13.2):

Membership	Director name	Membership of other Saudi Arabia joint stock company Boards
Non-Executive	Eng. Loay Hisham Nazer	Not applicable
	Mr. David Martin Fletcher	Not applicable
	Mr. Edward George Fitzgerald Hannan	Not applicable
	Mr. Ignacio Peralta Gracia	Not applicable
Independent	Mr. Aamer Abdullah Ali Reza	Saudi Industrial Services Company (SISCO)
	Mr. Abdulhadi Ali Saif Shayif	Saudi Hollandi Bank, Saudi Ground Services Co.
	Mr. Zaid Abdulrahman Al-Gwaiz	Saudi Hollandi Capital (not a Saudi listed company but 100% owned by Saudi Hollandi Bank (a Saudi listed company))
Executive	Mr. Tal Hisham Nazer	Not applicable

• **13.2 Board of director changes during the year:**

Subsequent to the commencement of the new Board term, during 2014, as a result of their resignations from Bupa in the United Kingdom, during 2014, two of the Non-Executive Board members representing Bupa Investments Overseas Limited resigned from the Bupa Arabia Board and were replaced. The replacement appointments were approved by SAMA, and the Bupa Arabia Board, during 2014, and were thereafter formally approved by the shareholders in the 2014 General Assembly meeting, which took place during 2015. The new Board members will complete the new three year Board cycle, which commenced on 05/06/2014G, 07/08/1435H. Please refer section 13.9, General Assembly meeting minutes' resolution 4, for further details and as reflected below:

Outgoing and date	Incoming and date	Representing
Mr. James Gordon Wheaton (resigned 08/09/2014)	Mr. Edward George Fitzgerald Hannan Board approval 08/09/2014G SAMA approval 25/12/2014G General Assembly Meeting approval 01/06/2015G	Bupa Investments Overseas Limited
Mrs. Elizabeth Alison Platt (resigned 08/09/2014)	Mr. David Martin Fletcher Board approval 08/09/2014G SAMA approval 25/12/2014G General Assembly Meeting approval 01/06/2015G	Bupa Investments Overseas Limited

• **13.3 Benefits and emoluments of board members and senior executives:**

The table below details salaries, emoluments, allowances and bonuses received by the board members and the top five senior executives, which includes the CEO and CFO, from 01/01/2015 to 31/12/2015:

Description	Executive Board Member	Non-Executive Board Members / Independents	Top Five Senior Executives (including CEO and CFO)		
	2015 SR000s	2015 SR000s	2015 SR000s	2014 SR000s	2015 Change
Salaries and emoluments	120	900	12,026	9,572	2,454
Board Allowances	15	102	N/A	N/A	N/A
Bonuses	N/A	Nil	6,179	6,121	58
LTIP and EOS	N/A	Nil	5,548	7,309	(1,761)
<b>2015</b>	<b>135</b>	<b>1,002</b>	<b>23,753</b>	<b>23,002</b>	<b>751</b>
2014	132	984	23,002		
<b>2015 Change SR000s</b>	<b>3</b>	<b>18</b>	<b>751</b>		

The amounts reflected for the Executive Board Member, who is also the CEO, are the attendance fees and allowances for the Board and Committee meetings attended. The CEO bonus, LTIP and EOS amounts are contained within the top five senior executives section of the table. There were no bonuses, LTIP or EOS benefits paid or provided for in relation to any other Board members (refer also note 26 per the annual financial statements).

The analysis by individual Board member, of the Board member remuneration fees and Board allowances is detailed in the following table, the Board member remuneration fees are aligned with the company by-laws, as per the original by-laws of 2008 at the listing of the company:

Board Members Remuneration Fees & Allowances 2015 versus 2014	2015			2014		
	Fees SR000s	Allowance SR000s	Total SR000s	Fees SR000s	Allowance SR000s	Total SR000s
Mr. Tal Hisham Nazer	120	15	135	120	12	132
<b>Executive Board Member (CEO)</b>	<b>120</b>	<b>15</b>	<b>135</b>	<b>120</b>	<b>12</b>	<b>132</b>
Eng. Loay Hisham Nazer (Chairman)	180	15	195	180	12	192
Mr. Aamer Alireza (Independent)	120	15	135	120	12	132
Mr. Zaid Algwais (Independent)	120	15	135	70	9	79
Mr. Abdulhadi Shayif (Independent)	120	12	132	120	12	132
Mr. Ignacio Peralta Gracia	120	15	135	120	12	132
Mr. David Martin Fletcher (Vice-Chairm.)	120	15	135	60	6	66
Mr. Edward George Fitzgerald Hannan	120	15	135	60	6	66
Mr. Saleh Al-Jasser (prior year)	0	0	0	50	3	53
Mr. James Gordon Wheaton (prior year)	0	0	0	60	6	66
Mrs. Elizabeth Alison Platt (prior year)	0	0	0	60	6	66
<b>Non-Executive Members / Independents</b>	<b>900</b>	<b>102</b>	<b>1,002</b>	<b>900</b>	<b>84</b>	<b>984</b>
<b>Totals</b>	<b>1,020</b>	<b>117</b>	<b>1,137</b>	<b>1,020</b>	<b>96</b>	<b>1,116</b>



• 13.4 Description of the significant shareholders and the Bupa Arabia equities of the board members and their immediate family members:

As at 31/12/2015 the significant shareholders of Bupa Arabia for Cooperative Insurance Company are: Bupa Investments Overseas Limited (BIOL), which owns 26.25% (21m shares) and Nazer Holding Company which collectively owns 26.25% (21m shares). The Nazer Holding Company ownership is split between three different Nazer legal entities as follows: Nazer Holding Company 9.00% (7.2m shares), Modern Computer Programs Company 9.00% (7.2m shares) and ASAS Healthcare Company 8.25% (6.6m) shares.

The Bupa Arabia equities held by the Board members, and their immediate family members, of Bupa Arabia are as detailed below at 31/12/2015:

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 31/12/2014		Closing 31/12/2015		Change	
	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
<b>Eng. Loay Hisham Nazer</b>	1,000	-	2,000	-	1,000	100%
<b>Mr. Tal Hisham Nazer</b>	1,000	-	2,000	-	1,000	100%
<b>Mr. Aamer Abdullah Ali Reza</b>	6,000	-	7,128	-	1,128	19%
<b>Mr. Abdulhadi Ali Saif Shayif</b>	152,357	-	352,074	-	199,717	131%
<b>Mr. Zaid Abdulrahman Al-Gwaiz</b>	1,000	-	2,000	-	1,000	100%
<b>Mr. Ignacio Peralta Gracia</b> (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-
<b>Mr. Edward George Fitzgerald Hannan</b> (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-
<b>Mr. David Martin Fletcher</b> (Representative of Bupa Investments Overseas Limited)	-	-	-	-	-	-

Bupa Investments Overseas Limited has 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 CMA regulations). During December 2015 the company issued bonus shares, one bonus share for each share held, and the closing shares reflected above represent the shares position after the bonus shares issue. 75,025 of the shares reflected as the opening shares for Mr. Abdulhadi Shayif are shares which were already owned by Mr. Abdulhadi Shayif prior to his commencement of any term period as a Board member of Bupa Arabia.

• 13.5 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 Chief Executive Team members and the leaders of the three control functions (Risk, Compliance and Internal Audit Services) of Bupa Arabia, 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 Senior Executive/Senior Manager	Opening 31/12/2014		Closing 31/12/2015		Change	
	No of shares	Debt Instruments	No of shares	Debt Instruments	In shares	%
Mr. Tal Hisham Nazer	1,000	-	2,000	-	1,000	100%
Mr. Fraser David Gregory	7,000	-	14,000	-	7,000	100%
Mr. Ali Sheneamer	-	-	4,106	-	4,106	100%
Mr. Arif Hunashi	-	-	16,000	-	16,000	100%
Mr. Thamer Al-Harthi	-	-	-	-	-	-
Mr. Mark Lance Sutcliffe	-	-	8,614	-	8,614	100%
Mr. Ziyad AlJabali	-	-	-	-	-	-

The 2015 closing figures reflected above are after the share capital increase through which the Company issued one bonus share for each one share held during December 2015, as approved by all the relevant regulators during the year (refer section 13.10 for further information relating to the share capital increase during 2015). The personal shares of Tal Nazer reflected above are the same shares as reflected per the Board members' equities table (1,000 being the minimum number of shares a Board member is required to hold).

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

Other than the equities and interests of the Board members and their immediate family members, and the equities and interests of the senior executives and their immediate family members, as detailed within the preceding sections 13.4 and 13.5, 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.

• 13.7 Board meetings and attendances:

As required in terms of the CMA disclosure requirements of Article 43, paragraph 16, the Board meetings, and Board member details (period, role, position and membership) and attendance records, for the year are reflected below:

Board member name, role and period	Membership	2015 Board 1 19/02	2015 Board 2 28/04	2015 Board 3 1/06	2015 Board 4 24/08	2015 Board 5 19/10	2015 Board 6 7/12
Eng. Loay Hisham Nazer Chairman of the Board (full year)	Non-Executive	Y	Y	Y	Y	Y	N
Mr. David Martin Fletcher Vice-Chairman of the Board (full year) *	Non-Executive	Y	Y	Y	Y	Y	Y
Mr. Tal Hisham Nazer CEO and Board member (full year)	Executive	Y	Y	Y	Y	Y	Y
Mr. Aamer Abdullah Ali Reza (full year)	Independent	Y	Y	Y	Y	Y	Y
Mr. Abdulhadi Ali Saif Shayif (full year)	Independent	Y	Y	Y	Y	Y	Y
Mr. Zaid Abdulrahman Al-Gwaiz (full year)	Independent	Y	Y	Y	Y	Y	N
Mr. Edward George Fitzgerald Hannan (full year) *	Non-Executive	Y	Y	Y	N	Y	Y
Mr. Ignacio Peralta Gracia (full year)	Non-Executive	Y	N	Y	Y	Y	Y

\*Approved by the Bupa Arabia Board, and by SAMA, during 2014, and formally approved by the public shareholders in the 2014 General Assembly meeting during 2015 (refer sections 13.1, 13.2 and 13.9 for further details).

### • 13.8 Major board approvals/resolutions during the year:

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

- The 2014 Annual Financial Statements and the 2014 Annual Board Report, per the Audit Committee approval recommendation to the Board, as announced on Tadawul on 24/02/2015G (05/05/1436H),
- The 2014 fourth quarter, and 2015 first, second and third quarters', interim financial statements, were reviewed and approved by the Board following the approval recommendation of the Audit Committee and, after the approval of SAMA, thereafter announced on Tadawul on respectively; 19/01/2015G (28/03/1436H), 20/04/2015G (01/07/1436H), 23/07/2015G (07/10/1436H) and 20/10/2015G (07/01/1437H),
- The conflicts of interests, and related party transactions, as recommended for approval by the Audit Committee, subject to the shareholder approval in the Ordinary General Assembly Meeting, and as reflected in this Board report, and as reflected within the Financial statements,
- The Ordinary General Assembly meeting agenda and invitation, as announced on Tadawul on 29/04/2015G (10/07/1436H) (refer section 13.9),
- The appointment of the joint external Auditors as KPMG Al Fozan & Partners and Aldar Audit Bureau, and the setting of the external auditors' fees, for the company's financial statements for the year ending 31/12/2015G (20/03/1437H), in line with the recommendation of the Audit Committee, subject to the shareholder approval in the Ordinary General Assembly Meeting, and subsequently approved by the Ordinary General Assembly meeting (refer section 13.9),
- The in-principle approval of a future new building share with a related party to alleviate current growth related space constraints,
- The continuation of the DZIT provisioning practice, as originally recommended by the Audit Committee during 2014, and again following further review during 2015,
- The interim regulatory contacts, due to the senior vacancies in the Compliance department, including the vacant Head of Compliance role, and which senior vacancies are currently in the progress of being recruited,
- The SAMA Annual Risk Management Plans and Steps letter, including the review assessment of the systems of internal control, per the Audit Committee recommendation approval,
- The SAMA letter of undertaking relating to the statutory deposit, and its associated restrictions, as required by SAMA,
- All necessary approvals as required to increase the share capital of the company, through bonus shares, and including the recommendation of the Board to increase the Company's capital through bonus shares, as announced on Tadawul on 25/08/2015G (10/11/1436H), and the Extraordinary General Assembly Meeting agenda and invitation, as announced on Tadawul on 04/11/2015G, 22/01/1437H, and subject to the shareholder approval in the Extraordinary General Assembly Meeting, and subsequently approved by the Extraordinary General Assembly meeting, as announced on Tadawul on 08/12/2015G (26/02/1437H) (refer section 13.10), and including the approval of the changes in the Company by-laws and Articles of Association arising from the same,
- The approval of the new Long-Term Incentive (LTIP) scheme, as per the recommendation approval of the Nomination and Remuneration Committee, and as per the regulatory approvals, and including the approvals of the relevant LTIP shares purchases during the year, as disclosed in note 20 of the annual financial statements and the further details as per section 20 of this Board report,
- Changes to the bank authorised signatories and the bank mandate,
- The 2016 Annual Operating Plan (AOP),
- The appointment of Mr Niall Dooner, to the Investment Committee, in place of Mr. Evantz Perodin,
- The appointment of Mrs Kathryn Owens, to the Nomination & Remuneration Committee, in place of Mrs. Kate Browne,
- Acknowledgment of the issues related to the two CMA penalties which were received and settled during the year (refer section 19.7), as required by the CMA,

- Acknowledgement of the receipt, of the relevant SAMA Circulars during the year, as and where required by SAMA.

The Board approves matters through both circulation and also during the formal Board meetings and where items are approved through circulation they are thereafter further approved, through ratification approval, in the formal Board meeting which follows the by circulation Board approval.

#### • 13.9 General assembly meeting during the year:

Bupa Arabia's Annual Ordinary General Assembly Meeting (the eighth Ordinary General Assembly Meeting) of the shareholders convened on 01/06/2015G (14/08/1435H), during which the following outcomes were concluded, and as were announced on Tadawul on 02/06/2015G (15/08/1435H),

- Resolution 1: Approval of the Board of Directors Report for the year ended 09/03/1436 H, 31/12/2014 G (12 Months),
- Resolution 2: Approval of the Annual Financial Statements and the Auditors Report for the year ended 09/03/1436H, 31/12/2014G (12 Months),
- Resolution 3: Approval of the Selection and Appointment of the external auditors (KPMG and Aldar Audit Bureau), and the setting of the external auditors' fees, for the company's financial statements for the year ending 20/03/1437H, 31/12/2015G, in line with the recommendation of the Audit Committee,
- Resolution 4: Approval of the appointments of the new Board members until 6 Sha'baan 1438H, corresponding to 2nd of May 2017  
1- Mr. David Fletcher in place of Mrs. Alison Platt. 2- Mr. Edward Hannan in place of Mr. James Gordon Wheaton
- Resolution 5: The Approval of SR1,020K as the remuneration for the members of the Board of Directors for the year ended 09/03/1436 H , 31/12/2014 G in accordance with article 17 of the company by-laws,
- Resolution 6: Absolve the Board of Directors of their responsibility for managing the company for the year ended 09/03/1436 H, 31/12/2014G (12 Months),
- Resolution 7: Approve the ratification of Business and Contracts where a Board member has a direct or an indirect interest during the year 2014, and during 2015 if applicable, as per the below:
  - Al Majd Al Rraqi Company for Medical Care and Health Services Limited (providing services associated with Diaverum), is owned ninety-eight percent by the Nazer Group Limited and two percent by Eng. Loay Nazer. Al Majd Al Rraqi Company for Medical Care and Health Services Limited provided services at a cost estimated at SR609k for the full 2014 period, and as at 31/12/2014G, as well as continued services, and associated fees, until the end of 2015. During the year Al Majd Al Rraqi Company for Medical care and Health Services Limited changed its name to Nazer for Dialysis and Healthcare Services Co. Ltd so the related party changes accordingly.
  - Mr. Abdulhadi Shayif owns a 1% shareholding in the Shariah Review Bureau (SRB), a company providing Shariah Consulting Services to Bupa Arabia and to which payment of SR 150k was made during the 2014 year, as well as continued services, and associated fees, until the end of 2015.
  - Trans Arabian Creative Communications (TRACCS) is 45% owned by Nazer Group Holding, and those whom have a direct interest are; Eng. Loay Nazer, Chairman and Mr. Tal Nazer, Chief Executive Officer, where these are fees for handling the Public Relation matters related to the company with a sum of SR168k in 2014, as well as continued services, and associated fees, until the end of 2015.
  - In accordance with the approval of the Ordinary General Assembly Meeting held on 19/09/1430H, corresponding to 9/09/2009G, which authorised the Company to enter into a Brand Licence Agreement with Bupa or its relevant subsidiary, and authorised the Board to approve the terms and conditions of such agreement, including the financial consideration payable to the licensing

company, during 2010 the Company entered into an agreement with the related party, Bupa Middle East Holdings Two W.L.L., a joint venture company owned fifty per cent by each of Nazer Group Limited and Bupa Investments Overseas Limited, for obtaining a license to use the trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement the related party receives an amount equal to a fixed percentage of gross premiums earned, subject to a maximum of 5% of the Company's profits in any financial year, as trade mark fee. During 2014 the trade mark fee payable amounted to SR11,505k compared to 2013 of SR 9,714k.

- The Company on 28/2/1435H, corresponding to 31/12/2013G, entered into a reinsurance contractual agreement with Bupa Insurance Limited, a related party, to reinsure part of the written premium related to its customers, and their dependents, outside the Kingdom. Bupa Insurance limited is a subsidiary of the Bupa Group and which is represented on the Bupa Arabia Board of Directors by Mr. David Fletcher, Mr. Edward Hannan and Mr. Ignacio Peralta. During 2014 the ceded premium amounted to SR75m, which represents approximately 1.3% of the 2014 annual gross written premium)it was 2.4% of the 2013 annual gross written premium), as well as continued services with this reinsurance contractual agreement, and associated fees, until the end of 2015.
- During 2014 the Company has with companies in which certain of the Bupa Arabia Board members have an interest or an association and can confirm that these contracts have been priced on an arms-length basis and in line with the Company's agreed targeted pricing and loss ratio requirements. The Company further confirms that these contracts carry no special arrangements with regard to any additional special benefits and nor are they entitled to, nor receive, any services or support different to that which is provided to any of the Company's other customers, as well as continued services under these contracts, if applicable, or upon renewal, during 2015.
- During 2014 certain employees of the Company worked on a project owned by the Nazer Group Company, Nazer Medical Clinics Company, whilst this company is in the process of being created. As a result the related costs of these employees, for the period worked on the project, were recharged to the related party, amounting to SR2,517k and were settled by the related party during 2014.

In terms of the CMA corporate governance regulation Article 5, shareholders shall be able to peruse the minutes of the General Assembly: the Company will provide the Authority with a copy of the General Assembly meeting minutes within 10 days of the convening date of the General Assembly Meeting. The Tadawul exchange shall be immediately informed of the results of the General Assembly, and the public informed, through the prompt announcement on Tadawul of the results of the General Assembly.

#### • 13.10 Extraordinary General assembly meeting during the year:

Bupa Arabia's Extraordinary General Assembly Meeting (the First Extraordinary General Assembly Meeting) of the shareholders convened on 07/12/2015G, 25/02/1437H, during which the following outcomes were concluded, and were announced on Tadawul on 08/12/2015G, 26/02/1437H:

- Resolution 1: Approval of the increase in capital from SR400 million to SR800 million, thereby increasing the total number of shares from 40 million shares to 80 million shares, by issuing 40 million bonus shares through issuing 1 bonus share for every 1 share held, by utilizing SR400 million of the Company's existing retained income reserves, as of 30th June 2015G. The share capital value and the number of shares issued will therefore both increase by 100%.The purpose of increasing the capital is to support the Company's capital base and its future activities,
- Resolution 2: Approval of the amendments to Article (7) and Article (8) of the by-laws of the Company to reflect the proposed increase in the capital of the Company to be as follows:  
Article 7: The Company capital is SR800,000,000 , Saudi Riyals eight hundred million, divided into 80,000,000 , eighty million , shares of equal value and the value of each share is SR10 , ten , Saudi Riyals per share.  
Article 8: Shareholders have fully subscribed for the company capital shares and paid in full value.

- Resolution 3: Approval of the authorization for the Board of Directors to conclude all requirements necessary to complete the issue of bonus shares to the shareholders, amend the Company's by-laws to reflect the increase in capital, and to fulfil all other regulatory requirements associated with this proposed increase in the capital of the company.

#### • 13.11 Related party transactions:

The company has related party transactions, due mainly to the ownership in a few of the companies Bupa Arabia deals with, by Bupa and Nazer, and a summary of which is reflected in the table immediately below, with further details associated with these transactions covered in sections 13.9, 13.12, 13.13 and 13.14. To note that during 2015 Bupa Arabia did not deal with TRACCs so did not incur any expense with TRACCs during 2015, and nor is any amount payable to TRACCs as at 31/12/2015:

Legal Entity	Related parties	Description	Period	2014 SRk	2015 SRk	2015 SRk Change
Bupa Global Market Unit	Bupa	Reinsurance premiums ceded	Annual - full year	74,858	2,669	(72,189)
Bupa Middle East Holdings W.L.L.	Bupa and Nazer	Trade mark fee	Annual - full year	11,505	16,948	5,443
Nazer Medical Clinics Company	Nazer	Bupa Arabia staff expenses recharged	Annual - full year	2,517	5,519	3,002
Nazer for Dialysis and Healthcare Services Co. Ltd (Diaverum)	Nazer	Claims paid to medical provider	Annual - full year	609	751	142
TRACCs	Nazer	Public relations consulting	Annual - full year	168	-	(168)
Shariah Review Bureau (SRB)	Mr. Abdulhadi Shayif	Shariyah consulting	Annual - full year	150	150	-
<b>Total these listed</b>				<b>89,807</b>	<b>26,037</b>	<b>(63,770)</b>

#### • 13.12 Insurance contracts with companies related to Board members:

The company has entered into health insurance contracts with companies in which certain of the Bupa Arabia Board members have an interest or an association. Bupa Arabia can confirm that these contracts have been priced on an arm's length basis and in line with the Company's agreed targeted pricing and loss ratio requirements. The Company further confirms that these contracts carry no special arrangements with regard to any additional special benefits and nor are they entitled to, nor receive, any services or support different to that which is provided to any of the Company's other customers. The premiums written and the claims paid in relation to these insurance contracts are included in the transactions with related parties, refer note 12, in the annual financial statements.

#### • 13.13 Other contracts with companies related to Board members:

During the preceding year the Company contracted with Trans-Arabian Creative Communications (TRACCs) for public relations services. TRACCs is a company in which the Nazer Group Limited has a stake holding of forty-five percent. The Company confirms that proper arm's length tendering processes for the services took place and that the expense of the Company, with TRACCs, amounted to SR168k during the 2014 financial year. The contractual arrangement was approved during the 2011, 2012 and 2013 Annual Ordinary General Assembly meetings which took place during 2012, 2013 and 2014. Its approval will also form part of the 2014 Annual Ordinary General Assembly meeting, which will take place during 2015, for the approval of the shareholders (in

accordance with Article 18 of the CMA Corporate Governance regulations). The company did not contract with TRACCs during 2015.

Since the second quarter of 2012 the Company has contracted with a Dammam based provider of dialysis services, Al Majd Al Rraqi Company for Medical Care and Health Services Limited (a company providing services associated with Diaverum), and which is owned ninety-eight percent by the Nazer Group Limited and two percent by Eng. Loay Nazer. The related party relationship therefore exists due to the ownership/Board memberships of Eng. Loay Nazer and Mr. Tal Nazer (Chairman and Executive Director/CEO of Bupa Arabia respectively). The contract is a provider relations contract for the duration of twelve months for every year, and is expected to continue each year, subject to the approval of the shareholders in the General Assembly meeting each year. Al Majd Al Rraqi Company for Medical Care and Health Services Limited provided dialysis services to Bupa Arabia patients at a cost to the Company estimated at SR751k for full year 2015 (versus SR609k estimated for the full year 2014). At 31/12/2015 SR295k was estimated as payable to Al Majd Al Rraqi Company for Medical Care and Health Services Limited (SR281k estimated as payable for 2014 as at 31/12/2014). Bupa Arabia confirms that the contract was priced on an arm's length basis and in line with the same procedures as the Company's other hospital providers and clinics. The Company further confirms that the contract carries no special arrangements with regard to any additional special benefits and nor are they entitled to, nor receive, any services or support different to that which is provided to any of the Company's other hospital providers and clinics. During the year Al Majd Al Rraqi Company for Medical Care and Health Services Limited changed its name to Nazer for Dialysis and Healthcare Services Co. Ltd so the related party changes accordingly (as reflected within the related parties note 12b in the 2015 annual financial statements).

Mr. Abdulhadi Shayif, independent Board member, owns a one percent stake holding in the Shariah Review Bureau (SRB), the Shariah review company contracted to by Bupa Arabia and which represented an operating expense to Bupa Arabia in 2015 of SR150k (2014 year was SR150k). The contract is an annual contract for the provision to Bupa Arabia of Shariah review services and is expected to continue each year, subject to the approval of the general assembly meeting each year (as reflected within the related parties note 12e in the 2015 annual financial statements).

In accordance with the approval of the Ordinary General Assembly Meeting held on 19/09/1430 H, 9/09/2009 G, which authorised the Company to enter into a Brand Licence Agreement with Bupa or its relevant subsidiary, and authorised the Board to approve the terms and conditions of such agreement, including the financial consideration payable to the licensing company, during 2010 the Company entered into an agreement with the related party, Bupa Middle East Holdings Two W.L.L., a joint venture company owned fifty per cent by each of Nazer Group Limited and Bupa Investments Overseas Limited, for obtaining a license to use the trade marks (the word Bupa with or without logo) of the related party. As per the terms of the agreement the related party receives an amount equal to a fixed percentage of gross premiums earned, subject to a maximum of 5% of the Company's profits in any financial year, as a trade mark fee. The trade mark fee is payable at different rates linked to the results of the Company. Consequent to the increase in the results a higher rate of trade mark fees is payable. Accordingly, during 2015 the trade mark fee amounted to SR16,948k, compared to 2014 of SR11,505k (as reflected within the related parties note 12 and Trade Mark Fee note 17 in the 2015 annual financial statements).

The above contractual arrangements were approved by the Board of Directors during 2012, 2013, 2014 and 2015 (the related party Board members did not vote on these matters) and will also be presented to the 2015 General Assembly meeting, which will take place during 2016, for approval.

During the preceding year the Company signed a reinsurance agreement, on 28/2/1435 H, 31/12/2013 G, with Bupa Insurance Limited (a Related Party) to reinsure part of the written premium related to its customers outside the Kingdom, and their dependents. Bupa Insurance limited is a subsidiary of the Bupa Group which is



represented on the Company's Board through Bupa Investments Overseas Limited by Mr. David Fletcher, Mr. Edward Hannan and Mr. Ignacio Peralta Gracia. The premium ceded at 31/12/2015 was SR3 million (at 31/12/2014 was SR 75 million), which represents less than 0.05% of the 2015 annual gross written premiums (it was 1.3% of the 2014 annual gross written premium), the significant reduction is due to the non-renewal of a key government contract during the third quarter of 2015. Bupa Arabia will seek the shareholders' approval at the 2015 General Assembly meeting, which will take place during 2016.

Where any Board member had a conflict of interest the approval voting of the Board excluded the Board member with the conflict of interest.

The Company confirms that other than the above, and below (in section 13.14), specific contracts there are no other contracts to which the Company is a party and in which a Board member, the CEO, the CFO or any associate is or was materially interested.

• **13.14 Other related party transactions:**

A shareholder, not related to the Board members of the Company, used to also be a hospital provider and was therefore reflected within the prior year related parties note in the annual financial statements however, during 2014, this shareholder related party sold its holding in the Company and therefore was no longer a related party since before 31/12/2014 (as reflected within the related parties note 12b) in the 2015 annual financial statements.

During 2015 certain employees of Bupa Arabia worked on a project owned by a Nazer Group company, Nazer Medical Clinics Company, whilst this company is in the process of being created. The related costs of these employees, for the period worked on the project, were recharged to the related party, amounting to SR5,519k (2014: SR2,517k), and were settled by the related party during the current period. This was as reflected in the related parties note 12d) in the annual financial statements.

**14. Other disclosures in accordance with laws and regulations:**

• **14.1 Provision of corporate governance:**

Bupa Arabia is committed to, and is in full compliance with, the full adherence to the provisions of the corporate governance regulations as issued by the CMA's council in its bulletin No. 1-1-2009, dated 08/01/1430 H, 05/01/2009 G, with the following minor exceptions:

Article Number	Article section and narrative	Reason for non-compliance
6 – Voting Rights	b) In voting in the General Assembly for the nomination to the Board members, the accumulative voting method should be applied.	The company follows the regulations of Article 93 of the Ministry of Commerce, and Article 34 of the Bupa Arabia company by-laws. Article 34 of the Company's by-laws states: "the company counts the votes in the established assembly of the Ordinary General Assembly and the Extraordinary Assembly based on a vote for each share."

Article Number	Article section and narrative	Reason for non-compliance
6 – Voting Rights	d) Investors who are judicial persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments.	As a publicly listed company Bupa Arabia’s shares are traded daily, by various different individuals and corporate institutions, and the reputability/suitability of the investors, and whether they are judicial persons or not, cannot be supervised, managed or controlled by the company to fulfil this requirement.

In terms of the CMA Corporate Governance regulation article number 10, section e, regarding policies that regulate the relationship with stakeholders to protect their respective rights, Bupa Arabia enhanced its policies and obtained formal Board approval during 2014 for the below detailed:

- Mechanisms for indemnifying the stakeholders in case of contravening their rights under the law and their respective contracts.
- Mechanisms for settlement of complaints or disputes that might arise between the company and the stakeholders.
- Suitable mechanisms for maintaining good relationships with customers and suppliers and protecting the confidentiality of information related to them.
- A code of conduct for the company’s executives and employees compatible with the proper professional and ethical standards and which regulates their relationships with stakeholders. The Board of Directors will lay down procedures for supervising this code and ensuring compliance to it.
- The Company’s social contributions.

During 2016 Bupa Arabia will be further enhancing the above detailed policies and procedures, as well as undertaking a detailed review of all of its corporate governance related, so as to enhance its governance and to also ensure a stronger alignment with the new SAMA Corporate Governance, and new SAMA Audit Committee, regulations.

• **14.2 Corporate governance and risk management:**

The company provides a framework of corporate governance and risk management through a “three lines of defence” strategy which sets out clear responsibilities for the day to day corporate governance and management of risk. The Corporate Governance code was approved by the Board during 2010 and its structure comprises a “first line” of Risk Management from the company’s senior management responsible for the different areas of functionality for the day to day operation of the business, a “second line” of Risk Control for the Board and its various sub-Committees, through the Risk and Compliance Committee (R&CC) and other key control functions (such as Risk Management, and Compliance) and a “third line” of Risk Assurance provided by the independent control functions (the Internal Audit Services (IAS) department and the Audit Committee).

The company has adopted a risk management approach to comply with the regulations as mandated by SAMA and the risk management function is responsible for the identification, assessment and reporting on the status of risks and risk actions. Where risks are deemed to be not adequately mitigated, then enhancements of controls, procedures and processes are recommended and subsequently monitored for implementation effectiveness and timeliness.

During 2016 the Company will seek to further enhance its corporate governance through:

- The appointment of a Chief Risk Officer (CRO) reporting to the Chief Executive Officer (CEO).

- The enhancement of the segregation of duties, between the first, second and third lines, through improved organisational governance related functional structures and increased resources. We will look to expand our corporate governance capability to provide the appropriate breadth and depth for the following areas; Company Secretarial, BCP/DR, Risk Management and Governance Policies and Procedures (currently all under Finance) and Legal, Health & Safety (currently under Human Resources) which will all transition during 2016 to report to the Chief Risk Officer (CRO)).
- Successfully filling the existing senior Compliance and Legal function vacancies, including the Head roles, vacated towards the end of 2015.
- Development and enhancement of the Corporate Governance related codes and related policies, standards and procedures, in support of ensuring the future fulfilment of:
  - The CMA regulations, in particular as contained within article 10 clauses c and d,
  - The recently introduced new SAMA regulations; a) Audit Committee regulations and b) Corporate Governance regulations.

During 2014, there were changes in the members of the Board of Directors through the formal approval of the appointment of the new Board and Committees for the new three year term, commencing from 08/06/2014. Subsequent to the new Board member appointments the members of the Board representing Bupa Investments Overseas Limited, as reflected in section 13.9, Resolution 4, were implemented following the resignations of two of the previous Board member representatives. Subsequent to the commencement of the new term of the Board and its Committees the membership of the Executive Committee changed with Mr. David Fletcher, and Mr. Edward Hannan, replacing Mrs. Alison Platt and Mr. James Wheaton respectively, due to their having resigned from the Bupa Arabia Board of Directors. Mr. Edward Hannan also replaced Mr. James Wheaton on the Nomination and Remuneration Committee. These 2014 membership changes are repeated purely for continuity and from a general information perspective, given that the public shareholders' formal approval for the two new Board members was provided during the 2014 Ordinary General Assembly meeting which took place during 2015, and the activities of the different Board Committees, and independent control functions, are summarised in the sections below:

• **14.3 Audit Committee and internal controls:**

Audit Committee (AC) Purpose	Member Names	Meetings
<p>The purpose of the Audit Committee is to ensure the integrity of the Company's financial statements, to review and, where appropriate, make recommendations to the Board on internal financial controls, internal audit, compliance, and to review the external audit process and external auditors' performance. The Audit Committee reviews and approves the company's quarterly interim financial results, and the annual financial statements, and recommends to the Board of Directors the recommendation of approval thereafter. The Audit Committee approves the annual internal audit services and compliance inspection plans every year. The Audit Committee reviews, together with the external auditors, the audit plan and makes any comments thereon. The Audit Committee will also have oversight, through the company's Risk and Compliance Committee (R&amp;CC), for ensuring that the company's risk management processes, and procedures, are adequate and effective, particularly with regard to the impact on the company's financial reporting and its code of business conduct. In performing its duties the Audit Committee will maintain effective working relationships with the Board of Directors, management, the Risk and Compliance Committee and the external and internal auditors.</p>	<p>Mr. Abdulhadi Shayif (Chairman and Independent Board member)</p> <p>Mr. Mohamed Ayouty (Independent member and Non-Board Member)</p> <p>Mr. Gareth Evans (Non-Board Member)</p>	<p>The Audit Committee convened five (5) times during 2015 (2014 five (5) times)</p>

During 2015 the Audit Committee membership was unchanged from its prior year membership, which had been approved by SAMA, and which comprised; Mr. Abdulhadi Shayif (independent Board member), as the Audit Committee Chairman, Mr. Mohamed Ayouty, an independent non-Board member, and Mr. Gareth Evans. All the Audit Committee members were in place throughout the full year and the meetings, and attendance of the respective meetings, during 2015, is as reflected within the table immediately below:

<b>Audit Committee member name, role and period</b>	<b>AC Meeting 1 8/02/2015</b>	<b>AC Meeting 2 23/04/2015</b>	<b>AC Meeting 3 17/06/2015</b>	<b>AC Meeting 4 16/09/2015</b>	<b>AC Meeting 5 9/11/2015</b>
Mr. Abdulhadi Ali Saif Shayif Audit Committee Chairman and Independent Board member (full year)	Y	Y	Y	Y	Y
Mr. Mohammed El-Ayouty Independent Committee Member and Non-Board member (full year)	Y	Y	Y	Y	Y
Mr. Gareth Evans Non-Board member (full year)	Y	Y	Y	Y	Y

Amongst major Audit Committee approvals during the year were the following approval recommendations to the Board (refer section 13.8):

- The 2014 Annual Financial Statements and the 2014 Annual Board Report,
- The 2014 fourth quarter, and 2015 first, second and third quarters', interim financial statements,
- The conflicts of interests, and related party transactions, as reflected within the above referred relevant interim financial results, Board report, and as reflected within the Annual financial statements,
- The appointment of the joint external Auditors as KPMG Al Fozan & Partners and Aldar Audit Bureau, for the year ending 31/12/2015G (20/03/1437H),
- The continuation of the DZIT provisioning practice, as recommended by the Audit Committee during 2014,
- The SAMA Annual Risk Management Plans and Steps letter, including the review assessment of the systems of internal control,
- The 2016 Internal Audit Services' internal audit plan,
- The 2016 Compliance department's internal compliance inspection plan.

The Audit Committee approves matters through both circulation and also during the formal Audit Committee meetings and where items are approved through circulation they are thereafter further approved, through ratification approval, in the formal Audit Committee meeting which follows the by circulation Audit Committee approval.

- **The Risk and Compliance Committee (R&CC)** is a sub-committee of the Audit Committee and its members are the chief executive team of the business. The Chief Financial Officer is the Chairman of the R&CC. The purpose of the committee is to ensure that Bupa Arabia adopts a robust, consistent, proportionate and pragmatic approach towards the identification, analysis and control of the key risks that could threaten the Company. This committee supports the Audit Committee by giving a dedicated focus to embedding effective policies and procedures into the organisation regarding Internal Audit, Risk Management and Regulatory Compliance. Additionally this committee has oversight of Business Continuity and Disaster Recovery Planning, Health and Safety, Legal, Financial Crime and Anti-Bribery/corruption. The Compliance Officer and the Internal Audit Services Manager both formally report to the Chairman of the Audit Committee to ensure appropriate independence. The R&CC met four times during 2015 (2014 four times).
- **Internal Audit Services (IAS)** - The IAS department completes a variety of internal audits during each year, covering the majority of operational processes and controls and the arising recommendations are monitored by the IAS department for implementation and its Reports are communicated and reviewed by the Audit Committee, the R&CC, and also discussed at the different Committee meetings. During 2015 IAS also concluded a number of investigations and some additional audits as required to fulfil new SAMA regulations (refer also section 14.3.1 for the current year IAS activities including internal audits completed). The IAS department was established, and its procedures implemented, and capability built, by the Senior Manager – Internal Audit Services, and whose summary profile is detailed following:
  - **Senior Manager – Internal Audit Services, Ziyad Al-Jabali**  
Ziyad Al-Jabali has nearly 15 years accounting and auditing experience, 14 years internal audit experience, of which the most recent 6 years with Bupa Arabia since joining during 2009. Prior to joining Bupa Arabia Ziyad worked with the United Nations Relief & Works Agency (UNRWA) in internal audit. Ziyad was Bupa Arabia's first employee in Internal Audit Services and has created the IAS department's charter, policies and procedures and has had the lead responsibility for embedding IAS within the organisation and also building its capability and capacity. Ziyad has a Masters' Degree in Accounting (MA), Amman Arab University for Graduate Studies, Jordan (2003), and a Bachelor of Accounting, University of Jordan (2001) and has successfully completed a variety of formal courses with the Institute of Internal Auditors (Certified Internal Auditor (CIA), Certified Control\Risk Self-Assessment (CCSA), Certified Risk Management Assurance (CRMA)) as well as having achieved the Certified Internal Control Auditor (CICA) course with the Institute of Internal Control.
- **Compliance** - The Compliance department completed various internal reviews during the year, covering some key processes/controls however activities were unfortunately hindered by reduced capacity as a result of a number of vacancies during the year, including the Head of Compliance role. The Compliance review recommendations which were identified were reported to the R&CC, and Audit Committee on a routine basis.
- **Risk Management** – the Company, through the Finance Director – Reporting and Control, and the Finance Reporting & Control department's Manager - Risk, undertakes a formal structured risk review process which comprises a Quarterly Risk Assessment (QRA) of the business risks for reviewing the risk items, the risk materiality, the appropriateness of existing mitigating controls and for setting risk action plans where risk mitigation controls are considered inadequate. The QRA process followed by the Company is part of the Bupa Group's worldwide standard and four QRAs were completed during 2015 with risk recommendations arising progressed. The key risks that management are currently reviewing and managing closely are itemised in section 6.5.
- During 2015, as has been the case since Risk Management was implemented by Bupa Arabia, during

2010, the Risk Management function has been managed by the Finance Director – Reporting and Control (the continuation of this is currently pending SAMA no objection approval) and, additionally, due to the resignation of the Head of Compliance, during fourth quarter 2015, and current other senior vacancies in the Compliance function, during 2015, the Finance Director – Reporting Control is currently also managing the Compliance function on an interim basis, until such time as the senior Compliance function vacancies, including the Head of Compliance vacancy, have been filled (this interim Compliance management arrangement is also currently pending SAMA no objection approval). The summary profile of the Finance Director – Reporting & Control is detailed immediately hereunder:

- **Finance Director – Reporting & Control, Mark Sutcliffe**

Mark Sutcliffe has a collective 28 years' experience in a variety of senior Finance roles in a variety of internationally renowned, or listed, companies, including the most recent, more than 15 years, in Saudi Health insurance, having joined the Bupa business in Saudi Arabia, during 2000. Amongst the significant experience at Bupa, in Saudi Arabia, Mark has, since joining the company; managed all the financial statements and regulatory reporting related of the business, as well as all the Company Secretarial related. Mark also implemented and managed the Risk function, since 2010, and has covered the management of the Compliance function when the Compliance lead role was vacant, previously and at present. Mark 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 Academic Colours and also the Best Student Prize award were achieved. Additionally Mark also completed Economics to third year level with the NMMU (1990).

- The reports, findings and recommendations arising from the activities of each of the internal audit, compliance and risk management processes are communicated to the external Audit Committee as well as the R&CC. Key issues and actions arising are formally discussed during the Audit Committee, and R&CC, meetings and progress against required completion of recommendations monitored.

- **14.3.1 Results of the annual audit of the effectiveness of the internal control procedures:**

- The Internal Audit Services (IAS) department successfully completed, in accordance with the Audit Committee approved 2015 IAS schedule, the below more significant internal audits during the current year:
  - Claims Settlement Processes - all Regions
  - Commissions Payment Processes – Corporate and Retail Sales
  - Preauthorisation Processes
  - Treasury/ Bank and Cash Management Processes
  - Membership Administration Processes
  - Healthcare Operations (HCO) Processes
  - Procurement Processes (Purchasing Cycle)

The IAS department also completed additional detailed investigations and internal audits, which were not originally part of the approved schedule, in order to fulfil business needs and new regulatory requirements.

The overall findings of the IAS department, based on its internal audits completed during 2015, were that the internal control procedures were effective and no fundamental weaknesses were reported after these audits and reviews and the company continues to maintain a strong internal control environment.

The IAS department changed its audit methodology for 2016 to fulfil new regulatory requirements and

to meet the Audit Committee’s expectations and the approved audit plan therefore considers two categories of internal audit, “proactive” and “reactive”, to allocate the assignments and tasks. The proactive audit plan covers the key areas where ongoing oversight and continual monitoring is required, such as actuarial and pricing audits and the assignments in the reactive category are decided based on a risk assessment that takes into account each of risk identification, risk measurement and risk prioritization. Amongst the key “reactive” internal audits for 2016, as approved by the Audit Committee, are the below detailed internal audits:

- Outpatient Claims Adjudication Processes
- Corporate Sales Processes
- Provider Network Management and Strategy
- Fixed Assets (Property and Asset management)
- Recruitment Processes
- Credit Control Processes - Corporate
- Financial Statements – General Ledger (GL) Management & Control
- Regulatory Compliance and Governance
- Investment Management

• 14.4 Executive Committee:

Executive Committee (EC) Purpose	Member Names	Meetings
<p>The purpose of the Executive Committee is to set the annual income target of Bupa Arabia which is thereafter ratified by the Board. The Executive Committee supports 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 monthly basis (to ensure that there are no barriers to achieving the objectives set). It also reviews and approves, as required per its terms of reference, certain aspects of a commercial nature, and ensures the company is fully compliant with all regulatory requirements.</p>	<p>Eng. Loay Nazer (Chairman of the Executive Committee, and Chairman of the Board)</p> <p>Mr. David Fletcher (Vice-Chairman of the Board)</p> <p>Mr. Edward Hannan (Board Member)</p> <p>Mr. Tal Nazer (CEO and Board Member)</p>	<p>The Executive Committee convened six (6) times during 2015 (eight (8) times during 2014)</p>

Subsequent to the commencement of the new term of the Board and its Committees, during 2014, the membership of the Executive Committee changed with Mr. David Fletcher, and Mr. Edward Hannan, replacing Ms. Alison Platt and Mr. James Wheaton respectively, due to their having resigned from the Bupa Arabia Board of Directors, and having been formally approved as Board members through the 2014 General Assembly meeting which took place in 2015 (refer section 13.9, General Assembly meeting resolution 4).

Exec. Comm. member name, role and period	2015 Exec Comm. 1 19/02	2015 Exec Comm. 2 28/04	2015 Exec Comm. 3 1/06	2015 Exec Comm. 4 24/08	2015 Exec Comm. 5 19/10	2015 Exec Comm. 6 7/12
Eng. Loay Hisham Nazer Committee Chairman and Chairman of the Board (full year)	Y	Y	Y	Y	Y	N
Mr. Tal Hisham Nazer CEO and Board member (full year)	Y	Y	Y	Y	Y	Y
Mr. Edward George Fitzgerald' Hannan Board Member (full year) *	Y	Y	Y	N	Y	Y
Mr. David Martin Fletcher Vice-Chairman of the Board (full year) *	Y	Y	Y	Y	Y	Y

\*Approved by the Bupa Arabia Board, and by SAMA, during 2014, and formally approved by the public shareholders in the 2014 General Assembly meeting during 2015 (refer sections 13.1, 13.2 and 13.9 for further details).

The Executive Committee approves matters through both circulation and also during the formal Executive Committee meeting(s) and where items are approved through circulation they are thereafter further approved, through ratification approval, in the formal Executive Committee meeting which follows the by circulation Executive Committee approval.

• 14.5 **Nomination and Remuneration Committee:**

<b>Nomination and Remuneration Committee (N&amp;RC) Purpose</b>	<b>Member Names</b>	<b>Meetings</b>
The purpose of the Nomination and Remuneration Committee is to effectively manage Board and Board Committee appointments and to recommend to the Board of Directors appointments to the Board, and Board Committees. The Nomination and Remuneration Committee also annually reviews the requirements of suitable skills for membership of the Board of Directors and Board Committees. The committee provides approvals for the remuneration packages (including bonuses, long term incentives and salary inflation related increases) of the CEO and other senior executives. The committee also reviews and approves the rules of the company bonus/incentives/long term incentive plans and payments. Additionally, the committee supervises the recruitment of key managerial positions, approves the human resources policies and procedures and makes recommendations regarding Board and Committee appointments.	Eng. Loay Nazer (Chairman of the Committee and Chairman of the Board)  Mr. Aamer Ali Reza (Committee member and Independent Board member)  Mr. Edward Hannan (Committee member and Board member)  Mrs. Cathryn Owens (Committee member and non- Board member)	The Nomination and Remunerati on Committee convened once (1) during 2015, (twice (2) during 2014)



The Board of Directors approved the appointment of Mr. Edward Hannan, to the Nomination and Remuneration Committee, in place of Mr. James Wheaton, for the remainder of the term, during 2014. Mrs Kathryn Owens joined the Nomination & Remuneration Committee during the year following the resignation from Bupa UK by Mrs. Kate Browne.

The Nomination & Remuneration Committee meeting details, and attendance, during 2015, is as reflected within the table immediately below:

<b>Nomination &amp; Remuneration Committee member name, role and period</b>	<b>Nomination &amp; Remuneration Committee Meeting 1 27/01/2015</b>
Eng. Loay Nazer Committee Chairman and Chairman of the Board (full year)	Y
Mr. Aamer Ali Reza (Independent Board Member) (full year)	Y
Mr. Edward Hannan Board member (full year)	Y
Mrs. Kate Browne (until January 2015)	N/A
Mrs. Kathryn Owens (since January 2015)	Y

The Nomination & Remuneration Committee approves matters through both circulation and also during the formal Nomination & Remuneration Committee meeting(s) and where items are approved through circulation they are thereafter further approved, through ratification approval, in the formal Nomination & Remuneration Committee meeting which follows the by circulation Nomination & Remuneration Committee approval.

• **14.6 Investment Committee:**

<b>Investment Committee (IC) Purpose</b>	<b>Member Names</b>	<b>Meetings</b>
The purpose of the Investment Committee is to assist the business in developing its investment policy and to thereafter supervise its adherence to the same. 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 Committee 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 SAMA's regulations and are fully Shariah compliant. Among other duties, the committee also provides investment advice to the business and the Board of Directors and will approve institutions to be used for significant investment placements.	Mr. Zaid Al-Gwaiz (Committee Chairman and Independent Board member)  Mr. Khaled Alkhattaf (independent Committee member and non-Board member)  Mr. Niall Dooner (Committee member and non-Board member)	The Investment Committee convened three (3) times during 2015 (2014 three (3) times)

During the full year, as was the case in the previous year, the Investment Committee Chairman continued to be Mr. Zaid Al-Gwaiz, independent Bupa Arabia Board member, and Mr. Khaled Alkhattaf, an independent non-Board member, was also an active Investment committee member for the full year. During the year the third member of the Investment Committee changed, Mr. Niall Dooner replacing Mr. Evantz Perodin. The Investment Committee meeting details, and attendance, during 2015, is as reflected within the table immediately below:

<b>Investment Committee member name, role and period</b>	<b>Investment Committee Meeting 1 3/03/2015</b>	<b>Investment Committee Meeting 2 9/07/2015</b>	<b>Investment Committee Meeting 3 2/12/2015</b>
Mr. Zaid Al-Gwaiz Committee Chairman and Independent Board member (full year)	Y	Y	Y
Mr. Khaled Alkhattaf Independent Non-Board member (full year)	Y	Y	Y
Mr. Evantz Perodin Non-Board member (to April 2015)	Y	N/A	N/A
Mr. Niall Dooner Non-Board member (since July 2015)	N/A	Y	Y

The Investment Committee approves matters through both circulation and also during the formal Investment Committee meetings and where items are approved through circulation they are thereafter further approved, through ratification approval, in the formal Investment Committee meeting which follows the by circulation Investment Committee approval.

#### **15. No subsidiaries:**

As required in terms of the CMA disclosure requirement of Article 43, paragraphs 7 and 8, the Company, and the Board of Directors, confirms it has no subsidiaries and therefore no issued shares, nor any debt instruments, for any subsidiary.

#### **16. No borrowings or loans:**

As required in terms of the CMA disclosure requirement of Article 43, paragraph 12, the Company, and the Board of Directors, confirms 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.

#### **17. Declarations relating to debt instruments, options, warrants and rights:**

As required in terms of the CMA disclosure requirements of Article 43, paragraphs 13, 14 and 15, the Company, and the Board of Directors, 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.

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

As required in terms of the CMA disclosure requirements of Article 43, paragraphs 19 and 20, the Company, and the Board of Directors, 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,

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.

#### 19. Statutory payments and payable to regulatory bodies:

As required in terms of the CMA disclosure requirements of Article 43, paragraph 21, during 2015 the Company made payments, and has amounts payable, to the various Saudi Arabian regulatory bodies as detailed within the table, and thereafter explained in the narrative, below:

##### •19.1 Table of payments and amounts payable to regulatory bodies:

	Paid		Paid Change	Payable		Payable Change
	2014 SR000s	2015 SR000s	2015 vs 2014 SR SR000s	2014 SR000s	2015 SR000s	2015 vs 2014 SR SR000s
Zakat and income taxes	12,743	31,081	18,338	23,903	42,577	18,674
Levies and license fees	59,243	92,652	33,409	61,511	78,780	17,269
GOSI	13,020	20,050	7,030	1,468	1,780	312
<b>Total</b>	<b>85,006</b>	<b>143,783</b>	<b>58,777</b>	<b>86,882</b>	<b>123,137</b>	<b>36,255</b>

The driver of the increases in amounts paid and payable to the regulatory bodies is due to the growth of the business: Profit, and zakat base growth, driving increased Zakat and Income taxes paid and payable to the Department of Zakat and Income Tax (DZIT), written premium growth driving the increased levies paid and payable to SAMA and the CCHI, and increased GOSI paid and payable, due to the increase in staff, required to support the growth. Refer sections 19.2 to 19.7 for further details on payments and payable to regulatory bodies, and section 10.5 for details on the increases in the SAMA and CCHI levy expenses during the year.

##### •19.2 The Department of Zakat and Income Tax (DZIT):

The total paid to the DZIT during the year, for Zakat and Income Tax, was SR31,081k (SR17,544k for the 2014 DZIT return (SR6,165k for Zakat and SR11,379k for Income Tax)), SR13,370k as a 2015 advance tax, and other payments for Zakat (SR83k) and Tax (SR84k) related to prior years. The SR42,577k payable includes a SR36,385k provision for the 2015 DZIT return (SR13,549k Zakat and SR22,836k Income Tax) and this will be paid to the DZIT before 28/04/2016G, 21/07/1437, (as per the DZIT regulations). In addition to the amounts detailed in the above table/described in the afore-mentioned, an additional amount of SR4,860k was paid to the DZIT during 2015 for withholding tax and an amount of SR7,190k is also provided in the 2015 results for 2015 results' related withholding tax, which is payable to the DZIT in 2016).

•**19.3 The Saudi Arabian Monetary Agency (SAMA):**

The total paid to SAMA during the year was SR35,247k for SAMA levies, SR31,140k for the first three quarters of 2015 and SR4,107k for the fourth quarter of 2014, which was fully provided in the 2014 results. The 2015 results include a provision for the 2015 fourth quarter SAMA levies of SR5,500k.

•**19.4 The Council for Cooperative Health Insurance (CCHI):**

The total paid to the CCHI during the year was SR57,405k for the 2014 CCHI levies, which were fully provided in the 2014 results. The 2015 results include a provision for the 2015 CCHI levies of SR73,280k.

•**19.5 The General Organisation for Social Insurance (GOSI):**

The total paid to GOSI during the year was SR20,050k which included a payment of SR1,468k for 2014 and which was fully provided in the 2014 results. An amount of SR1,780k is provided in the 2015 results for the 2015 related GOSI amount which is payable in 2016.

•**19.6 Tadawul and the Capital Market Authority (CMA):**

The Company paid SR495k to Tadawul, and the CMA, during 2015, SR455k for services and SR40k in penalties. The SR455k for services included SR300k as service fees, in support of the stock exchange related administrative services/public reporting regulatory requirements and activities, SR15k as annual license fees, that enables Bupa Arabia to publish issuer information on its website, directly from the Tadawul website, and SR140k as service fees for the Capital increase and associated basic fees for the share book register update. During 2014 the company paid SR315k to Tadawul for services (SR300k service fees and SR15k license fees). During 2015 Bupa Arabia received two penalties, totaling SR40k, from the CMA, refer section 19.7 for the details of these two CMA penalties.

•**19.7 Regulatory penalties:**

During 2015 the company paid the CMA SR40k for two penalties advised by the CMA to Bupa during 2015 in the form of; a SR30k penalty associated with the Bupa Arabia 2014 second quarter results announcement of July 2014, driven by the CMA's different interpretation of the reasons for the Bupa Arabia 2014 second quarter, versus the 2013 second quarter, results improvement, and a SR10k penalty associated with Bupa Arabia not sending the electronic disclosure form 1, for the appointment of the company's representative at the CMA, in as timely a manner as required by the CMA. The SR40k CMA penalties were settled in full during 2015.

**20. Long term incentive plan (LTIP):**

As required in terms of the CMA disclosure requirement of Article 43, paragraph 22, during 2010 the Company implemented an approved Long term incentive plan (LTIP), for certain senior executives and the custodian obtained approval for the Bupa Arabia LTIP from the CMA and communicated its details to SAMA as required in terms of Article 57. An outcome of the LTIP is that some of the Company's own shares were held by the custodian on behalf of the senior executive(s) and as a result these were classified as "Shares held under Long-term incentive plan by the custodian".

During 2014, after obtaining the related internal approvals, and regulatory clarification, the Company, prior to 1<sup>st</sup> December 2014, disposed of all remaining shares held under the LTIP scheme and recorded the obligation under the LTIP scheme equivalent to the current year annual LTIP cash entitlement, as at 31<sup>st</sup> December 2014, as per the proceeds of the associated shares liquidated. These LTIP obligations were settled on completion of the required internal approvals, during early 2015, in terms of the rules per the original LTIP scheme.

During 2015 the Company launched a new and enhanced LTIP scheme, on an equity shares basis only, effective 1<sup>st</sup> January 2015, having successfully obtained all relevant internal approvals followed thereafter by all the required external regulatory approvals. The new process required the company to open a new "Bupa

employees Long Term Incentive Plan” regular shares portfolio account, on behalf of the LTIP participants, and involves the company thereafter purchasing the shares, on behalf of the LTIP participants, and holding them in this account until vesting, following which the shares will be transferred directly to the LTIP participant’s own share portfolio account, provided that the company’s, and the LTIP participants’, vesting performance criteria have been met and approved by the Nomination & Remuneration Committee.

Under the new LTIP scheme, during 2015, the company purchased LTIP shares, on behalf of the LTIP participants, outside of the CMA prohibition periods, and the cost and provision associated with the LTIP shares/scheme are reflected within the equity of the company. As at 31<sup>st</sup> December 2015 the number of LTIP shares held is 102,206, of which 51,103 were LTIP shares purchased for LTIP participants and 51,103 were shares issued as per the capital increase via the bonus shares issue (refer section 13.9). As at 31<sup>st</sup> December 2014 the LTIP shares held was nil shares due to the prior year LTIP shares disposal associated with the previous LTIP scheme termination. Further details are reflected in the annual financial statements LTIP note 20, and within the annual financial statements’ Statement of changes in Shareholders’ Equity.

#### **21. Maintenance of proper records and books of account:**

As required in terms of the CMA disclosure requirement of Article 43, paragraph 23, point a), and as required by Saudi Arabian insurance regulations, the Company, and the Board of Directors, 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.

#### **22. Internal control system and effectiveness:**

As required in terms of the CMA disclosure requirement of Article 43, paragraph 23, point b), the Company, and the Board of Directors, confirms the system of internal control is sound and robust in design, and has been effectively implemented.

#### **23. Continuation as a going concern:**

As required in terms of the CMA disclosure requirement of Article 43, paragraph 23, point c), the Company, and the Board of Directors, 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 Ordinary General Assembly meeting held on 01/06/2015G, 14/08/1436H, for the financial statements for the fiscal year ended 31/12/2015G, 20/03/1437H, were KPMG Al Fozan and Partners and Aldar Audit Bureau. This represents a change in the joint external auditors, from those appointed for the previous financial period, which external auditor firms were PricewaterhouseCoopers and Deloitte & Touche. The change was made due Deloitte & Touche not available to be considered, due to a regulatory directive, and Ernst & Young not available to be considered due to having, the year prior to the previous year, having completed five successive years as external auditors of Bupa Arabia. The changes in the external auditors were as per the Board and Audit Committee recommendations, and the choice of joint external auditors will continue to be assessed each year accounting for the performance of the prior year external auditors, the availability of the external auditing firms, and their respective value-add/enhancement to the Company’s processes and its stakeholders.

#### **Conclusion:**

The Board of Directors would like to thank Bupa Arabia’s customers for demonstrating continued extremely high levels of loyalty, as well as its investors, for contributing to the company’s success and leadership within the Saudi Arabian health insurance market. The Board would also like to express their appreciation and gratitude to the Company’s management and employees for their dedication, strong leadership and efforts throughout the reporting period.