

Date: 8 March, 2021

## Annual Audit Committee Report 2020

The purpose of the Audit Committee is to assist the company's Board of Directors in carrying out its oversight responsibilities in monitoring the integrity of the financial data in the company's financial statements and also to ensure the efficiency and effectiveness of the internal control systems. Based on the shareholders' resolution in the General Assembly meeting and based on the non-objection of SAMA on the appointment of the Audit Committee members, the formation of the Audit Committee was approved as well as the Audit Committee Charter in conformance with Article (104) of the Saudi Companies Law which states that " The Audit Committee shall review the financial statements of the Company, the reports and observations submitted by the External Auditor, provide feedback, if any, and prepare a report on its opinion on the adequacy of the Company's internal control systems and on its other activities that fall within its responsibility. The Board of Directors shall deposit sufficient copies of the report at the Company's head office at least (twenty-one) days before the date of the General Assembly meeting, to provide shareholders with a copy of the report. The report shall be read out during the General Assembly meeting", accordingly; the Audit Committee submits its annual report covering the activities of the Audit Committee for the year of 2020. The Audit Committee shall answer the inquiries of the shareholders after reading the report in General Assembly meeting.

### 1) Membership of Committee

The Audit Committee is composed of 4 members all of them are non-executive board members, one member is an independent board member and 3 independent members are from outside the Board of Directors and all of them are specialized in the Finance and Accounting. Below is the list of Audit Committee members of the current term which started on 17 February, 2019 with a three year term:

1. Jawdat Al Halabi- Chairman of the committee and an independent board member
2. Mohammad Hassan Daghestani - independent committee member
3. Khalid AlHoshan - independent committee member
4. Faisal Rashid Farouqi - independent committee member

### 2) Audit Committee Meeting and attendance record

The Audit Committee shall meet 6 times a year at least or more as required, during the period from 1 January, 2020 to 31 December, 2020, 6 meetings were convened. The details of the Audit Committee members attendance record for every meeting with the dates of the meetings convened are as follows:

Name	5 March, 2020	10 June, 2020	11 August, 2020	13 August, 2020	29 October, 2020	28 December, 2020	Total of 6	Attendance percentage
Jawdat Al halabi	√	√	√	√	√	√	6	100%
Mohammad Hassan Daghestani	√	√	√	√	√	√	6	100%
Faisal Rashid Farouqi	x	√	√	√	x	x	3	50%
Khalid Hoshan	√	√	√	√	√	√	3	100%

### 3) Activities of Audit Committee during 2020

Summary of the other activities carried out during 2020

- Review the quarterly and annual draft financial statements and review the provisions and technical reserves and the reserves shared by the actuary prior to presenting the draft financial statements to the Board of Directors and provide the technical opinion and recommendation thereon to ensure its integrity, fairness and transparency.
- Recommend the appointment of External Auditors (AlFozan & Associates KPMG and Ibrahim Ahmed Al Bassam and Associates PKF) for the year of 2020 and ensure their independence.
- Follow-up on implementation and compliance the international financial reporting standards (IFRS).
- Evaluate the effectiveness of the internal controls system related to the financial statements, including the effectiveness of the Internal Audit function and Compliance function.
- Review and discuss the internal audit reports issued by the internal audit function and the following up on the recommendations' implementation.
- Review the performance of the Internal Audit function and the Compliance function and review the progress of the respective plans' implementation.
- Review and approve the risk-based internal audit function plan 2020.
- Change the reporting line of the AML-CTF unit from the Compliance function to the Audit Committee directly enhancing the independence of the unit and ensure it has sufficient human resources and required systems.
- Approve the annual plan of AML-CTF unit and review the progress of its implementation.
- Monitor the compliance with the AML-CTF regulations.
- Discuss and following up on matters related to the Zakat, Tax and VAT.
- Monitor the compliance with Saudi Central Bank and Council of Cooperative Health Insurance regulations and circulars.

The Audit Committee also confirms the independence of the Internal Audit function in carrying out its activities. The internal audit plan is executed by the inhouse Internal Audit function and its internal audit activities are following a risk-based plan as approved by the Audit Committee. The plan details the areas to be audited and the internal audit reports are submitted to the Audit Committee which monitors the implementation of the recommendations.

#### **Key areas are covered in the Internal Audit Reports 2020:**

- Compliance Management
- Quarterly Medical Claims Experience Review
- Quarterly Motor Claims Experience Review
- Anti-Money Laundering and Counter Terrorism Financing (AML-CTF)
- Risk Management
- Quarterly Underwriting Review

#### **Key activities of Compliance Function carried out in 2020:**

- Ensure implementation of Saudi Central Bank regulations and circulars.
- Ensure implementation of the Capital Markets Authority regulations and circulars.
- Update the Audit Committee and the Board and report any noncompliance incidents and ensure the implementation of the corrective actions.
- Update and Report to the Audit Committee the complaints which are expected to be escalated to the Insurance Disputes Committee.

- Monitor the performance of the company and ensure its activities are not impacted during (Covid19) and ensure necessary measures are taken.
- Ensure implementation of the Council of Cooperative Health Insurance regulations and circulars.
- Submit compliance reports on the Regulatory requirements and ensure corrective measures are taken and are implemented.
- Renew the Council of Cooperative Health Insurance license.
- Obtain an automated system to monitor and report the compliance with the requirements of the Saudi Central Bank and Council of Cooperative Health Insurance.

### **The Adequacy of the Company's Control Systems**

There are monitoring and governance systems that have been developed internally in line with Saudi Central Bank, the Companies Law, and Capital Markets Authority regulations and circulars, in addition, and for the purpose of ensuring that the company carries out its activities efficiently; several areas are monitored for enhancement that can have an impact on the adequacy and effectiveness of the control systems such as the Core IT system and the policies and procedures of the company.

### **The Financial Statements and the External Auditor's Report**

The Audit Committee reviewed the draft of the financial statements audited by the external auditors of the company and analyzed and compared the draft financial statements to previous years, and the Audit Committees received the required clarifications from external auditors. Based on the recommendation of the Audit Committee and approval of the Board of Directors; The external auditors issued the company's accounts for the year 2020 with an unqualified opinion.

### **Audit Committee Chairman**

