

Audit Committee Report 2023 for General Assembly

1. Introduction:

The Audit Committee of General Gulf Cooperative Insurance Company is pleased to present its annual report for the fiscal year ending on December 31, 2023, to its esteemed shareholders. This report includes detailed information on the committee's performance of its duties and responsibilities as stipulated in the Corporate Law, its Implementation Regulations, and the Audit Committees Regulations in Insurance and / or Reinsurance Companies. The report also contains the committee's opinion on the adequacy of the company's internal control systems, financial management, risk management, and compliance management. It outlines the tasks and activities undertaken by the committee within its scope of responsibilities, in accordance with the provisions of Corporate Law and related regulatory requirements.

Shareholders' inquiries will be addressed following the presentation of the report at the General Assembly Meeting.

2. Audit Committee Responsibilities:

The Audit Committee is responsible for monitoring the company's operations. To this end, it has the right to access the company's records and documents and request any clarification or statement from the executive management members. The committee performs its approved duties, including overseeing the Internal Audit Department, Compliance Department, and Anti-Money Laundering and Counter-Terrorism Financing Department, and reviewing their reports. It also assesses the results of the internal control system's evaluation, reviews the preliminary and annual financial statements, the adopted accounting policies, and recommends auditors for appointment to the Board of Directors. Additionally, the committee reviews regulatory reports concerning the company's compliance with laws and regulations and submits its recommendations to the Board of Directors.

In accordance with its assigned tasks and responsibilities through its charter and operating rules, the Audit Committee plays a crucial role in assisting the Board of Directors in fulfilling its duties related to the integrity of the company's financial statements, the qualifications and independence of external auditors, evaluating the company's disclosure procedures and controls and ensuring adherence to Code of Conduct policies and Whistleblowing Policy.

3. Audit Committee Charter:

In line with governance requirements, the committee's charter has been revised to comply with legal provisions and regulatory requirements. This update was approved by the General Assembly of the company, convened on Rajab 22, 1444H, corresponding to February 13, 2023.

4. Audit Committee Members:

The committee comprises the following members:

1. Dr. Abdulraouf Sulaiman Banaja: Chairman of the Committee.
2. Mr. Mohammed Hassan Dagestani: Committee Member – Independent
3. Mr. Faisal Rashid Faruqi: Committee Member - Independent
4. Dr. Ahmed Siraj Khogeer: Committee Member – within the Board.

5. Meetings of the Audit Committee:

The Audit Committee meets at least six times a year, and more frequently if necessary. During the period from January 1, 2023, to December 31, 2023, the Audit Committee held 11 meetings. The attendance of the members for each meeting was as follows:

Name	26	13	27	1	15	20	6	12	25	21	28	Total	Attendance rate
	Jan	Mar	Apr	May	Jun	Jun	Aug	Sep	Oct	Nov	Dec		
Abdulraouf Suliman Banaja	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	%100
Mohammed Hassan Dagustani	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11	%100
Faisal Rashed Faruqi	✓	✓	✓	✓	×	✓	✓	✓	×	×	✓	8	%73
Ahmed Siraj Khogeer	*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10	%100

(v) attended ((x) apologized (*) He was not appointed at that time

6. Activities of the Audit Committee:

During the year 2023, the Audit Committee conducted several activities, summarized as follows:

- Reviewing the quarterly and annual financial statements, verifying provisions and technical reserves, and recommending them after discussions, and confirmation by the external auditors regarding the absence of material observations affecting financial statement fairness and integrity.

- Discussing observations in the annual management letter with external auditors, guiding internal audit management to follow the corrective plans with relevant departments.
- Recommending the appointment of external auditors (Al Fawzan & Partners KPMG Certified Public Accountants and Ibrahim Ahmed Al-Bassam & Partners PKF Certified Public Accountants) for the fiscal year 2023 and ensuring their independence.
- Monitoring the implementation of the annual internal audit plan for 2023 and approving the comprehensive strategic plan for the next three years 2024-2026. The Committee also reviewed internal audit reports, examined key observations, provided necessary guidance to address deficiencies, and met with relevant departments when required.
- Discussed compliance group reports, approved the annual plan for 2024, monitored efforts to enhance compliance, reviewed the internal audit report for 2023, provided guidance and recommendations, and monitored corrective actions periodically.
- Approved the annual plan for Anti-Money Laundering and Counter-Terrorist Financing management, monitored its reports, implemented plans, reviewed the internal audit report 2023, provided recommendations and monitored corrective actions periodically.
- Regularly monitored violation reporting reports and provided recommendations.
- Discussed and monitored Zakat, tax issues, and Value Added Tax matters.

7. Confirmation of the independence of the internal audit function:

The Audit Committee confirms that the Internal Audit function within the company maintains its independence when performing activities and reviews. The internal audit plan is executed by the Internal Audit Department, following a risk-based approach in its activities according to the plan approved by the Audit Committee.

8. Key Activities of Control Departments (Internal Audit, Anti-Money Laundering & Counter-Terrorist Financing, and Compliance Department) for the year 2023:

- ❖ Highlighted areas covered in internal audit reports for the year 2023:
 - Underwriting, quarterly (1st, 2nd, 3rd, 4th)
 - Claims Records – Medical, quarterly (1st, 2nd, 3rd, 4th)
 - Claims Records – Motor, quarterly (1st, 2nd, 3rd, 4th)

- Anti-Money Laundering and Financial Crimes
 - Sales and Marketing
 - Risk Management
 - Claims Management (Motors)
 - Customer Care Unit
 - Compliance
 - Corporate Governance
- ❖ Key activities of the Anti-Money Laundering and Counter-Terrorist Financing Department carried out in the year 2023:
- Discussing and approving the comprehensive program for Anti-Money Laundering and Counter-Terrorist Financing.
 - Monitoring internal policies, procedures, and controls to mitigate money laundering and terrorist financing risks.
 - Monitoring and reviewing the comprehensive program for Anti-Money Laundering and Counter-Terrorist Financing and related updates.
- ❖ Key activities of the Compliance Department conducted in the year 2023:
- Ensuring the implementation of Insurance Authority regulations and circulars.
 - Ensuring the implementation of Capital Market Authority regulations and circulars.
 - Ensuring the implementation of Health Insurance Council regulations and circulars.
 - Reporting non-compliance instances to the Audit Committee and the Board of Directors and ensuring corrective measures are implemented.
 - Reporting complaints expected to be escalated to the Insurance Disputes Committee to the Audit Committee.
 - Submitting Compliance Department reports on all regulatory requirements and ensuring corrective measures are taken and implemented.
 - Renewing the company's license with the Health Insurance Council.
 - Updating and approving policies and procedures related to the Compliance Department.

9. Results of the annual review on the effectiveness of internal control procedures:

The company adopts an internal control framework based on three lines of defense. Different managements align their activities with established systems, regulations, policies, and procedures as the first line of defense. The internal control managements—which include compliance, risk management, financial management, and information security management—act as the second line of defense. They focus on evaluating, measuring, and monitoring various risk levels in

daily operations. This management provides regular reports to internal administrative committees and Board committees, including the Risk Committee and Investment Committee. The internal audit department carries out the tasks of the third line of defense, conducting risk-based audits and reviews to evaluate the effectiveness and sufficiency of internal controls in the company.

A reasonable degree of assurance is obtained regarding the effectiveness of internal control procedures and systems in terms of covering critical control aspects that significantly impact compliance with regulations, instructions, and the achievement of the company's strategic objectives.

10. the adequacy of the company's internal control systems:

Internal control systems and governance systems have been developed internally, with the assistance of directives and requirements from the Insurance Authority, Companies Law, Capital Market Authority regulations, and the implementation regulations. Additionally, to ensure that the company operates in the most complete manner, several other matters that affect the adequacy and effectiveness of control systems have been addressed, such as information systems, policies, and procedures.

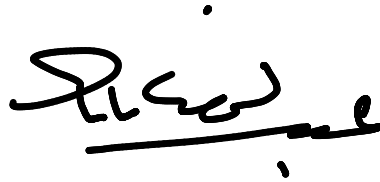
11. Opinion of the Audit Committee on the adequacy of the internal control system:

Based on periodic reports presented to the Audit Committee, internal audit reports, and external auditors' reports, the Audit Committee finds that the internal control system operates with an acceptable level of effectiveness, with the need for continuous improvement and monitoring. It is important to note that any internal control system, regardless of its design soundness and implementation effectiveness, cannot provide absolute assurance.

12. Financial Statements and External Auditors' Report:

The Audit Committee reviewed the draft audited financial statements prepared by the external auditors and conducted several analyses compared to the previous financial year. The Committee received the required explanations from the external auditors. based on the Audit Committee's recommendation and the approval of the Board of Directors, the auditors` report for the fiscal year 2023 was issued unqualified.

Chairman of the Audit Committee



Dr. Abdulraouf Suliman Banaja