

Audit Committee Report for year 2020

Ordinary General Assembly (1st meeting)

29 June 2021

Date:26/05/2021

Audit Committee report for the Year 2020

Preface

The existence of an effective internal control system is one of the main responsibilities entrusted to the Board of Directors. The objective of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities with regard to the existence and adequacy of the internal control system and its effective implementation, and to provide any recommendations to the Board that would strengthen and develop the system in order to achieve the goals of the company and protect the interests of the shareholders with high efficiency and reasonable cost.

First: Audit Committee Formation:

The Audit Committee was formed according to the companies' law and the rules and provisions contained in the Corporate Governance Regulations issued by the Capital Market Authority, the Audit Committees regulations issued by the Central Bank of Saudi Arabia, and the company's articles of association. The current Audit Committee was formed for fourth term after the approval of the General Assembly to select its members at its meeting held on 23 / 10 / 2019 of the following members:

1. Mr. Bader Al Swailem - Committee chairman and independent director
2. Mr. Husam Sadagah - Independent committee member
3. Mr. Majed Al Goaid - Independent committee member

Second: Audit Committee Meetings and Activities:

During the year 2020, the Audit Committee held (8) meetings, during which the following took place:

1. Recommendation to approve the appointment of external auditors to examine, review and audit the financial statements for the second, third, fourth quarters and annual of the fiscal year 2020 and the first quarter of the fiscal year 2021.
2. Review and discuss the quarterly financial statements for the year 2020 and the annual financial statements of the company for the year 2019 with the executive management and the external auditors, and recommend to the Board of Directors for approval.

3. Appointing managers for Compliance and Internal Audit departments.
4. Evaluating the proposals submitted by a number of companies specialized in Internal Audit, selecting the best offer, and recommending the service provider in the form of co-sourcing for the tasks of the Internal Audit Department for the fiscal year 2021.
5. Reviewing the observations received from the internal and external auditors of the company and overseeing their completion according to the schedule agreed upon with the company's management.
6. Reviewing and following up on the reports received from the Compliance Department, reviewing the observations of Saudi Central Bank and the suitability of the corrective actions.
7. Review the anti-money laundering policy and the anti-money laundering program for the fiscal year 2021 and recommend to the Board of Directors for approval.
8. Overseeing the important legal cases brought by or raised against the company, and the reasons behind them, in order to determine its current situation and to recommend any course of action.

Third: Results of the annual review of the effectiveness of Internal Control System:

The company faced some challenges during the year 2020, due to the company's inability to obtain a "No-Objection" letter from the Saudi Central Bank to assign the outsource the Internal Audit function to a service provider, in addition to the resignation of the Head of the Internal Audit Department and the Head of the Compliance Department and the delay in the recruitment process due to the consequences of the Coronavirus pandemic.

Accordingly, the Internal Audit department implemented the minimum mandatory requirements from of the approved annual Internal Audit plan and submitted its reports and important observations to the Audit Committee for review and inclusion in the report to the Board of Directors to highlight aspects related to the effectiveness of the company's internal control system. This is in addition to including the external auditor's observations regarding the evaluation of the internal control system, and also the reports of the Compliance Department concerning compliance of company's departments and operations.

AMANA COOPERATIVE INSURANCE

Public Shareholding Company with Capital 240 million SAR

Supervised by SAMA under

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Fourth: The Audit Committee's views on the adequacy of the company's internal control system:

Due to the aforementioned circumstances, the Audit Committee believes that the annual review of the effectiveness of the company's internal control system was limited, which affected the level of evaluation of the company's internal control system.

Heads of Internal Audit and Compliance departments have been appointed in mid-2020, and a service provider has been appointed to co-source the Internal Audit function for the year 2021, and therefore the Audit Committee expects that the internal control departments will be able to perform their duties to the fullest during the year 2021.

Fifth: The Audit Committee's plan during 2021 with its meeting schedule:

The Audit Committee is keen to develop an annual action plan and implement it after the Board approval, which includes the following:

A) Dates and topics of the Audit Committee's meetings for the year 2021:

During the current year 2021, Audit Committee will hold several meetings to carry out its duties. Four meetings have been dedicated for the discussion of the annual and quarterly financial statements with the auditors and the company management, and six meetings have been allocated to discuss the activities for each of the Internal Audit and Compliance Departments, as well as the committee annual meeting with the company's Board of Directors.

B) Supporting the Internal Audit department:

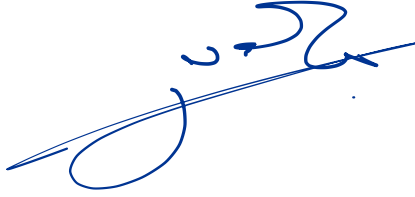
A service provider has been appointed to co-source the Internal Audit function and to assist in carrying out various activities of the audit department, which mainly consist in conducting a comprehensive risk assessment to create a three-years risk-based Internal Audit plan and implementing the plan for the first year. Also, a plan has been developed to support the Internal Audit department with qualified and sufficient human resources to carry out the various activities of the department through setting up a recruitment plan to be implemented during the current and next year.

C) Oversee the work of the Internal Audit and Compliance Department on an ongoing basis:

The Audit Committee discusses and approves the annual plans of the Internal Audit department and the Compliance department and oversee their implementation by reviewing the activities of these departments during the pre-scheduled Audit Committee meetings and by reviewing the results on an ongoing basis in order to assess the adequacy of the company's internal control system.

Audit Committee Chairman

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