

Insurance
You're in control

FROM INTENT TO IMPACT

AAR INSURANCE
INTEGRATED REPORT

2025



FROM INTENT TO IMPACT

At AAR Insurance, From Intent to Impact, signifies our transition from visionary goals to tangible results. It is the realisation of our promise to create a legacy that extends far beyond insurance. By bridging the gap between what we set out to do and the outcomes we achieve, we ensure that our core business activities serve as a powerful engine for change.

This commitment transforms our strategic objectives into a living reality that benefits the People we care for, the Planet we inhabit, and the Profit that fuels our continued innovation.

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ABOUT THIS REPORT

This Integrated Report presents AAR Insurance Group's environmental, social, governance (ESG) and financial performance for the reporting period from 1 January 2025 to 31 December 2025.

It reflects our continued commitment to embedding sustainability into our insurance business model while delivering long term value to our customers, employees, shareholders, regulators, partners and the communities we serve. The report provides a holistic view of how AAR Insurance creates value by integrating financial performance with environmental, social and governance considerations, supported by narrative sustainability disclosures and the audited financial statements for the year.

The report has been prepared to provide transparent, balanced and actionable information to a broad range of stakeholders, including customers, employees, service providers, investors, financial sector partners, government and regulatory bodies, and the wider public. All content has been reviewed and endorsed by AAR Insurance's leadership and governance structures, demonstrating our commitment to accountability, integrity and strong governance in sustainability and integrated reporting.

Reporting Frameworks and Standards



1. The International Integrated Reporting Council (IIRC) Guidelines.
2. Global Reporting Initiative (GRI) Standards.



Statement of Use

AAR Insurance has reported with reference to the GRI Standards for the period 1 January 2025 to 31 December 2025. The complete GRI Content Index is provided on page 213 of this report.

3. IFRS S1 and S2 Sustainability Disclosure Standards.



Statement of Compliance

The IFRS Sustainability Disclosure Standards (IFRS S1 and S2) which guides our reporting on governance, strategy, risk management and targets for sustainability and climate related risk and opportunities. This integrated report entails partial compliance with IFRS Sustainability Disclosures to the extent practicable. We are aware of the developments of corporate sustainability reporting particularly on IFRS Sustainability Disclosure Standards and we aim to further embed climate risk disclosures into our operations. We have attached the ISSB standards guide in our report on page 223 of this report.

4. The Insurance Regulatory Guidelines.
5. The Companies Act, 2015.
6. The United Nations Sustainable Development Goals (SDGs), highlighting AAR Insurance's contribution to national and global development priorities.
7. The International Financial Reporting Standards (IFRS).



Integrated Reporting Boundary

This integrated report covers the key risks, opportunities and outcomes linked to AAR Insurance business model and stakeholder relationships in Kenya and Uganda. It focuses on matters that materially affect our ability to create, preserve or potentially erode value over the short, medium and long term.

Double Materiality and Sustainability Focus

AAR Insurance adopts a double materiality perspective in determining the matters covered in this report.

This means we consider both:



1. Our impacts on society and the environment through how we operate our businesses in Kenya and Uganda.
2. The sustainability related financial implications of these matters on AAR Insurance's considering the main risks and opportunities arising from the management of sustainability issues, and the impacts these might have on our financial performance.

We recognise that impact and financial performance are interconnected. How we manage environmental, social and governance (ESG) matters influences stakeholder trust, regulatory compliance, operational outcomes and perceptions of our long term sustainability.

As a result, our disclosure on material impacts and our approaches to managing ESG matters is intended to support providers of financial capital in assessing our ability to generate sustainable value over time, while

also responding to the information needs of our broader stakeholders.

Ensuring the Integrity of our Report

External assurance has not been conducted for the sustainability report. However, the financial statements have been audited by Ernst and Young LLP (EY), who have expressed an unqualified audit opinion.

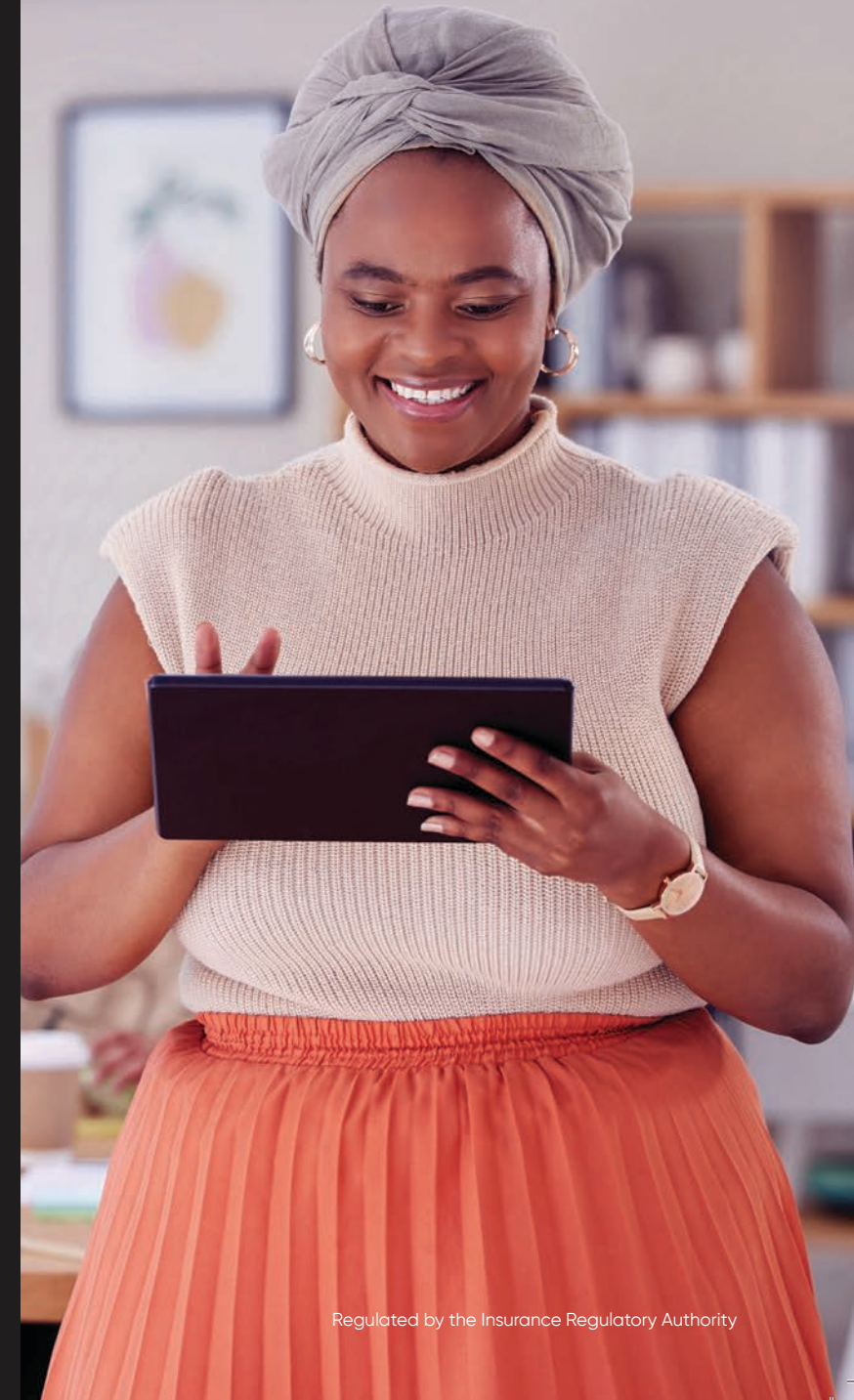
Forward Looking Statements

This report contains certain forward-looking statements regarding AAR Insurance's strategy, performance and operations, and may refer to global, regional and domestic political, social and/or macroeconomic conditions. By their nature, forward looking statements involve risk and uncertainty as they relate to future events and circumstances that are difficult to predict and beyond our control. Accordingly, actual results, performance or achievements may differ materially from those expressed or implied in such statements.

These statements apply only as at the date this report is approved and signed off by the Board.

Restatements of Information

This report may contain corrections and restatements of information provided in previous reports.



Approval by the Board

The Board of Directors of AAR Insurance recognises its responsibility for ensuring the integrity of this integrated report and for maintaining robust corporate governance across the organisation. The Board remains committed to upholding governance best practices that promote transparency, accountability, and the creation of sustainable long term value for stakeholders. In its view, this report adequately addresses the key material matters that impact AAR Insurance's capacity to create and sustain value, while also managing risks that may result in value erosion over the short, medium, and long term.

The report presents a clear and concise summary of the Company's business model, external operating environment, strategic priorities, governance structures, risk management approach, and financial performance for the year 2025.

The annual financial statements forming the basis of this report were approved by the Board of Directors of AAR Insurance on 11th March 2026 and duly signed on its behalf by:

Esther Koimett, CBS
Chairperson of the Board

Patricia Kiwanuka
Director

Justine Kosgei
CEO and Principal Officer



OUR BUSINESS

WHO WE ARE

Established in 1984, AAR Insurance is a **leading medical and general insurance company** with a strong presence in East Africa delivering customised, innovative insurance solutions to individuals, families and businesses.

AAR Insurance is a licensed financial services provider regulated by the Insurance Regulatory Authority (IRA), a member of the Association of Kenya Insurers (AKI), and a leading player in both medical and general insurance. Driven by our belief that people are at their best when they are in control of their lives, we have touched over 1,000,000 lives in over 40 years through our various insurance products and services. Through embedding digital innovation at the core of our business operations and maintaining transparent stakeholder engagement, we are able to satisfactorily serve more than 250,000 customers.

We remain committed to delivering innovative and responsive underwriting solutions tailored to the evolving needs of our customers. Our strategic priorities are anchored on leveraging digital innovation to enhance customer experience and operational efficiency, while accelerating growth through targeted solutions in underserved segments such as Micro, Small

and Medium Enterprises (MSMEs). Our broader strategy is aimed at strengthening our position in the insurance sector by supporting our customers and enhancing shareholder returns through digital transformation, innovative, sustainable, and affordable solutions to address market gaps, and strategic partnerships to enhance service delivery.

Currently, the insurance sector globally is undergoing a digital revolution, which is reshaping how players across the value chain live, communicate, work, and interact with customers. The digital landscape continues to evolve rapidly, with adoption across core insurance operations such as claims processing and customer onboarding. This presents both risks and opportunities. In response, we have realigned our strategy to leverage these opportunities and address emerging trends by advancing our digital transformation agenda to develop products and services that meet customer expectations in a rapidly evolving world.



We are strengthening our existing technology capabilities while building strategic partnerships with specialist vendors to enhance expertise, technical capacity, and overall service delivery.

The launch of our cloud infrastructure has further enhanced the implementation of our digital solutions. Anchored on customer centricity, we undertook simplification and modernisation initiatives to reduce complexity through automation, including via the AAR Insurance Mobile App and online interactive portals. These initiatives resulted in increased customer satisfaction and loyalty, while also providing a strong platform for business growth and expansion across markets.

To further strengthen operational excellence and consistency in service delivery, the Company successfully implemented an enterprise wide Quality Management System (QMS) aligned with the requirements of ISO 9001:2015. This reinforces our commitment to strong governance, continuous improvement, customer service and risk-based decision-making. The initiative focused on standardising processes across all our operations, strengthening internal controls, and enhancing performance monitoring across all key business functions.

The implementation process was driven through cross functional collaboration, with designated process owners and internal auditors supporting the rollout of the QMS across the organisation. The Company successfully completed both Stage 1 and Stage 2 certification audits conducted by an independent certification body, with corrective actions implemented to address identified gaps.

The ISO 9001:2015 framework provides a structured platform for continuous improvement, enabling more data driven decision making and strengthening operational resilience. Achieving this certification enhances stakeholder confidence and positions AAR Insurance to deliver consistent, high-quality services while supporting sustainable growth and long term value creation.

As a market leader in health and general insurance, we strive to create shared value by consistently investing in the well-being of our people, communities, and the planet as part of our sustainability agenda which is fully integrated into our value creation model.

The insurance sector remains dynamic and increasingly complex, with emerging risks such as extreme weather events, cyber security threats, and evolving customer expectations. We are cognisant of both the opportunities and risks these present, and our commitment to being responsive, flexible, innovative, and market aware continues to distinguish us as a market leader in East Africa.

Our strong business reach and footprint are supported by an extensive network of agents, brokers, and branches across the region, offering scale and opportunities to expand into high potential markets.

What sets us apart is our deliberate design of innovative insurance solutions tailored to the evolving needs of individuals, families, and businesses. We focus on delivering sustainable, simple, and accessible products, supported by digital platforms that enhance convenience and improve overall customer experience.



LICENSES, CERTIFICATES AND ACCREDITATION

Obligation / Filing	Regulatory / Statutory Body	Nature of Contribution / Value Addition
Regulatory Licensing and Supervision	Insurance Regulatory Authority (IRA)	Maintains valid insurance licences and complies with prudential, governance, risk management, and market conduct requirements prescribed by the Authority.
AML/CFT Returns	Financial Reporting Centre	Files statutory reports supporting anti-money laundering, counter-terrorism financing, and financial system integrity.
Data Controller Registration	Office of the Data Protection Commissioner	Registered and certified as a Data Controller, demonstrating compliance with data protection laws.
Data Processor Registration	Office of the Data Protection Commissioner	Registered and certified as a Data Processor, reinforcing data governance and privacy standards.
Industry Membership	Association of Kenya Insurers	Active member contributing to industry advocacy, sector development, and policy enhancement.

AT A GLANCE



SHS. 14 BILLION +
IN REVENUE



1 MILLION +
LIVES TOUCHED



250,000 +
CUSTOMERS



SHS. 9.5 BILLION
TOTAL ASSETS



700 +
EMPLOYEES AND
AGENTS



SHS. 772 MILLION PBT



SHS. 599 MILLION PAT



5% UGANDA, 13% KENYA
MARKET SHARE ON THE
MEDICAL INSURANCE
BUSINESS



**SHS. 90 MILLION
DECLARED IN DIVIDENDS**



**SHS. 8.2 BILLION PAID
IN CLAIMS**



**14% GROWTH IN
INSURANCE REVENUE**



30% GROWTH IN PBT



48% GROWTH IN PAT



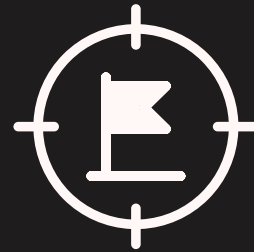
**16% GROWTH IN
TOTAL ASSETS**

BUSINESS PHILOSOPHY



OUR VISION

Safeguarding the health
and wealth of all



OUR MISSION

Reinventing insurance through
innovative, affordable, personalized
and sustainable solutions



BRAND PURPOSE

Redefining insurance

OUR VALUES



Agile

We have flexible strategies, people, processes and technologies to adapt to market changes.



Reliable

We are committed to honest and ethical conduct in all aspects of our business, and we are responsive, accessible and adaptable to our customer needs.



Innovative

We are continuously innovating to deliver value and evolve our business and industry through innovative ideas and the creation of new solutions and processes that place us at the cutting edge of what we do.



Strategic

We are committed to the pursuit of the highest standards of performance in all aspects of our business.



Excellent

Our unwavering focus lies on prioritising initiatives that yield the greatest impact and value for our stakeholders. Through strategic decision making, we ensure optimal outcomes and enhance our ability to meet the diverse needs of those we serve.

AAR INSURANCE JOURNEY AND AWARDS



AAR INSURANCE JOURNEY AND AWARDS

2025

AKI Awards

- General Insurance Company of the Year
- **Young Insurer Award General Business**
Winner - Elizabeth Amo
- **Medical Premium Volume Award**
1st Runners-Up - Michael Amugune

Kenya ESG Awards

Sustainable Economic Development Advocate Award

CFO East Africa Awards

Finance and Technology Award - Winner
Hosea Kiprop - Group CFO

Think Business Insurance Awards

- **General Insurance of the Year**
1st Runners-Up
- **CEO of the Year**
Justine Kosgei, CEO - AAR Insurance
- **Claims Settlement Award (General Insurance)**
1st Runners-Up
- **Medical Underwriter of the Year (Personal)**
2nd Runners-Up
- **Group Medical Business**
1st Runners-Up
- **Most Customer-Centric Underwriter**
Personal - Winner

KENCTAD Insurance Experience Awards

Excellence in Tailored Insurance Product Award

FKE Awards

Employer of the Year - 2nd Runner-Up

Recognition Award- Kenya Women Leaders (World Women Leadership Congress)

Sheila Owiti - Group Head of Brand, Marketing and Communications

FiRe Awards

- Environmental and Social Reporting - 1st Runners-Up
- Insurance Category - 2nd Runners-Up

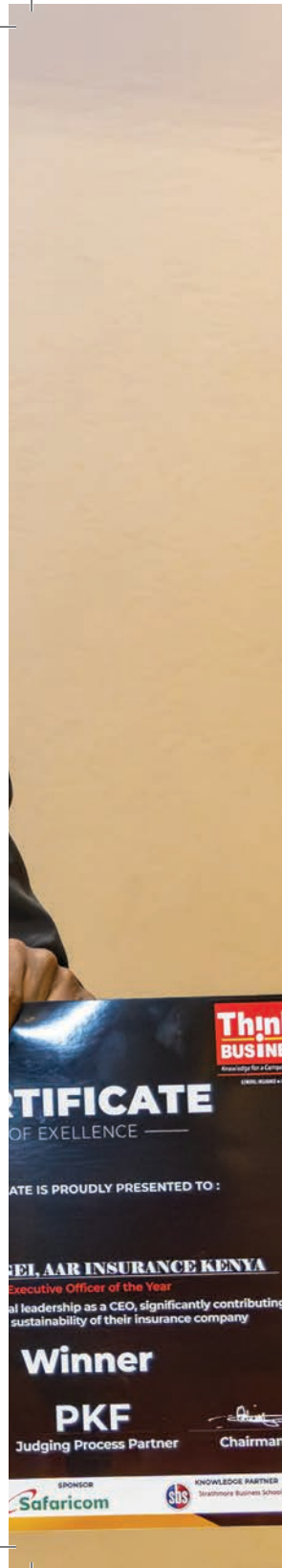
Project Management Institute Of Kenya

Project Of The Year Above 10M - Winner

HR Awards Kenya

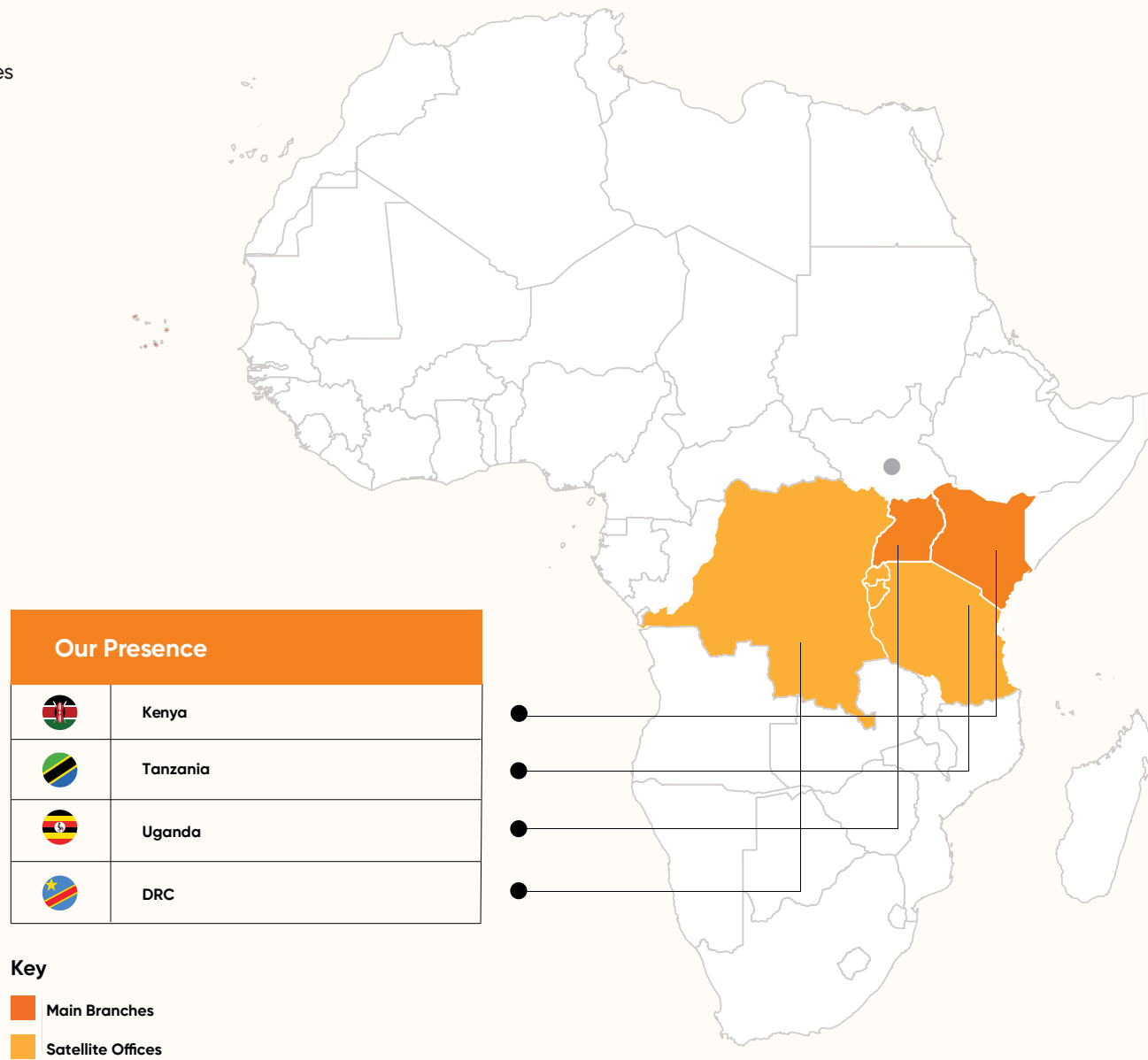
Best Workplace Wellness Program



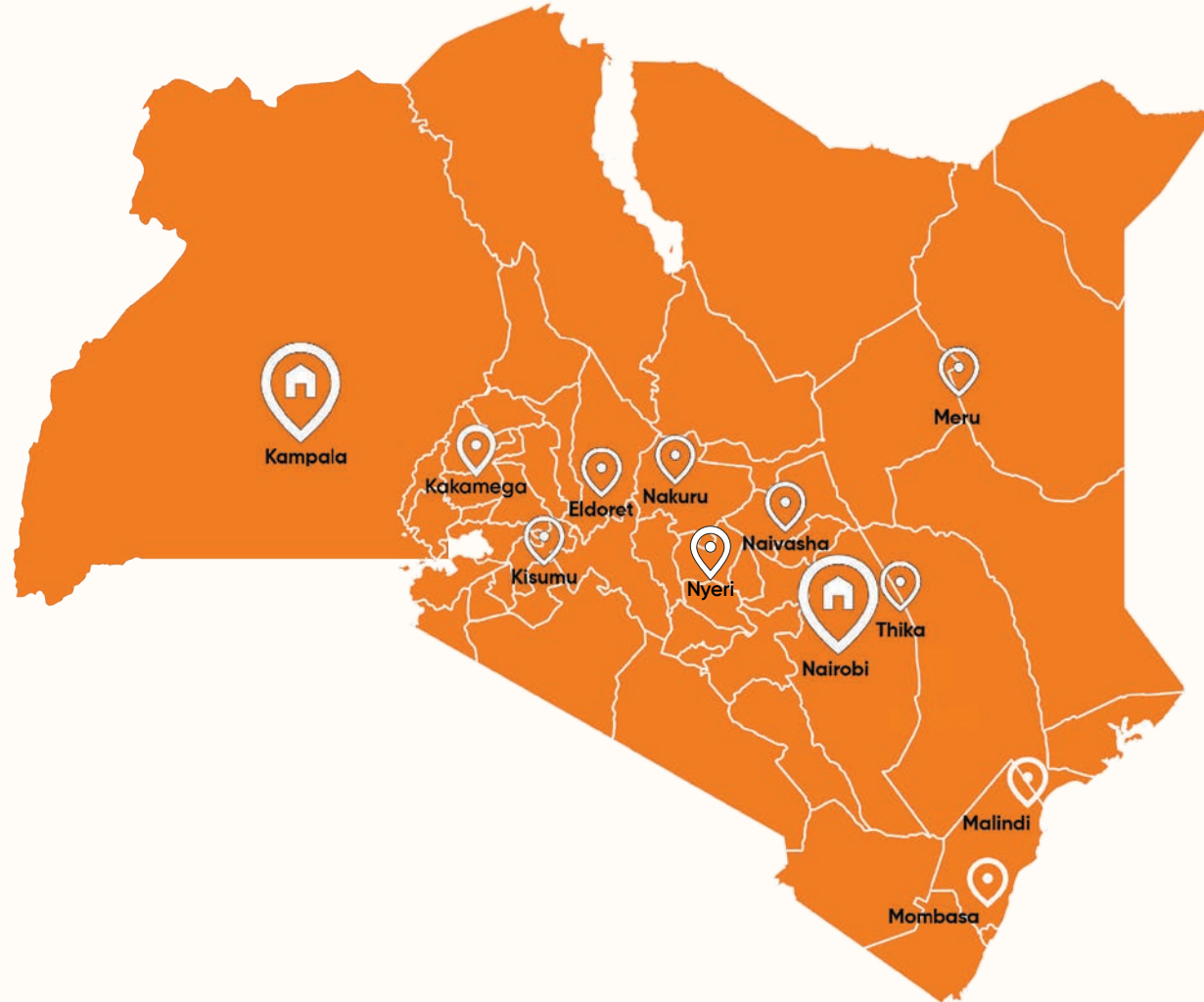


REGIONAL PRESENCE

With our headquarters in Nairobi, we maintain a robust regional presence that includes **11** locations across Kenya, a subsidiary in Uganda, and operations in the DRC.



REGIONAL FOOTPRINT - BRANCHES



PROVIDER NETWORK



Regulated by the Insurance Regulatory Authority

To drive regional growth and elevate the member experience, we leverage an expansive and well-established provider network. This well-established ecosystem delivers comprehensive medical services across Kenya, with a growing footprint in Uganda, Tanzania, Rwanda, South Sudan, and India. Our providers offer a full spectrum of care from inpatient and outpatient services to specialist consultations and pharmacies ensuring seamless healthcare delivery for our shared members.

Below are our Provider Network Categories

Inpatient and Outpatient Facilities

Specialists (e.g Gynaecologists, Ear Nose and Throat, Ophthalmologists, Orthopaedics etc)

Physiotherapy

Psychotherapy

Diagnostic Facilities (E.g. Laboratory and Radiology)

Medical Centres

PROS OF OUR PROVIDER NETWORK



1. PREMIUM CARE

AAR Insurance maintains a broad range and diverse networks of contracted providers, enabling clients to access a comprehensive range of specialties and services supporting quality care and improving health outcomes.



2. CONVENIENCE AND ENVIRONMENTAL STEWARDSHIP

Clients can now access medical care near their homes or workplaces. Shorter travel distances improve accessibility, reduce clients' costs associated with transportation and enhance the overall efficiency and effectiveness of healthcare service delivery. Moreover, this proximity significantly reduces the need for long-distance travel, thereby promoting environmental sustainability through lower fuel consumption and decreased carbon emissions from client transportation.



3. STRONGER REGIONAL NETWORK REACH AND CROSS-BORDER ACCESS

Facilities in countries such as South Sudan, Uganda, Tanzania, Rwanda and India introduce substantial geographic and service diversity. This strategic extension extends AAR Insurance's reach beyond Kenya, enabling clients to access high-quality healthcare services while travelling or residing abroad. By facilitating continuity of care in regional settings, this growth enhances client convenience, supports cross-border mobility and strengthens the overall value proposition of AAR Insurance's offerings.



4. MARKETING AND CLIENT ACQUISITION VALUE

By establishing a presence in remote and previously underserved counties and regions, the network significantly enhances brand visibility and accessibility to new client segments. This geographic coverage enables AAR Insurance to reach clients that had limited or no prior exposure to the Company's services, thereby facilitating effective client acquisition and supporting long-term client retention.



5. COST MANAGEMENT

With strengthened bargaining power, AAR Insurance can negotiate with healthcare providers, allowing the Company to get better reimbursement rates and contract conditions. These more competitive pricing arrangements directly reduce overall claims expenditure for the organisation. As a result, members experience lower costs, including co-payments, deductibles and other shared-cost elements. This structure enhances the affordability of healthcare services for clients while reinforcing the long-term financial viability and sustainability of our product offerings.



6. RISK POOLING

By incorporating a broad array of medical specialties and providers distributed across multiple geographic regions, the Company distributes risk more evenly across a larger and more varied set of healthcare utilisation patterns. This diversification decreases reliance on any single category of provider, particular specialty, or specific geographic location thereby contributing to greater stability within the overall risk pool.



7. IMPROVED HEALTH OUTCOMES

Prompt access to suitable specialists and facilities ensures that members receive appropriate and timely treatment, leading to improved clinical outcomes, quicker recovery periods and long-term management of health conditions. This reliable provision of high-quality and readily accessible healthcare builds greater trust and satisfaction among clients, thereby strengthening their loyalty to AAR Insurance.



WHAT WE DO

Our diverse portfolio includes health and general insurance products that cater to a broad range of clients: individuals, families, SMEs and corporates. We strive to expand our geographic reach, scale our operations and adapt to the changing needs of our customers to continuously deliver excellence in the markets we serve.

WHERE WE ARE

Our lines of business delivered strong performance in 2025, reflecting our continued focus on strengthening our position in the insurance industry, through innovation and sustainable business practices. We leverage our superior digital architecture, excellent customer service and wide provider network to penetrate emerging markets that drive long-term growth.

EMERGING MARKETS AND OUR GROWTH DRIVERS.

Growth Drivers (2025)	Markets	
	Kenya	Uganda
Low Insurance Penetration Rate	2.3%	1%
Growing Population	53,330,978	51,384,894
GDP Growth Rate	4.9%	6.2%
Mobile and Broadband Subscriptions	60,200,000	17,000,000
Business Opportunities for AAR Insurance	Capitalising on the country's growing GDP, rising working-age population and adoption of technology to deliver insurance solutions to underserved segments through innovation and partnerships to grow our market share.	Leverage on vast untapped market through inclusion, partnerships and innovation.

**The figures presented are from third party research*

OUR DIFFERENTIATORS

1. Our demonstrated ability to deliver strong financial and non-financial positive impacts

AAR Insurance has a track record of delivering against its strategy, consistently creating shared value and a firm foundation for long-term sustainable growth. This is demonstrated by our consistent growth in revenue, reduced operating costs, increased profits across all our markets and our investments in health, educational and financial empowerment of our internal and external stakeholders.

2. Client-centered approach that ensures business retention and growth in new businesses

Our strategy is founded on the bold promise to provide security, peace of mind and dependable protection. We remain closely attuned to the evolving needs of our customers ensuring our solutions support a more sustainable and inclusive future. In light of this, AAR Insurance has consistently evolved to meet the changing needs of our customers, and improved the overall customer experience through innovation and excellent service delivery.

3. Digital transformations that foster operational excellence

We continue to strengthen our core technology systems through ongoing upgrades, supporting improved operational efficiency and service delivery. This enables efficient operations and integrations while creating convenient, tailor-made customer solutions such as self-service, robotics and artificial intelligence.

Technology remains a key enabler in driving innovation and developing sustainable affordable solutions that address market gaps consequently strengthening our position in the insurance industry.

4. Partnerships

Our partnership approach fosters collaboration, knowledge exchange and best practice that delivers greater operational efficiencies. This approach extends our market presence on a large scale and effectively manages risk through stakeholder engagement. AAR Insurance is committed to building partnerships that empower the business community, enhance service delivery and broaden with differentiated solutions for the global medical insurance market.



OUR ECOSYSTEM



AAR INSURANCE PARTNERS



OUR LEADERSHIP



AIK BOARD CHAIRPERSON STATEMENT

Dear Shareholder,

The year under review has been marked by consistent execution and strategic development, strengthening AAR Insurance Kenya's position in a dynamic and increasingly demanding market. It has been a privilege to continue serving you, and on behalf of the Board of Directors, I extend our sincere appreciation for the confidence you continue to place in us. Your support has enabled the Company to deepen customer engagement, reinforce its operational foundations, and deliver reliable protection and sustainable value to households, enterprises, and institutions across Kenya. Throughout the year, the Board was attentive to shifts in the economic, regulatory, and competitive environment. Our priority has been to ensure the business is resilient, responsive, and reputationally strong, while closely aligning with the evolving needs of households, enterprises, and institutional partners across Kenya.

Operating Environment

The year under review saw steady growth, supported by broad-based expansion across agriculture, services, and finance, with the economy expanding by approximately 5.0%. Annual inflation stood at 4.5%, reflecting improved food supply conditions, stabilising fuel prices, and prudent monetary policy. In this environment, AAR Insurance maintained a resilient, adaptive operating position, demonstrating the agility needed to navigate economic pressures while continuing to meet our customers evolving needs. Despite these positive macroeconomic trends, structural challenges within the insurance sector persist. Insurance penetration in Kenya remained modest in 2025, estimated penetration rate is at 2.4% of GDP, well below the global average. Limited disposable incomes, informal employment structures, and persistent misconceptions around insurance continue

to constrain market expansion.

Nonetheless, industry projections are optimistic, driven by Kenya's rising population and a demographic shift expected to open new opportunities in health, life, and savings plans. The sector continued to benefit from improved digital distribution, mobile-based service delivery, and growing awareness of risk protection. AAR Insurance was actively engaged in capacity-building initiatives and customer education programmes to support the expansion of insurance penetration across different market segments. Our regional expansion strategy progressed significantly, with Uganda becoming a fully licensed insurer, marking a critical milestone in the Group's cross-border operations. Uganda's market continues to benefit from infrastructure investment, expanding industrial and service activity, and stronger trade integration, while inflation has been relatively stable, supported by prudent monetary policy and favourable agricultural output.

The Company has also initiated steps to extend operations into the Democratic Republic of Congo (DRC), exploring new opportunities for sustainable growth within the regional insurance ecosystem. Uganda's insurance sector also continued to perform steadily, registering sustained growth in gross written premiums as economic activity gathered pace. The outlook is positive, supported by ongoing investment in the energy and infrastructure sectors and the anticipated strengthening of fiscal and external balances over the medium term, which is expected to drive sustained growth in insurance demand.

Financial Performance

AAR Insurance Kenya delivered a strong financial performance in 2025, reflecting growth across core insurance lines and enhanced operational efficiency. Total insurance revenue increased to Shs. 14.0 billion in 2025 from Shs. 12.3 billion in 2024, demonstrating the Group's ability to



expand its market reach and deepen engagement with both corporate and individual customers. Profit before tax grew to Shs. 772 million, up from Shs. 595 million the previous year, reflecting improved underwriting performance, effective cost management and increased partnerships across the business. These outcomes demonstrate the Company's ability to convert strategic intent into measurable performance, reinforcing operational resilience and supporting sustainable value creation for shareholders. The continued expansion in revenue and profitability underscores the strength of AAR Insurance Kenya's business model, the effectiveness of its distribution architecture, and the confidence placed in the Company by customers and partners across the insurance ecosystem.

Commercial Resilience

Within Kenya, the operating environment for insurers continued to be shaped by a combination of affordability pressures, heightened claims sensitivity in select lines, and greater scrutiny from customers and regulators around service delivery and market conduct. Against this backdrop, the Company's commercial resilience has been anchored in disciplined portfolio management and in strengthening distribution effectiveness across the corporate, SME, and retail customer segments. During the year, management prioritised strategies intended to preserve portfolio quality, improve persistence, and reinforce service standards across touchpoints that materially shape customer trust.

The Board also closely monitored the role of General Insurance in broadening relevance and improving overall market responsiveness, particularly in segments where insurance uptake is closely linked to economic activity and

household resilience. Looking ahead, we continue to see room for expansion within the retail and business ecosystem, particularly through sectors and customer segments that are underserved or seeking better value from risk protection. This calls for disciplined growth, stronger customer education, and sustained improvement in service experience.

Governance

Efficient corporate governance is central to protecting stakeholder interests and sustaining long-term competitiveness. During the year, the Board provided strategic direction and oversight to ensure the business aligned with the Group's long-term goals while responding appropriately to local market conditions. In 2025, governance priorities included strengthening underwriting oversight, claims management, customer service escalation pathways, and compliance monitoring, supported by improvements in management reporting, key risk indicators, and operational assurance frameworks. This approach enabled timely decision-making, reinforced accountability, and safeguarded the Company's reputation, which is built on clarity in product terms, fairness in claims settlement, and responsiveness in service delivery. The Board also prioritised safeguarding the Company's reputation, recognising that trust in insurance is built through consistency: clarity in product terms, fairness in claims settlement, and responsiveness in customer service. These principles will guide our governance posture and oversight priorities as the market evolves.

Future Outlook

Looking ahead, regulatory reforms and evolving customer expectations will likely shape the Kenyan insurance market. While macroeconomic conditions are projected to be

broadly stable, continued fiscal consolidation and external uncertainties will influence household spending patterns and business investment decisions. At the same time, ongoing efforts to strengthen financial inclusion, expand digital infrastructure, and improve regulatory frameworks are expected to support gradual expansion of insurance participation over the medium term. These developments present both opportunities and responsibilities for insurers operating in the market. The Board will ensure that AAR Insurance Kenya continues to pursue measured, market-responsive growth, supporting the Executive leadership in executing strategies that safeguard policyholder interests, enhance institutional stability, and strengthen the Company's competitive position.

Appreciation

I would like to express my sincere appreciation to the Board of Directors for their unwavering strategic guidance and oversight, and to the management team and all staff members for their dedication and commitment to a high performance culture. The collective efforts of both the Board and Management have been instrumental in translating our strategic ambitions into real, measurable results.

To our shareholders, regulators, customers, and partners; thank you for your continued support and confidence. Together, we look forward to another year of strong performance, resilience, and shared value.

Esther Koimett, CBS

AIK Board Chairperson

CEO AND PRINCIPAL OFFICER STATEMENT



Strategy Execution: From Blueprint to Market Leadership

The 2025 financial year has been a definitive turning point for AAR Insurance as we successfully transitioned from a period of strategic consolidation into one of accelerated, high-octane market performance. Following our 40th anniversary milestone in 2024, we entered 2025 with a clear mandate: to prove that a digital first, purpose-led insurance model is the most resilient engine of growth in East Africa. I am proud to report that our focus on disciplined strategy execution has not only fortified our market leadership but has delivered a year of record-breaking results, 15% year on year growth in Gross Written Premiums that fundamentally redefine our relationship with our stakeholders.

A stabilising yet complex regional economy underpinned our success in 2025. In Kenya, GDP growth reached approximately 5.0%, supported by a robust agricultural recovery and steady remittance inflows. Most notably, Kenya's annual inflation eased to 4.5%, down significantly from the 2024 highs, thereby increasing household disposable income and stimulating consumer spending on essential services such as healthcare and insurance. Simultaneously, Uganda's economy demonstrated resilience with a 6.3% growth rate, largely driven by infrastructure investments.

These macroeconomic tailwinds, coupled with a 5.5% appreciation of the Kenyan Shilling against the US Dollar, provided the springboard for our historic growth, characterised by a substantial expansion of our insurance revenue and the further fortification of our capital base, achieving a 15% growth in our customer base, a monumental leap from the 0.1% growth seen in 2024.

Performance and Transformation: Operational Wins

Our strategic evolution in 2025 was defined by a significant expansion of both our market presence and regional footprint, marking our successful transition into a comprehensive, multi-line insurer across East Africa. AAR Health Services Uganda reached a pivotal turning point when it received its official license from the Insurance Regulatory Authority (IRA) to operate as a General Insurance Company, subsequently rebranding to AAR General Insurance Uganda Limited.

This transition from a renowned medical provider to a full-suite non-life insurer mirrors the strategic momentum we have established in Kenya, where we have also diversified our portfolio to include private motor insurance and tailored retail solutions. By expanding our capabilities in both markets to offer motor, home, and travel insurance, we have significantly broadened our regional footprint, allowing us to protect both the health and the wealth of our customers across the region. This momentum is clearly reflected in our operational metrics: our active insurance policies in force grew by 7% in 2024, catalysed by the introduction of five new products and enhancements. Simultaneously, our health impact deepened as we scaled to cover 186,000 active members, a 15% year on year increase, providing them with critical access to a robust network of 1,964 healthcare facilities across all 47 counties, ensuring that quality protection is accessible and reliable.

Operational Excellence: The Agile Transition

The impressive results of the past year are the direct outcome of a transition to an agile mindset. We improved our Group-wide ability to react to regulatory shifts, such as the Insurance Professionals Act 2025, and evolving consumer behaviours. This landmark Act has set

a new foundation for the industry, and AAR Insurance is leading the way in compliance and advocacy.

This internal shift required deep structural changes that embedded efficiency into our corporate DNA. This is best reflected in our improved operational footprint; we have successfully integrated ESG targets into our staff's Balanced Scorecards, making environmental and social impact a shared performance metric. This ensures that as we grow in scale, we remain strategic in execution and unwavering in our commitment to ethical stewardship.

Furthermore, our commitment to our people is reflected in our robust learning culture, with our teams alone clocking learning hours on our digital platforms. We also prioritised employee well-being, recruiting 80 OSHA champions and conducting extensive training in fire safety and occupational health to ensure a safe, high-performing workspace.

We also conducted AI workshops for our managers and executives to ensure our leadership is prepared to navigate an increasingly tech-driven industry while safeguarding our digital expansion, strengthening our data privacy and cybersecurity posture across the Group.

In 2025, AAR Insurance's pursuit of excellence was validated by sweeping prestigious industry awards. At the Think Business Insurance Awards, we reinforced our market leadership by securing 1st Runners-Up for General Insurance of the Year, Claims Settlement, Group Medical Business, and Most Customer-Centric Underwriter, while also being named 2nd Runners-Up for Medical Underwriter of the Year – Personal.

Our commitment to governance and digital evolution earned 2nd Runner-Up status at the Financial Reporting (FiRe) Awards in the Insurance category, while Group CFO Hosea Kiprop received the Finance and Technology Award at the CFO Awards for merging fiscal discipline with our digital agenda. Furthermore, our people-first culture was recognised as 1st Runners-Up for the Best Workplace Wellness Programme at the HR Awards Kenya 2025. These accolades underscore our success in balancing superior service delivery with ethical stewardship.

Looking Ahead: A Vision for 2026

Our 2026 outlook is clear: we will establish AAR Insurance as a partner that is meaningful in both planned and unplanned moments and distinct through our innovative, well-diversified portfolio. We are repositioning AAR as an emotionally resonant brand, particularly among younger and mid-tier audiences, ensuring we are the companion for chosen milestones and the protector against unplanned ones.

We will also continue to leverage our Cloud-first infrastructure and advanced digital tools, including AI, data analytics and robotics, to simplify insurance for every household and increase uptake across the region.

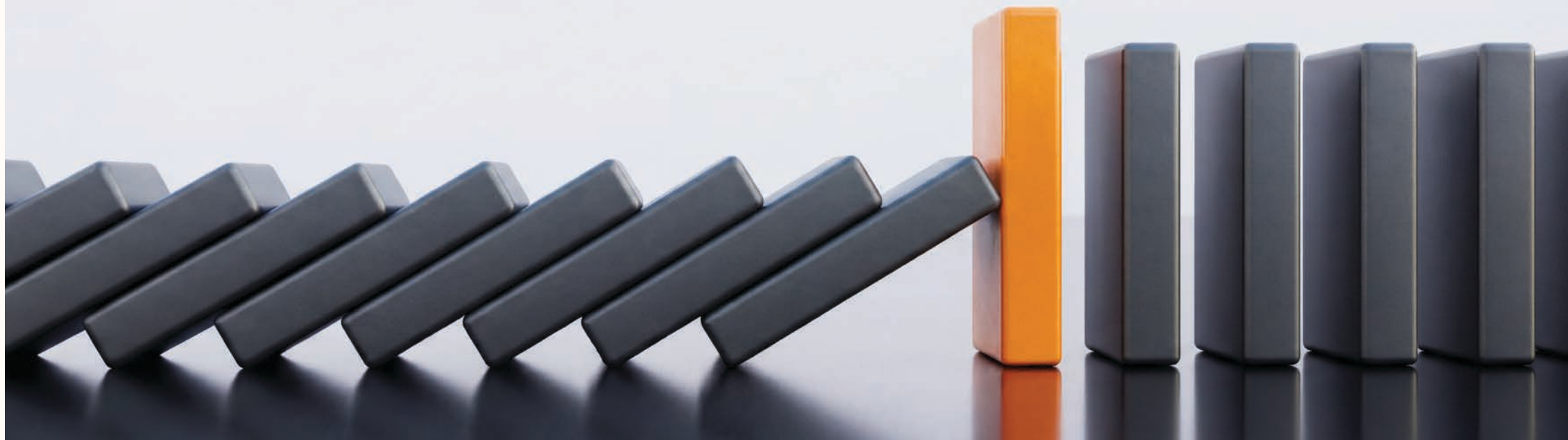
Appreciation

I extend my deepest gratitude to our Board of Directors for their guidance, our staff for their dedication to this agile shift, and our members for their continued trust. AAR Insurance is no longer just an insurer; we are a technology-driven partner in our members' journeys toward health, financial security, and total control.

Justine Kosgei

CEO and Principal Officer

OUR GOVERNANCE STRUCTURE



AAR Insurance is committed to upholding the highest standards of corporate governance and ethical business conduct, recognising that strong governance is fundamental to sustainable growth, regulatory compliance and stakeholder confidence. The group's governance framework provides the foundation for ethical leadership, effective oversight and accountability across its operations in Kenya and Uganda.

Governance disclosures are presented at group level, reflecting harmonised governance structures, policies and practices across both jurisdictions. The group operates within a comprehensive regulatory framework and complies with applicable laws and regulations, including the Companies Act, the Insurance Act and guidelines issued by relevant insurance regulatory authorities in the markets in which it operates. Governance practices are regularly reviewed to ensure alignment with regulatory expectations and evolving best practices.

Code of Corporate Practice and Conduct

AAR Insurance is committed to the principles of effective corporate governance and ethical conduct. The Board is of the opinion that the company continues to comply with the principles of good corporate governance and business ethics during the reporting period.

The Company's code of corporate practice and conduct set out the standards of behaviour expected of directors, management and employees. The code promotes integrity, transparency, accountability and responsible decision making, and applies across all operations in Kenya and Uganda. Compliance with the code is reinforced through internal policies, procedures and training programs, supporting a culture of ethical conduct and regulatory compliance.

BOARD STRUCTURE AND COMPOSITION

The Board of AAR Insurance is optimally constituted in line with the articles of association and applicable regulatory requirements. It provides strategic leadership and oversight, and takes overall responsibility for the Group, including the identification and monitoring of key risks, approval of significant financial and investment decisions, and evaluation of management performance against approved budgets and business plans.

The Board is chaired by a non-executive director with no executive responsibilities, ensuring independence of leadership and effective separation of roles. The Board comprises a diverse mix of executive, non-executive and independent directors who bring a broad range of skills, experience and perspectives necessary to support the Group's long-term sustainability.

The Board delegates the day-to-day management of the Group to executive management, while retaining responsibility for oversight and accountability. Directors have access to the company secretary and may seek independent professional advice where necessary to discharge their duties effectively.

Board Composition of AAR Insurance Holdings

At Group level, Board composition reflects a strong commitment to diversity and independence. During the reporting period, the board comprised 50% female representation and 60% independent non-

executive directors, supporting objective judgement and robust challenge of management.

Directors bring experience across insurance, healthcare, finance, investment management, risk management, audit, legal, regulatory and human capital disciplines. The Board meets at least four times annually, with additional meetings convened as required to address strategic or governance matters.

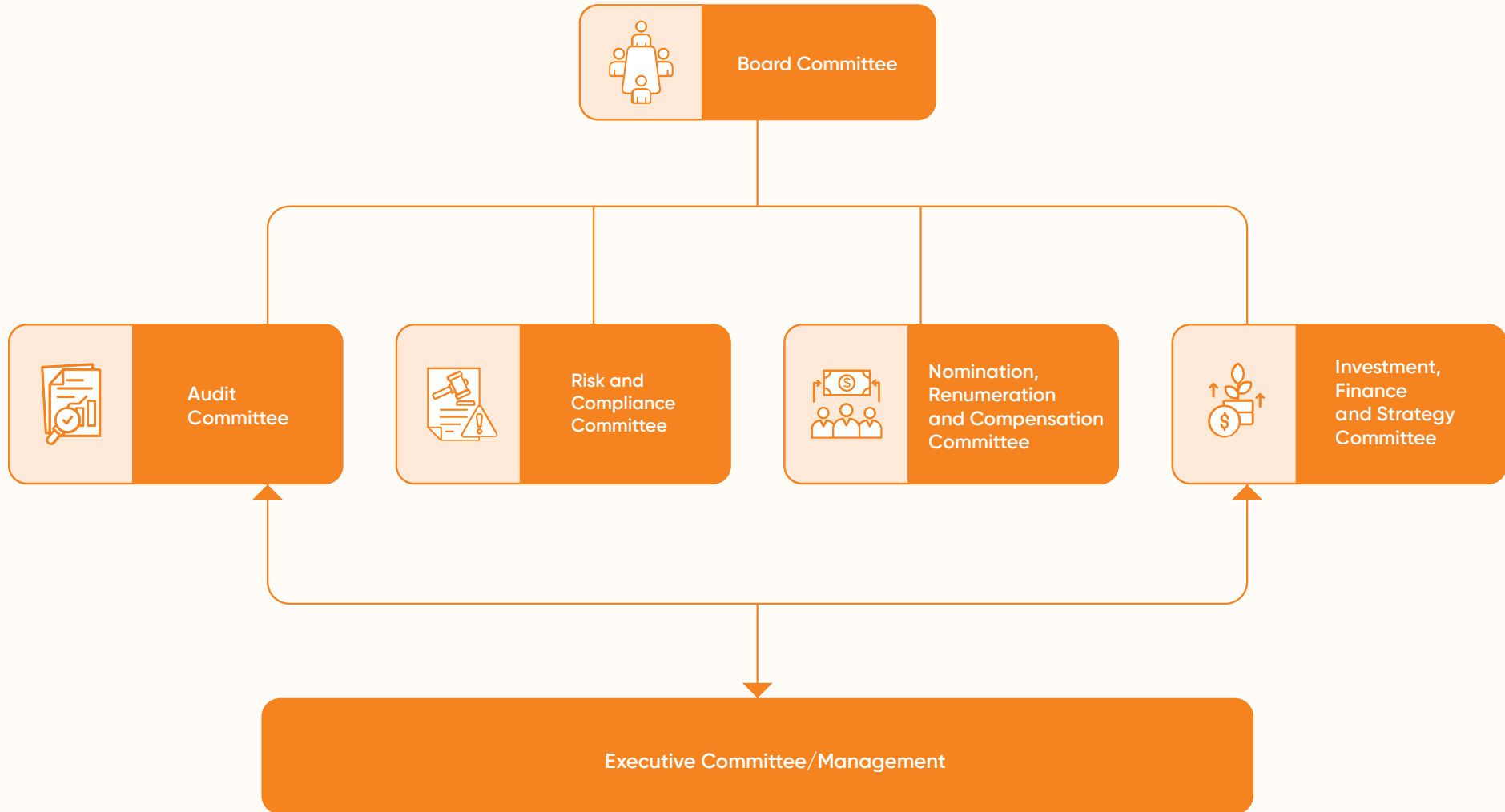
Board Structure of AAR Insurance Kenya

The Board of AAR Insurance Kenya is responsible for overseeing the strategic direction, financial performance, risk management and regulatory compliance of the Kenyan operations. The Board meets regularly to review business performance, operational matters, risk exposures, and strategic initiatives.

The Board is supported by a committee structure that provides focused oversight in key areas including audit, risk and compliance, investment and strategy, and remuneration. This structure enhances governance effectiveness and supports informed decision making.



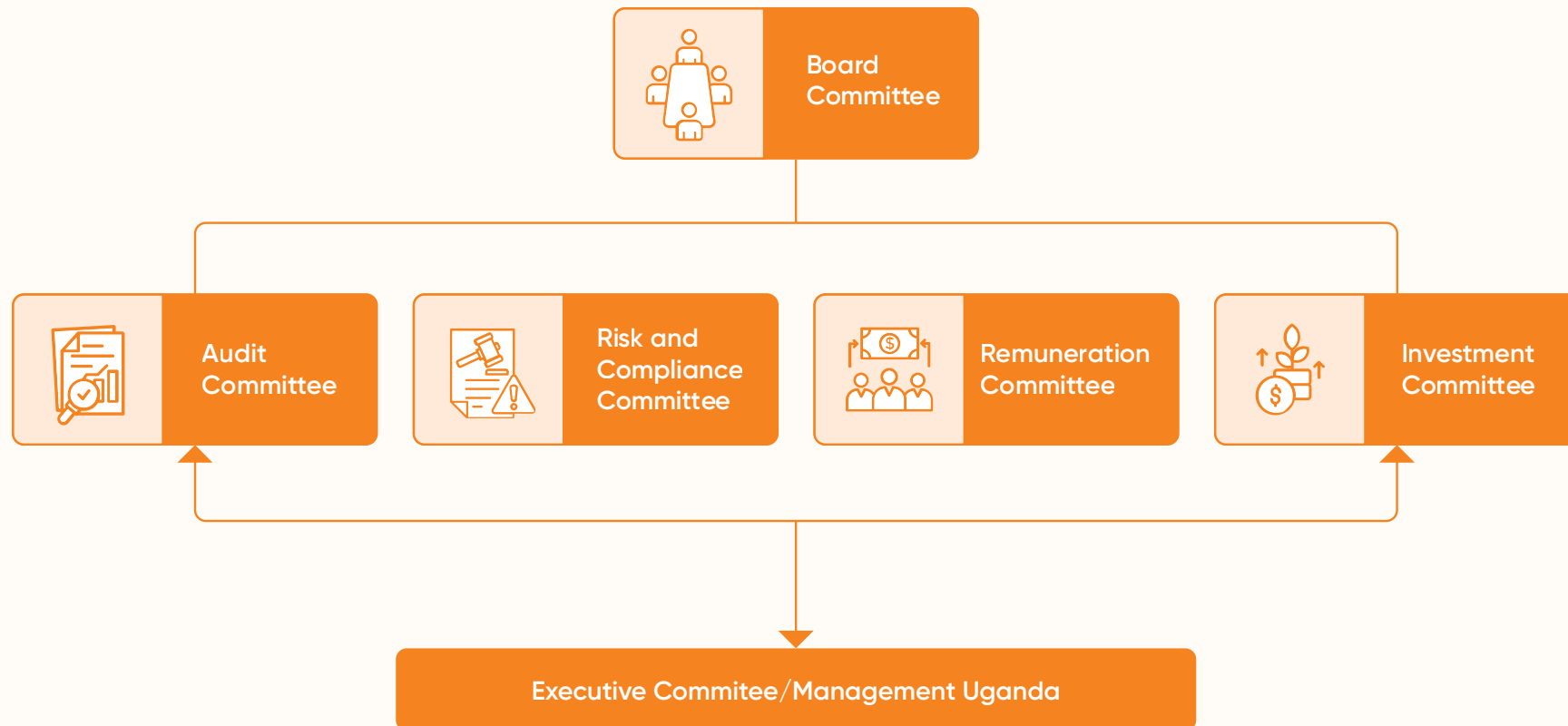
AAR INSURANCE KENYA - BOARD STRUCTURE



BOARD STRUCTURE OF AAR GENERAL INSURANCE UGANDA

The Board of AAR General Insurance Uganda provides oversight of the Group's operations in the country, ensures strategy alignment and compliance with local regulatory requirements. During the reporting period, the Board met four times, with full attendance recorded, demonstrating strong commitment to governance responsibilities.

The Board oversees management performance, risk management, regulatory compliance and strategic execution, supported by appropriate committee structures.



Appointment and Governance Process

The appointment of directors follows a structured, transparent, and merit-based process overseen by the nomination, remuneration, and compensation committee. The committee is responsible for identifying, evaluating and recommending candidates for appointment to the board, based on integrity, competence, experience, and alignment with the Group's strategic objectives.

Board composition is reviewed periodically to ensure an appropriate balance of skills, experience, independence and diversity, in line with regulatory requirements and corporate governance best practice. All appointments are subject to Board approval.

Board Training and Development

AAR Insurance is committed to ensuring that directors are adequately equipped to discharge their responsibilities effectively. Newly appointed directors undergo structured induction programs that introduce them to the Group's strategy, governance framework, policies, and operating environment.

During the reporting period, board members undertook an average of 1.5 hours of targeted training in Uganda, focusing on governance, risk management, audit, compliance, and regulatory developments. Ongoing training and development support continuous improvement, informed decision making, and effective oversight. Succession planning remains a key focus to ensure continuity of leadership and alignment with the Group's long-term objectives.

Performance Evaluation and Accountability

The Group maintains a robust performance evaluation framework to assess the effectiveness of the Board, its committees, and individual directors. Annual evaluations include structured self-assessments and reviews of Committee performance. The outcomes of these evaluations inform governance enhancements, skills development initiatives, and succession

planning. This process supports accountability, continuous improvement, and the maintenance of high governance standards across the Group.

Directors' Remuneration

Directors' remuneration is governed by a formal and transparent policy overseen by the nomination, remuneration, and compensation committee. The policy is designed to attract and retain individuals of appropriate caliber while aligning remuneration with the Group's financial performance, risk management objectives, and long-term strategy.

Non-executive directors receive remuneration that reflects their responsibilities and time commitment, while executive directors' remuneration incorporates performance-based elements. In line with the Group's commitment to fairness and collective responsibility, board members are remunerated equally, supporting independence of judgement and alignment with stakeholder interests.

Risk and Compliance Oversight

The Board plays a central role in overseeing risk management and regulatory compliance across the Group. Risk management is integrated into decision-making processes and aligned with the Group's enterprise risk management framework.

Across Kenya and Uganda, 10 key risks were identified and monitored in Uganda and 9 risks in Kenya during the reporting period, covering strategic, operational, financial, regulatory and sustainability-related risks. The risk and compliance committee supports the Board by reviewing the Group's risk profile, compliance with laws and regulations, and the effectiveness of risk mitigation measures.

Regular reporting enables proactive identification and management of emerging risks, safeguarding the Group's financial health, operational resilience, and reputation.

Reporting and Stakeholder Engagement

AAR Insurance is committed to transparency and effective stakeholder engagement. Financial and integrated reports are published within regulatory timelines, and stakeholders are kept informed through structured communication channels.

The Board reviews performance, governance and risk matters on a quarterly basis, ensuring alignment between strategy, performance and stakeholder expectations. Open communication supports accountability, trust, and long-term stakeholder relationships.

Strategic Leadership and Future Focus

The Group's governance framework is designed to support strategic execution, sustainable growth, and long-term value creation. The board continues to enhance governance practices to ensure ethical leadership, effective oversight, and resilience in a dynamic operating environment.

Looking ahead, the Group remains committed to strengthening governance structures, supporting innovation, and fostering a culture of accountability and continuous improvement across its operations in Kenya and Uganda.

GROUP CHIEF FINANCIAL OFFICER REFLECTIONS



Regulated by the Insurance Regulatory Authority

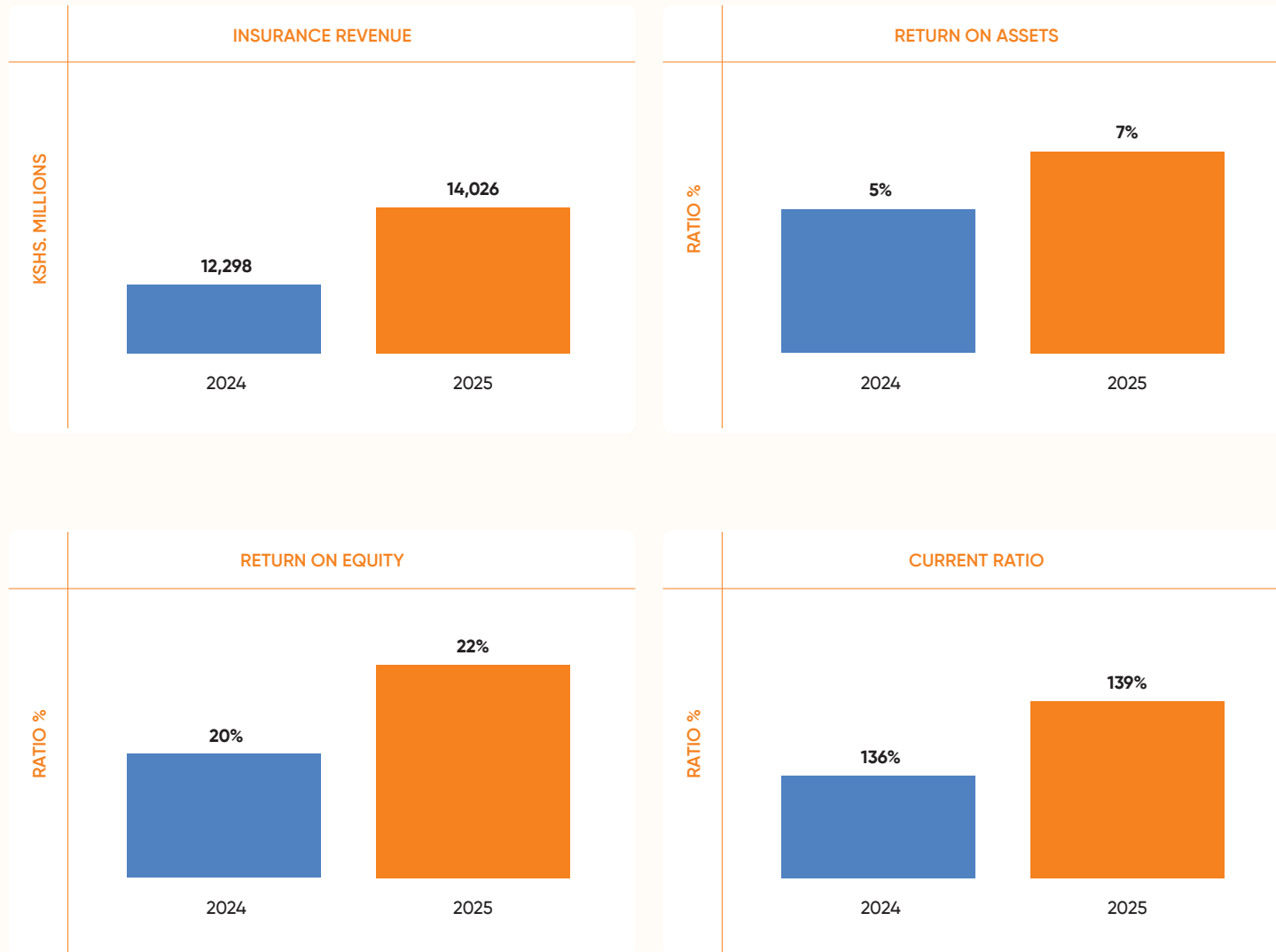
- The Shs. 1.73 billion increase in insurance revenue to Shs. 14.03 billion was driven by robust business retention and the successful execution of our digital-first SME and retail growth strategies.
- The Group's profitability grew by 48% to Shs. 599 million, underpinned by enhanced operational efficiencies and a disciplined management of our insurance service expenses.
- The Capital Adequacy Ratio (CAR) for AAR Insurance Kenya strengthened to 167%, while AAR General Insurance Uganda maintained a stellar position at 204%.
- The Return on Equity (ROE) rose to 22%, reflecting our commitment to delivering superior value to our shareholders through optimised capital allocation.
- The Group's total assets grew to Shs. 9.5 billion, supported by a 16.3% growth in overall investment portfolio and a strategic Shs. 4.7 billion investment portfolios in government securities.

The 2025 financial year was a period of deliberate transition from resilience to accelerated performance, characterised by strategic discipline and operational agility. Despite a complex macroeconomic landscape, the Group was steadfast in its commitment to fiscal health and the successful integration of our digital and ESG leadership goals.

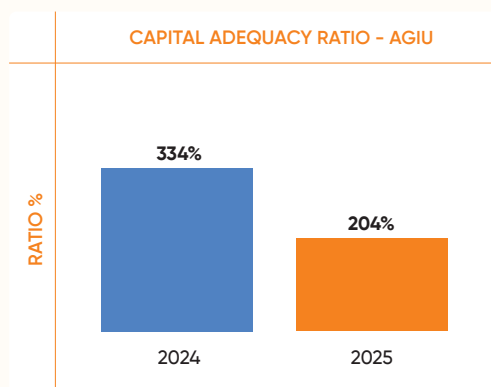
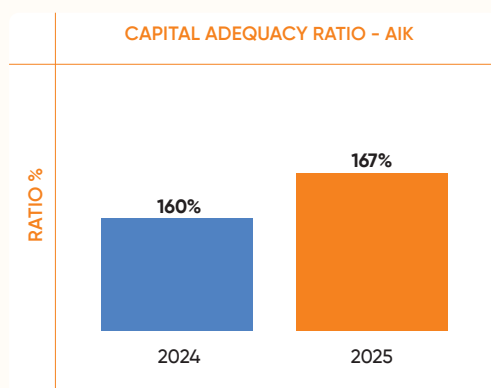
Revenue Growth

In 2025, the Group's insurance revenue increased to Shs. 14.03 billion, a 14% increase from the previous year. A strong contribution from our corporate portfolio and the successful rollout of our retail expansion strategy further bolstered this growth. Our focus on product innovation has allowed us to maintain market leadership while expanding our reach across diverse income segments.

Our commitment to operational excellence translated into a significant surge in profitability. Profit After Tax (PAT) grew by 48.2% to Shs. 599 million, a substantial leap from the Shs. 404 million reported in the previous year. This performance was supported by a disciplined focus on efficiency and on managing our insurance service expenses.



Maintaining a robust capital position remains a top priority to ensure we can meet our long-term obligations to policyholders. The Group's fiscal health is evidenced by a Capital Adequacy Ratio (CAR) of 167% for the Kenya business, continuing a consistent upward trend from 160% in 2024 and 118% in 2023. Similarly, our regional subsidiaries demonstrate exceptional strength, with AAR General Insurance Uganda reporting a CAR of 204%, well above the regulatory threshold.



Operating Costs

Operating expenses were strictly managed, with our Kenya operations achieving a 12% reduction in administrative costs. By automating high-volume workflows, we maintained a disciplined Insurance Service Ratio of 95%. This approach ensured that our top-line growth translated into a 48.2% increase in Profit After Tax, which rose to Shs. 599 million.

This significant growth was driven primarily by our customer-centric strategy, which led to strong business retention. Our deliberate emphasis on product innovation, including the launch of a new branch, 'AAR on the Go,' at ABSA Towers, is designed to deliver fast, convenient, and tech-enabled insurance services to urban customers and small and medium-sized enterprises (SMEs). Strategic partnerships and increased intermediary activity further contributed to the success.

Capital Expenditure

During the year under review, AAR Insurance accelerated its investment in the structural and digital assets required to support a modern, agile insurance framework. The total capital expenditure of Shs. 130.6 million was directed toward two primary pillars: technological integration and infrastructure optimisation. Of this, Shs. 82.3 million was dedicated to high-grade

digital infrastructure, computer equipment, and software. This investment moved the Group beyond simple automation toward a paperless environment that significantly reduces the friction traditionally associated with insurance onboarding and claims. This technical depth enables real-time data processing and a more responsive service model, both of which are essential for managing a growing base of over 250,000 customers.

The remaining Shs. 48.3 million was used to expand the physical and digital service network, including furniture, fittings, and motor vehicles, to support the launch of the AAR on the Go smart branch in Nairobi's CBD. This expenditure represents a strategic blend of capital investment and market accessibility, deploying a tech-enabled 'hub' designed to serve the SME sector with speed and precision. These investments in hardware, digital platforms, and strategic branch locations are the building blocks of a resilient operational model. They enable scaling retail offerings while ensuring every touchpoint delivers a seamless experience across high-, middle-, and low-income segments. By investing now, the Group de-risks future growth and ensures that systems can handle increased transaction volumes without a linear increase in costs.

Our 2026 Outlook

Our 2026 outlook is guided by our strategic priority pillars, which are deeply rooted in innovation and customer efficiency. These pillars are further strengthened by ESG integration, specifically by our transition to IFRS S1 and S2, which aim to foster sustainable growth while ensuring consistent profitability.

ESG Leadership: Driving Sustainability and Impact

The sustainability narrative has shifted from policy development to measurable recognition, as evidenced by AAR Insurance being honoured with the Sustainable Economic Development Advocate Award at the 2025 Kenya ESG Awards.

Our overarching ESG strategy is built on the principle that ecological restoration must deliver tangible social and economic dividends. Through the flagship "A Tree A Life" initiative, we have developed a disciplined ecosystem restoration model. By the end of this reporting period, we successfully planted over 95,000 trees across Kenya and Uganda, primarily learning institutions and nationally significant landscapes such as the Mau Forest.

This scale was achieved through a rigorous aftercare and monitoring framework, resulting in an exceptional 93% survival rate.

The program acts as a vital economic engine, generating 719 paid jobs and prioritising the inclusion of women and youth in site preparation and maintenance. By engaging local nurseries and community forest associations, we ensure that our environmental capital supports localised economic circulation.

Resource Optimisation: Efficiency and Innovation

Internally, our commitment to the Green Office philosophy has transformed our operational footprint. Additionally, resource optimisation at AAR Insurance is centred on strategic capital allocation and the extraction of efficiencies through digital transformation. Our pursuit of digital-first operations has yielded immediate environmental and fiscal dividends.

To ensure sustainability is woven into our corporate DNA, we have successfully embedded ESG targets into staff Balanced Scorecards (BSCs), making environmental and social impact a shared performance metric for every employee.

On the governance front, we have adopted the IFRS S1 and S2 standards. By adopting these global benchmarks, we ensure our sustainability disclosures meet the same standards of rigour and transparency as our financial reporting.

This integrated approach to governance fosters long-term trust with our stakeholders and reinforces our commitment to ethical business practices across our entire supply chain. As we look ahead, we remain focused on delivering community-anchored outcomes that protect both the planet and our shareholders' long-term interests, ensuring we make positive contributions to our collective future.

Hosea Kiprop
Group CFO

Financial Highlights

Shs 000'	Income Statement - Shs	
	2024	2025
Insurance Revenue	12,298	14,026
Insurance Service Expense	11,465	13,292
Profit Before Tax	595	772
PAT	404	599

Ratios	Indicative Ratio	
	2024	2025
Insurance Expense Ratio	93.2%	95.0%
Operating Expense Ratio	6.9%	5.6%
PBT Margin	4.8%	5.5%
CAR	160%	167%
Return on Assets	4.9%	6.8%
Return on Equity	18.5%	22.1%
Current Ratio	136%	139%
Earnings Per Share	2.0	2.9
Commission Ratio	10%	11%
CAR-UG	334%	204%

Balance Sheet	SOFP - Shs M'	
	2024	2025
Total Assets	8,162	9,499
Total Equity	2,179	2,711
Dividends paid		70

EPS	2024	2025
Total profit and other comprehensive Income for the year	404,016,000	598,634,000
Total Number of shares	203,525,314	203,525,314
Earnings per share	2.0	2.9
Dividend per share		0.34

BOARD OF DIRECTORS - AAR INSURANCE KENYA LTD



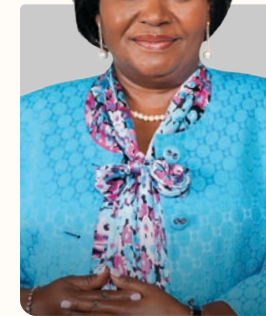
ESTHER KOIMETT, CBS
Board Chairperson



ONNO SCHELLEKENS
Director



WASSILI DIAGOS
Director



BEATRICE SOY
Director



JONES NZOMO
Director



MENKA SHAH
Director



PATRICIA KIWANUKA
Director



ELINE BLAAUBOER
Alternate Director



JUSTINE KOSGEI
CEO and Principal
Officer

BOARD OF DIRECTORS - AAR GENERAL INSURANCE UGANDA LTD



DR. ALAN SHONUBI
Board Chairperson



JIM SEMATIMBA
Director



CHRISTINE NASSUNA
Managing Director



BRIGITTE KUSIIMA
Director



JUSTINE KOSGEI
CEO and Principal Officer

EXECUTIVE COMMITTEE - AAR INSURANCE KENYA LTD



JUSTINE KOSGEI
CEO and Principal Officer



CHRISTINE NASSUNA
Managing Director
AAR General Insurance
Uganda



HOSEA KIPROP
Group Chief Finance
Officer



MOHAMMED SSEBAALE
Chief Operating Officer
AAR General Insurance
Uganda



JAMES KAMAU
Group Head of
Distribution



GRACEANNE KAMAU
Group Head of Risk
and Compliance



EUGENE SANYA
Group Head of
Technology



SHEILA OWITI
Group Head of
Brand Marketing and
Communication



CALEB MAINA
Group Head of
Internal Audit



GRACE MATHU
Manager
People and Culture



Insurance
You're in control

Maisha
INAWEZ AAR

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partner.

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GROUP BOARD CHAIRPERSON STATEMENT

Dear Shareholder,

This past year reflects the dividends of disciplined leadership and a shared commitment to long-term value creation, with 2025 marking a period during which the Group strengthened the structural foundations that will define its growth over the next decade. On behalf of the Group's Board, I extend my appreciation to all our stakeholders, whose partnership serves as the bedrock upon which we are building a more resilient, technology-led institution.

Looking ahead, the Board's mandate is clear: to architect an organisation where ethical governance converges with digital scale, transforming AAR Insurance from a traditional insurer into a technology-enabled health and wealth partner that is fully prepared to serve a regional market demanding transparency, agility, and consistently high standards of delivery.

AAR Insurance's journey has been shaped by resilience, adaptability, and a deep sense of responsibility to the communities we serve. Over time, we have evolved to meet changing customer expectations, respond to regulatory developments, and sustain performance through shifting economic cycles, all while embracing technological progress, adapting to new service and transparency standards, and remaining anchored in the principles that have guided us since inception. As the Group looks to the next decade, the Board is committed to building an institution defined by its digital scale and ethical resilience, executing the AAR 3.0 strategy in a manner that ensures the Group possesses both the technological capability and governance depth required to deliver consistent and enduring value to stakeholders across an increasingly dynamic regional market.

Stewardship, Governance, and Institutional Resilience

In 2025, the Board provided clear strategic direction and effective governance, strengthening systems and risk management frameworks to ensure the Group is resilient against emerging systemic risks, including those related to climate, cybersecurity, and regulatory change. The committee structure, encompassing Audit, Finance and Strategy, Risk and Compliance, and Nomination and Remuneration, played a central role in monitoring compliance and reinforcing accountability, while investments in governance infrastructure enhanced the depth, timeliness, and accuracy of management reporting, enabling more informed, data-driven decision making at the Board level.

To support the AAR 3.0 digital transformation, systemic risk intelligence was integrated into the governance framework, providing oversight that targets the intersection of climate resilience, cybersecurity, and regulatory fluidity, and strengthening the alignment between Board level strategy and frontline execution. These enhancements ensure that as the Group scales digitally, growth is anchored in disciplined stewardship and institutional strength, while simultaneously reinforcing cohesion between strategic intent and operational delivery, allowing the Group to navigate emerging risks effectively and advance its technology-led transformation.

Building Scale through Strategic Partnerships

We operate in an increasingly interconnected and technology enabled environment where partnerships play a central role in strengthening access, relevance, and resilience. In 2025, we continued to deepen collaborations that enhance distribution capability, improve customer experience, and strengthen institutional resilience.

Supporting micro, small, and medium-sized enterprises is a strategic priority. Through our continued partnership with SNDBX, we strengthened our SME servicing capabilities and reinforced our

commitment to helping enterprises manage risk, protect their operations, and grow sustainably. This partnership continues to support enterprise development and expand access to tailored insurance solutions.

Through our collaboration with WYLDE International, we have engaged in high-impact forums to support and empower SMEs. The Discover and Link Business Association Breakfast Networking Session provided an opportunity to share practical guidance, strategic frameworks, and essential resources with SME communities. These engagements highlighted key barriers for SMEs, including fear of failure and the complexity of strategic planning, and reinforced the importance of collaborative partnerships that align stakeholders around entrepreneurs. Through such initiatives, we strengthen the knowledge, tools, and networks that enable SMEs to build sustainable businesses.

At the regional and international level, our partnership with Cigna Healthcare is a key pillar of our differentiated medical offering. This collaboration continues to expand access to international medical insurance solutions, supported by extensive provider networks and strong service standards, strengthening our value proposition for corporate and globally mobile clients.

We also sustained partnerships that support service excellence. Through continued collaboration with key stakeholders, we strengthened claims processing efficiency and advanced paperless workflows, improving turnaround times. Our digital sales platform, MyWAKALAAR, continued to enhance agent productivity and customer engagement, reinforcing distribution capability across markets.

Shared Value

Our commitment to shared value is rooted in the belief that business success must be accompanied by positive social and environmental impact. In 2025, the Board continued to guide the integration of Environmental, Social, and Governance considerations into strategic planning, enterprise risk management, and investment governance.

Climate-related risk is a key priority. We strengthened climate risk assessment and monitoring processes, ensuring alignment with regulatory expectations and international best practice. We also continued to enhance sustainability reporting and governance structures to support accountability and transparency.

Environmental impact is central to our purpose. Through initiatives such as A Tree, A Life, we continued to contribute to environmental conservation, healthcare access, and community resilience. These initiatives reinforce trust and reflect our long-term commitment to shared prosperity. By planting 55,000 new trees this year, we are actively decoupling AAR Insurance's growth from environmental degradation. These efforts reinforce stakeholder trust and ensure that our journey toward shared prosperity contributes directly to a more climate-resilient Kenyan economy.

Looking Ahead

As we look to the future, the Board will continue building an institution defined by governance excellence, disciplined regional growth, and partnerships that expand access and strengthen competitiveness. We will continue to support investments that modernise systems, strengthen data and analytics capabilities, and enhance organisational agility.

We are confident in the direction we have set. The Board will continue to provide steady oversight, ensuring that growth is pursued responsibly, risks are proactively managed, and shareholder value is consistently safeguarded.

Our long-term ambition is to build an organisation that combines financial strength with ethical leadership, innovation with accountability, and growth with resilience.

Appreciation

To our stakeholders, your trust in our leadership and continued support are vital to our progress. We are grateful for your partnership and the role you play in strengthening the Group's long-term journey.

To our management team and employees, I extend my appreciation for your dedication, discipline, and professionalism. Your commitment continues to translate strategy into results and reinforces the institutional strength required for the next phase of growth. We also thank our regulators and partners for their continued engagement and for supporting a stable and enabling environment for sustainable growth. Most importantly, we thank our customers for the confidence you place in us to protect what matters most: your families, your businesses, and your well-being. Your trust keeps us focused, accountable, and resilient.

Thank you for sharing this journey with us.

John Ngumi

Group Board Chairperson

AAR GROUP BOARD



JOHN NGUMI
Group Board Chairperson



ONNO SCHELLEKENS
Director



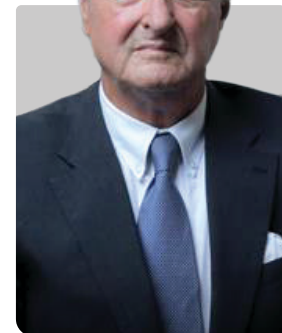
WASSILI DIAGOS
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JAGI GAKUNJU
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MENKA SHAH
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CHRIS WILSON
Director



ELINE BLAAUBOER
Alternate Director



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You're in control

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INAWEZ AAR

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BOARD MEMBERS ATTENDANCE

The Board and its committees meet regularly during the reporting period in accordance with approved annual work plans. Attendance by individual directors demonstrates strong commitment to governance responsibilities.

Details of Board and Committee meetings held during the year, together with attendance records, are presented in the tables that follow:

AHL BOARD MEETINGS 2025							
Name of Director	Designation	Q1 13 th March	Q2 13 th June	Q3 11 th September	Special 28 th October (Joint)	Q4 9 th December	Meetings Attended
John Ngumi	Chairperson	✓	✓	✓	✓	✓	5/5
Onno Schellekens	Member	✓	✓	✓	✓	✓	5/5
Wassili Diagos	Member	✓	✓	✓	✓	✓	5/5
Christopher Wilson	Member	✓	✓	✓	✓	✓	5/5
Jagi Gakunju	Member	✓	✓	✓	✓	✓	5/5

AIHL BOARD MEETINGS 2025							
Name of Director	Designation	Q1 13 th March	Q2 13 th June	Q3 11 th September	Special 28 th October (Joint)	Q4 9 th December	Meetings Attended
John Ngumi	Chairperson	✓	✓	✓	✓	✓	5/5
Onno Schellekens	Member	✓	✓	✓	✓	✓	5/5
Wassili Diagos	Member	✓	✓	✓	✓	✓	5/5
Menka Shah	Member	✓	✓	✓	✓	✓	5/5
Eline Blauboer	Alternate to Menka Shah	✓	✓	✓	✓	✓	5/5

AAR INSURANCE KENYA FULL BOARD

Name of Director	Designation	Special 24 th January	Q1 13 th March	Q2 12 th June	Q3 7 th July	Q3 10 th September	Special 24 th September	Special 28 th October (Joint Meeting)	Q4 8 th December	Special 18 th December	Meetings Attended
Esther Koimett	Chairperson	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9
Patricia Kiwanuka	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9
Menka Shah	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9
Eline Blauboer	Alternate to Menka Shah	✓	✓	✗	✓	✓	✗	✓	✓	✓	7/9
Jones Nzomo	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9
Beatrice Soy	Member	✓	✓	✓	✓	✓	✓	✓	✓	✗	8/9
Wassili Diagos	Member	✗	✓	✓	✓	✗	✓	✓	✓	✗	6/9
Onno Schellekens	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	9/9

AAR GENERAL INSURANCE UGANDA BOARD MEETINGS 2025

Name of Director	Designation	Q1 4 th March	Q2 4 th June	Q3 2 nd September	Q4 3 rd December	Meetings Attended
Dr. Alan Shonubi	Chairperson	✓	✓	✓	✓	4/4
Jim Sematimba	Member	✓	✓	✓	✓	4/4
Brigitte Kusiiima Sendi	Member	✓	✓	✓	✓	4/4
Justine Kosgei	CEO	✓	✓	✓	✓	4/4
Christine Nassuna	MD	✓	✓	✓	✓	4/4

BOARD COMMITTEES

The Board is supported by Committees established to assist in the effective discharge of its responsibilities. Each Committee operates under a Board-approved Charter that sets out its mandate, authority, composition and reporting obligations.

Investment, Finance and Strategy Committee

The Committee assists the Board in fulfilling its financial oversight, investment governance, and strategic direction responsibilities, in line with the Company's long-term sustainability, financial resilience, and regulatory obligations.

The key responsibilities of the Committee include the following:

Investment and Asset and Liability Management Functions

- Lay down and oversee the Company's overall investment policy and operational framework in compliance with the Insurance Act, the Companies Act, and guidelines issued by the Insurance Regulatory Authority (IRA).
- Review and make recommendations to the Board on equity investments, mergers, acquisitions, and divestitures that may have a material impact on the Company's financial position.
- Review the Company's real property holdings and recommend proposals relating to the acquisition, disposal, and leasing of real property.
- Review and make recommendations on dividend policy, issuance of debt and equity securities, and the establishment or amendment of credit facilities.
- Oversee management of the Company's investment policies, investment portfolio, and return on investment,

with a focus on capital preservation, liquidity, and profitability.

- Monitor investment performance and report regularly to the Board.
- Periodically review the Company's interest rate and foreign exchange risk management policies and programs.
- Review the Company's banking relationships to optimise access to banking services while minimising fees and transaction costs.
- Review the Company's tax program and oversee treasury management activities.

Finance Functions

- Monitor and oversee the financial affairs of the Company, including the balance sheet, and provide recommendations on capital management strategies.
- Oversee the Company's capital structure, capital sourcing, and liquidity management.
- Advise the Board on annual budgets, financial planning, internal controls, and accountability policies.
- Propose budgets for Board approval and ensure that approved budgets accurately reflect the Company's strategic objectives, operational needs, revenues, and expenses.
- Review proposed funding initiatives and assess their ongoing financial implications.
- Review and make recommendations to the Board on the Company's quarterly and annual financial statements.

- Monitor income and expenditure against approved projections.

- Ensure that accurate and complete financial records are maintained and submitted to the Insurance Regulatory Authority and other relevant authorities in accordance with applicable regulations.

Strategy Functions

- Oversee the development and implementation of the Company's strategy to ensure alignment with its mandate, sustainable development objectives, and long-term strategic positioning.
- Ensure that a strategy implementation plan is developed, embedded within the organisation, and adhered to by management.
- Receive and review quarterly Strategy Implementation Monitoring and Evaluation reports from Management, including progress against milestones and timelines.
- Consider and make recommendations to the Board on new strategic initiatives, partnerships, and alliances that support the Company's long-term growth.
- Review emerging trends and significant changes in the operating environment, identifying associated risks and opportunities.
- Monitor stakeholder concerns relating to the Company's business and strategic direction.
- Formulate and review the Company's goals, mission, and vision to ensure continued relevance and alignment with strategic priorities.
- Present strategic plans to the Board for approval and provide regular updates on the progress of strategic initiatives.

The Board members who served the Committee and meetings attendance as of December 2025 are detailed below:

AIK INVESTMENT FINANCE AND STRATEGY COMMITTEE								
Name of Director	Designation	Q1 11th March	Q2 10th June	Special 1st July	Q3 5th September	Special 19th September	Q4 2nd December	Meetings Attended
Jones Nzomo	Chairperson	✓	✓	✓	✓	✓	✓	6/6
Patricia Kiwanuka	Member	✓	✓	✓	✓	✓	✓	6/6
Menka Shah	Member	✓	✓	✗	✓	✓	✓	5/6
Eline Blaauboer	Alternate to Menka Shah	✗	✗	✓	✗	✓	✗	2/6

AGIU INVESTMENT COMMITTEE						
Name of Director	Designation	Q1 27th February	Q2 28th May	Q3 27th August	Q4 26th November	Meetings Attended
Jim Sematimba	Chairperson	✓	✓	✓	✓	4/4
Christine Nassuna	MD	✓	✓	✓	✓	4/4
Justine Kosgei	CEO	✓	✓	✓	✓	4/4

NOMINATION, REMUNERATION AND COMPENSATION COMMITTEE

The Nomination, Remuneration and Compensation Committee (NRCC) is a standing committee of the Board established to support the Board in matters relating to Board composition, leadership succession, remuneration, and human resource governance. The Committee operates under authority delegated by the Board and in accordance with the Company's governance framework, applicable laws, and regulatory guidelines.

The Committee's key responsibilities are outlined below:

Nomination Functions

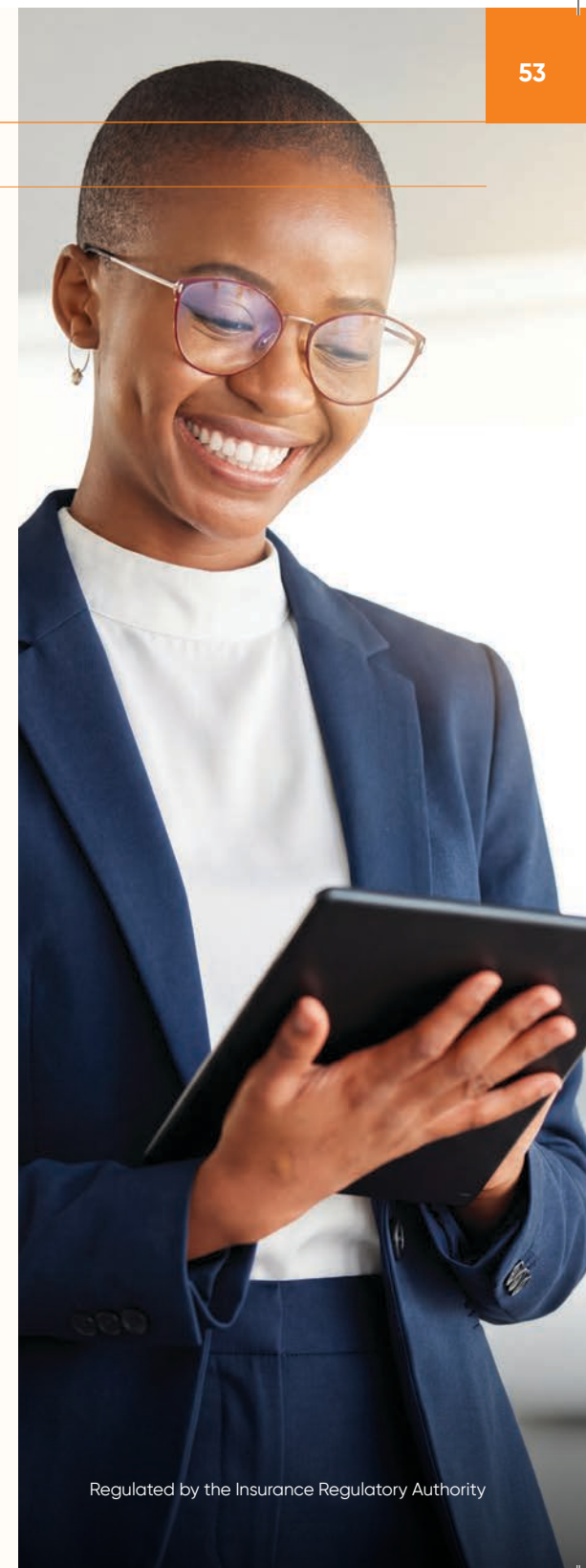
- Make recommendations to the Board on its size, composition, balance of skills, independence, diversity, and tenure of directors.
- Lead a formal, rigorous, and transparent process for identifying, evaluating, and recommending candidates for appointment as executive and non-executive directors, based on merit and objective criteria.
- Review and make recommendations to the Board on Board members' compensation.
- Establish mechanisms for the formal assessment of the effectiveness of the Board as a whole, individual directors, Board committees, and the performance of the Principal Officer and Chief Executive Officer.
- Recommend to the Board for the removal of the Chief Executive Officer or senior management where performance, conduct, or effectiveness is unsatisfactory.
- Ensure that all directors receive appropriate induction and ongoing training to support effective discharge of their responsibilities.
- Oversee succession planning and leadership development for directors, the Chief Executive Officer, and senior management, considering current and emerging business challenges.

- Make recommendations to the Board regarding renewal of terms of office for non-executive directors and the continuation or cessation of directorships.

- Establish and monitor policies governing the appointment of executive directors to non-executive positions in other organisations.

Remuneration and Compensation Functions

- Determine and review the Company's overall remuneration policy for non-executive directors, executive directors, and senior management.
- Determine specific remuneration packages for executive directors, including basic salary, benefits, performance-based incentives, bonuses, pensions, and other benefits.
- Establish performance criteria for executive directors and senior management and ensure remuneration outcomes are aligned with performance.
- Ensure remuneration practices are fair, responsible, and aligned with individual and collective performance, risk management, and long-term value creation.
- Benchmark executive and senior management remuneration against relevant local and international industry standards to attract, retain, and motivate high-quality leadership.
- Periodically review service agreements and remuneration terms for executive directors.
- Oversee the development, implementation, and review of the Company's remuneration policy and related human resource policies.
- Advise management on human resource matters and provide appropriate support to the Chief Executive Officer and senior leadership team.
- Review incentive schemes, performance appraisal frameworks, and



reward structures and recommend approval by the Board where appropriate.

- Annually assess the adequacy and effectiveness of the Directors' remuneration policy to ensure it supports sound risk management and governance.
- Periodically review retirement benefit arrangements and other remuneration-related matters affecting employees and senior management.
- The Committee meets at least quarterly and reports regularly to the Board on its activities, recommendations, and key matters arising during the year.

The Board members who served on the Committee and their meeting attendance during the year ended December 2025 are detailed below.

AIK BOARD NOMINATIONS REMUNERATION AND COMPENSATION COMMITTEE

Name of Director	Designation	Q1 10th March	Q2 10th June	Special 11th June	Special 1st July	Q3 8th September	Q4 2nd December	Meetings Attended
Beatrice Soy	Chairperson	✓	✓	✓	✓	✓	✓	6/6
Patricia Kiwanuka	Member	✓	✓	✓	✓	✓	✓	6/6
Onno Schellekens	Member	✓	✓	✓	×	✓	×	4/6
Eline Blaauboer	Alternate to Menka Shah	✓	×	✓	✓	×	✓	4/6

AGIU BOARD REMUNERATION AND COMPENSATION COMMITTEE

Name of Director	Designation	Q1 27th February	Q2 28th May	Q3 27th August	Q4 26th November	Meetings Attended
Brigitte Kusiima	Chairperson	✓	✓	✓	✓	4/4
Justine Kosgei	CEO	✓	✓	✓	✓	4/4
Christine Nassuna	MD	✓	✓	✓	✓	4/4

AUDIT COMMITTEE

The Audit Committee is a standing committee of the Board established to assist the Board in fulfilling its oversight responsibilities relating to the integrity of the Company's financial reporting, internal controls, risk management, and the performance and independence of both internal and external audit functions.

The Committee's responsibilities include the following:

Financial Statements and Disclosure Matters

- Establish procedures to address matters relating to the maintenance of books of accounts, accounting policies and procedures, transactions, and other issues that may affect the financial position of the Company, whether raised by the external auditors, internal auditors, or any other

party.

- Review the draft annual financial statements, including key disclosures, and recommend to the Board whether the financial statements should be approved.
- Review analyses prepared by management and/or the external auditors on significant financial reporting issues and judgements, including the development, selection, and disclosure of critical accounting estimates and assumptions.
- Review major accounting principles, financial statement presentation matters, and any significant changes in accounting policies, as well as the adequacy of internal controls and any corrective actions taken in response to material control deficiencies.

- Discuss with management and external auditors the impact of regulatory, accounting, and reporting developments, including off-balance sheet transactions, on the Company's financial statements.
- Discuss with the external auditors matters arising from the audit, including adoption or changes to significant accounting and auditing practices, post-audit reports, management responses, unadjusted audit differences, and any difficulties encountered during the audit process.
- Review disclosures made to the Committee by management and the external auditors during the audit process.

Internal Control Matters

- Review the effectiveness of the Company's internal control environment, including

information technology security and control systems.

- Discuss significant deficiencies or material weaknesses in internal controls and any instances of fraud involving management or employees with key control responsibilities.
- Understand the scope and coordination of internal audit, external audit, and other assurance functions, and review reports on significant findings and management responses.
- Monitor the implementation and status of agreed management action plans.

Internal Audit

- Review and approve the Internal Audit Charter, organisational structure, resourcing, and activities of the internal audit function.
- Review and approve the annual internal audit plan, audit budget, audit strategy, and any significant amendments thereto.
- Safeguard and monitor the independence of the internal audit function from management and the external auditors.
- Meet with the Head of Internal Audit at least annually, including in the absence of management, to obtain insights on the

adequacy and effectiveness of internal control systems.

- Review annually the performance of the Head of Internal Audit and ensure appropriate remuneration in line with the Company's remuneration framework.
- Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing.

External Audit

- Review the experience, competence, and qualifications of senior members of the

external audit team.

- Obtain and review reports from the external auditors on their internal quality control procedures, results of quality reviews or regulatory inspections, and steps taken to address identified issues.
- Review and monitor the independence of the external auditors, including relationships with management.
- Recommend to the Board policies governing the hiring of current or former employees of the external auditor who were involved in the Company's audit.
- Meet with the external auditor prior to

commencement of the audit to discuss the audit scope, approach, staffing, and coordination with internal audit.

- Where necessary, meet separately with the external auditor to discuss matters requiring private discussion.
- The Committee meets at least quarterly and reports regularly to the Board on its deliberations, findings, and recommendations.
- The Board members who served on the Committee and their meeting attendance during the year ended December 2025 are detailed below.

AAR INSURANCE KENYA BOARD AUDIT COMMITTEE

Name of Director	Designation	Q1 26 February	Q2 27th May	Q3 26th August	Q4 25th November	Meetings Attended
Patricia Kiwanuka	Chairperson	✓	✓	✓	✓	4/4
Jones Nzomo	Member	✓	✓	✓	✓	4/4
Wassili Diagos	Member	✓	✓	✓	✓	4/4

AAR GENERAL INSURANCE UGANDA BOARD AUDIT COMMITTEE						
Name of Director	Designation	Q1 26 February	Q2 27th May	Q3 26th August	Q4 25th November	Meetings Attended
Jim Sematimba	Chairperson	✓	✓	✓	✓	4/4
Frederick Kibedi	Member	✓	✓	×	✓	4/4
George Steven Okotha	Member	✓	✓	✓	✓	3/4
Ann Namwanje Musoke	Member	✓	✓	✓	✓	4/4
Christine Nassuna	MD	✓	✓	✓	✓	4/4
Justine Kosgei	CEO	✓	✓	✓	✓	4/4

RISK AND COMPLIANCE COMMITTEE

The risk and compliance committee is a standing committee of the board established to support the board in overseeing the company's risk management and compliance functions, and to ensure that risks are identified, assessed, managed, and monitored in line with the Company's strategic objectives and regulatory obligations.

The Committee's key responsibilities include the following:

- Determine and periodically review the Company's Risk Appetite, including the Risk Appetite Statement, Risk Principles, and Risk Tolerances.

- Ensure that the Company establishes and maintains an appropriate and effective Risk Management Framework, including the allocation of adequate resources to support risk management activities.

- Assist the Board in fulfilling its ongoing oversight responsibilities in respect of the Risk Management Framework and the effectiveness of risk management practices.

- Advise the Board on risk-related matters, either at the request of the Board or where the Committee determines that such matters require Board attention.

- Monitor and report to the Board on the Company's overall risk profile, compliance with internal policies, applicable laws and

regulations, and adherence to established risk limits, including actions taken by management to mitigate risk exposures.

- Review the implementation and ongoing maintenance of appropriate systems, procedures, and codes of conduct in accordance with the Company's policy guidelines for the identification, analysis, mitigation, and control of risks.

- Review the adequacy and effectiveness of the Risk Management Framework at least annually, considering changes in the business environment, emerging risks, and management's ability to respond to such risks.

- Exercise oversight over management

processes for identifying and managing significant risks and ensure that material risks are appropriately reported to the Board with corresponding mitigation measures.

- Oversee the AAR Insurance's approach to environmental, social, and governance (ESG) risks, including sustainability-related risks and opportunities material to the company's strategy and operations.

- Review management reports on risk and compliance matters and proposed risk disclosures in the annual report and advise the Board on their adoption.

In the absence of a dedicated board sustainability committee, the committee assumes responsibility for ensuring that ESG and sustainability considerations are integrated into the company's risk management framework, that material sustainability risks are identified, assessed, and monitored, and that appropriate disclosures on ESG-related risks and performance are reviewed prior to publication in the annual report. The committee meets at least quarterly and reports regularly to the Board on its deliberations, findings, and recommendations.

The Board members who served in the Committee and their meeting attendance during the year ended December 2025 are detailed below.

AAR INSURANCE KENYA BOARD RISK AND COMPLIANCE COMMITTEE

Name of Director	Designation	Q1 11th March	Q2 5th June	Q3 4th September	Special 19th September (Joint meeting with IFS)	Special 18th November	Q4 2nd December	Meetings Attended
Wassili Diagos	Chairperson	✓	✓	✗	✓	✓	✓	5/6
Jones Nzomo	Member	✓	✓	✓	✓	✓	✓	6/6
Beatrice Soy	Member	✓	✓	✓	✓	✓	✓	6/6

AAR GENERAL INSURANCE UGANDA BOARD RISK AND COMPLIANCE COMMITTEE

Name of Director	Designation	Q1 26th February	Q2 27th May	Q3 26th August	Q4 25th November	Meetings Attended
Jim Sematimba	Chairman	✓	✓	✓	✓	4/4
Brigitte Kusiima	Member	✓	✓	✓	✓	4/4
Justine Kosgei	CEO	✓	✓	✓	✓	4/4
Christine Nassuna	MD	✓	✓	✓	✓	4/4

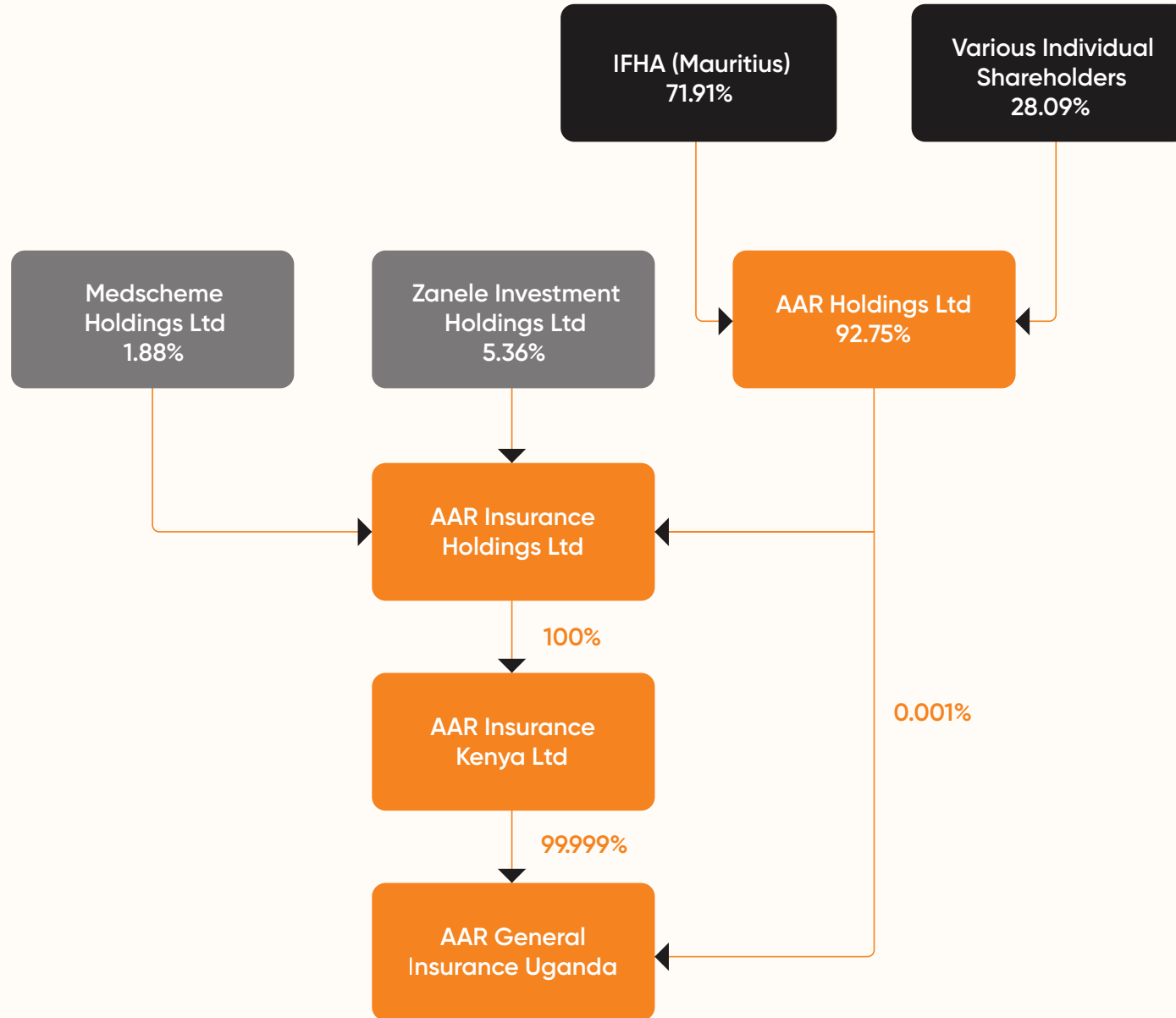
Alignment with IFRS S1 and S2 Disclosures

The Board of Directors retains oversight of climate-related risks and opportunities as part of its broader responsibility for risk governance and sustainability oversight. AAR Insurance continues to embed climate related matters into the company's existing governance and reporting framework, through which the Board reviews regulatory compliance, non-financial risks, sustainability matters, and emerging issues that may affect the Company's strategy, assets and long-term resilience.

The Board is informed through structured Board papers, management reports and disclosures presented by the Chief Executive Officer and Management, which include sustainability related risk exposures. Oversight of implementation remains delegated to Management, while the Board monitors the execution of approved strategies and policies, ensuring that climate related considerations are incorporated within enterprise risk management processes and internal control systems.

AAR Insurance continues to strengthen the integration of climate-specific competencies, disclosures and performance monitoring within its governance framework. The company is progressively enhancing the formal articulation of climate related responsibilities within Board mandates and management reporting processes, with a focus on aligning governance practices to evolving IFRS S2 requirements. This includes advancing internal capacity, refining climate risk identification and monitoring mechanisms, and strengthening the linkage between climate related risk oversight, strategic decision making and long term sustainability objectives.

SHAREHOLDING INFORMATION



OUR STRATEGIC APPROACH



BUSINESS STRATEGY

Strategic Intent

Reinventing insurance through innovative, affordable and sustainable solutions that safeguard individuals and organisations against risk, enhance access to quality healthcare and financial protection, and create long term value for stakeholders and communities. This direction is anchored in the vision to safeguard the health and wealth of all.

Strategic Priorities and Enablers

Execution is structured around five interdependent priorities: digital transformation, product innovation, strategic partnerships, customercentricity and sustainability integration. Delivery is enabled through targeted customer segmentation, multi-channel distribution, and data-led operations, supported by strategic partnerships, brand communication, future fit talent, and rigorous financial governance.



Customer Centric Approach

Place the customers at the center of all operations from product design, claims settlement to digital self-service and health education.



Provider Network Strategy

Leverage strategic alliances with healthcare providers, technology vendors, and distributors to expand market presence while managing risks.



Partnerships

Leverage strategic alliances with healthcare providers, technology vendors, distribution partners and community organisations to expand reach.



Digital Transformation

- Simplifying and modernising operations by automating services through the AAR Insurance Mobile App and online interactive portals; supported by cloud infrastructure and strengthened IT talent/vendor partnerships.
- Enhancing and stabilising core technology systems to support integrations and enable self-service and AI capabilities.

FOCUS PILLARS

Cost Management and Profitability in Medical Business

AAR Insurance medical business priorities focus on driving sustainable growth within targeted and profitable client segments, with increased momentum in SME, retail, private corporates, and International Private Medical Insurance (IPMI). This is supported by new product development such as Junior and Critical Illness offerings and reward-based programmes, targeted product revamps and wellness-led initiatives intended to strengthen value and retention. Performance is tracked through profitability, expanded reach into priority segments, improved product profitability, and sustained cost containment.

General Insurance

General Insurance (GI) growth is driven through expansion of the product suite, including a differentiated motor proposition and entry into agriculture and aviation lines. Delivery is supported by adequate resourcing and a revamped GI structure, including unit managers on contractual terms and a dedicated GI retention sales function, alongside expanded partnerships to attract top distributors and establishment of a digital sales unit to grow online GI sales.

Systems are continuously upgraded to support distribution and more efficient back-office processing. Key measures include new product launches, revenue targets for non-motor (Shs. 214 million) and motor (Shs. 100 million) business, business volumes from top brokers (approximately

Shs. 100 million), and improved real-time sales and customer onboarding capability.

Technology and Digitisation

Technology and digitisation priorities focus on strengthening end-to-end processing and customer experience through core system modernisation and automation. This includes implementation of M-TIBA as an end-to-end business platform, upgrade of the AIMS platform, automation and self service to enable digital onboarding, continued sales digitisation, strengthened data management and AI driven product value enhancement, improved cybersecurity posture and infrastructure optimisation. Delivery is measured through improved back office processing, web portals and real time onboarding, increased contribution of digital sales, real time insights, a secure operating environment, and reduced cloud costs.

Operational Efficiency and Collaboration

Operational efficiency is strengthened through an operational excellence programme focused on removing process waste and improving customer centricity. Claims operations are improved through outsourcing of SMART claims to M-TIBA, establishment of a dedicated quality assurance team, and collaboration on cost containment to strengthen claims discipline and outcomes.

Branch structure revamps and optimisation support regulatory compliance, closure of audit gaps and improved assurance.

Service and risk outcomes are tracked through customer experience and turnaround measures (NPS, NES and TATs), a combined loss ratio target of 75.6% (including outsourcing fee), lower average cost and improved medical profitability, and 100% audit assurance.

People, Performance Culture and Motivation

People's initiatives focus on strengthening the employee value proposition and building a performance culture that supports execution. Priorities include review of retention policies and benefits benchmarking, alignment of resourcing through branch structure reviews and reassignment for key areas such as quality assurance and general insurance, review of the sales initiative model, implementation of job evaluation, and positioning AAR Insurance as an employer of choice. Performance is tracked through staff satisfaction and productivity, resource alignment, a competitive incentive model, and aligned job descriptions.

In Uganda, the strategy is shaped by a deliberate shift to upgrade to an insurance company and expand into general insurance. The general insurance license process began in 2024, and was approved in Q3 2025. The GI focus areas are Motor, Property, Liability and Travel Insurance, supported by multi-channel distribution (brokers, agents and bancassurance) and technology enabled customer service and claims management. Delivery dependencies include regulatory compliance and

capital adequacy, effective pricing and risk management, fit-for-purpose IT and operations infrastructure, targeted branding and marketing, in addition to attracting and developing specialised GI talent.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) STRATEGY

AAR Insurance ESG approach is governed by a policy that establishes a four tier accountability structure embedding sustainability in decision making across the Group. A double materiality assessment supported the 2025 reporting cycle, identifying seven material topics, assessing impacts and financial implications over short, medium, and long term horizons. The sustainability strategy was reviewed in the year 2025. The ESG approach references frameworks including GRI Standards, UN SDGs and the UN Global Compact, and supports a pathway towards expanded IFRS S1 and IFRS S2-aligned sustainability reporting.

Environment

AAR Insurance's environmental focus is implemented through a set of practical initiatives that strengthen stewardship and reduce operational footprint. Under the **A Tree, A Life Initiative**, tree growing remains the flagship action, with delivery tracked through the balanced scorecard. In parallel, waste management priorities responsible for handling and disposal practices across operations, while energy management focuses on improving efficiency and reducing avoidable

consumption. Paper management supports the shift to lower paper operations through digitisation and process redesign, reinforcing the broader move towards streamlined, environmentally conscious ways of working.

Social

AAR Insurance strengthens delivery through capacity building, product inclusivity, and a defined social initiative. Capacity building focuses on ESG training to embed sustainability into operations, supported by ongoing stakeholder engagement and technical support from FSD to inform the strategy review and strengthen internal capability. Product inclusivity emphasises building technical capacity by identifying key underwriting risks and opportunities through portfolio analysis and updating underwriting manuals to reflect these insights.

Governance

AAR Insurance Group operates a corporate governance framework across Kenya and Uganda. The Board of AAR Insurance Holdings has achieved **50%** female representation and **60%** independent non-executive directors, supported by a mix of expertise across insurance, healthcare, finance, investment, risk, audit, legal, regulatory affairs and human resource. The Board meets four times per year, with additional meetings convened as required. Sustainability capability at Board level is strengthened through trainings. ESG performance data is reviewed alongside financial results at quarterly board meetings, embedding

ESG into the core governance reporting cycle.

Ethics and compliance are anchored in a code of corporate practice and conduct applicable to directors, management and employees across Kenya and Uganda. Anti-Money Laundering and Combating the Financing of Terrorism policies are in place, supported by a designated Money Laundering Reporting Officer, and compliance is monitored through monthly reviews against regulatory requirements.

Supply chain governance includes a sustainable procurement approach, with 99% of procurement spent directed to local suppliers.

The 2026 governance roadmap focuses on strengthening disclosure, capability, and accountability. ESG reporting will be advanced through publication of a voluntary sustainability report aligned with IFRS S1 and IFRS S2 by December 2026, supported by the PwC and FSD Africa capacity building programmes initiated in 2025. Sustainability continues to be reinforced through Board and staff trainings, alongside formal integration of the UN Global Compact Academy into the AAR Insurance internal Academy. Governance processes will be strengthened through annual board ESG performance reviews led by ESG and the company secretary, and the establishment of formal Board diversity targets across gender, age and professional background, tracked towards a 2030 achievement date.

DIGITAL TRANSFORMATION STRATEGY

AAR Insurance Digital Vision

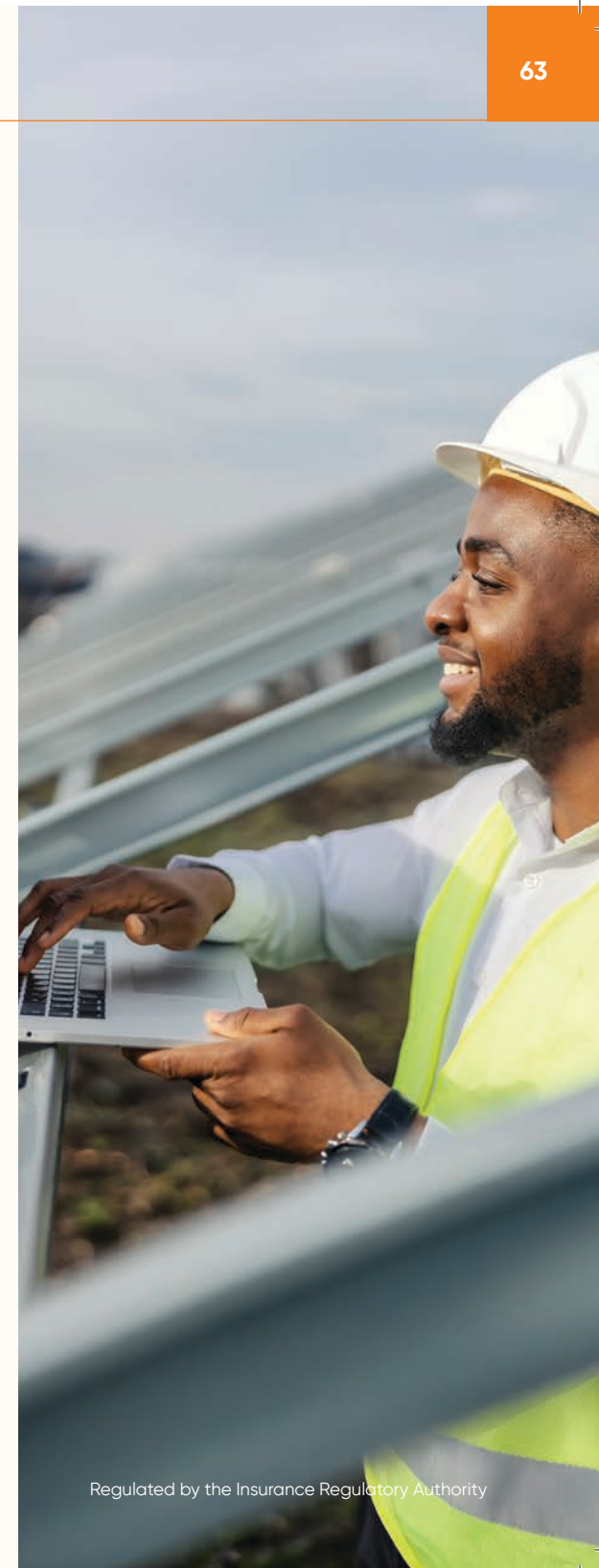
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To leverage technology to reinvent and innovate sustainable and affordable solutions to address market gaps, consequently strengthening our position in the insurance market.

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Digital Platforms and Initiatives

AAR Insurance's digital ecosystem includes platforms and infrastructure that enable paperless customer service, claims processing, partner integration, and operational automation.



Platform / Initiative	Description	Strategic impact
AAR on the Go	Digital branch supporting policy management, claims and customer service.	Improves access and reduces dependency on physical branches.
MyWAKALAAR	Digital platform supporting customer engagement and service delivery.	Strengthens customer self service and data enabled engagement.
M-TIBA-Enabled Operations	Operational platform supporting claims processing and outsourced claims delivery; includes V3 rollout and end to end delivery roadmap.	Improves efficiency, supports cost containment and enables scalable claims operations.
Cloud and Infrastructure Modernisation	Cloud-enabled infrastructure and security posture enhancements (including endpoint detection and response and zero trust initiatives).	Supports scalability, resilience and secure digital growth.
Automation and Integration	Automation of HR processes, buy-online processing integration, card payment integration and third party distribution integrations.	Reduces manual processing and improves turnaround times.

Investment and Resourcing

AAR Insurance invested Shs. 10.1 million in digital innovations in 2025 against a budget of Shs. 15 million (67% utilisation), with execution supported through internal capability building and external technology partnerships where specialist delivery capacity is required. This investment was directed at enabling growth and service excellence through:

- Streamlined onboarding and digital self-service to reduce friction for new customers and support market expansion.
- Increased automation and paperless claims processing to improve turnaround times and reduce operational waste.
- Stronger data management and analytics to deliver real time insights for service recommendations and treatment outcomes.
- Enhanced cybersecurity and privacy controls to safeguard customer data and maintain trust.

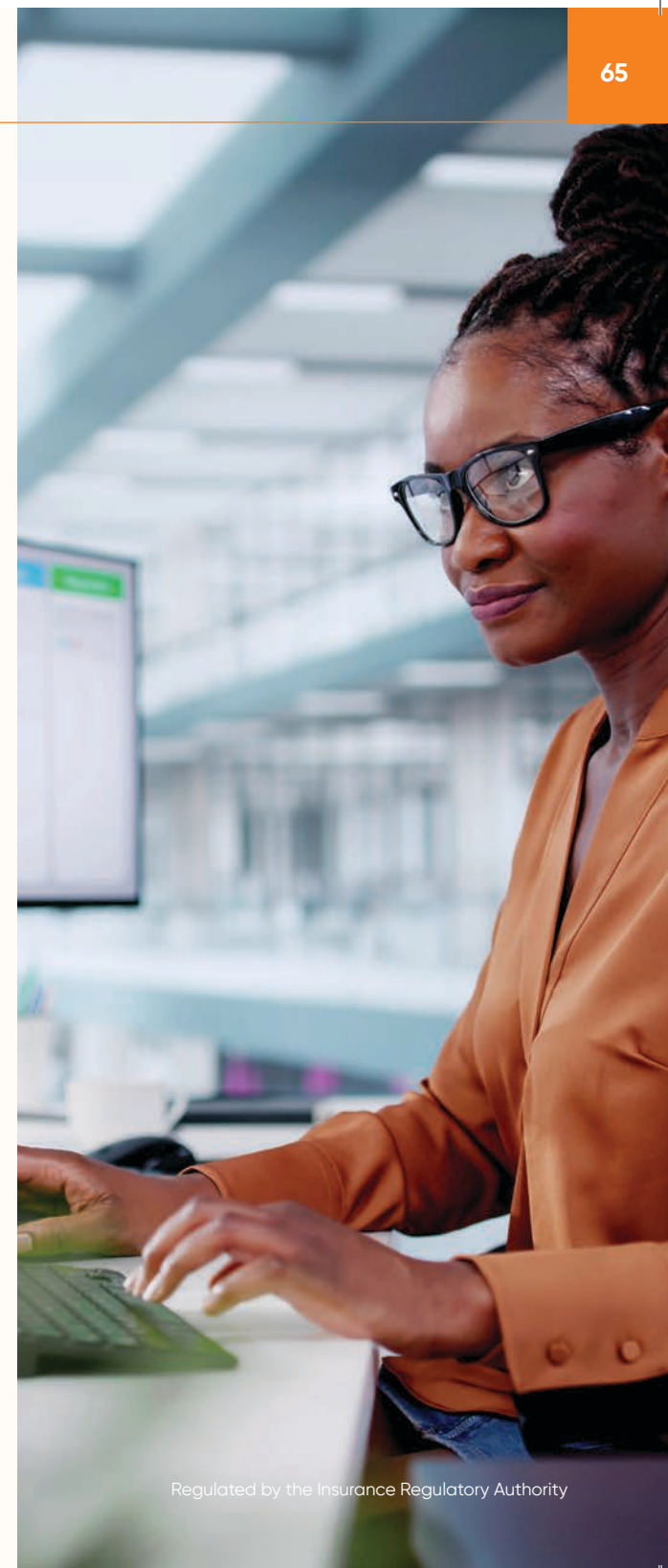
Digital Risks and Mitigation

We expanded our digital footprint introducing a corresponding risk profile managed through the enterprise risk management framework. Controls referenced in the strategy include firewalls, endpoint protection, multi-factor authentication, ISO 27001/National Institute of Standards and Technology (NIST) alignment, Security Information and Event Management (SIEM) deployment, penetration testing and cyber insurance, alongside ongoing closure of audit gaps and institutionalisation of data protection policies.

Risk	Key Controls
Cybersecurity Risk	Firewalls, endpoint protection, multi-factor authentication, SIEM deployment, penetration testing, cyber insurance, zero trust network access framework in progress, managed detection and response targeted for activation.
Data Privacy Risk	Data privacy impact assessment completed; data processing agreements signed, customer data collection forms updated to include privacy policies, data protection office, Service Level Agreement integration into customer service tooling.
Operational Resilience	Cloud and infrastructure optimisation, monitoring and closure of audit findings, continuous risk identification and mitigation reporting.

Alignment with IFRS S1 and S2 Disclosures

AAR Insurance recognises the importance of integrating sustainability and climate related considerations into its overall corporate strategy and financial reporting framework in line with IFRS S1 and IFRS S2. As part of its strategic roadmap, AAR Insurance aims to achieve full adoption of IFRS S1 and S2 by end of 2026, with progress to be measured through the publication of voluntary sustainability reports aligned to these standards. This commitment reflects the organisation's intention to systematically embed disclosures relating to governance, strategy, risk management, metrics and targets covering both sustainability related and climate related risks and opportunities into its reporting processes over the coming years. Through this phased integration, AAR Insurance seeks to strengthen connectivity between sustainability matters, financial planning and long term value creation, ensuring that future disclosures comprehensively reflect the full suite of IFRS S1 and S2 requirements within its strategic decision making and reporting framework.



SUSTAINABILITY AT AAR INSURANCE

The ESG Policy defines our approach to assessing ESG risks and value creation opportunities within our business operations and frames sustainability as reducing negative environmental and social impacts while maintaining sound governance practices and ethical business standards.

Commitment to the UN Global Compact and SDGs

The Policy references global sustainability initiatives and frameworks, including the UN Global Compact and the Sustainable Development Goals (SDGs). This provides a consistent basis for aligning priorities, communicating expectations internally, and strengthening disclosure quality.



SUSTAINABILITY HIGHLIGHTS

Environment	Social	Governance	Digital Transformation
55,000 trees planted in Kenya.	Free health checks for renewing policyholders aged 65.	Development of new insurance products: Carimed, Motor Private, Motor Commercial, Junior CAARE and the Retail Revamp.	The M-TIBA Point of Access, operated through our CarePay partnership, handles 100% of our digital care payment transactions.
2,000 trees planted in Uganda.	Implemented 119 health awareness and education initiatives.	Corporate income tax of Shs. 559 million paid.	168,882 digital interactions with our customers.
60% of cost saved with reduction of printing paper use.	Development of products such as ShwAARi, Junior CAARE and Carimed to reduce financial barriers to healthcare access.	95% Local suppliers of total suppliers.	Development of MyWAKALAAR platform that gives 10,000 Agents nationwide access to micro websites for direct customer engagement.
819 Kgs of e-waste disposed responsibly.	16 interns onboarded.	Ethics and integrity training for employees.	4 operational processes digitised in Uganda.
Adoption of energy efficient technologies such as LED and motion sensor lights.	The "A Tree, A Life" initiative created 719 causal jobs through site preparation, planting and aftercare activities.	Board training sessions.	Development of Optimus, an AI-enabled platform that maps high performing agents to priority prospects based on historical conversion data and customer profiles.
The "A Tree, A Life" initiative incorporated experiential learning for students at participating schools.	Employee participation in Volunteer Community Initiatives.	Publication of our integrated report.	Investment of Shs. 5,400,000 in Uganda and Shs. 15,000,000 in Kenya for technological development and investment.
Publication of our carbon footprint assessment report.			Partial roll out of Zscaler cybersecurity infrastructure, including the Zero Trust Network Access (ZTNA) platform at select branches to protect against external threats.



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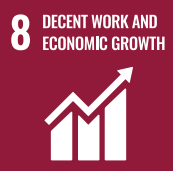




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AGENDA 2030

SDG Mapping		
SDG	Material Topic	Sub-themes
 <p>3 GOOD HEALTH AND WELL-BEING</p>	Health and Wellbeing	<ul style="list-style-type: none"> • Accessible Healthcare • Awareness and Education
	Community Wellness	<ul style="list-style-type: none"> • Educational Outreach • Corporate Citizenship • Volunteer Programs
 <p>4 QUALITY EDUCATION</p>	<p>Positive Impact and Empowering Our People</p>	Continuous Learning and Professional Development
 <p>5 GENDER EQUALITY</p>		Diversity, Equity, and Inclusion (DEI)
 <p>10 REDUCED INEQUALITIES</p>		Diversity, Equity, and Inclusion (DEI)
<p>SDG 3: Good Health and Well-being</p>		<p>SDG 4: Quality Education</p>
<p>SDG 10: Reduced Inequalities</p>		

SDG Mapping		
Sustainable Development Goals	Material Topic	Sub-themes
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>SDG 8: Decent Work and Economic Growth</p>	<p>Positive Impact and Empowering Our People</p> <ul style="list-style-type: none"> • Talent Acquisition and Retention • Staff Health Well-being
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>SDG 9: Industry, Innovation, and Infrastructure</p>	<p>Technology, Innovation and Partnership</p> <ul style="list-style-type: none"> • Digital Transformation
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>SDG 12: Responsible Consumption and Production</p>	<p>Customer Experience</p> <ul style="list-style-type: none"> • Responsible Marketing • Client Satisfaction
		<p>Environmental Stewardship</p> <ul style="list-style-type: none"> • Resource Efficiency
 <p>13 CLIMATE ACTION</p>	<p>SDG 13: Climate Action</p>	<p>Environmental Stewardship</p> <ul style="list-style-type: none"> • Biodiversity Conservation and Protection • Carbon Footprint Management
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p>SDG 16: Peace, Justice, and Strong Institutions</p>	<p>Governance Excellence</p> <ul style="list-style-type: none"> • Corporate Governance • Ethical Business Practices

VALUE CREATION MODEL

Purpose

To deliver affordable, customer-centred and sustainable insurance solutions that safeguard individuals and organisations against risk, enhance access to quality healthcare and financial protection, and create long-term value for stakeholders and the communities we serve.

Value Proposition

1. Digital Transformation and Automation

We have a digital transformation plan put in place to support our automation journey with platforms such as My WAKAALAR enhancing seamless operations.

2. Customer – Centric

We place our customers at the centre of our operations by resolving issues promptly and conveniently, ensuring timely claims settlement, and actively empowering customers through ongoing engagement initiatives such as webinars and targeted communication.

3. Empowering our people

We invest in continuous learning and development for our employees while promoting initiatives that enhance their well-being such as hybrid working and generous insurance cover.

4. Sustainable Operations

AAR Insurance advances sustainable operations by reducing paper usage through digital processes, responsibly disposing of e-waste, and minimising plastic use across our office operations.

5. Accessible and Affordable Insurance








AAR Insurance expands access to affordable insurance solutions through digital channels and inclusive products such as ShwAARi, enabling broader customer reach and improved financial protection.





6. Responsible Governance

AAR Insurance upholds responsible governance through transparent reporting, regular board and board committee engagement, and a diverse Board structure that supports effective oversight and accountability.



Our Value Creation

	Resource Input	Value Output	Linkage to Material Topics	Sustainable Development Goals (SDGs)
FC	Financial Capital <ul style="list-style-type: none"> Total Equity: Shs 2.7 billion Taxes paid: Shs 559 million Dividends per share: 0.34 Insurance revenue: Shs 14.026 billion Number of customers in 2025: 250,000+ 	Financial Capital <ul style="list-style-type: none"> Total profit for the year: Shs 599 million Dividend paid: Shs 70 million Earnings per share: 2.9 Return on assets: 6.8% Total number of medical claims in 2025: Shs 6.10 million 	<ul style="list-style-type: none"> ✓ Governance Excellence ✓ Health and Well-being ✓ Customer Experience 	 17 PARTNERSHIPS FOR THE GOALS  3 GOOD HEALTH AND WELL-BEING
MC	Manufactured Capital <ul style="list-style-type: none"> Physical Assets (property & equipment): 1640 Number of branches at AAR Insurance: 12 branches in Kenya and 1 Subsidiary in Uganda 	Manufactured Capital <ul style="list-style-type: none"> Increased accessibility and regional presence 	<ul style="list-style-type: none"> ✓ Customer Experience 	 10 REDUCED INEQUALITIES
HC	Human Capital <ul style="list-style-type: none"> Salaries and wages paid in 2025: Shs 489 million Insurance coverage for staff paid in 2025: Shs 72 million Amount spent on employee learning and development: Shs 11 million 	Natural Capital <ul style="list-style-type: none"> Achieved a gender balance of 50% in our workforce. Staff attrition rate: 6.02 Training and capacity building hours: 3,961 hours Commission ratio: 11% 	<ul style="list-style-type: none"> ✓ Positive Impact and Empowering Our People 	 4 QUALITY EDUCATION  8 DECENT WORK AND ECONOMIC GROWTH
NC	Natural Capital <ul style="list-style-type: none"> Amount spent on a Tree A Life Initiative: Shs 4.8 million Amount used in electricity in 2025: Shs 3.4 million 	Natural Capital <ul style="list-style-type: none"> Amount saved through paper reduction: 60% Shs 184k Number of trees planted: 55,000 	<ul style="list-style-type: none"> ✓ Environmental Stewardship ✓ Community wellness 	 5 GENDER EQUALITY  11 SUSTAINABLE CITIES AND COMMUNITIES

Our Value Creation			
Resource Input	Value Output	Linkage to Material Topics	Sustainable Development Goals (SDGs)
IC Intellectual Capital • Amount of money spent on digital innovations: Shs 15 million	Intellectual Capital • Automation of various AAR Insurance services such as virtual cards from the physical cards, QR codes instead of brochures. • Presence of digital branches called AAR Insurance on the Go	✓ Technology, Innovation and Partnership ✓ Customer Experience	 4 QUALITY EDUCATION
			 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
SRC Social and Relationship Capital • Amount of money spent on donations: Shs 1 million • Amount of spent on strategic partners: Shs 69 million • Percentage of money spent on local suppliers: 99%	Social and Relationship Capital Number of beneficiaries from the donation: 1	✓ Community Wellness	 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
			 17 PARTNERSHIPS FOR THE GOALS

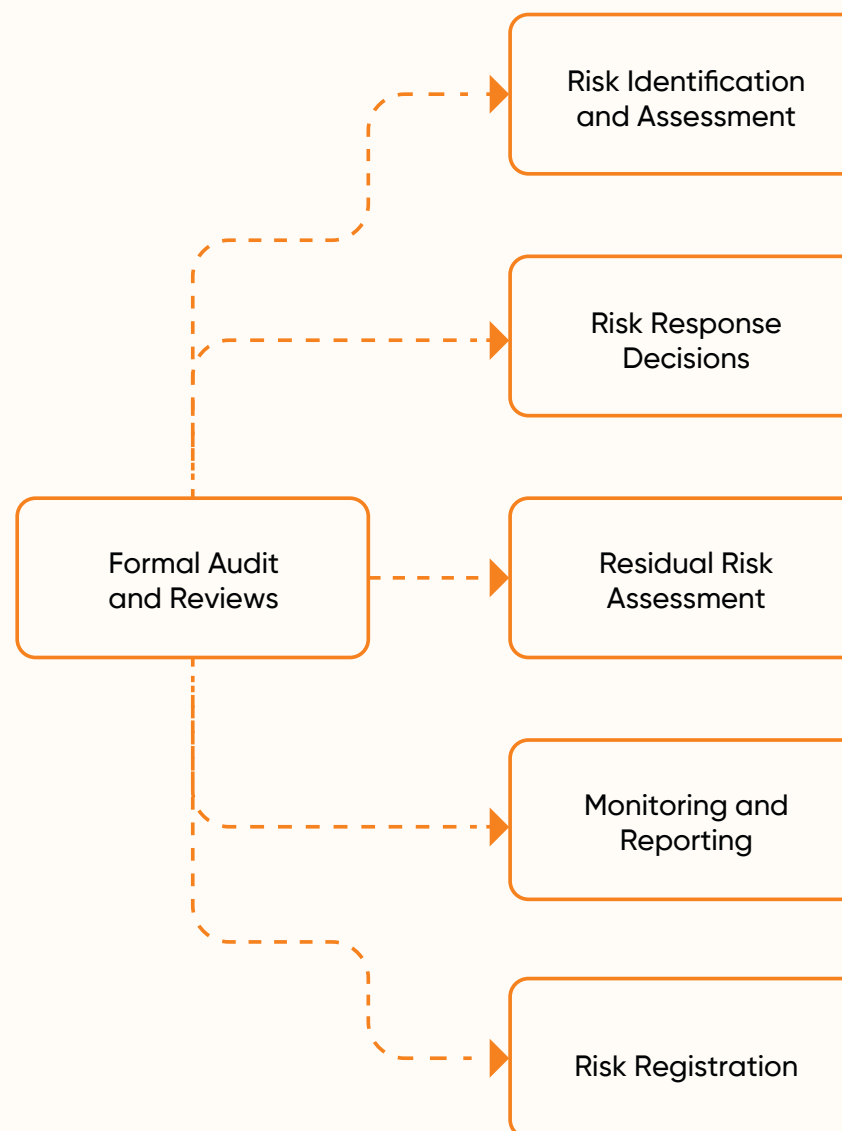
MANAGING OUR RISKS AND OPPORTUNITIES

Our Approach

Risk management at AAR Insurance operates through a structured enterprise-wide framework designed to identify, assess, respond to, and monitor risks that could affect our ability to create value. The framework applies to all employees, third-party representatives, consultants, and contractors across our operations in Kenya and Uganda.

AAR Insurance, guided by the Enterprise Risk Management Policy 2024, applies the framework to systematically capture and manage key risks across all departments.

Each risk is assessed at two levels: inherent risk, before controls are applied, and residual risk, after controls. The Head of Risk and Compliance ensures a standardised methodology for likelihood and impact. Risks are prioritised to determine severity, with mandatory action plans for those assessed as high or above, and key controls are identified and tested for effectiveness. Risk mitigation efforts are continuously monitored, key risk indicators are aligned to access processes, and standardised reports from departmental registers are submitted to management committees. Assessments are updated dynamically whenever significant organisational changes occur to ensure risk responses remain current.



Risk Governance Structure

The Board is ultimately accountable for risk management, specifically responsible for identifying major risks, maintaining a formal risk policy, and ensuring that appropriate systems are in place to mitigate risks and protect the company's reputation. The Chief Executive Officer (CEO) is delegated the overall responsibility by the Board of directors for developing, coordinating, implementing, and assessing the effectiveness of the risk management policy (RMP), with the Group Head of Risk and Compliance is responsible for developing Enterprise Risk Management (ERM) policies, promoting risk competence across the organisation, and facilitating the identification, prioritisation, and monitoring of risks to ensure they are managed appropriately.

The Management Risk Committee reviews risk reports monthly, ensuring that both operational and strategic risks are monitored. Enterprise-wide exposure is tracked through centralised departmental risk registers, which serve as a single source of truth. Our Enterprise Risk Management Standard Operating Procedure formalises the methodology and tools applied consistently across the organisation.

Accountability is structured through the three lines of defense; management controls and internal controls measures (first line), risk management and compliance functions (second line) and internal audit (third line) with external audit and regulatory oversight providing additional assurance.

The Board sets risk appetite and capacity guidelines. Senior management conducts quarterly prioritisation meetings to rank the top ten risks at residual level using defined impact and likelihood criteria. Each risk has a designated risk owner with accountability for management and treatment. Risk Champions within each department support identification, assessment, and mitigation activities.

Risk Identification and Assessment

Risks are identified through multiple channels, including prior year assessment results, internal and external audit findings, compliance reviews, corporate strategy documentation, departmental workshops, and staff inputs, and are evaluated against both internal context (culture, strategic objectives, capabilities, resources) and external context (regulatory landscape, market trends, and competitive environment).

Each risk is assessed at both the inherent level, before controls, and the residual level, after existing controls are applied, with likelihood and impact rated using standardised measures. Risks are then ranked on a heat map to determine severity, and high-impact/high-probability risks are prioritised for immediate attention.

Risk Owners, guided by the Head of Risk and Compliance, develop mitigation plans, allocate resources, and engage subject matter experts as needed, with residual risks continuously monitored through key risk indicators. Standardised reports are submitted to management and the Board, while a live risk register and regular policy reviews ensure ongoing governance, alignment with strategic objectives, and responsiveness to changes in both internal and external environments.

Risk Management

Alignment to IFRS S1 and S2

AAR Insurance applies a structured enterprise risk management framework across its operations. ESG risk is recognised as one of the top ten principal risks disclosed across the report, demonstrating that sustainability considerations are embedded within the company's overall risk profile and oversight processes. Risks are identified and assessed through established risk registers, management reporting mechanisms and internal control systems, enabling the evaluation of their nature, likelihood and potential impact on the Company's financial performance, operations and long term resilience. These processes inform Board oversight and management decision making, ensuring that sustainability related risks and opportunities are considered alongside other strategic and operational risks within the enterprise risk management framework.

While AAR Insurance has not yet implemented a standalone process specifically dedicated to climate related risk identification or scenario analysis, we are intentionally advancing our approach to defining, assessing and disclosing sustainability and climate related risks in a more structured and integrated manner. As part of its ongoing enhancement of risk management practices and in alignment with IFRS S1 and IFRS S2, AAR Insurance is progressively refining risk parameters, strengthening data inputs and enhancing disclosure processes to more clearly distinguish climate related physical and transition risks within its enterprise framework. This forward looking approach will further integrate sustainability and climate considerations into risk prioritisation, financial planning and long term strategic resilience, reinforcing connectivity between risk management, governance and overall business strategy.

PRINCIPAL RISKS

Data Protection and Data Breach Risk

Description

Unauthorised access, disclosure, loss, or misuse of sensitive personal and medical data, leading to regulatory penalties, financial losses, and reputational damage.

Context

As a health insurer, we hold sensitive medical records for our policyholders. The Data Protection Act 2019 and Office of the Data Protection Commissioner (ODPC) guidelines impose obligations for data handling. Breaches erode policyholder trust and expose the company to regulatory sanctions and litigation costs.

Associated Material Topic

- Governance Excellence
- Customer Experience
- Technology and Innovation

Affected Capital



Mitigation

- 1. Robust Access and Encryption:** Systems utilise role-based access controls with multi-factor authentication, and data is encrypted both at rest and in transit.
- 2. Comprehensive Governance:** Documented policies, data mapping, and Data Protection Impact Assessments (DPIAs) are in place for high-risk areas.
- 3. Third-Party Management:** Strict controls are enforced through mandatory processing agreements, embedded contract clauses, audit rights and privacy SLA alignment before onboarding vendors.
- 4. Incident Readiness:** A formal incident response and breach management plan is established to handle security events effectively.
- 5. Continuous Engagement:** Regular training is provided for all stakeholders, alongside protocols for timely customer complaint resolution and litigation response.
- 6. Notification:** Timely notification to the ODPC, affected data subjects and employees on any personal data breaches on time.

Indicators

- Number of data subject access requests
- Data breach incidents
- Complaints to ODPC
- Staff training completion rates

Opportunities

- Use AAR on the Go paperless system and third-party platforms to offer secure, scalable digital access
- Leverage cloud migration to enhance data security and regulatory compliance
- Apply data analytics to detect unusual billing behaviour and potential fraud
- Leverage strong data governance as a competitive differentiator

Third Party Management Risk

<p>Description Failures, misconduct, or non-compliance by vendors and outsourced service providers impacting operations, data security, and service delivery.</p>	<p>Context Our business model depends on partnerships with healthcare providers, technology vendors (including M-TIBA), pharmacies, and distribution partners. Service disruptions within partner platforms affect claims processing, member access to healthcare, and overall customer experience.</p>
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<p>Associated Material Topic</p> <ul style="list-style-type: none"> • Governance Excellence • Technology, Innovation and Partnerships • Customer Experience 	<p>Affected Capital</p> <div style="display: flex; justify-content: center; gap: 10px;"> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; text-align: center;">FC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; text-align: center;">IC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; text-align: center;">SRC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; text-align: center;">MC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; text-align: center;">NC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; text-align: center;">HC</div> </div>
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Mitigation

- 1. Rigorous Due Diligence:** Comprehensive risk assessments are conducted prior to onboarding any vendor.
- 2. Contractual Governance:** Agreements enforce SLAs, KPIs, audit rights, and penalties for non-performance.
- 3. Strict Security Standards:** Mandatory data protection, cybersecurity requirements, and full sub-processor oversight.
- 4. Continuous Monitoring:** Regular performance reviews and established joint incident response plans.
- 5. Dependency Reduction:** Strategic redirection of care to AAR-owned facilities to minimise reliance on external providers.
- 6. Business Continuity Alignment:** Critical vendors are required to maintain tested Business Continuity Planning (BCP) and Disaster Recovery (DR) capabilities aligned with our resilience standards.

Indicators

- Vendor compliance scores
- Service Level Agreement breach frequency
- System uptime for partner platforms
- Claims processing turnaround times

Opportunities

- **Strategic Partnerships:** Strengthen long term collaboration with high performing vendors to drive innovation and service differentiation.
- **Vertical Integration:** Expand AAR-owned facilities and digital capabilities to improve control over service delivery and cost management.
- **Performance Benchmarking:** Use vendor scorecards to negotiate improved pricing, service quality, and innovation commitments.
- **Digital Integration:** Enhance API and system integration to improve real time claims adjudication and customer experience.
- **Brand Differentiation:** Position strong vendor governance as a competitive advantage in reliability and service excellence.

High Claims Loss Ratio Risk

Description

Claims costs exceeding premium income due to fraud, healthcare cost inflation, and poor risk pricing, resulting in underwriting losses.

Context

Loss ratio (claims paid divided by premium income) is the primary measure of underwriting sustainability. Elevated loss ratios from fraudulent claims, over-utilisation, or mispriced products directly reduce profitability and threaten long-term viability.

Associated Material Topic

- Governance Excellence

Affected Capital



Mitigation

- 1. Enhanced Risk and Fraud Management:** Strengthen underwriting guidelines, enforce fraud penalties, and secure reinsurance for catastrophic exposures.
- 2. Provider Cost Control:** Renegotiate rates, implement long-term contracts with price caps, and introduce fixed per-claim costs.
- 3. Data-Driven Monitoring:** Utilise analytics and price checker tools to benchmark costs, analyse scheme performance, and flag unusual billing.
- 4. Strategic Partnerships:** Collaborate with cost effective networks and pharmacies (e.g., MyDawa) to reduce drug dispensing and delivery costs.
- 5. Product and Pricing Review:** Conduct periodic actuarial reviews to align pricing with risk experience and adjust benefits where necessary.
- 6. Portfolio Diversification:** Expand non-health insurance products to reduce concentration risk in medical underwriting performance.

Indicators

- Loss ratio by product line
- Average cost per member
- Incident rate
- Fraud detection rate
- Claims rejection rate

Opportunities

- **Fraud Control:** Use fraud checks and billing reviews to stop false or inflated claims.
- **Price Optimisation:** Renegotiate provider prices using actual claims data.
- **Strategic Partnerships:** Reduce medicine costs through the MyDawa pharmacy partnership.
- **Revenue Diversification:** Continue expansion into non-health products to reduce dependence on one income line.
- **Product Innovation:** Introduce tiered benefits, co-pay structures, and managed care models to balance affordability and sustainability.
- **Revenue Diversification:** Accelerate expansion into non-health insurance lines to reduce dependency on medical underwriting performance.

Regulatory and Compliance Risk

<p>Description</p> <p>Breaches in insurance, healthcare, anti-money laundering, consumer protection, and data protection regulations, leading to potential sanctions and operational restrictions.</p>	<p>Context</p> <p>The Insurance Regulatory Authority (IRA), Financial Reporting Centre (FRC), and Office of the Data Protection Commissioner impose obligations that, if breached, result in fines, operational restrictions, or licence withdrawal. Regulatory changes such as IFRS 17 implementation require significant operational adjustment.</p>
<p>Associated material topic</p> <ul style="list-style-type: none"> • Governance Excellence 	<p>Affected capital</p> <div style="display: flex; justify-content: center; gap: 10px; align-items: center;"> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; text-align: center;">FC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; text-align: center;">IC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; text-align: center;">SRC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; text-align: center;">MC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; text-align: center;">NC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; text-align: center;">HC</div> </div>

Mitigation

1. Monthly compliance reviews against regulatory requirements.
2. Continuous monitoring of regulatory changes in the environment.
3. Implementation committee formed for new regulatory changes such as IFRS 17.
4. Legal team consultation on interpretation and business impact of new requirements.
5. Compliance tracker maintained for all regulatory changes and timelines.
6. Anti-Money Laundering/Combating the Financing of Terrorism policies and procedures with designated Money Laundering Reporting Officer.
7. Sanction screening and transaction monitoring with suspicious transaction reporting to FRC.
8. Compliance management policy aligned with IRA guidelines.

Indicators

- Number and severity of regulatory findings
- Compliance tracker status (up to date vs overdue items)
- IRA inspection outcomes and recommendations
- IFRS 17 implementation milestones vs planned milestones
- Number of reported suspicious transactions/Activities reported to FRC

Opportunities

- Upgrade financial and actuarial systems to meet new reporting rules
- Prepare early for climate related disclosure requirements
- Maintain open and proactive engagement with regulators

Cybersecurity Risk

Description

Cyber-attacks, system compromise, and internal system vulnerabilities affecting business continuity and data security.

Context

Our digital transformation strategy, including the AAR on the Go mobile app, M-TIBA integration, online self service portals, and cloud migration, increases exposure to cyber threats. System compromise would disrupt claims processing, policy management, and customer service while exposing sensitive data.

Associated Material Topic

- Governance Excellence
- Customer Experience
- Technology, Innovation and Partnership

Affected Capital



Mitigation

1. **Standards and Frameworks:** Alignment with enterprise frameworks like ISO 27001/NIST and secure cloud infrastructure for regulatory compliance.
2. **Defense-in-Depth:** Deployment of firewalls, endpoint protection, and intrusion detection systems alongside strict access controls (MFA and strong passwords).
3. **Proactive Vigilance:** Routine vulnerability assessments, patch management, and independent penetration testing to identify and fix weaknesses.
4. **Organisational Readiness:** Comprehensive staff training, established incident management procedures, and cyber insurance coverage to mitigate risk.
5. **Monitoring and Reporting:** Implement Security Information and Event Management (SIEM) systems for real-time threat detection and reporting.
6. **Third-Party Security Oversight:** Assess and monitor cybersecurity practices of vendors and partners integrated into our digital ecosystem.
7. **Cyber Protection:** Cyber and data privacy insurance to mitigate residual financial exposure.

Indicators

- Vulnerability scan results
- Penetration test findings
- Incident response times
- Staff security training completion
- System patch compliance rates.

Opportunities

- **Enhanced Customer Trust:** Strengthen customer confidence by demonstrating robust cybersecurity posture.
- **Digital Transformation Enablement:** Securely expand digital offerings while minimising operational risk.
- **Competitive Differentiation:** Market cybersecurity maturity as a key differentiator in digital services.
- **Regulatory Advantage:** Proactively meet or exceed regulatory and industry standards for data protection and security.
- **Advanced Threat Intelligence:** Leverage threat analytics and AI-driven monitoring to anticipate and prevent attacks.

Credit and Counterparty Risk

<p>Description Potential that borrowers or counterparties fail to meet obligations, affecting collectability of receivables and reinsurer recoverable.</p>	<p>Context Health insurance technical provisions must reflect uncertainty in future claims outcomes. Underestimation of liabilities affects solvency, regulatory compliance, and capital adequacy.</p>
<p>Associated Material Topic • Governance Excellence</p>	<p>Affected Capital</p> <div style="display: flex; justify-content: center; gap: 10px;"> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">FC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">IC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">SRC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">NC</div> <div style="border: 2px solid red; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">HC</div> </div>

Mitigation

1. Strict enforcement of the credit policy, including defined credit limits, approval thresholds, and payment timelines.
2. Strengthened collections strategy, including early engagement, structured payment plans, and escalation mechanisms.
3. Ensure premium collection process is streamlined for ease of collection.
4. Termination of scheme for failure to honour payments SLAs.
5. Diversify our customer portfolio to private corporate, SME and retail customers.
6. Strengthen relationships with government entities.
7. Stress Testing: Conduct scenario analysis to assess the impact of counterparty defaults on solvency and liquidity.
8. Credit Assessment and Limits: Conduct rigorous counterparty and reinsurer credit assessments and enforce exposure limits per counterparty.

Indicators

- | | |
|--|---|
| <ul style="list-style-type: none"> • Percent of premium debtors outstanding beyond agreed credit terms. • Top 10 debtors' concentration against total debt. • Debtor's ratio. • Aging of receivables and overdue premiums. | <ul style="list-style-type: none"> • Counterparty and reinsurer credit ratings. • Default or delay in counterparty payments. • Number of remedial actions required for overdue receivable. |
|--|---|

Opportunities

- **Portfolios:** Reduce dependency on high-risk counterparties while improving returns from low-risk exposures.
- **Enhanced Reinsurance Strategy:** Negotiate better terms with reinsurers by demonstrating rigorous risk management.
- **Financial Resilience:** Maintain capital adequacy and liquidity buffers to support growth and absorb potential defaults.
- **Predictive Analytics:** Leverage advanced analytics to identify high-risk counterparties early.
- **Risk Quantification Models:** Use Value at Risk (VaR) and other quantitative models to estimate potential losses under stressed scenarios, enabling proactive capital allocation and risk mitigation.

Market Concentration Risk

Description

Overreliance on few products, product classes, geographic markets, or industries for revenue which increases exposure to revenue volatility and operational disruptions.

Context

Our portfolio is 98% health insurance. Dependence on specific corporate clients or geographic regions creates vulnerability to localised economic disruption or industry-specific downturns. Regional disease patterns (higher respiratory disease prevalence in lake and coastal regions) create geographic concentration in claims costs.

Associated Material Topic

- Customer Experience
- Business Sustainability

Affected Capital



Mitigation

- 1. Partnership Engagement:** Strengthen relationships with key strategic partners (e.g., IPMI and M-TIBA) through proactive collaboration, joint marketing initiatives, and coordinated brand and product positioning.
- 2. Contractual Flexibility:** Include contract terms that provide sufficient transition periods, enabling the business to secure alternative arrangements if needed.
- 3. Business Line Diversification:** Implement strategic plans to grow non-health lines, including General Insurance (GI), Retail, and SME segments, to reduce revenue concentration risk.
- 4. Contingency Planning:** Develop robust contingency and continuity plans to address potential disruptions in high concentration products, markets, or partnerships.
- 5. Ongoing Monitoring:** Regularly monitor concentration exposures and take timely actions to mitigate emerging risks.
- 6. Geographic Risk Assessment:** Monitor disease patterns and local risk exposure to inform underwriting and pricing.
- 7. Scenario Stress Testing:** Simulate the impact of revenue or claims shocks across products and regions.

Indicators

- Revenue concentration by product line (% of total revenue)
- Geographic concentration of claims (% of total claims)
- Client concentration (top 10 clients as % of revenue)
- Loss ratio by region and product class
- Portfolio growth diversification metrics

Opportunities

- **Portfolio Expansion:** Launch new product lines to reduce dependency on health insurance revenue.
- **Geographic Penetration:** Enter underrepresented regions to balance claims and revenue exposure.
- **Data-Driven Pricing:** Use claims and regional disease data to refine pricing and product design.
- **Strategic Partnerships:** Collaborate with other insurers or healthcare networks to share risk and gain market insights.

Strategic Risk

Description

Risks arising from the execution of the business strategy, including market entry, product development, innovation initiatives, competitive positioning, and strategic project delivery. Poor execution or delays can impact revenue growth, profitability, market share, and long-term sustainability.

Context

Strategic performance is closely linked to market share, revenue targets, premium renewals, and profitability across business lines. Execution of strategic projects including branch expansion, product, systems, and certifications also affects business continuity and competitive positioning. Concentration in medical insurance and key regions amplifies exposure to market and operational risks.

Associated Material Topic

- Positive Impact
- Empowering Our People
- Community Wellness
- Governance

Affected Capital



Mitigation

- 1. Strategic Planning and Monitoring:** Establish clear objectives, KPIs, and timelines for strategic initiatives and projects.
- 2. Portfolio Diversification:** Expand products (GI, Retail, SME) and target new client segments and regions to reduce revenue concentration.
- 3. Project Governance:** Apply structured stage-gate processes for strategic projects, including pilot testing, UAT, and post-implementation reviews.
- 4. Market and Competitor Analysis:** Monitor market trends, competitor actions, and customer preferences to inform strategy and adjust initiatives.
- 5. Cross-Functional Alignment:** Ensure coordination across business units to align execution with overall strategy and risk appetite.
- 6. Contingency Planning:** Develop alternative strategies and business continuity plans to address delays or disruptions in key projects or initiatives.

Indicators

- Maintain market share (medical business) - % market share achieved vs target
- Overall revenue to budget - Revenue actual vs budgeted
- Premium renewal rate
- Profit before tax for different business segment
- Strategic project status and milestone

Opportunities

- **Market Expansion:** Grow into new products, segments, and regions to reduce concentration risk.
- **Innovation Leadership:** Launch innovative products and services to strengthen competitive positioning.
- **Data-Driven Strategy:** Use KPIs and project performance metrics to inform decision-making and anticipate market shifts.
- **Talent Empowerment:** Build employee capability to execute strategic initiatives effectively.
- **Scenario Planning and Modelling:** Apply stress testing and quantitative models (e.g., VaR for revenue scenarios) to anticipate risks and guide capital allocation.

Fraud and Abuse

Description

Risks arising from fraudulent or abusive activities by members, providers, or other stakeholders, leading to financial losses, reputational damage, and operational inefficiencies.

Context

Fraud and abuse can occur across claims, inpatient services, and partner interactions, impacting profitability, service quality, and customer trust. Detection and prevention are critical to safeguard financial and social capital while maintaining operational integrity.

Associated Material Topic

- Governance Excellence
- Customer Experience

Affected Capital



Mitigation

- 1. Claims Adjudication Controls:** Require pre-authorization and review of medical reports before claims payment.
- 2. Biometric Verification:** Introduce biometrics for inpatient services to prevent impersonation and unauthorised access.
- 3. Onsite Monitoring:** Conduct frequent provider and customer visits to validate claims and service delivery.
- 4. Case Vetting:** Implement structured vetting processes and decline suspected fraudulent cases.
- 5. Suspicious Claims Reporting:** Forward potential fraud cases to the internal audit or investigation team for review.
- 6. System Controls:** Ensure digital platforms (e.g., M-TIBA V3) restrict provider access to benefits visibility to prevent manipulation.
- 7. Customer Awareness:** Educate members on fraud risks and encourage reporting of suspicious activities.

Indicators

- Number and value of suspicious or declined claims
- Frequency of fraud investigations initiated
- Audit findings related to claims and provider compliance
- Customer reports or complaints regarding suspected abuse
- Detection of system access anomalies or breaches

Opportunities

- **Loss Prevention:** Reduce financial leakage by preventing fraudulent claims before payment.
- **Operational Efficiency:** Streamline claims adjudication using biometrics and pre-authorization protocols.
- **Digital Safeguards:** Enhance system security to prevent unauthorised access and abuse.
- **Customer Engagement:** Use fraud awareness initiatives to strengthen trust and engagement.
- **Data Analytics:** Leverage predictive analytics and fraud detection models to proactively identify high risk patterns.

Environmental, Social and Governance (ESG) Risk

Description

Risk arising from inadequate integration and management of ESG factors across business operations, investments, underwriting, third-party relationships, and governance structures.

Context

Environmental sustainability, social responsibility, governance and ethical oversight, employee well-being, and customer protection.

Associated Material Topic

Environmental stewardship, social responsibility, governance and ethical oversight, employee well-being, and customer protection.

Affected Capital



Mitigation

1. ESG strategy and roadmap approved by the Board and aligned to business objective.
2. Clear governance structure with defined ESG roles, ownership, and reporting lines.
3. Regular ESG risk assessments covering products and investments.
4. Environmental initiatives such as carbon footprint assessments, reduction targets, and monitoring plans.
5. Social controls including fair labour practices, diversity and inclusion initiatives, customer protection measures, and community engagement.
6. Integration of ESG requirements into procurement, risk and operations.
7. Regular ESG reporting, monitoring of KPIs, and progress updates to senior management and the Board through the risk appetite dashboard.
8. Staff awareness and training on ESG principles and responsibilities.

Indicators

- | | |
|--|---|
| • Trees planted under "A Tree A Life" initiative | • Employee engagement score |
| • Paper consumption (reams used) | • Number of staff and Board ESG trainings conducted |
| • Plastic cup usage (elimination %) | • Board diversity metrics and DEI policy implementation |
| • Customer satisfaction index | • Carbon emissions |

Opportunities

- Strengthened environmental reputation and compliance
- Enhanced customer loyalty and satisfaction
- Improved employee engagement and retention
- Increased resilience through diversified governance and board expertise
- Potential cost savings through waste and resource reduction
- Development and promotion of ESG-aligned product



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EMERGING RISKS MONITORING

Emerging risks are identified through three channels: agenda items at management committee meetings, monitoring of company, regulatory, and industry events by the Risk and Compliance function, and departmental risk assessment activities.

Current emerging risks under observation include climate change impacts on disease prevalence patterns (particularly climate-sensitive respiratory conditions in affected geographic regions), regulatory developments in universal health coverage, and technology disruption in insurance distribution.

We embed risk awareness through regular staff communications following risk events, training on risk identification and reporting, and clear escalation protocols. Risks increasing beyond threshold, new risks, and risks with potential inter-relationships are raised by risk owners for consultation. The tone set by management emphasises that risk management is integral to decision making rather than a compliance exercise.



OUR STAKEHOLDERS

To create value, AAR Insurance uses a stakeholder centric approach. Maintaining good relations with our key stakeholders is critical to the success of our business. We continuously assess stakeholder expectations and their implications for our business and use these insights to design appropriate engagement strategies and actions, aligned to the level of stakeholder interest and involvement in AAR Insurance's activities.

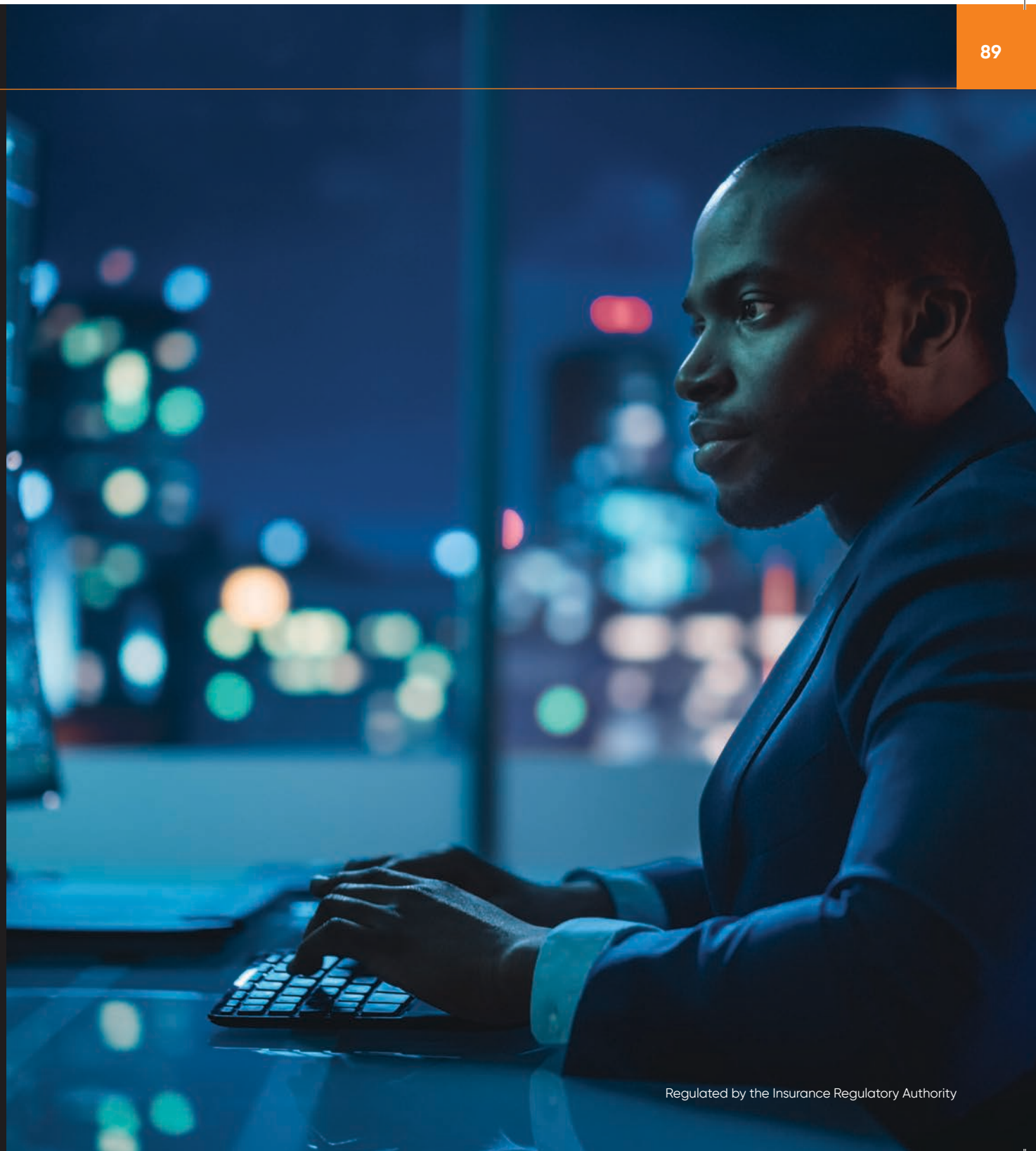


Stakeholder Management Process

We have adopted a structured approach to stakeholder management that begins with the systematic identification of key stakeholder groups and an assessment of their interests, influence and relevance to the business. Based on this, we then design a targeted engagement approach that respond to stakeholder priorities and ensure the availability of appropriate and accessible communication channels.

For effective engagement, we use various mechanisms such as meetings, surveys, forums and focused engagements to gather stakeholder feedback and better understand emerging concerns and expectations. These interactions enable stakeholders to raise issues that may affect service delivery, governance, compliance and overall performance.

Our approach also incorporates fair and timely resolution of stakeholder concerns particularly where service, contractual or regulatory matters arise. Insights obtained through ongoing engagement inform continuous improvement of our policies, operational practices and customer value proposition, strengthening relationships and supporting sustainable value creation for AAR Insurance.





OUR CUSTOMERS

Frequency of engagement – Daily

Why we engage

We engage with our customers to better understand and respond to their needs, strengthen customer loyalty and brand trust, and continuously improve internal processes to enhance service delivery.

Engagement Channels	Expectations from the Customers
<ul style="list-style-type: none"> • Customer events • In person engagements • Online channels • Customer meetups • Customer satisfaction surveys • Online self-service portals 	<ul style="list-style-type: none"> • Timely, efficient and high quality service across all customer interaction channels. • Affordable and easily accessible insurance solutions. • Relationship-based advice that supports customers across different stages of their financial and life journeys. • Insurance products and services that respond effectively to their needs and evolving expectations.
Material Topics Impacted	Customer Experience, Health and Well-being



OUR PEOPLE

Frequency of engagement – Daily

Why we engage

We engage with our employees to understand their expectations around fair remuneration and benefits, skills development, job security and the provision of a safe and supportive working environment.

Engagement Channels	Expectations from our People
<ul style="list-style-type: none"> • Staff meetings • Feedback from supervisors • Performance review • Appraisal • Team building and retreats 	<ul style="list-style-type: none"> • Effective and accountable leadership across the organisation. • A positive and fulfilling employee experience that supports job satisfaction. • Fair, transparent and constructive feedback and performance assessment processes. • Clear, open and timely internal communication. • Competitive benefits and equitable remuneration. • An inclusive workplace culture that fosters a sense of belonging.
Material Topics Impacted	Positive Impact and Empowering our People



OUR SOCIETY

Frequency of engagement - Monthly

Why we engage

We engage with the communities within which we operate to support improved health and well-being and to strengthen social connection and a sense of belonging.

Engagement Channels	Expectations from our Society
<ul style="list-style-type: none"> • Social media • Sustainability reports • Capacity building • Programs • Corporate Social Investment activities 	<ul style="list-style-type: none"> • Positive contributions to community health, safety and overall well-being. • Responsible and ethical business practices that benefit society. • Active involvement in initiatives that support social cohesion and inclusion. • Environmental responsibility and efforts to minimise negative impacts of operations.
Material Topics Impacted	Community Wellness and Outreach



BOARD OF DIRECTORS

Frequency of engagement - Quarterly

Why we engage

We engage with the Board of Directors to ensure transparency and accountability in financial and non-financial performance, support strategic planning, strengthen oversight of risk management, and build sustained confidence, trust and a sense of ownership among shareholders and investors.

Engagement Channels	Expectations from our Board of Directors
<ul style="list-style-type: none"> • Shareholder calls • Meetings • Results announcements • Presentations • Investor conferences • In-person platforms • Online platforms • Annual General Meetings (AGM) 	<ul style="list-style-type: none"> • Transparent, accurate and timely reporting on financial and non-financial performance. • Sound strategic direction and effective oversight of management and operations. • Robust risk management and internal control frameworks. • Sustainable financial performance and long-term value creation. • Strong governance, ethical leadership and regulatory compliance.
Material Topics Impacted	Governance Excellence



GOVERNMENT AND REGULATORS Frequency of engagement – Monthly

Why we engage

We engage with Government and regulatory bodies to ensure compliance with applicable laws and regulations, maintain transparency and timely tax compliance, contribute to the development of insurance sector policies, and uphold our reputation as a responsible corporate citizen.

Engagement Channels	Expectations from the Government and Regulators
<ul style="list-style-type: none"> • Direct engagement key • Government regulatory • Industry stakeholders • Audit and compliance reporting 	<ul style="list-style-type: none"> • Full compliance with applicable laws, regulations and supervisory requirements. • Transparent, accurate and timely regulatory reporting and disclosures. • Timely and accurate payment of taxes and statutory obligations. • Ethical conduct and responsible corporate behaviour. • Constructive engagement and contribution to the development of the insurance regulatory framework.
Material Topics Impacted	Governance Excellence



OUR SERVICE PROVIDERS

Frequency of engagement – Quarterly

Why we engage

We engage with our suppliers to maintain quality services and ensure that there is timely delivery.

Engagement Channels	Expectations from our Service Providers
<ul style="list-style-type: none"> • Emails • Face-to-face meetings • Conference calls • Portals • Performance review meetings • Contract negotiations meetings 	<ul style="list-style-type: none"> • Fair, transparent and timely procurement and contracting processes. • Prompt and accurate payment for goods and services provided. • Clear communication and well defined contractual obligations. • Ethical business conduct and adherence to agreed standards. • Long term, mutually beneficial partnerships built on trust and accountability.
Material Topics Impacted	Technology, Innovation and Partnerships

MATERIALITY ASSESSMENT PROCESS

Our comprehensive impact materiality assessment conducted in 2024, identified seven priority topics through stakeholder engagement and impact analysis across our operations in Kenya and Uganda. These topics continue to guide our sustainability strategy and integrated reporting. The identified priorities comprise Community Wellness and Outreach, Positive Impact and Empowering Our People, Customer Experience, Environmental Stewardship, Governance Excellence, and Health and Wellbeing.

For the 2025 reporting cycle, we reviewed the previously identified material topics using a double materiality lens, assessing both their continued impact and financial materiality. This review evaluated the significance of topics on the organisation's impact on the economy, environment, and society, while also examining the extent to which these topics could reasonably influence financial performance, position, and prospects. The combined assessment ensured that the material topics reflect current risk, opportunity, and impact dynamics, and remain aligned with evolving sustainability and financial disclosure expectations.

Understand the Context

We mapped the intersection of sustainability and our business model. This included our insurance operations across Kenya and Uganda, dependencies on provider networks and technology partners, underwriting and claims management processes, and relationships with policyholders and distribution channels. We reviewed regulatory requirements from the Insurance Regulatory Authority and Office of the Data Protection Commissioner, plus emerging climate disclosure standards.

Identify Risks and Opportunities

We engaged internal stakeholders from strategy, risk, finance, and underwriting through individual sessions. These teams have direct visibility on how sustainability factors translate into balance sheet impacts, claims experience, and operational resilience. The engagement identified sustainability related risks that could increase costs or reduce revenues, and opportunities that could improve financial performance.

Assessing and Determining Material Impacts

We then evaluated each risk and opportunity against two dimensions: financial significance, measuring the potential magnitude of impact on AAR Insurance's financial position over the assessment period, and likelihood, measuring the probability that the impact would materialise either as a downside risk or an upside opportunity.

The financial materiality assessment evaluated which sustainability related risks and opportunities could reasonably be expected to affect our cash flows, access to finance, or cost of capital over the short, medium, and long term. The impact materiality review confirmed that the previously identified topics still represent significant effects on people, the environment, and the economy.

We applied time horizons of zero to two years for short term impacts, two to five years for medium term, and beyond five years for long term considerations, allowing us to distinguish between immediate operational pressures and emerging strategic risks.



SUSTAINABILITY-RELATED FINANCIAL MATERIALITY APPROACH

Step 1

SELECT AND ENGAGE STAKEHOLDERS

- Choose engagement approach (individual/group)
- Engage recommended stakeholders: Strategy, Finance, Internal Audit, ERM, Sustainability

Step 3

DEFINE ASSESSMENT FRAMEWORK AND CRITERIA

- Determine assessment level (aggregated/individual)
- Select approach (qualitative ranking/quantitative modelling)

Step 5

PRIORITIZE MATERIAL RISKS AND OPPORTUNITIES

- Set material threshold
- Assess likelihood of occurrence and potential financial magnitude
- Determine material matters

Step 2

IDENTIFY RISKS AND OPPORTUNITIES THROUGHOUT THE VALUE

- Map value chain (upstream, operations, downstream)
- Catalog risks and opportunities

Step 4

DEFINE TIME HORIZONS AND ASSESSMENT APPROACH

- Set time horizons (short/medium/long term)
- Choose assessment approach (trends/full assessment)

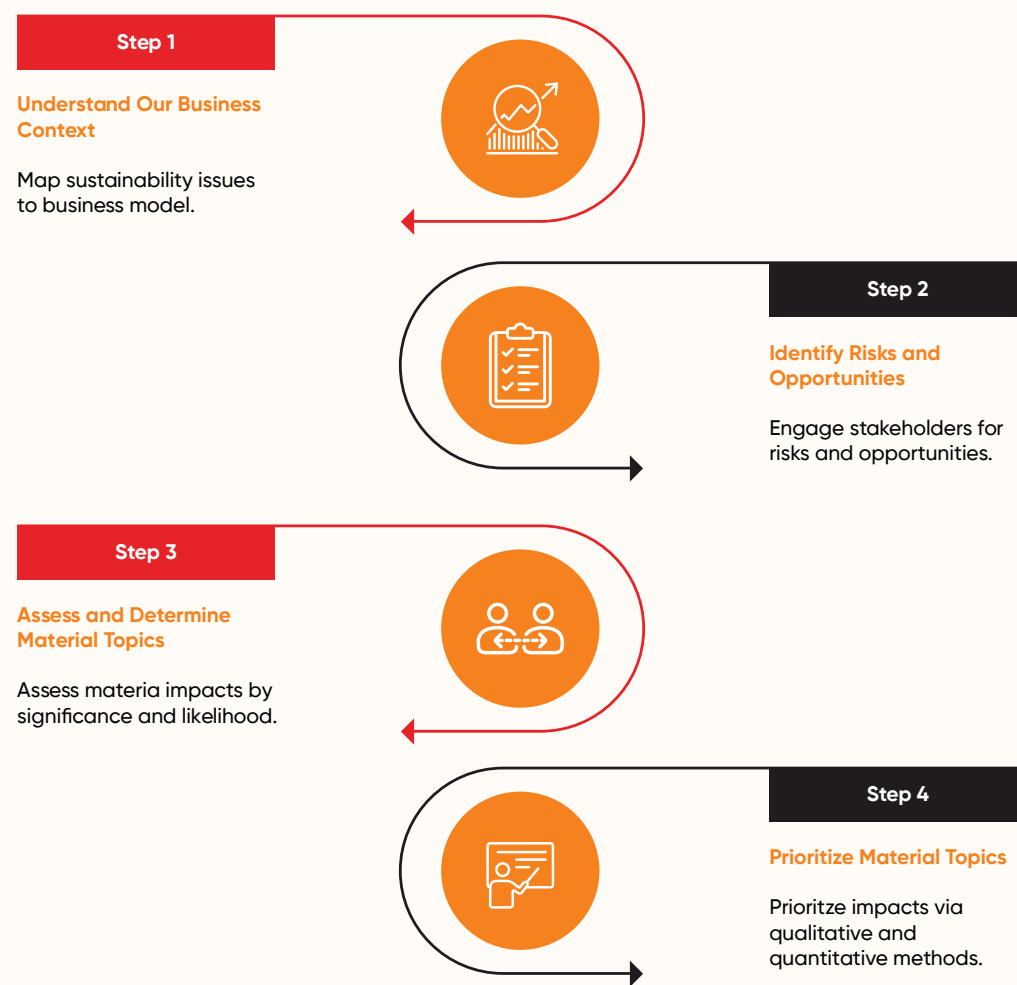
Step 6

INTEGRATE RESULTS INTO DECISION-MAKING PROCESSES

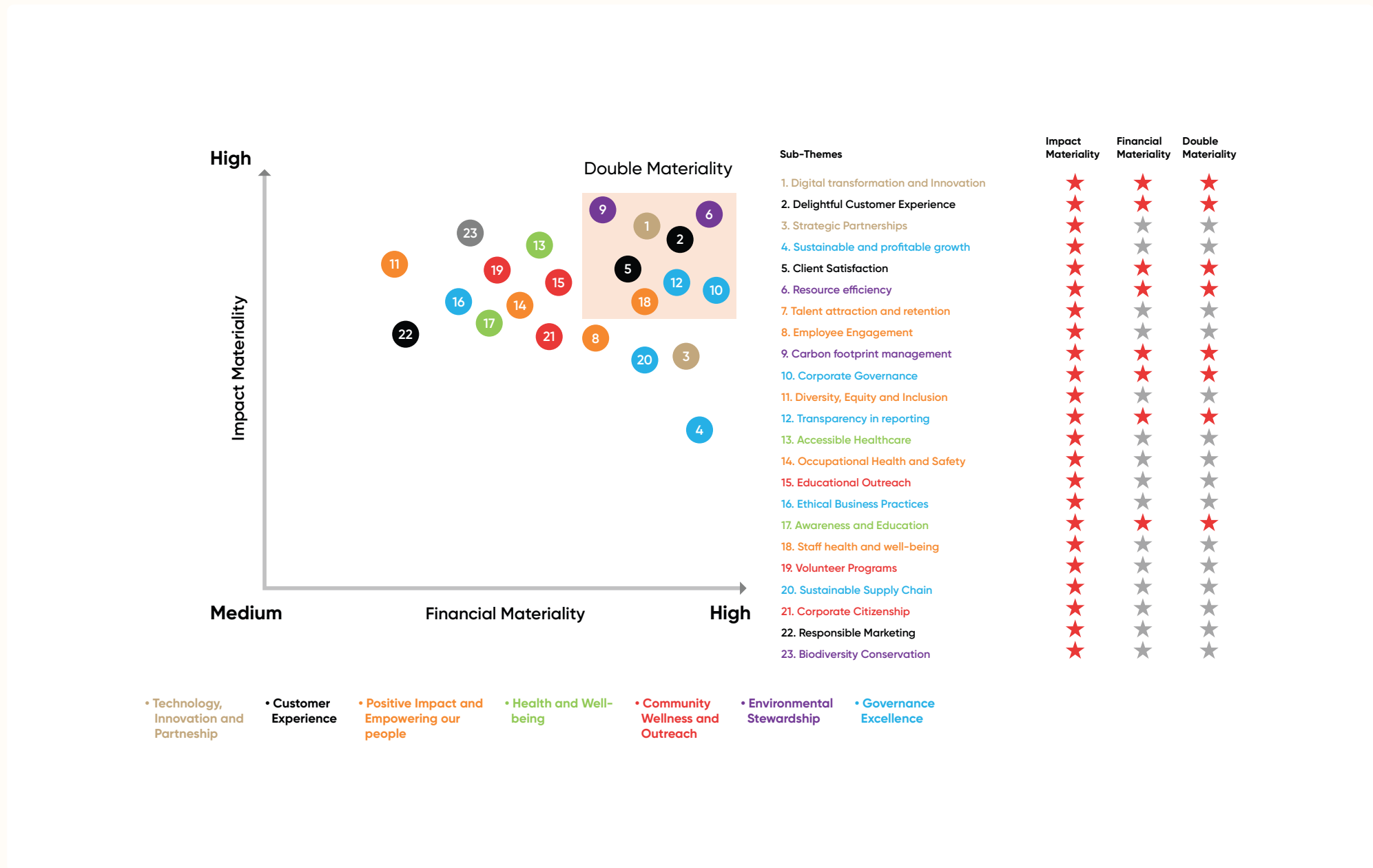
- Embed into strategy, risk management, financial planning, report

PRIORITISING MATERIAL IMPACTS

Finally using significance of the identified impact as the sole criteria, the engagement combined qualitative and quantitative methods. Individual interviews with department heads/representatives generated qualitative rankings based on their professional judgement and operational experience. These insights were then validated through a structured survey instrument administered across the engaged teams, producing quantitative scores that enabled systematic comparison and prioritisation. Our complete assessment was guided by a four-step approach as highlighted below:



DOUBLE MATERIALITY MATRIX





OUR MATERIAL TOPICS

MATERIAL TOPICS

Material topic	Sub-themes	Capitals	Commitment
Community Wellness and Outreach	<ul style="list-style-type: none"> Educational outreach Corporate citizenship Volunteer programs 	FC SRC NC	AAR Insurance is committed to supporting community well-being through educational outreach, responsible corporate citizenship, and initiatives that create positive social impact.
Positive Impact and Empowering Our People	<ul style="list-style-type: none"> Talent acquisition and retention Employee engagement Staff health and wellbeing Diversity, equity and inclusion Occupational health and safety 	HC FC	AAR Insurance is committed to fostering a supportive, inclusive, and safe workplace that attracts, develops, and retains talent while promoting employee well-being, engagement, and long-term growth.
Customer Experience	<ul style="list-style-type: none"> Delightful customer experience Client satisfaction Responsible marketing 	SRC	AAR Insurance is committed to delivering a positive and trusted customer experience by prioritising client satisfaction, responsible engagement, and the protection of customer data across all interactions.
Environmental Stewardship	<ul style="list-style-type: none"> Resource efficiency Carbon footprint management Biodiversity conservation 	NC MC FC	AAR Insurance is committed to minimising its environmental footprint by integrating sustainable practices across its operations.
Technology, Innovation and Partnership	<ul style="list-style-type: none"> Digital transformation Strategic partnerships 	IC FC SRC	AAR Insurance is committed to leveraging technology, innovation, and strategic partnerships to enhance service delivery, improve efficiency, and create sustainable value for stakeholders.
Governance Excellence	<ul style="list-style-type: none"> Sustainable and profitable growth Corporate governance Transparency in reporting Ethical business practices Sustainable supply chain 	FC SRC	AAR Insurance is committed to upholding strong governance, ethical business practices, and robust risk management to support sustainable growth, operational excellence, and transparent reporting.
Health and Wellbeing	<ul style="list-style-type: none"> Accessible healthcare Awareness and education 	SRC	AAR Insurance is committed to improving health and well-being by expanding access to affordable healthcare solutions and promoting awareness and education to support healthier communities.

COMMUNITY WELLNESS AND OUTREACH

Community wellness addresses health determinants beyond insurance coverage. Our interventions target preventive care access, health literacy, environmental conditions, and economic opportunity in the communities where our members live and work.

Our approach recognises that health outcomes depend on factors outside clinical settings. Access to preventive services affects early detection of chronic conditions. Environmental quality influences respiratory health and disease transmission. Economic stability determines whether families can afford nutritious food, safe housing, and consistent healthcare access.

We invest in community wellness through three channels; First, we design products and services that reduce financial barriers to healthcare for underserved populations. Second, we direct capital toward community-based initiatives that create jobs and restore environmental assets. Third, we support health infrastructure through partnerships with medical facilities and community organisations.

EDUCATIONAL OUTREACH

Our Industrial Attachment program places graduates across our operations for practical work experience. Over the reporting year, 2025, we had 16 interns. The program bridges academic training with workplace requirements in insurance operations, customer service, claims processing, and risk assessment. Participants gain exposure to regulatory compliance, stakeholder management, and digital systems used in healthcare financing.

Through the telemedicine platform shared with AAR



Healthcare and M-TIBA, policyholders accessed virtual consultations, digital prescriptions, and remote health monitoring. The platform includes educational resources on chronic disease management, medication adherence, and care pathway decisions. This component builds health literacy around digital healthcare tools, helping members understand when virtual care is appropriate and when in-person consultation is necessary.

The **A Tree, A Life initiative**, delivered in partnership with Greenspace, incorporated experiential learning for students at participating schools. Students took part in site preparation, planting, and aftercare activities, with curriculum covering ecosystem restoration, climate adaptation, and environmental stewardship. Schools received tree establishment at no cost.

CORPORATE CITIZENSHIP

As part of our commitment to responsible corporate citizenship, we continue to invest in initiatives that create meaningful and lasting impact on the communities we serve. Our efforts focus on improving access to essential healthcare and promoting early intervention, particularly for vulnerable population segments. For example, we provide free health checks for renewing policyholders aged 65 and above, a demographic at elevated risk for chronic conditions such as diabetes, hypertension, cardiovascular disease, and cancer. These screenings are tailored to age-related risk profiles, enabling early detection and effective management. In 2025, we also revised our senior insurance products by adjusting terms and pricing to improve accessibility.

Punitive exclusions that previously made coverage impractical for seniors with pre-existing conditions were removed, enhancing inclusivity. Through our partnership with the Kenya Association of Retired Officers, we extend health coverage to retired civil servants, who often face gaps in access after leaving formal employment.

To further expand healthcare access, we developed products that reduce financial barriers for underserved populations. ShwAARi provides micro-cover for individuals in the low-income segment, with premium structures aligned to informal income patterns. Carimed, delivered through our partnership with Caritas, extends reach to populations in areas with limited insurance penetration, while Junior CAARe covers children aged one to eighteen, offered as standalone policies or as part of family offerings. Adjusted corporate covers provide fixed budget options for county governments, balancing coverage scope with fiscal constraints and making employee health benefits accessible for counties with limited budgets.

Spotlight – Expanding Access to Chronic Disease Care through Technology

We have integrated chronic disease management through two technology partnerships that collectively strengthen preventive care and treatment continuity.

The Keep Well Initiative in partnership with PharmAccess, leverages big data and analytics to quantify chronic disease prevalence across AAR Insurance's insured population. Using aggregated, anonymised data, the program provides insights into underdiagnosed or poorly managed conditions, allowing our clinical and underwriting teams to identify health risks that claims data alone may not reveal.

The second partnership, with MyDawa, delivers the care layer directly to members. In 2025, chronic disease clients, following informed consent, were enrolled with MyDawa

for coordinated care. The platform manages triage, schedules consultations with qualified clinicians, validates prescriptions digitally, and issues new prescriptions following teleconsultations. Medications are delivered to members' preferred locations at no additional cost, and physical consultations are arranged only when clinically necessary. Continuous follow-up supports adherence and monitors outcomes over time.

By consolidating triage, clinician scheduling, prescription management, fulfilment, and follow-up into a single platform, AAR gains real-time visibility into member engagement and medication adherence, providing data that was previously difficult to capture from paper-based processes.

This integrated approach also reduces financial barriers since the competitive drug sourcing lowers out-of-pocket costs for members managing long-term conditions, while home delivery minimises transport expenses and reduces the frequency of outpatient visits without compromising treatment adherence. Member feedback from 2025 reflects high satisfaction with convenience, cost savings, and the quality of clinical follow-up.

Nationwide delivery has extended AAR Insurance's reach beyond physical facilities, providing equitable access to care for members in underserved areas. Telemedicine utilisation grew significantly over the years driven by cost benefits, convenience, and reduced barriers associated with distance and facility congestion. Planned expansions include maternal health programs, structured initiatives such as Mothers' Clubs, and educational activities including joint



webinars and health camps in collaboration with MyDawa.

Beyond healthcare, our corporate citizenship initiatives also address social and environmental needs. Programs such as **"The A Tree, A Life"**, implemented in partnership with Greenspace, created **719** casual jobs through site preparation, planting, and aftercare activities. Employment was deliberately directed to women and youth, supporting demographic groups facing higher unemployment rates while promoting community development and environmental stewardship.

Through these initiatives, AAR demonstrates how investments in health, technology, and social programs collectively enhance community wellbeing, strengthen access to essential services, and create meaningful opportunities for underserved populations.

VOLUNTEER PROGRAMS

We support employee participation in community initiatives through company sponsored events and charitable partnerships. In 2025, our employees in Uganda participated in community events with service components and fundraising tournaments for healthcare causes.

Employees receive training on volunteer coordination and community partner engagement. The training covers protocols for working with partner organisations and company representation standards. We track participation hours and measure community outcomes to assess program impact. Recognition for volunteer contributions acknowledges employees who engage beyond single events.

The program aims to strengthen employee connection to community impact while supporting organisations addressing health access, youth development, and economic opportunity in areas where we operate.



POSITIVE IMPACT AND EMPOWERING OUR PEOPLE

At AAR Insurance, we are committed to empowering our people to build a sustainable future. We recognise that investing in our human capital is essential to developing a diverse and capable team that drives value creation, operational excellence and long term business success.

Our employees form the foundation of our organisation. We actively support their growth by providing structured opportunities to enhance their skills and capabilities. To this end, we have implemented a range of globally aligned learning and development initiatives and cultivated a diverse, inclusive, welcoming, and highly engaged workplace environment. These efforts are designed to

promote the professional development, well-being and positive work experience of our people.

When our employees remain informed about emerging technological advancements and evolving customer expectations, they operate in a supportive environment that enables them to perform at their best and are better positioned to deliver exceptional service to our customers. This approach distinguishes AAR Insurance in the market and strengthens our entire value chain.

Our distinct strong corporate culture, guided by our core values and a work environment where equal access to opportunities and resources is available to all empowers our people to excel and deliver to our strategy.

In addition to our dedication to our employees, we develop insurance solutions that are inclusive and accessible to all individuals, irrespective of their background, gender, race, or creed.

DIVERSITY, EQUITY AND INCLUSION

Diversity, inclusion and employee engagement form the foundation of our success and long-term sustainability. We are committed to maintaining a workplace that values diverse voices, perspectives and backgrounds, while promoting inclusive behaviours and practices that advance equity.

Our dedication to Diversity, Equity and Inclusion (DEI) is demonstrated through our objective of achieving gender balance across the workforce. Recruitment and employment decisions are governed by our Human Resources Policy, which upholds the principles of equality and non-discrimination. This policy ensures fair opportunities for all individuals, irrespective of race, colour, gender, language, religion, political opinion, nationality, ethnic or social origin, disability, or health status. We also ensure that performance appraisals are fair for both permanent and contract employees.

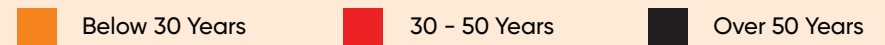
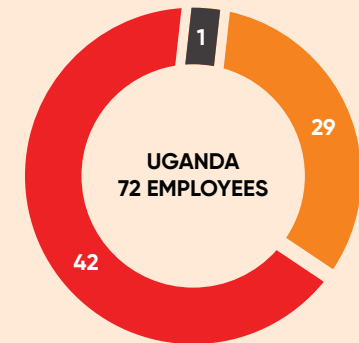
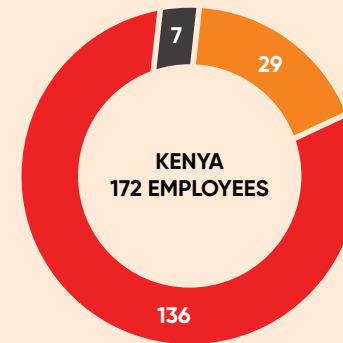
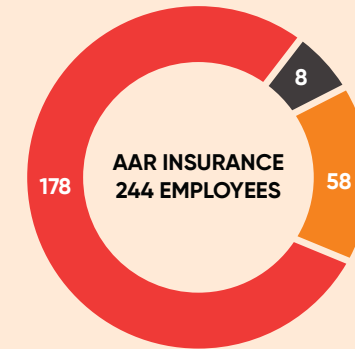
Our current workforce consists of **244 employees**, comprising **53% women** and **47% men**, underscoring our continued progress toward equal representation. At the leadership level, we have achieved notable progress in gender diversity in 2025 where the proportion of women in senior management positions was **58%** in Uganda and **39%** in Kenya.

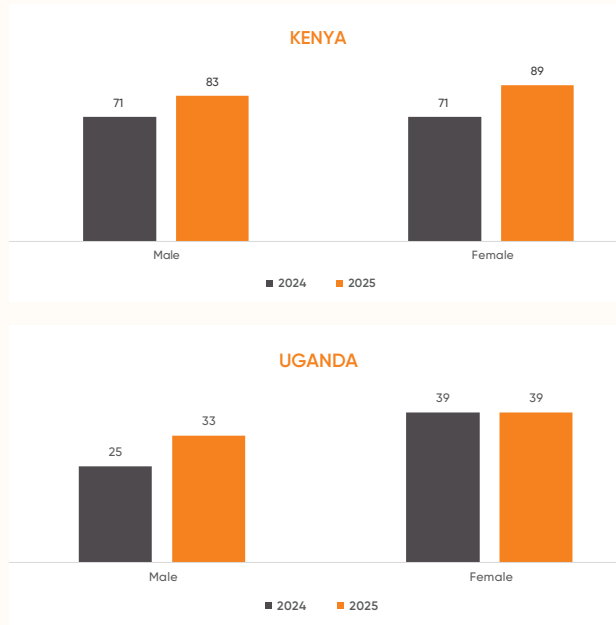
To support an inclusive and accommodating work environment, AAR Insurance Kenya provides dedicated facilities such as a mother’s room for nursing mothers and a prayer room for Muslim employees. AAR Insurance actively promotes the representation and participation of Persons with Disabilities (PWDs) within the organisation.

In 2025, the Company employed 1 staff member who is a person with a disability. To support greater physical accessibility, we have provided designated parking spaces exclusively for PWDs. In addition, we deliver sign language training to employees, equipping staff with the skills to communicate effectively with colleagues and customers who are deaf or hard of hearing.

We cultivate a distinctive organisational culture in which employees experience a strong sense of belonging. This is reinforced by an environment where diverse perspectives are genuinely valued, and individuals are encouraged to bring their authentic selves to work.

We maintain gender pay equity, uphold principles of fairness and pay transparency and actively promote equal pay and equal opportunity across all roles. Through these measures, we strengthen DEI within the workplace by fostering an inclusive culture, ensuring equitable access to opportunities, building a diverse and engaged workforce and fostering a work environment where employees have a strong sense of belonging.





Graphs showing staff breakdown by gender

STAFF HEALTH AND WELL-BEING

AAR Insurance regards its people as its greatest strength. We recognise that supporting their physical, mental, emotional and financial well-being is essential to sustaining a productive, engaged and high-performing workforce. Considering this, we have established a comprehensive framework that equips our employees with the tools and resources necessary to maintain their health and remain empowered.

We are committed to promoting work-life balance through flexible working arrangements, including remote work and hybrid models. These options enable employees to work in ways that deliver optimal results, encourage innovation and collaboration in response to evolving customer needs and support a healthy work-life balance. Our leave entitlements further reinforce this commitment: employees are granted 22 days of annual

leave, 14 days of paternity leave, and 90 days of maternity leave.

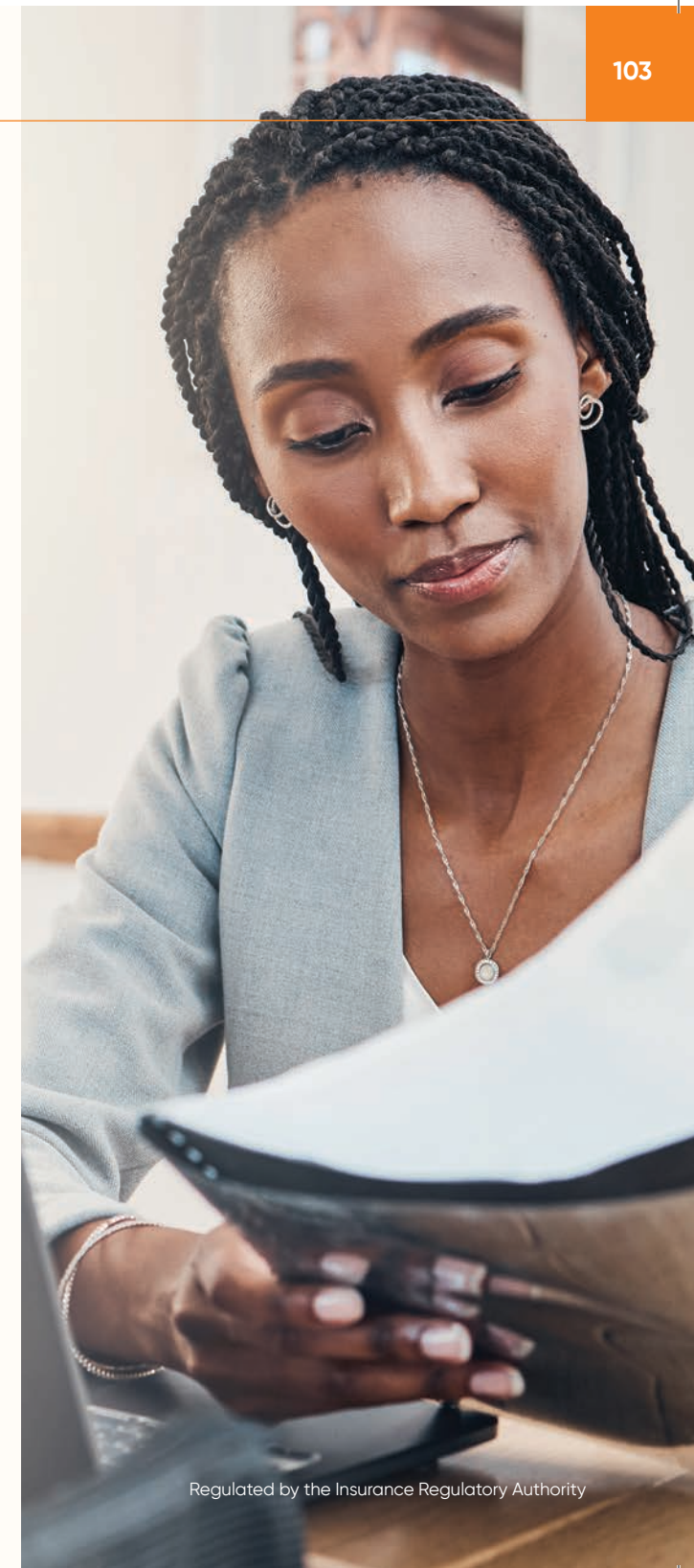
Year	Maternity Leave		Paternity Leave	
	Kenya	Uganda	Kenya	Uganda
2024	5	4	4	1
2025	6	2	9	4

AAR Insurance Kenya actively advances holistic well-being through targeted initiatives. In 2025, we conducted 6 wellness webinars in Kenya and 4 in Uganda addressing mental health concerns and financial literacy. Employees also have access to nutritionist consultations, cervical cancer screenings and dedicated sessions focused on male-specific health and social issues. To encourage physical activity, we have installed gyms at our head office and various branches. In addition, we organise regular departmental team-building activities and movie nights that strengthen relationships and provide opportunities for employees to bond via informal settings.

Our long-term objective is to embed a culture of social, financial and health wellness that extends beyond the workplace. To support this, we offer employees and their immediate families up to **50% discounts on domestic** medical cover and motor vehicle insurance, with over 40% of staff having benefited from this program. Financial well-being is further supported through financial literacy webinars and negotiated preferential terms for both secured and unsecured loans for our employees.

AAR Insurance maintains a strict zero-tolerance policy toward any behaviour that constitutes harassment, discrimination, or bullying. This applies to all forms of such conduct, whether based on race, ethnicity, colour, sex, gender, religion, or any other characteristic protected under applicable law.

Through these initiatives, AAR Insurance cultivates a healthy, engaged, and motivated workforce that is well-positioned to contribute meaningfully to the organisation's continued success and strategic objectives.



CONTINUOUS LEARNING AND PROFESSIONAL DEVELOPMENT

Continuous learning, professional development, retraining and reskilling are essential for enabling our employees and agents to adapt to digital workflows, evolving customer expectations and shifting market dynamics. These efforts ensure that our workforce remains equipped with the relevant skills and knowledge required to succeed in a rapidly changing business environment.

In 2025, we delivered a total of **6,323 training hours** during the year, representing a **31%** increase compared to 2024. On average, female employees completed **6.7 training hours**, while male employees completed **5.9 hours**. At the management level, senior management undertook an average of **2.59 training hours** per individual and middle management undertook an average of **2.8 training hours** per individual.

AAR Insurance Kenya made significant investments of **Shs. 9.7M** in employee capacity building and training programmes. We accumulated an impressive total of **3,558 online learning hours** across the organisation, with an average of **6.65 learning hours** per employee. AAR General Insurance Uganda recorded **2,765 online learning hours** and invested **Shs. 663,828** in employee training and development during the same period.

These initiatives strengthened expertise in technical disciplines, leadership capabilities and industry specific competencies, while reinforcing our organisational culture of continuous learning. Training needs are identified through the quarterly balanced scorecard (BSC) evaluation process, which incorporates emerging industry developments and regulatory requirements. The BSC framework also assesses the impact and effectiveness of completed training activities.

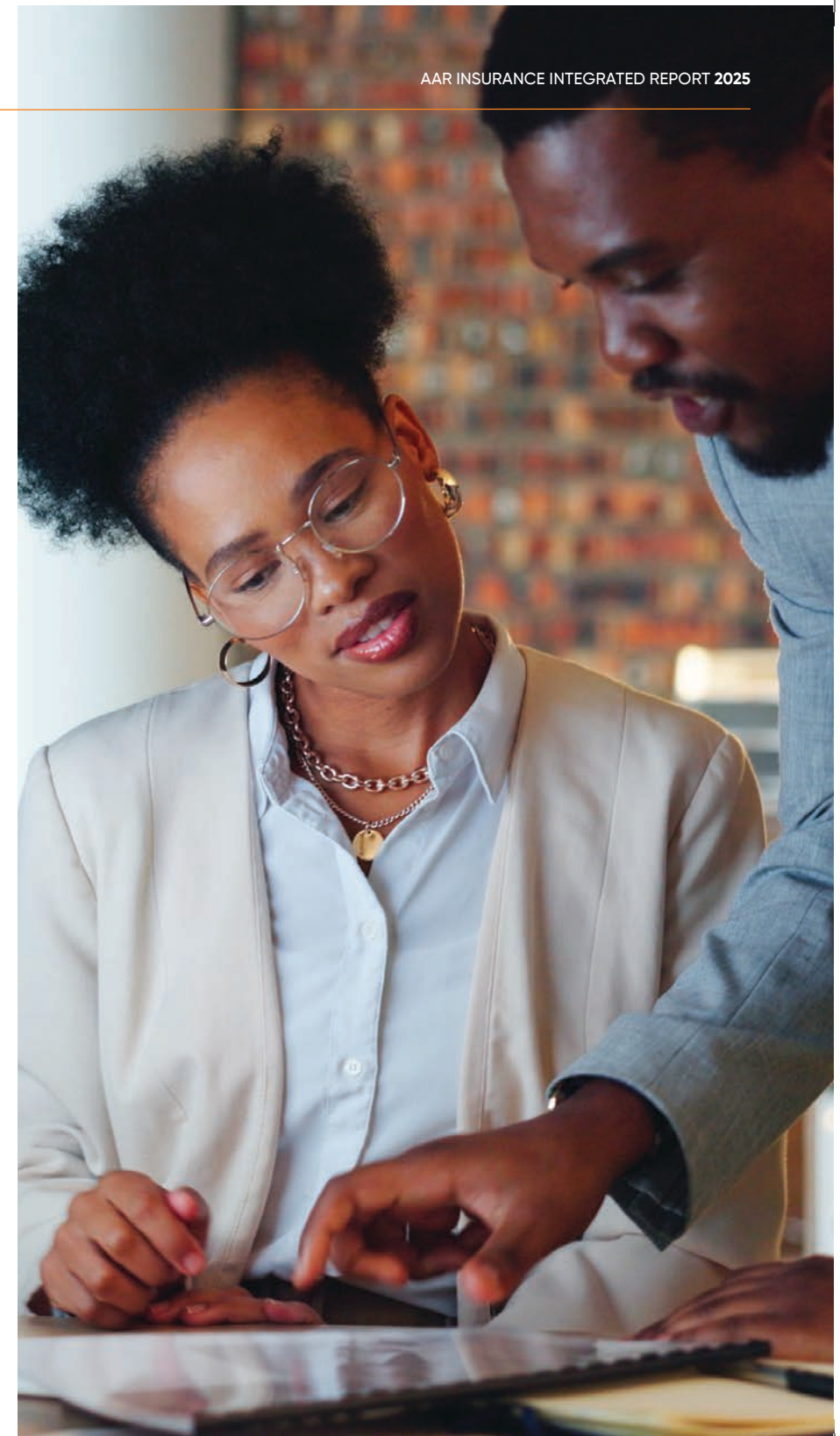
Regulated by the Insurance Regulatory Authority

Our long term ambition is to provide comprehensive training and development opportunities that prepare employees for current and future demands. This approach positions AAR Insurance to capitalise on emerging trends and opportunities while remaining attractive to high-calibre talent. We deliver learning through a variety of methods, including on the job training, coaching and AAR Academy digital platform.

Sustainability focused training holds priority. Employees have access to dedicated courses covering Environmental, Social, and Governance (ESG) principles, as well as Paper Reduction Awareness. These programmes equip staff to proactively manage climate-related risks, address ESG considerations and support accurate and robust sustainability reporting, thereby directly contributing to the execution of our sustainability strategy.

Leadership development is tailored to different levels of our organisation, including programmes designed specifically for the Board, senior management and middle management. These are complemented by annual mentorship and coaching initiatives that facilitate knowledge transfer and professional growth across all levels.

At AAR General Insurance Uganda Limited, two transition programmes, Change Management and Career Endings, were implemented to support employee adaptability and continued employability. These programmes were facilitated to prepare employees for the Company's transition from a medical insurer to a general insurance business, while also equipping them with the right mindset to manage career endings such as retirement or termination of employment. The initiatives strengthened workforce resilience, adaptability, and overall organisational performance.





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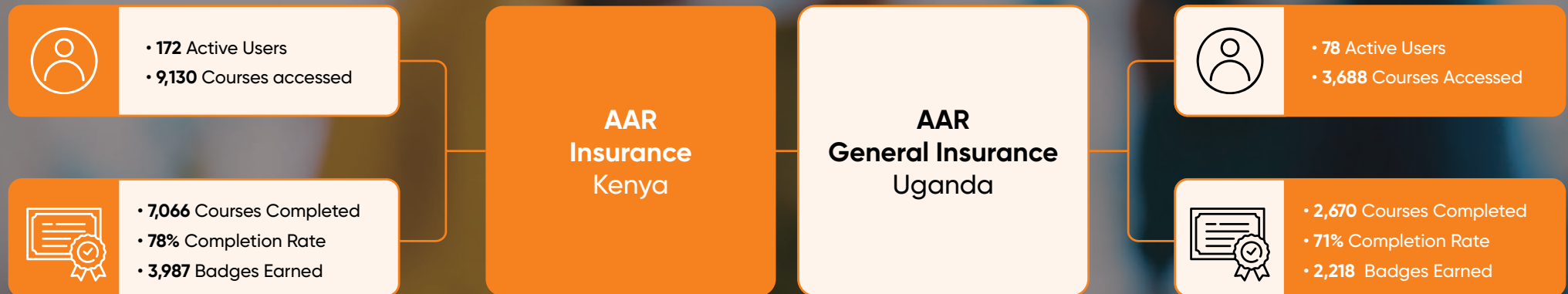


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Table: AAR Insurance E-Learning Platform Engagement





3,558
LEARNING HOURS



2,765
LEARNING HOURS



TALENT ATTRACTION AND RETENTION

AAR Insurance recognises that securing exceptional talent is essential to sustaining our competitive edge and achieving long-term success. To attract a diverse and highly qualified candidate pool, we utilise a wide array of recruitment channels, including social media platforms, newspaper advertisements, subscribed job portals, employee referral programmes and professional recruitment agencies.

We position ourselves as an employer of choice by offering meaningful opportunities for career progression and development, thereby drawing individuals whose skills and values align with our organisational goals. In line with our commitment to nurturing future professionals, we engaged 16 interns across Kenya and Uganda in 2025. These interns participated in structured work-based learning programmes

that provided practical business exposure, thereby enhancing their employability and supporting the early stages of their professional careers. Upon successful completion of their internships, 11 of the 16 were offered permanent positions. To further strengthen our internship program, we are currently developing a standardised onboarding framework that ensures consistent, high-quality support and guidance for all interns and graduate trainees. Additionally, we liaise with higher learning institutions such as Kenyatta University where students visit our offices to learn across various departments.

In 2025, the organisation recruited 37 new employees in Kenya, of whom 19 were female and 18 were male. In Uganda, 15 were hired, comprising 11 male and 4 female. Our distinctive business culture, operational excellence and strategic progress are dependent on our capacity to attract and retain talent across our

markets. We adopt a comprehensive approach to employee retention that addresses multiple dimensions of the employee experience. This includes cultivating a dynamic, people-focused culture that instills sense of ownership and promotes personal growth and accountability.

AAR Insurance is fully committed to fair and competitive remuneration practices that reflect the value our employees bring. Compensation structures are aligned with prevailing industry benchmarks and support our objectives of equity, transparency and employee well-being. All employees undergo structured performance and career development reviews. The performance appraisal process is designed to ensure business continuity and long-term operational sustainability.

It enables the identification and development of future leaders, highlights potential turnover risks and safeguards institutional knowledge.

The annual performance review serves as the cornerstone for evaluating leadership readiness and creating tailored individual development plans.

Through this integrated approach, encompassing employee well-being, career progression and financial security, AAR Insurance ensures our people feel valued, motivated, and invested in the organisation's enduring success. This is evidenced by a significant reduction in staff attrition rates. In Kenya, the attrition rate decreased from 46.1% in 2024 to 6.02% in 2025; in Uganda, it declined from 10.9% to 7.2% over the same period.

FOCUS AREA		2024		2025		
		Kenya	Uganda	Kenya	Uganda	
TALENT ATTRACTION & ONBOARDING	New Hires	Male	7	3	19	11
		Female	2	5	18	4
OVERALL RETENTION	Attrition Rate	46%*	11%	6%	7%	

*The 46% reduction in headcount in 2024 was a result of a business simplification process aimed at enhancing efficiencies within the business operating model.

EMPLOYEE ENGAGEMENT

Supporting the well-being, motivation and engagement of our people remains a core priority at AAR Insurance. Our approach is anchored in open communication, inclusive leadership and initiatives that promote collaboration, growth and overall workplace satisfaction.

We continuously strengthen the employee experience by creating opportunities for connection, teamwork and shared learning. Across our operations, we cultivate a positive culture through structured engagement activities, active internal platforms and dialogue driven initiatives. These efforts are designed to enhance morale, reinforce alignment with organisational values and support employee retention.

In AAR General Insurance Uganda, particular emphasis is placed on nurturing team cohesion and maintaining high levels of motivation. During 2025, 20 employee engagement initiatives were successfully conducted, creating structured opportunities for employees to connect beyond their routine responsibilities. These initiatives contribute to a supportive work environment that enhances productivity, strengthens collaboration and reinforces overall job satisfaction.

Through this sustained focus, AAR Insurance continues to cultivate a highly motivated workforce, aligned with our strategic objectives and commitment to delivering enduring value to our customers and stakeholders

OCCUPATIONAL HEALTH AND SAFETY

Ensuring workplace safety and regulatory compliance remains a core priority for AAR Insurance. Our commitment to Occupational Health and Safety (OHS) is integrated into our policies, procedures and daily operations in alignment with industry best practices, which is critical to supporting employee well being and operational sustainability.

Regulated by the Insurance Regulatory Authority

To protect our employees, we maintain comprehensive safety measures, including strict adherence to applicable OHS regulations, regular workplace hazard assessments and clearly defined mechanisms for reporting accidents, near-misses and potential OHS risks. We have **80 employees** who are dedicated OHS champions across the organisation. These champions received targeted safety awareness training designed to equip them with the knowledge and skills required to identify, prevent and mitigate workplace hazards. This initiative strengthens our capacity to sustain a safe and supportive working environment for all staff.

In 2025, we maintained a **zero-accident record** and our OHS champions participated in the following specialised training programmes:



Employees complied with established safety protocols, completed an annual refresher training and utilised appropriate personal protective equipment where necessary. These practices foster a culture of vigilance, accountability and proactive OHS risk management. Our ongoing awareness campaigns focus on critical topics, such as hazard identification, safe work practices, and emergency preparedness, and are crafted to ensure full understanding and adoption throughout the organisation.

AAR Insurance further supports employee health and well-being through ergonomic assessments, wellness sessions and preventive health screenings. We are investing in ergonomic improvements, including the procurement of orthopedic approved seats and laptop stands to reduce strain and enhance comfort during prolonged desk-based work.

We remain fully compliant with the Work Injury Benefits Act, 2007, ensuring that employees receive appropriate compensation in the event of work related injuries or occupational illnesses. A formal incident reporting procedure is in place to guarantee prompt investigation, corrective action and documentation of all workplace accidents and hazards.

Through these proactive measures, AAR Insurance upholds its unwavering commitment to maintaining a safe, healthy, responsible and wellness oriented workplace that supports the long term well-being of our people and the sustainability of our operations.



CUSTOMER EXPERIENCE

Customer experience is a key material topic for AAR Insurance, as it directly influences customer trust, retention, brand reputation and long-term financial performance. In a highly competitive and regulated insurance market, the ability to deliver consistent, responsive and ethical customer interactions is central to sustaining growth and value creation. This reflects AAR Insurance's focus on providing a delightful customer experience, maintaining high levels of client satisfaction, promoting responsible marketing practices, and safeguarding customer data through strong privacy and safety controls. Effective management of these sub-themes supports improved service delivery, regulatory compliance and stronger relationships with customers across our operations.

DELIGHTFUL CUSTOMER EXPERIENCE

Delivering a consistently delightful customer experience is a key priority for AAR Insurance and a major driver of customer trust, loyalty and long term value creation. In the insurance sector, where interactions often occur during critical moments such as claims processing and healthcare access, timely service, clear communication and empathetic engagement are essential. We continue to embed customer centric service standards across all operations, supported by measurable performance indicators and targeted engagement initiatives.

Our commitment to customer experience is reflected in sustained improvements in customer perception and service responsiveness.

In 2025, AAR Insurance Kenya recorded a Net Promoter Score (NPS) of 66%, up from 63% in 2024. Regionally, customer advocacy remained strong, with AAR General Insurance Uganda's NPS improving to 44% from 42% in 2024. Complementing this, the proportion of customer complaints resolved at first contact increased to 80% in 2025 from 75% in 2024 for the group, while AAR General Insurance Uganda achieved a first-contact resolution rate of 90%.

Service efficiency is a key component of the customer experience, particularly in healthcare related interactions. AAR Insurance maintains clear service turnaround standards to minimise customer waiting times and reduce uncertainty. In 2025, the average response time for customer inquiries was 15 minutes. In Uganda, customer inquiries were responded to within one hour. At our service centres, outpatient (OP) approvals were processed within an average of 10 minutes, inpatient (IP) admission approvals within 30 minutes, and scheduled cases within 48 hours. In Uganda, average waiting times at service centres stood at approximately one hour. Additionally, 99% of claims across operations were processed within the promised turnaround time.

To further enhance customer engagement and deepen relationships, we implemented a range of proactive initiatives designed to support customers throughout the insurance lifecycle. These include structured follow-ups with clients and intermediaries during policy renewal periods to ensure continuity of cover and address emerging customer needs. We also provided direct client engagement and goodwill support during hospital admissions, recognising the importance of compassionate service at important moments. Ongoing communication with customers on benefit utilisation and coverage has also been strengthened to improve awareness, manage expectations and empower customers to make informed decisions regarding their insurance benefits.

These initiatives have strengthened customer engagement and trust, supporting retention and long-term value creation.

CLIENT SATISFACTION

Client satisfaction is an important indicator of AAR Insurance's ability to deliver on its customer promise and sustain long-term relationships across its customer base. We recognise that satisfaction is influenced not only by claims outcomes, but also by the quality of communication, responsiveness, and the effectiveness of issue resolution throughout the customer journey. To this end, AAR Insurance applies a structured approach to measuring and improving

client satisfaction, supported by regular feedback mechanisms, customer engagement initiatives and ongoing monitoring of service quality.

Customer feedback remains a key input into service improvement efforts. In 2025, 40% of policyholders participated in customer feedback surveys, an increase from 35% in 2024, reflecting improved outreach and greater customer willingness to engage. Across our regional operations, participation in customer feedback surveys in Uganda stood at 4% in 2025, compared to 2.8% in 2024. Insights obtained from these surveys inform service enhancements, product refinements and communication approaches. As a result of these efforts, AAR recorded a customer satisfaction rate of 84% in 2025, representing a 1% improvement from 2024.

Direct engagement with customers continues to strengthen satisfaction and trust. During 2025, AAR insurance conducted a total of 282 customer engagement activities, compared to 169 in 2024. These included 187 health talks, 12 e-shots, 73 wellness camps and 10 webinars, up from 121 health talks, 9 e-shots, 33 wellness camps and 6 webinars in 2024. In Uganda, a total of 119 customer engagement activities were conducted in 2025, compared to 102 in 2024. These engagements enable ongoing interaction with customers, promote health awareness and reinforce relationships beyond transactional interactions.

We also closely monitor the nature and drivers of customer complaints as part of our client satisfaction framework. In 2025 the majority of complaints were related to service transparency, followed by concerns linked to delays in response times and gaps in communication. Understanding these complaint drivers enables us to prioritise corrective actions and strengthen service delivery processes. In addition, claims rejection ratios remained low, with AAR Insurance recording a rejection rate of 3% in 2025 compared to 5% in 2024, while customer retention remained strong

Regulated by the Insurance Regulatory Authority

at 92% in 2025, compared to 98% in 2024.

To address identified issues, we implemented targeted mitigation measures, including defined complaint turnaround timelines supported by continuous tracking and escalation of overdue cases. Dedicated complaint-handling teams have been established with clear ownership and accountability to ensure timely resolution. We also conduct regular follow-ups with service providers and intermediaries to address root causes, particularly in relation to billing-related challenges. These measures aim to improve resolution efficiency, enhance transparency and restore customer confidence. To further support service quality, one internal quality audit was conducted in both 2025 and 2024 to assess adherence to customer service standards.

RESPONSIBLE MARKETING

Responsible marketing is a key component of AAR Insurance's customer experience, ensuring that communication with customers and the public is accurate, ethical and aligned with the organisations' values. AAR Insurance recognises that marketing and communication practices play a significant role in shaping customer trust, regulatory compliance and brand reputation, particularly within the insurance sector where clarity, fairness and transparency are essential to informed decision-making.

Marketing activities are guided by a long-term focus on responsible messaging and stakeholder awareness. Over the past three years, AAR Insurance has implemented the "Intent" campaign, which promotes sustainability initiatives within the organisation and reinforces responsible business practices across its communications. This campaign reflects AAR Insurance's commitment to aligning brand messaging with its sustainability priorities and broader corporate purpose. AAR Insurance maintains a balanced mix of

traditional and digital marketing channels to engage customers effectively. The organisation operates a total of 16 billboards, with 11 located in Nairobi and the remainder distributed across major cities in Kenya, supporting brand visibility while ensuring that messaging remains consistent, appropriate and contextually relevant. As part of its responsible marketing approach, AAR Insurance aims to enhance the sustainable disposal of marketing materials such as billboards through partnerships.

In addition, the marketing department actively oversees the organisation's social media platforms working closely with the customer experience team. These platform facilitate timely communication and responsive engagement supporting transparency and real-time engagement.

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AAR Insurance



ENVIRONMENTAL STEWARDSHIP

At AAR Insurance, we recognise the important role environmental stewardship plays in supporting long term sustainability and operational resilience. As a responsible corporate entity, we remain committed to embedding sustainable practices across our operations and throughout our wider value chain to minimise our environmental impact. Our environmental priorities are guided by the ESG Policy and the ESG Strategy 2025–2026, with oversight provided by the Board and implementation coordinated through the ESG Committee.

Our approach continues to focus on biodiversity conservation, waste management, water management, energy efficiency, and carbon footprint management. By integrating these priorities into our corporate operations, we aim to strengthen environmental performance while maintaining alignment with relevant disclosure expectations and global sustainability goals.

During the year, we prioritised initiatives that reduce resource consumption, improve operational efficiencies, and support more sustainable solutions. We continue to strengthen waste reduction and responsible disposal, advance paper and plastic reduction measures, reinforce water stewardship practices, and implement energy efficiency actions across our premises. In parallel, we enhanced the quality of environmental data and disclosure as part of integrating sustainability reporting into our reporting processes.

These initiatives are intended to reduce our

ecological footprint while supporting the communities we serve through responsible environmental management. We continue to pursue continuous improvement and collaboration, with a focus on strengthening measurement, accountability, and year on year comparability as we scale our environmental stewardship agenda.

BIODIVERSITY CONSERVATION AND PROTECTION

AAR Insurance Kenya is committed to fostering a culture of environmental responsibility among its employees and stakeholders. Through active participation in environmental restoration initiatives, we aim to enhance awareness and contribute positively to ecological conservation. In 2025, AAR Insurance scaled up the A Tree, A Life initiative. Over the two cycle period from May 2024 to November 2025, the initiative resulted in the planting of 95,000 trees, with 40,000 planted in 2024 and 55,000 in 2025. These trees were established across 27 sites in 12 regions and are supported by structured aftercare and monitoring. Post planting verification checks confirm an estimated survival rate of 93%. Additionally, 2,000 trees were planted by AAR General Insurance Uganda in 2025.

This supports local restoration outcomes and complements broader AAR Insurance Group biodiversity actions where tree establishment is used to strengthen environmental resilience. Social outcomes were embedded in program delivery and tracked alongside restoration activities. Across the partnership period (May 2024 to November 2025), the program created 719 causal jobs across all regions,

covering site clearing, pitting, planting, watering and replacement, with deliberate prioritisation of women and youth from host communities.

Schools and public institutions received tree seedlings and tree establishment support at no cost under the program. This included seedling provision, planting, and aftercare support such as watering, mulching and weeding, delivered in collaboration with the institutions. The initiative also supported curriculum-linked experiential environmental learning, and community members and students gained practical skills in tree planting and aftercare that can support future participation in restoration and conservation work.

Local economic participation was reinforced through sourcing seedlings from local nurseries and Community Forest Associations, supporting localised economic circulation. In Mau Forest alone, more than 70,000 seedlings were supplied by the local CFA nursery, and the site generated paid employment for nearly 500 community members, with women and youth forming most participants; more than 200 students participated across two years.

AAR Insurance is a member of the African Natural Capital Alliance (ANCA), which reflects our commitment to sustainable finance and environmental stewardship. This membership enables a more structured integration of nature related considerations into our governance and risk management frameworks, aligning with our broader sustainability objectives.

RESOURCE EFFICIENCY

AAR Insurance is committed to responsible waste management practices, ensuring that our operations contribute to sustainability and environmental protection. Our approach focuses on reducing waste generation, responsible disposal, and sustainable procurement to minimise our environmental impact. Reducing Paper Usage Paper use management included departmental sensitisation to improve narration quality and accuracy when requisitioning, supported by ongoing monitoring and internal reporting on consumption on a monthly and quarterly basis. As of December 2025, paper use reduced by **57%** to **564 reams** compared to the prior year utilisation of **1,304 reams**. The associated cost reduced to **Shs. 306,437** from **Shs. 772,613**, reflecting savings of approximately **Shs. 466,176** (60% reduction compared to the prior year period) and an estimated **44 trees** conserved.

Paper Usage Report 2024 - 2025				
	2024		2025	
	Reams	Shs	Reams	Shs
Utilisation	1304	772,613	564.00	306,437
Savings			57%	60%



In line with the 2025–2026 ESG initiatives planning, AAR Insurance will track waste generated quarterly in kgs/tons by 31 December 2026 to support routine monitoring and clearer year on year disclosure.

E-waste Reduction and Responsible Disposal

We manage electronic waste to reduce environmental risks associated with end-of-life ICT equipment. To support responsible recycling and disposal, AAR Insurance partners with the WEEE Centre to handle end of life items such as computers, printers and other office equipment, reducing landfill waste and the risk of toxic materials entering ecosystems. In 2025, e-waste disposed of through approved channels totalled 819 kg. These initiatives support responsible recycling and disposal of obsolete devices, including computers, printers and other office equipment, reducing landfill burden and limiting the risk of harmful materials entering the environment.

Sustainable Procurement

AAR Insurance has integrated environmental considerations into purchasing decisions to reduce avoidable waste and limit indirect environmental impacts linked to goods and services consumed in day to day operations. This approach is anchored in the ESG Policy, which recognises the environmental effects that arise through procurement choices alongside direct operational impacts.

We continue to reduce paper demand by maintaining paperless service processes, including through the M-TIBA partnership, and monitoring internal paper consumption. Zero procurement of plastic cups was achieved during the reporting period, with elimination

confirmed across all **12 branches**. This reduced reliance on single-use plastics within routine operations. AAR Insurance prioritises durable assets and continues the shift towards cloud-based solutions and energy-efficient laptops to reduce replacement needs and support lower energy demand.

Water Initiatives

To support responsible water use, AAR Insurance has implemented practical measures to optimise consumption across its premises. These include the installation of dual-flush toilets, sensor-operated faucets and toilets, and rainwater harvesting systems for non-potable cleaning purposes. These interventions reduce reliance on municipal water and support efficient day-to-day operations while reinforcing the organisations' broader sustainability commitments.

Staff Training in Water Management

AAR Insurance ensures employees understand how day to day work activities affect water resources and the wider environment. Staff are encouraged to minimise water wastage, adopt practical conservation habits, and participate in initiatives that support the protection and restoration of water resources.

Training and awareness activities focus on responsible water use and efficiency measures that can be applied within office operations. This is supported through internal engagement structures, including ESG Champions and staff participation in ESG workshops, helping embed consistent behaviors and environmental responsibility across the organisation.



CARBON FOOTPRINT MANAGEMENT

Managing our carbon footprint is central to how we define responsible operations at AAR Insurance. Climate change poses direct risks to the communities we insure, disrupting healthcare access, intensifying disease burden, and threatening economic stability. It also creates transition risks for our business model as regulation, stakeholder expectations, and market conditions evolve.

For the financial year ending 31 December 2025, we present our greenhouse gas (GHG) emissions inventory, outline the actions we are taking to reduce our footprint, describe the preparatory work underway to expand our measurement boundary in future periods, and set out the targets guiding our decarbonisation trajectory.

This marks our first formal, structured GHG inventory. The 2025 results establish our baseline, which will serve as the reference point for measuring and reporting future performance. Our measurement approach follows the GHG Protocol Corporate Standard and aligns with GRI 305: Emissions, IFRS S2 Climate-related Disclosures, and the Integrated Reporting Framework

Our inventory encompasses all material emission sources across our Kenya and Uganda operations, applying the operational control approach to determine organisational boundaries. The table below summarises the parameters of this baseline inventory.

Boundaries – Carbon Footprint

Parameter	2025 Reporting	Notes
Reporting Period	1 January – 31 December 2025	Baseline year first formal GHG inventory
Operational Boundary	Operational control approach	Covers all facilities over which AAR exercises operational authority
Geographic Scope	Kenya (12 facilities) and Uganda (1 facility)	Head Office, Absa Towers, and 10 regional branches in Kenya; Uganda branch in Kampala
Scopes Reported	Scope 1 and Scope 2	Scope 3 preparatory data collection initiated, including tracking of waste disposal and employee commuting patterns; full quantification planned for the 2026 reporting cycle.
Scope 1 Coverage	Mobile combustion (company fleet), fugitive emissions from refrigerants and fire suppression systems, stationary combustion (diesel generator, Uganda)	Triple gas accounting applied: CO ₂ , CH ₄ , and N ₂ O quantified separately
Scope 2 Coverage	Purchased electricity – location-based method	Kenya grid factor: 96.4 g CO ₂ /kWh (IEA 2024). Uganda grid factor: 8.8 g CO ₂ /kWh (IEA 2024)
Scope 3 Coverage	Not quantified in this reporting period	Materiality screening in progress; waste disposal, employee commuting and business travel identified as priority categories for detailed measurement and reporting in 2026.
Methodology Standard	GHG Protocol Corporate Standard	Consistent with GRI 305, IFRS S2, and IIRC Integrated Reporting Framework

OUR 2025 FOOTPRINT

Our total group greenhouse gas emissions for 2025 amounted to 61.69 tCO₂e, comprising 39.67 tCO₂e from Scope 1 direct sources and 22.02 tCO₂e from Scope 2 purchased electricity. Kenya operations contributed 47.14 tCO₂e, while Uganda contributed 14.56 tCO₂e. The detailed breakdown is presented on the table on the right.

Emission Category	Kenya (tCO ₂ e)	Uganda (tCO ₂ e)	Group Total (tCO ₂ e)	% of Total
Scope 1 – Direct Emissions				
Stationary Combustion (Diesel Generator)	–	14.18	14.18	23.0%
Mobile Combustion (Company Fleet)	17.37	–	17.37	28.2%
Fugitive Emissions; Refrigerants (R407C, AC Units)	8.12	–	8.12	13.2%
Fugitive Emissions; Fire Suppression (CO ₂)	0.002	–	0.002	<0.1%
Total Scope 1	25.49	14.18	39.67	64.3%
Scope 2 – Indirect Emissions (Purchased Electricity)				
Purchased Electricity; Location Based	21.65	0.37	22.02	35.7%
Total Scope 2	21.65	0.37	22.02	35.7%
TOTAL GROUP EMISSIONS (Scope 1 + 2)	47.14	14.56	61.69	100%

SCOPE 3 – BUILDING TOWARDS MEASUREMENT

In this first year of formal GHG reporting, we focused on establishing a strong and auditable baseline for Scope 1 and Scope 2 emissions. This foundation ensures that our reporting is reliable and positions us to expand our measurement to include indirect emissions in the future.

We recognise that activities such as employee commuting, business travel, and waste are likely to be significant relative to our direct operational footprint. Throughout 2025, we have concentrated and still continue to lay the groundwork to capture these sources with confidence in the next reporting cycle. For waste, we already track key activities, including paper use and electronic waste disposal. In 2025, paper consumption fell by 57% to 564 reams, and 819 kilograms of electronic waste were responsibly disposed through the WEEE Centre. We are expanding this monitoring to track total waste generated each quarter, enabling consistent and accurate reporting of emissions from waste.

Employee commuting is expected to be a major contributor, given the size of our workforce and the locations of our branches across Kenya and Uganda. We are establishing a detailed register of employee fuel disbursements, which will allow us to quantify commuting-related emissions and explore practical measures to reduce them, such as encouraging shared commuting or more efficient vehicle use. Business travel remains another key area, with staff travelling for branch support, client engagement, and industry events. From 2026, travel data, including air and road trips, will be systematically captured through our travel booking and expense systems. This will enable us to quantify travel-related emissions and identify opportunities to minimise them without affecting operational effectiveness.

By taking these preparatory steps now, we are ensuring that our first comprehensive Scope 3 inventory will be robust and credible. We expect to report on waste, employee commuting, and business travel in 2026, with additional categories added as our data and engagement capabilities mature.

SCOPE 1

Our Scope 1 emissions of 39.67 tCO₂e arise from three source categories. The largest contributor in Kenya is mobile combustion from our company vehicle fleet, accounting for 17.37 tCO₂e. During the reporting period, our Kenya fleet operated two vehicles, one petrol and one diesel, with one vehicle disposed off. This source also represents the largest Scope 1 contributor across our Kenya operations and remains the primary focus of our near term reduction efforts.

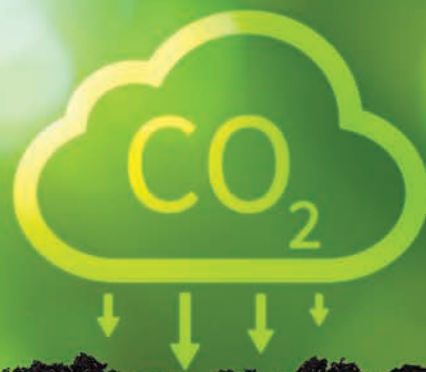
Fugitive emissions from air conditioning systems across our facilities contributed 8.12 tCO₂e. This reflects refrigerant top ups in R407C-charged systems, quantified using the screening method as recommended by the GHG Protocol. Although modest in absolute mass, the high global warming potential of HFC refrigerants (1,624 kg CO₂e per kg for R407C) makes this a disproportionately impactful source. Fire suppression systems, which are CO₂-based, contributed a negligible 0.002 tCO₂e. In Uganda, a diesel-powered generator used for backup power was the sole Scope 1 source, consuming 5,329 litres over the year and generating 14.18 tCO₂e.

SCOPE 2

Electricity consumption across all facilities resulted in 22.02 tCO₂e of Scope 2 emissions, calculated on a location-based basis. The Real Towers Head Office in Nairobi accounted for approximately 74% of total electricity consumption in Kenya and represents the largest single contributor to Scope 2 emissions during the reporting period.

The overall electricity-related footprint reflects the generation profiles of the national grids in which we operate. Notably, in Uganda, electricity consumption at the branch level resulted in 0.37 tCO₂e of Scope 2 emissions for the year given the country's adoption of hydroelectric power generation.

EMISSIONS REDUCTION INITIATIVES



ENERGY EFFICIENCY

We continue to roll out LED lighting retrofits and occupancy sensors across our facilities, starting with Real Towers HQ and Mombasa Branch, with completion targeted by Q4 2026. A formal procurement policy requiring all electrical equipment to have energy efficiency ratings of A+ or higher is being implemented to reduce consumption at the asset level. These measures are expected to deliver meaningful reductions in our Scope 2 electricity footprint over the short to medium term.

FLEET AND FUEL EFFICIENCY

Route optimisation and trip consolidation practices are being introduced to reduce total kilometres driven without compromising operational reach. Regular vehicle servicing is maintained to preserve fuel efficiency. As the fleet is renewed, we will consider transitioning to hybrid or fully electric vehicles where suitable models and charging infrastructure are available.

CARBON OFFSETTING

As a complementary measure, we plan to invest in verified carbon offset projects, with a focus on Kenyan reforestation and ecosystem restoration programmes. These projects support Kenya's Nationally Determined Contribution targets and deliver co-benefits for local communities and biodiversity, in line with our environmental stewardship initiatives such as the A Tree, A Life programme.

TARGETS AND COMMITMENTS

Our reduction targets are set as absolute commitments against the 2025 base year inventory of 61.70 tCO_{2e} for the AAR Insurance Group. Absolute targets focus on fixed reductions in total CO_{2e}, regardless of changes in business activity, reflecting the need for genuine decarbonisation. Our targets are aligned with Kenya's updated NDC commitment to reduce economy-wide emissions by 35% by 2035.

Target	Scope Coverage	Base Year (2025)	Reduction	Target Year
Absolute Scope 1	Mobile Combustion + Fugitive Emissions	39.67 tCO _{2e}	30%	2030
Absolute Scope 2	Purchased Electricity	22.02 tCO _{2e}	40%	2030
Absolute Combined	Scope 1 + Scope 2 (Group)	61.69 tCO _{2e}	35%	2030

In the short term, we are focused on completing LED retrofits and occupancy sensor installations at priority facilities by Q4 2026, decommissioning all R22 refrigerant units, and achieving complete electricity and waste data coverage across all facilities for the 2026 reporting year. A Scope 3 materiality screening will identify priority categories for inclusion in the 2026 GHG inventory.

Over the medium term, between 2028 and 2029, we aim to reduce Scope 1 emissions by 20% through fleet improvements and the refrigerant phase out programme, and Scope 2 emissions by 25% through energy efficiency measures and renewable energy procurement. A verified Scope 3 reduction target will be set once two full years of Scope 3 data are available, expected by 2027.

Our long-term goal is to achieve a substantial reduction in Scope 1 and Scope 2 emissions by 2030. GHG data will continue to be integrated into our financial reporting cycle, with validation aligned to the same timeline as our financial statements. We will also explore external assurance of our inventory to strengthen the credibility and comparability of our disclosures over time.

TECHNOLOGY, INNOVATION AND PARTNERSHIPS

Technology and innovation shape how we deliver healthcare financing services to our customers. Our investments in digital infrastructure, data systems, and AI-enabled platforms determine our operational efficiency, customer accessibility, and ability to scale services across Kenya and Uganda. Strategic partnerships extend our technical capabilities and market reach beyond what we could achieve independently.

Digital transformation affects three core areas of our business. First, it changes how customers access our services, shifting from physical branch visits to mobile platforms and web-based interfaces. Second, it restructures our internal operations through automated workflows, reducing manual processing time and improving resource allocation. Third, it creates data infrastructure that enables better decision-making through analytics and customer insights.

Our approach to partnerships focuses on technical capability gaps and distribution reach. We partner with technology providers for platforms we cannot build cost-effectively in-house, and with distribution networks that give us access to customer segments beyond our direct reach. These relationships require ongoing risk management, particularly for data security and operational continuity where we depend on external systems.

DIGITAL TRANSFORMATION AND INNOVATION

We invested in digital infrastructure in 2025 to improve customer access and operational efficiency. Our digital ecosystem includes multiple platforms serving different market segments and

transaction types.

Digital platforms and customer access

The M-TIBA Point of Access, operated through our CarePay partnership, handles 100% of our digital care payment transactions. Interactions through digital channels rose from 33,412 in 2024 to 168,882 in 2025, reflecting the effectiveness of our digital-first distribution approach. This shift from physical to digital channels reduced paper consumption and lowered emissions from client commuting by enabling remote consultations and tele-delivery options.

In Uganda, we developed one new product during the reporting year, building on Airtel Dwaliro and Weerinde products launched in 2024. Customer interactions conducted through digital channels reached 65% in 2025, up from 60% in 2024, as measured through RateMyService, customer surveys, Freshdesk, and our complaints tracker.

We also launched AAR on the Go at ABSA Towers in Nairobi's CBD. This paperless service branch uses QR-code onboarding to allow customers and agents to complete enrollment digitally, while providing real-time access to product information and marketing materials through digital displays. By eliminating printed brochures and policy documents, the system reduces in-branch processing time by removing manual form completion, document printing, and physical filing steps.



MyWAKALAAR SPOTLIGHT: DIGITALLY ENABLING SCALABLE DISTRIBUTION

The MyWAKALAAR platform extends these digital capabilities further by providing 10,000 agents nationwide with individual micro-websites for direct customer engagement. Through these dedicated sites, agents share product information, capture applications, and monitor client interactions in real time, without relying on corporate email systems or centralised IT support. By standardising access and empowering agents to manage client relationships independently, the platform strengthens brand consistency, enhances responsiveness, and enables scalable distribution across the network.

Prior to the platform's deployment, AAR Insurance's agent network operated entirely through manual processes across the sales cycle, with quote requests routed through internal teams and client response times extending up to 48 hours. As the network grew, administrative headcount increased proportionally because the existing operating model could not absorb higher volumes without additional support, constraining scalability and limiting distribution efficiency.

With MyWAKALAAR, lead capture, quotation, client onboarding, and policy management have been consolidated into a single digital platform accessible from any device, allowing agents to log in, capture client details, and generate quotations in real time. A process that previously took up to two days is now completed in under five minutes, reducing turnaround time while removing

manual bottlenecks and dependence on intermediary teams.

Integration with AAR Insurance's social media channels, including Facebook, Instagram, WhatsApp, and LinkedIn, allows leads generated across these platforms to flow directly into the system, improving responsiveness and reducing the risk of data loss or delays. Enhanced data visibility through a live management dashboard now provides real time insight into pipeline activity and regional conversion performance, replacing periodic internal reporting cycles and enabling more informed distribution decisions.

Adoption across the network has been strong, with 242 of the 433 registered agents across six regions actively generating quotations through the platform, contributing to a total

quotation value of Shs. 7.2 billion, of which Shs. 7.04 billion remains in the open pipeline.

By digitising processes and standardising workflows, the platform enables network expansion without the proportional increase in administrative headcount that previously accompanied growth. As new agents are added, distribution capacity increases while incremental processing volumes are absorbed by the system, strengthening operational efficiency, supporting scalable expansion, and reinforcing cost discipline across the network.



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Process Digitisation and Operational Efficiency

Over the year, we advanced our digital transformation agenda by digitising key operational processes in Uganda and Kenya, creating a more efficient and responsive service delivery model. Initiatives included the E-board for board meeting management, the Customer Complaints Tracker for centralised issue resolution, RateMyService for capturing Net Promoter Scores and customer feedback, the Mobile Application for clients to access benefits and provider lists, and the Automated Insurance Management System (AIMS) for general insurance products. These systems enabled automated routing of inquiries, immediate access to client records, and seamless tracking of interactions, reducing manual intermediaries and strengthening overall operational efficiency.

Several additional digital initiatives piloted during 2025 are scheduled for official launch by the end of February 2026. These include Insurance Premium Finance sign-up, integrated with our e-commerce platform, digitisation of retail client application forms and straight-through underwriting, which reduced onboarding turnaround time by approximately 83 percent from two hours to 20 minutes, and a non-medical system upgrade through AIMS 2023 to address process gaps identified during the Operational Excellence audit under ISO 9001:2015. These efforts have delivered immediate operational impacts, reducing average resolution times and allowing staff to handle a higher volume of cases daily, while reduced paper consumption has lowered supply costs and storage requirements.

To support these initiatives, we allocated Kshs 15 million for technological development and digital investment in 2025 for both Kenya and Uganda. These resources covered subscription and development fees for digital solutions and included staff training on navigating the platforms, managing customer queries, and escalating complex issues. A portion of this investment was directed to the creation of the Optimus AI platform, reflecting our commitment to building internal expertise and strengthening intellectual capital through in-house AI development, data-driven decision-making, and enhanced digital operations.

Optimus Focus: Driving Data-Driven Customer Connections

The Optimus platform (a third party tool) complements broader digital initiatives by enabling more targeted engagement with prospective customers across our digital channels. The system uses an AI-powered algorithm to match leads with agents best positioned to guide them, taking into account agent expertise, historical conversion performance, and current workload to help ensure that customers receive timely and relevant support. By profiling both customers and internal agents, identifying optimal matches, and automating follow-ups and campaigns based on customer behaviour, Optimus reduces manual allocation, accelerates lead engagement, and supports operational efficiency while maintaining transparency and accountability.

During the pilot phase, 99.9% of digital leads were contacted, demonstrating the platform's ability to maintain consistent

engagement and provide real-time oversight of agent activity. Based on these initial results, digital channel lead conversion, currently at 2%, is expected to improve as deployment scales, with projections of reaching 20% in the first year once fully implemented across all digital channels in 2026. Planned enhancements also include AI-assisted customer onboarding, wellness management through curated health insights, and claims quality assurance, all developed with careful oversight and input from key stakeholders, including regulators.

Through the pilot phase of Optimus AI, we have strengthened organisational knowledge and expertise, building intellectual capital in AI systems, data analytics, and digital operations management. By adopting the platform internally, we are able to tailor its capabilities to our operational needs, iterate based on early insights, and embed learning into our processes. As deployment progresses, Optimus is anticipated to support more efficient lead engagement, optimise resource allocation, and inform future innovation, while ensuring that improvements are guided by careful monitoring, iterative learning, and responsible use of technology.

Cybersecurity

As we continue to expand our digital infrastructure and operational footprint, strengthening cybersecurity remains a critical priority to protect customer data, maintain service continuity, and support the safe adoption of digital tools across our network. Our approach combines advanced technological safeguards with practical operational protocols to ensure that both

internal systems and third-party partners adhere to high security standards.

In 2025, we partially rolled out Zscaler cybersecurity infrastructure, including the Zero Trust Network Access (ZTNA) platform, at selected branches to strengthen protection against external threats. Access controls are configured according to user roles, ensuring that only authorised personnel can access sensitive information. Complementing this, a database activity monitoring system and expanded managed security services enhance detection and response capabilities, while annual third-party penetration testing identifies vulnerabilities before they can be exploited. Our security architecture is built on multiple protective layers that work together to safeguard sensitive information and maintain operational continuity. Cloud-based Data Loss Prevention (DLP) measures continuously monitor the movement of sensitive data to prevent unauthorised transfers, while Security Information and Event Management (SIEM) systems provide real-time alerts for any unusual or suspicious activity. To further enhance resilience, network redundancy ensures uninterrupted connectivity even during primary system failures.

Finally, our incident management protocols guarantee that security breaches are reported within 72 hours, with prompt notifications issued to affected data subjects in full compliance with applicable data protection regulations. We also maintain a network of third-party data processors, each assessed for cybersecurity risk, including the effectiveness of their controls, responsiveness to incidents, and compliance with data protection standards. These assessments

inform contractual requirements, ensuring that external partners maintain practices consistent with AAR Insurance's security framework.

Through these measures, AAR seeks to safeguard customer information, reduce exposure to potential threats, and strengthen confidence in our digital platforms, enabling teams and partners to deliver services efficiently and securely while supporting ongoing digital innovation.

Data Privacy

Protecting customer data and ensuring responsible use of information are central to AAR Insurance's digital strategy. Our data privacy framework combines staff training, proactive risk assessments, and consent management to safeguard personal information across all digital initiatives. In 2025, all staff participated in a three-hour annual cybersecurity training, reinforcing awareness of data protection practices and secure handling of customer information. To address emerging considerations associated with AI-enabled tools, managers and executives completed an additional six-hour workshop focused on privacy and ethical use of AI, ensuring leadership is equipped to oversee compliance and guide responsible technology adoption.

To anticipate and mitigate privacy risks in new systems, we conducted monthly data privacy impact assessments for digital initiatives and provider integrations throughout the year. These assessments evaluate potential vulnerabilities at the design stage, enabling the integration

of protective measures that safeguard customer data before deployment. By embedding privacy controls early in system development, we aim to prevent data exposure and maintain customer trust across our digital channels.

Consent management forms the cornerstone of our data protection framework, ensuring robust control over personal information. We mandate explicit consent for any use of customer images in marketing or on social media, allowing customers to revoke their consent at any time through a straightforward formal withdrawal process. Complementing these measures, our content management practices restrict data collection to only the essentials required for service delivery, thereby minimising the volume of personal data stored and processed. Additionally, recognising the heightened sensitivities of health insurance data (including protected health information and medical histories), we employ tokenisation for personally identifiable information (PII) in digital transactions, substituting actual data with secure tokens that cannot be reverse engineered to expose individual customer identities. With this comprehensive measures, AAR remains committed to upholding the highest standards of data privacy, fostering trust, and enabling secure digital experiences for our customers.

STRATEGIC PARTNERSHIPS

To complement our market reach, we form partnerships to access technical capabilities and distribution networks that would not be cost-effective to develop in-house. Partner selection is deliberately targeted, focusing

on organisations that address specific gaps in our service delivery and enhance overall execution effectiveness.

Partnership Portfolio and Performance

Our technology partnerships have been central to how we reimagined service delivery in 2025, forming an ecosystem where each collaboration reinforces the next.

CarePay has been a meaningful partner throughout this period, working with us to build a medical insurance platform that connects application, onboarding, and claims management within a single digital experience, making it easier for customers to engage directly while reducing the need to route processes through third parties. The M-TIBA platform reflects what this collaboration has made possible in practice, addressing inefficiencies in claims processing that have held back the broader industry. Startappz has contributed a different but equally important dimension, focusing on customer facing applications that make our products more intuitive and accessible, while Aimsoft has provided the integration support that holds these systems together, ensuring reliable interoperability across platforms. Ogilvy Africa supported us in translating these innovations into communications that connect customers with the digital solutions available to them, ensuring technology does not remain invisible to the people it is designed to serve.

Together, these partnerships form a connected ecosystem where technology, process and customer engagement converge, extending our internal capabilities in meaningful ways

and continuing to strengthen both the scalability and the human dimension of our digital transformation agenda.

M-TIBA Partnership: Advancing Digital Claims Processing

In 2025, AAR strengthened its technology partnership with CarePay's M-TIBA platform, advancing a collaboration initiated the previous year to address structural inefficiencies in traditional claims processing.

Historically, claims submitted by healthcare providers often arrived as aggregated totals rather than itemised records. This required AAR teams to revert to providers for detailed breakdowns such as consultation fees, prescriptions, procedures, and inpatient charges frequently supplied as handwritten or manually compiled documentation. The process was resource intensive, slowed turnaround time, and generated large volumes of paper inconsistent with AAR Insurance's operational efficiency and environmental standards. Providers awaiting reimbursement experienced similar delays and uncertainty.

Integration with M-TIBA addresses these challenges at the source. The platform digitises the full patient journey from visit records and consultation notes to itemised claim components allowing AAR teams to access structured, complete data instantly. As a result, staff can focus on adjudication rather than document reconstruction, significantly improving processing speed and predictability while strengthening provider relationships through faster settlements.

A distinguishing feature of this initiative is AAR Insurance's active role in shaping the platform's evolution. Throughout the reporting period, AAR provided operational insights drawn from its underwriting and claims management experience, which informed key enhancements in the upgrade from M-TIBA v2 to v3.

Three upgrades have been particularly impactful. First, tariff enforcement functionality now applies negotiated pricing caps automatically at the point of claim submission. Previously, these controls required manual reconciliation after claims were received. Automated enforcement ensures consistency, protects policyholders from charges exceeding agreed cover limits, and reduces disputes and administrative workload.

Second, provider panel management has been digitised. Instead of a manual onboarding process, healthcare facilities can now self-nominate and submit applications through the platform. This streamlines network expansion, lowers administrative burden, and enables AAR to scale its provider ecosystem more efficiently.

Third, the new policy utilisation management module introduces a centralised database consolidating all applicable policies for each member. Staff can instantly view coverage details and exclusions, eliminating the need to search across multiple records. The system also replaces the previous letter-based amendment process for changes in care requirements with real-time record updates, removing duplication risks and improving accuracy.

In addition to operational efficiencies, the transition to fully digital claims processing has significantly reduced AAR Insurance's reliance on paper-based documentation. By replacing handwritten submissions, printed records, and physical correspondence with structured electronic data, the platform minimises paper consumption, storage needs, and document handling. This shift not only improves workflow efficiency but also supports AAR Insurance's environmental sustainability objectives by lowering administrative waste and reducing the organisation's overall resource footprint.

We do however remain cognisant that these partnerships create dependencies on third-parties technical infrastructure and development roadmap. If our third-parties experience system outages, development delays, or changes to its platform architecture, our ability to deliver services through these channels could be affected however, we have business continuity plans that help mitigate such risks. We manage this dependency through service level agreements that set minimum uptime requirements, and through technical reviews that validate our third-parties capacity to support our transaction volumes.

Third-Party Risk Management

To fulfil our obligation to our customers, we assess all third-party data processors for cyber risk exposure before establishing data-sharing relationships. Assessments cover the processor's security controls, data handling procedures, incident response capabilities, and compliance with regulatory requirements.



Our contracts with data processors include security requirements, breach notification timelines, and audit rights that allow us to verify compliance. For high risk processors that handle sensitive health information or financial data, we require additional controls including encryption of data in transit and at rest, segregation of our data from other clients, and regular security testing.

These partnerships can affect our operational resilience, with the interdependence on external platforms for functions like claims processing or customer onboarding, disruptions at partner organisations can cascade to our operations. We address this through redundancy where possible, maintaining backup systems that can handle essential functions if primary partners experience outages.

GOVERNANCE EXCELLENCE

Governance excellence is an enabler of AAR Insurance's ability to deliver sustainable and profitable growth while maintaining stakeholder trust and regulatory compliance. In a highly regulated and risk sensitive operating environment, strong governance structures, effective oversight and ethical decision making are essential to safeguarding financial stability, operational resilience and long-term value creation. This material topic reflects the importance of sound leadership, robust systems and disciplined execution in supporting our strategic objectives.

We encompass a broad range of interrelated practices in our governance structure to include corporate governance ethical

business conduct, effective risk management and internal controls, IT security, tax transparency and responsible supply chain management. These elements collectively support accountability, protect stakeholder interests and reinforce confidence among customers, regulators, shareholders and the wider society, while enabling the AAR insurance to operate responsibly and sustainably over the short, medium and long term.

AAR Insurance is committed to upholding strong governance, ethical business practices, and robust risk management to support sustainable growth, operational excellence, and transparent reporting.

The sub-themes under governance excellence include;

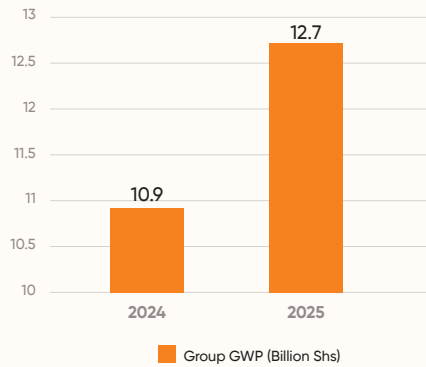


SUSTAINABLE AND PROFITABLE GROWTH

Sustainable and profitable growth is a core pillar of governance excellence at AAR Insurance and reflects the organisation’s ability to expand its business responsibly while maintaining financial stability, operational discipline and long-term value creation. AAR Insurance pursues growth that is underpinned by sound governance, prudent risk management and customer-focused product innovation, ensuring that financial performance is balanced with sustainability considerations.

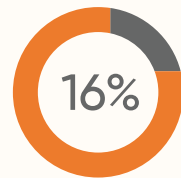
AAR Insurance recorded gross written premium growth of **17% in 2025**, up from **15% in 2024**, driven by new business acquisition, organic growth and premium adjustments. AAR General Insurance Uganda grew **5% in 2025**, compared to **16% in 2024**. In Kenya, inclusive and mass-market products were a key growth driver, with ShwAARi emerging as the fastest-growing product. ShwAARi generated **Shs. 83.4 million** in total premium income, a 41% year-on-year increase and 23% above the comparative Seniors product (**Shs. 67.8 million**).

This growth reflects strengthened customer acquisition and retention through improved experience, targeted engagement and relevant product offerings. In Kenya, **5%** of policyholders were aged **65 years and above**, inclusive of KARO scheme members and in Uganda this figure was approximately 3%. To support long-term health needs, **1,422 members** in Uganda were enrolled in the chronic disease management programme. Product development and enhancement play a key role in driving sustainable growth. In 2025, AAR Insurance introduced five new or enhanced insurance products, compared to one product in 2024. New offerings launched in 2025 included **Carimed, Motor Private, Motor Commercial, JuniorCAARE and the Retail Revamp**, reflecting a deliberate focus on addressing diverse customer needs across retail and commercial segments.



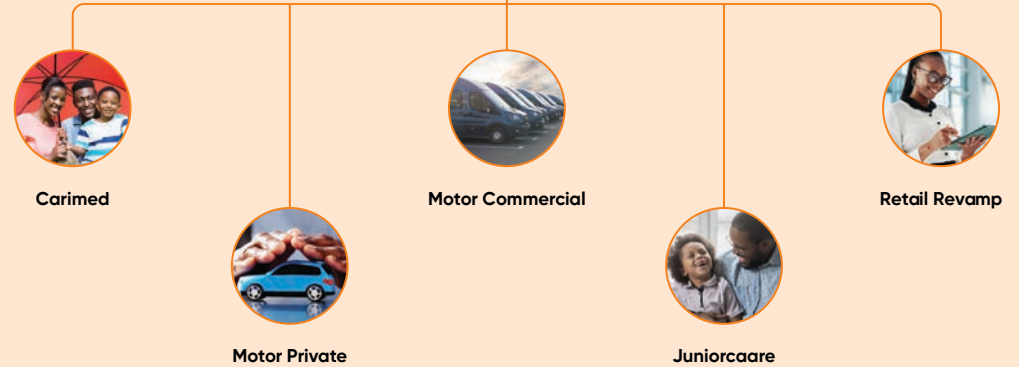
Group Active Policies

20,483 (2024) → 23,759 (2025)



Customer Base Growth

NEW PRODUCTS IN 2025



In 2025, the product innovation effort focused on the introduction of Seniors CAARE, targeting specialised customer segments. In Uganda, product innovation efforts in 2025 resulted in the introduction of **18 product enhancements**. Strategic distribution partnerships also supported product uptake across markets, including partnerships with a banking institution in Uganda to distribute the hospital cash product, which achieved enrolments of up to 1,000 lives per month. In Kenya, adjusted corporate covers supported by the budget panel extended access to insurance for public sector employees, with **42,364** county government employees covered during the reporting period.

AAR Insurance continues to maintain a diversified market presence across key customer segments, including Retail, Corporate and Small and Medium-sized Enterprises (SMEs). This diversified portfolio supports revenue resilience, reduces overreliance on any single segment and enhances the organisations’ ability to respond to changing market conditions. Across regional operations, market presence growth in Uganda stood at **4.60%** in 2025, compared to **12%** in 2024. This deviation reflects the strategic transition from **Health Maintenance Organisation (HMO)** business to **General Insurance (GI)**, which impacted market share growth during the reporting period. In Kenya, public sector schemes such as **KARO** further diversified the portfolio, with civil servants contributing co-insurance payments ranging between **15% and 60%**, depending on the type of healthcare provider accessed.

Drug Delivery Updates FY2025

Strategic operational partnerships continue to optimize service delivery. In FY2025, the drug delivery program executed 1,723 deliveries across Uganda, realizing a total estimated savings of UGX 292,905,746. First Pharmacy serves as our primary partner, taking up 90% of total volume. The deliveries remain centralized, with 90% of deliveries localized to the Central Region and 10% extending to upcountry regions. Environmental and climate related risks continued to influence growth, underwriting and claims experience across markets. In both Kenya and Uganda, respiratory related health claims were associated with environmental factors such as high humidity, frequent rainfall, flooding and exposure to pollutants, particularly in regions such as the coastal belt and the Lake Victoria basin. These conditions contributed to higher outpatient utilisation, seasonal spikes in inpatient admissions and longer lengths of stay, resulting in increased claims costs, volatility in claims experience and upward pressure on loss ratios, pricing assumptions and medical cost projections, with implications for premium adequacy and long-term portfolio sustainability.

Regulatory requirements also shaped underwriting and growth dynamics. In Uganda, Insurance Regulatory Authority (IRA) approval requirements for claims adjudication increased documentation demands at the underwriting stage. While these requirements are intended to support timely final payouts, they initially slowed underwriting processes to ensure compliance and reduced reliance on post-loss adjustments.

CORPORATE GOVERNANCE

Corporate governance provides the foundation for effective oversight, accountability and long term value creation. The Board of Directors plays an important role in setting strategic direction, overseeing management performance and ensuring that the organisation operates within a robust governance and ethical framework. During the reporting period, the Board provided oversight through regular Board and Board committee meetings.

In Uganda, each Board committee sat four times during the year. These engagements support informed decision making, effective oversight and accountability. The Board is composed of Directors with a balanced mix of skills, experience and independence.

At AAR Insurance Kenya, the Board comprises seven directors, including one alternate director, with four independent non-executive directors, representing 57% independence. In Uganda, the Board composition by gender, skills and independence stood at 50% in 2025. Reporting the 2025 and 2024 data while independent non-executive directors represented 60% of the Board composition supports objective decision making, balanced judgement and effective oversight of management.

During the reporting period, one Board training session was conducted, with total training time amounting to 1.5 hours. Key governance policies required to support effective oversight, compliance and ethical conduct were available throughout the reporting period.

Key focus areas identified for Board capacity building in AAR Insurance Kenya include:

- Data privacy and protection
- Anti-money laundering
- Risk management and ESG consideration
- Data governance and analytics
- Business strategy and actuarial governance

These areas reflect the evolving governance, regulatory and risk landscape within which AAR Insurance operates. The Board provides oversight of environmental, social and governance (ESG) considerations through a structured governance approach. ESG priorities are integrated into the company's strategic direction, with the Board responsible for setting sustainability objectives aligned to business strategy.

The Board also oversees the identification and management of sustainability and non-financial risks, ensuring these are considered within the broader risk management framework.

Strong governance structures and internal controls support compliance with regulatory requirements and ethical standards, while management, under the leadership of the Chief Executive Officer, is responsible for implementing ESG-related actions and allocating appropriate resources. Transparency and accountability are reinforced through regular monitoring and reporting to stakeholders.

Risk Management and Internal Controls

Effective risk management and strong internal controls are integral to corporate governance at AAR Insurance, supporting financial stability, regulatory compliance and sustainable value creation. Operating within a highly regulated and risk-sensitive insurance environment, AAR Insurance maintains a structured approach to identifying, assessing, monitoring and mitigating key risks, supported by independent assurance through the internal audit function.

During the reporting period, AAR Insurance Kenya conducted **10** internal audits in 2025, compared to **8** audits in 2024. In Uganda, **three** internal audits were conducted in 2025. These audits provide independent and objective assurance to management and the Board Audit Committee on the adequacy and effectiveness of governance arrangements, risk management processes and internal controls. As the third line of defense, internal audit evaluates whether key risks are properly identified, assessed and managed within the approved risk appetite, and whether controls are designed and operating effectively.

In 2025, AAR Insurance Kenya identified and monitored five key risks, consistent with the number identified in 2024. In Uganda, a total of ten key risks were identified and monitored in both 2025 and 2024. Internal audit reviews the enterprise risk management framework, risk registers, departmental known issues and IBAMS to assess whether risks, including ESG and climate related risks, are formally identified, clearly documented and appropriately owned. Where gaps are

identified, these are escalated as risk governance issues requiring management attention.

Internal audit also considers the potential financial impacts of ESG related risks and opportunities, including the effectiveness of digitalisation, paperless processes and optimisation of provider networks in driving cost efficiencies and operational improvements. While recent audits have not identified climate specific control weaknesses, audit work highlighted sustainability and governance related areas, particularly in relation to service provider oversight, ethics, data protection and regulatory compliance.

Audit findings and recommendations are prioritised based on financial, regulatory, reputational and operational impact. In 2025, 92% of internal audit findings were addressed in AAR Insurance Kenya, while 67% were addressed in AAR General Insurance Uganda Limited. A structured audit findings tracker supports monitoring, follow-up and reporting to executive management and the Board Audit Committee.

Operational Excellence

Operational excellence supports effective governance at AAR Insurance by enabling reliable service delivery, cost management and consistent customer experiences. The organisation focuses on strengthening core processes, enhancing system performance and embedding disciplined operational practices to support business continuity, regulatory compliance and sustainable growth.

TRANSPARENCY IN REPORTING

Transparency in reporting is a core component of governance excellence at AAR Insurance and supports accountability, regulatory compliance and informed decision making by stakeholders. As a regulated insurer, AAR Insurance recognises the importance of

providing timely, accurate and accessible information on its financial performance, sustainability priorities and governance practices to regulators, shareholders, customers and other stakeholders.

AAR Insurance publishes its annual financial and integrated reports within the required regulatory timelines, ensuring that stakeholders receive relevant and material information in a timely manner. The organisation has adopted one integrated reporting framework across its operations, providing a consistent and structured approach to reporting on financial and non-financial performance, strategy and value creation.

Stakeholder communication on performance and results forms an important part of AAR Insurance's transparency approach. In AAR General Insurance Uganda Limited, structured stakeholder engagements on performance and results were conducted four times during the reporting period. In Kenya, AAR Insurance engages stakeholders frequently through established communication and reporting channels, supporting ongoing dialogue and transparency around business performance.

To enhance accessibility and openness, AAR Insurance ensures that all key reports and disclosures are publicly available through its website. This enables stakeholders to easily access up-to-date information on the organisation's performance, governance and sustainability activities, reinforcing trust and confidence in its reporting practices.

Through timely disclosures, consistent application of reporting frameworks and proactive stakeholder communication, AAR Insurance continues to strengthen transparency in reporting, supporting good governance, regulatory compliance and long term stakeholder confidence.

Tax Transparency

Tax transparency is an important element of governance excellence at AAR Insurance and reflects the organisation's commitment to regulatory compliance, accountability and responsible corporate citizenship across the jurisdictions in which it operates. AAR Insurance recognises that transparent disclosure of tax contributions supports stakeholder trust and demonstrates the organisation's contribution to public finances and socio-economic development.

During the reporting period, total taxes paid by AAR Insurance Kenya amounted to **Shs. 438 million**. AAR Insurance Uganda contributed **Shs. 121 million**.

Taxes Paid	Amount
Corporate Tax Paid	145,252,920
VAT Tax Paid	6,530,823
WHT Tax Paid	237,749,092
PAYE And Housing Levy	165,852,498
Any Other Tax-Excise	3,355,414
Total	558,740,747

Breakdown of the Group taxes paid in the reporting period

AAR Insurance ensures that tax obligations are met in accordance with applicable laws and regulations in each operating jurisdiction. Tax payments are managed through established internal controls and oversight mechanisms, supporting accuracy, compliance and timely remittance. By transparently disclosing tax contributions and their composition, AAR Insurance reinforces accountability and provides stakeholders with a clear view of its fiscal footprint.

Through responsible tax practices and transparent reporting, AAR Insurance continues to demonstrate its commitment to good governance, regulatory compliance and sustainable value creation.

ETHICAL BUSINESS PRACTICES

Ethical business practices are a core component of governance excellence at AAR Insurance and underpins the organisation's commitment to integrity, accountability and responsible conduct across all its operations. AAR Insurance recognises that maintaining high ethical standards is essential to building stakeholder trust, safeguarding its reputation and ensuring compliance within a highly regulated insurance environment.

The organisation is guided by a code of conduct that applies to all employees and sets out clear expectations regarding ethical behaviour, integrity, professionalism and compliance with applicable laws and internal policies. The code of conduct provides a common ethical framework for decision-making and guides day-to-day conduct across all levels of the organisation.

To reinforce ethical awareness and promote a culture of integrity, AAR Insurance conducted ethics and integrity training for its employees during the 2025 reporting period. These training initiatives are designed to strengthen understanding of ethical responsibilities, enhance compliance awareness and support consistent application of the code of conduct in daily operations.

AAR Insurance also maintains mechanisms for identifying and addressing ethical risks. During the 2025 reporting period, there were no reported ethics or integrity-related incidents across the Group. This reflects the effectiveness of the organisation's ethical framework, awareness initiatives and internal controls in promoting responsible conduct.

Whistleblowing

Whistleblowing is an important component of AAR Insurance's ethical and governance framework, supporting transparency, accountability and the early identification of potential misconduct. AAR Insurance has an established a whistleblowing policy that provides clear guidance on the reporting of unethical, illegal or inappropriate conduct and outlines the mechanisms available for confidential and protected disclosure.

The whistleblowing policy applies across all operations and is accessible to employees and relevant stakeholders, ensuring that concerns can be raised without fear of retaliation. The policy supports a culture of openness and reinforces the organisation's commitment to ethical conduct and good governance.

During the 2025 reporting period, no whistleblowing reports were received across both the Kenya and Uganda operations. This outcome reflects the effectiveness of existing ethical controls, awareness initiatives and the overall culture of integrity within AAR Insurance.

SUSTAINABLE SUPPLY CHAIN

AAR Insurance recognises that a sustainable supply chain is essential to responsible business practices, inclusive economic growth and long term operational resilience. The organisation is committed to working with suppliers in a manner that promotes fairness, inclusivity and local economic participation, while maintaining strong governance and procurement standards across its operations.

To promote diversity, equity and inclusion in AAR Insurance across our supply chain, we have diversified our suppliers by having suppliers who are youth, women, people with disabilities as mentioned below.

AAR Insurance Kenya

Sustainable Supply Chain	Number
Youth Suppliers	10
People With Disabilities (PWD)	1
Non-Minority Suppliers	641
Women Suppliers	28
Total Prequalified Suppliers	681

AAR Insurance Uganda

Sustainable Supply Chain	Percentage
Local Suppliers	95%
Women Suppliers	40%

Local suppliers represented 95% of total suppliers in 2025, an increase from 90% in 2024, demonstrating a continued focus on strengthening local procurement and supporting domestic enterprises in Uganda.

HEALTH AND WELLBEING

Health and wellbeing is central to AAR Insurance’s business model as a provider of health insurance and healthcare access solutions. The Group’s ability to deliver accessible, affordable, and quality healthcare directly influences customer health outcomes, claims experience, workforce productivity, and long-term financial sustainability. As a health focused insurer, AAR plays a critical role in enabling access to care, supporting preventive health, and strengthening health system resilience across its markets.

This material topic underpins AAR Insurance’s social impact mandate while also supporting effective risk management and sustainable value creation. By expanding access to healthcare services and promoting health awareness and prevention, AAR Insurance contributes to improved population health outcomes, manages healthcare cost pressures, and strengthens trust and long-term relationships with customers, providers, employees, and communities across Kenya and Uganda.



ACCESSIBLE HEALTHCARE

Expanding access to healthcare remains a core strategic priority for AAR. In 2025, AAR Kenya provided health insurance cover to **186,846 active members**, representing a **15% year on year increase** from 161,910 members in 2024. This growth reflects increased uptake of health insurance solutions and continued efforts to improve affordability and accessibility of healthcare services.

To support this growth, AAR continued to strengthen its provider network, which expanded to **2,165 healthcare facilities**, up from 1,964 facilities in 2024. The network maintained nationwide coverage across all **47 counties**, ensuring members have access to healthcare services regardless of geographic location. This extensive network supports timely access to care, reduces travel and waiting times, and improves overall member experience.

Healthcare utilisation patterns indicate a balanced use of services, with **48% inpatient and 52% outpatient utilisation** in 2025, compared to 53.1% inpatient and 46.9% outpatient in the prior year. These trends reflect evolving healthcare needs, benefit design changes, and care seeking behaviour among members. The number of dependents covered declined from **119,534 in 2024 to 92,276 in 2025**, reflecting shifts in member profiles, product mix, and benefit structures.

AAR Insurance’s regional operations, access to healthcare services remained stable. The Group continued to provide coverage to members while maintaining a consistent provider network to ensure continuity of care. Although membership levels experienced marginal changes year on

year, **full utilisation of both inpatient and outpatient services** demonstrates that covered members were able to effectively access healthcare benefits when needed. A modest increase in the number of dependents covered further reflects the Group's continued role in supporting household-level healthcare access. Through sustained investment in provider networks, benefit design, and service delivery, AAR Insurance continues to improve access to healthcare while managing claims risk, supporting cost containment, and enhancing long term sustainability of its health insurance portfolio.

HEALTH AWARENESS, EDUCATION AND PREVENTION

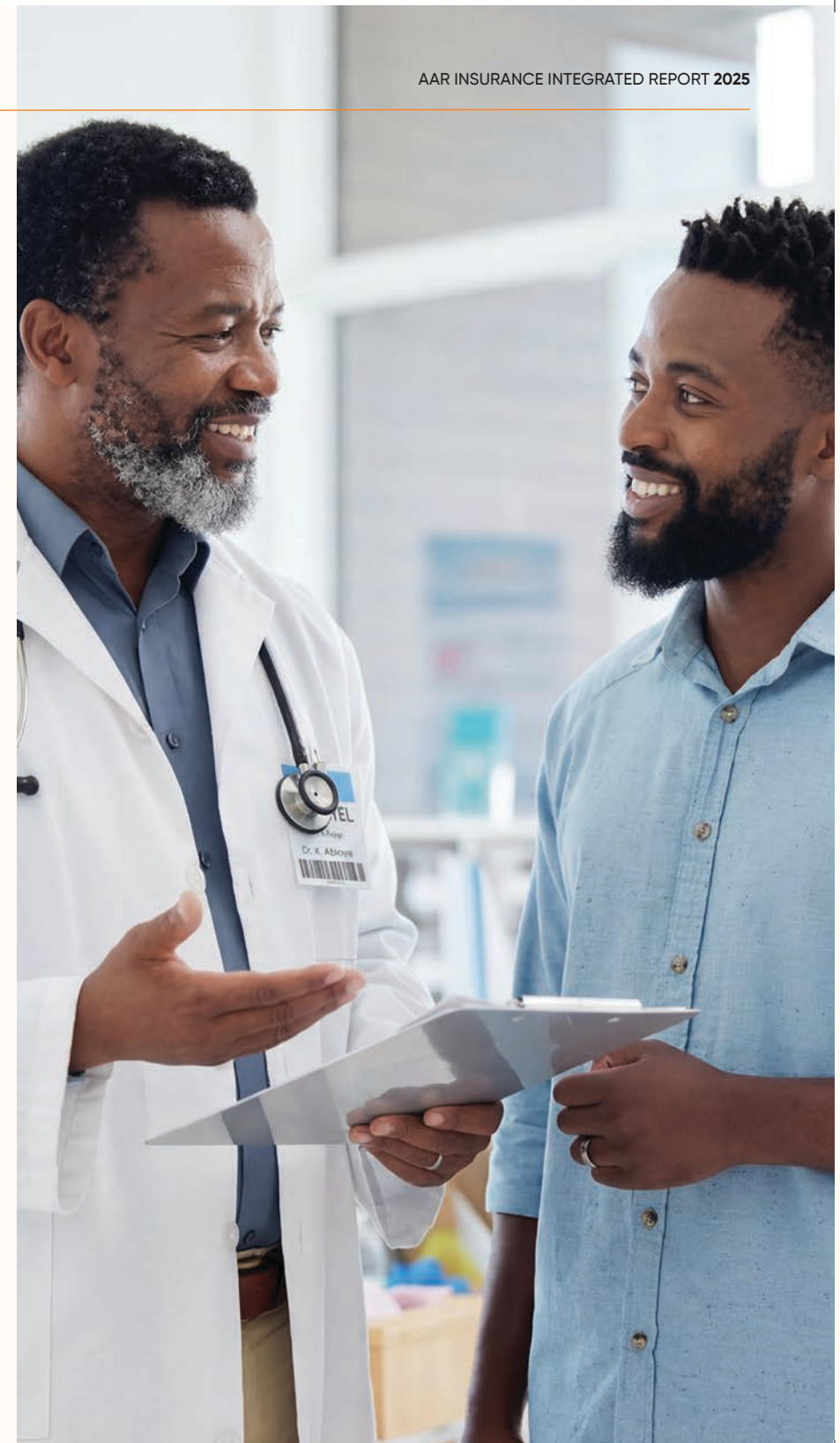
Preventive healthcare, health education, and early intervention form an integral part of AAR Insurance's health and wellbeing approach. The Group recognises that improving health outcomes requires not only access to treatment, but also increased awareness, behaviour change, and proactive management of health risks.

During the reporting period, AAR Insurance implemented a total of **401** health awareness and education initiatives. This represents a significant increase from **279** initiatives in 2024. In Kenya, **282** initiatives were conducted (187 health talks, 12 E-shots, 73 wellness camps, and 10 webinars), while AAR General Insurance Uganda delivered **119** initiatives, up from **110** the previous year.

These programmes reached **2,581** customers, employees and community members in Uganda (up from 2,501 in 2024). In Kenya, the initiatives recorded 961 wellness camp attendees, 727 webinar participants, and 197 CDMF enrolled members. Key focus areas across both countries included preventive care, general wellness, chronic disease management, and mental health.

The initiatives support earlier diagnosis, improved self-management of chronic conditions, and reduced severity of illness. Mental health awareness efforts are also helping to reduce stigma and encourage help-seeking behaviour. Customer and participant satisfaction in Kenya stood at 84% in 2025 (up from 83% in 2024), while participation in preventive health and wellness initiatives in Uganda remained stable at **0.04%** year-on-year.

By investing in health awareness, education, and prevention, AAR insurance supports improved long term health outcomes, reduces avoidable healthcare costs, and strengthens resilience among individuals and communities. These initiatives also contribute to enhanced productivity, stronger stakeholder relationships, and sustained value creation for the Group.



METRICS AND TARGETS

Material Topic	Metric	Target/Action	FY 2025 Performance	Associated Risks/Opportunity
Community Wellness and Outreach	Senior Access	Free health checks for seniors	Provided free health checks for renewing policyholders aged 65 and above	Early detection reduces claims severity
	Expand healthcare access.	Product revisions and partnerships for cater for low-income people.	ShwAARi and Carimed Partnerships	Reduce access gaps for low income increasing our customer base.
	Expand analysis to include climate linked health risks.	Keep Well initiative with PharmAccess	Leveraged big data and analytics to quantify chronic disease prevalence across AAR Insurance's insured population	Better risk pricing and product design
Positive Impact and Empowering our People	Jobs created	<ul style="list-style-type: none"> A Tree, A Life Initiative. Internship Program 	<ul style="list-style-type: none"> 719 casual jobs created. 16 Interns onboarded. 	Job creation and biodiversity restoration
	Attrition Rate	Conducting annual surveys.	Kenya: 6% (from 46% in 2024); Uganda: 7% (from 11% in 2024)	Cost and knowledge loss. Skills and talent retention
	Number of employees based on gender	Achieve Gender Balance	Workforce: 52.5% women, 47.5% men; Senior management: 58% women (Uganda), 39% women (Kenya)	Legal/reputational risks
Customer Experience	Learning Hours	Increase average learning Hours	6,323 online learning hours	Excellent service delivery and innovation
Environmental Stewardship	Employee Well-Being and Engagement	Employee Well-Being and Engagement initiatives	6 webinars (Kenya), 4 (Uganda); 40%+ staff benefited from 50% insurance discounts; gyms, team-building, movie nights	Higher productivity and retention
	Net Promoter Score	Delivering delightful Customer Experience	Kenya: 66% (up from 63% in 2024); Uganda: 44% (up from 42% in 2024)	Loyalty and Customer retention
	Claims Processing Turnaround Time	Claims Service efficiency	99% of claims processed within promised time; OP approvals: 10 min; IP admissions: 30 min	Efficiency and customer satisfaction

Material Topic	Metric	Target/Action	FY 2025 Performance	Associated Risks/Opportunity
Digital Transformation	Customer Feedback Participation	Customer feedback surveys	<ul style="list-style-type: none"> Kenya: 40% (up from 35% in 2024); Uganda: 4% (up from 2.8% in 2024) 	Insight-driven improvements
	Scope 1 and 2 emissions	Carbon footprint assessment report	61.70 tCO ₂ e (Kenya: 47.14; Uganda: 14.56) Scope 1: 39.67 tCO ₂ e; Scope 2: 22.02 tCO ₂ e	Transition to low carbon emission risk
	Scope 3 emissions	Assurance to include scope 3 emissions in our carbon footprint reports		Market risk
	Energy Consumption	Track Electricity Consumption	Adoption of energy efficient technologies	Energy costs
	Waste Management	Responsible waste disposal and recycling	E-waste: 819 kg responsibly disposed; zero plastic cups by March 2025; hazardous waste stored and collected	Circular economy and cost reduction
Governance Excellence.	Digital Channel Interactions	Number of digital interactions	M-TIBA Point of Access: 168,882 interactions (vs. 33,412 in 2024)	Customer access and retention
	Number of agents using MyWAKALAAR	MyWAKALAAR Platform Adoption	70% agent adoption; KES 10 billion quotation value; 20% lead conversion rate	Scalable distribution and efficiency
	Amount of money invested for technological advancements	Technology Investment	KES 5.4 M (Uganda) + KES 15M (Kenya) invested in digital development and training	Innovation and intellectual capital advancement
Governance Excellence	Cybersecurity and Data Privacy	Zscaler rollout and staff training.	Zscaler ZTNA partial rollout; 100% staff completed 3-hour annual cybersecurity training; six-hour workshop focused on privacy and ethical use of AI	Data breaches and regulatory fines
	Board Independence and Diversity	Board Composition	Kenya: 57% independent non-executive directors Uganda: 60% independent	Balanced decision-making and trust

Material Topic	Metric	Target/Action	FY 2025 Performance	Associated Risks/Opportunity
Governance Excellence	Board Training and Capacity Building	Board learning hours	session conducted (1.5 hours); focus areas: data privacy, AML, risk/ESG, governance	Regulatory and emerging risk awareness
	Number of Internal Audits conducted and Risk Monitoring	Effective risk management and strong internal controls	Kenya: 10 audits; Uganda: 3 audits 92% findings addressed (Kenya), 67% (Uganda) 5 key risks monitored (Kenya), 10 (Uganda)	Regulatory compliance stakeholder trust and responsible citizenship
	Taxes Paid	Tax transparency	Total taxes paid: KES 438M (Kenya) + KES 121M (Uganda)	
	Sustainable business growth	Year on year growth in business	Year on year growth in gross written premiums of 17% in 2025, up from 15% in 2024.	Sustainable and profitable growth

AMOUNTS OF CLAIMS PAID IN 2025

During the year 2025, we categorised our claims portfolio as shown in the table below. This enables us to track our climate related claims.

Illness Causal Agent	Incurred Claims (Shs)	Proportion
Economic Factors	36,267	0.0%
Environmental and Biological Factors	5,890,937,458	84.2%
Political Factors	6,737,691	0.1%
Social Factors	1,097,120,069	15.7%
Grand Total	6,994,831,486	100.0%



ALIGNMENT WITH IFRS S1 AND S2

AAR Insurance measures and monitors its performance in relation to sustainability-related and climate related risks and opportunities through defined metrics and forward looking targets aligned with its strategic objectives. As part of its 2026 roadmap, AAR Insurance has set sustainability and climate related targets that are disclosed within this report, forming a structured basis for tracking progress against its long term value creation objectives. These targets are monitored through defined performance indicators and internal reporting mechanisms, enabling management and the Board to assess progress and inform strategic decision making.

In relation to climate related metrics, AAR Insurance has disclosed its greenhouse gas (GHG) emissions for Scope 1 and Scope 2, measured in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. The reporting boundary and methodology applied are consistent with the operational control approach adopted for the reporting period, and the measurement approach, inputs and assumptions are aligned with the requirements of the GHG Protocol. This provides a transparent and standardised basis for understanding the Company's direct emissions and purchased energy related emissions. At this stage, Scope 3 emissions, including financed emissions, have not yet been disclosed. However, AAR Insurance intends to progressively expand its climate related metrics to include additional emission categories, industry based metrics and enhanced data coverage in line with IFRS S2 requirements.

While AAR Insurance has not yet implemented climate related internal carbon pricing, capital deployment metrics specific to climate opportunities, or quantified exposure to physical and transition risks, the Company is strengthening its data capabilities and internal processes to support more comprehensive cross industry and industry based disclosures in future reporting periods. Over time, AAR Insurance aims to enhance the integration of climate related performance metrics, refine target setting methodologies and align future disclosures more fully with IFRS S1 and IFRS S2, ensuring consistency, comparability and actionable information for stakeholders.



OUR INVESTMENT PORTFOLIO

Regulated by the Insurance Regulatory Authority



AAR INSURANCE INVESTMENT PORTFOLIO

AAR Insurance manages a regional investment portfolio across Kenya and Uganda, structured with a strong emphasis on capital preservation, liquidity management, and regulatory compliance. In Kenya, the investment portfolio is valued at Shs. 5.24 billion, while in Uganda, AAR General Insurance Uganda Limited manages assets over Shs. 648,000,000.

In Kenya, approximately 75% of the portfolio is allocated to Kenyan Government securities (Treasury Bills and Government Bonds classified as Available for Sale (AFS) and Held to Maturity (HTM)), with the remaining 25% placed in call and term deposits with systemically important Tier 1 banks. In Uganda, approximately 83% of the portfolio is allocated to Uganda Government securities (Treasury Bills 74% and Government Bonds 9% HTM), with 7.0% in term deposits and 10.0% in Collective Investment Schemes (Sanlam Allianz Income Fund).

Primary banking counterparties for Kenya include:

KCB Bank
Co-operative Kenya
Equity Bank Kenya
NCBA Bank Kenya
Stanbic Bank Kenya
Kenya Women Microfinance Bank

In Uganda, the primary bank is Absa Bank Uganda. These institutions are regulated by their respective central banks, positioning the portfolio within regulated sovereign instruments and financial institutions, resulting in indirect but measurable environmental, social and governance (ESG) impact channels.

ENVIRONMENTAL IMPACT

Sovereign Exposure (Kenya 75%; Uganda 83%) and Collective Investment Scheme (Uganda 10%)

Investments in Kenyan and Ugandan Treasury Bills and Government Bonds provide indirect environmental impact by financing national budgetary programmes, including:

- Climate adaptation and mitigation initiatives
- Renewable energy infrastructure (geothermal, wind and solar)
- Sustainable transport and water infrastructure
- Green industrialisation and energy transition projects

Although these instruments are not labelled as green bonds, sovereign financing supports national climate commitments. Long term government bond holdings (HTM) provide stable capital that underpins infrastructure development aligned with environmental sustainability objectives.

Bank Deposits (Kenya 25%; Uganda 7%)

Deposits placed with leading commercial banks support institutions that have embedded sustainability frameworks, including:

- Green lending and environmental and social (E&S) risk screening frameworks (KCB, NCBA)
- Sustainable finance targets and emissions baselines (NCBA)
- ESG policy integration and sector screening (Co-operative Bank, Equity)
- Climate risk governance and transition finance policies (Stanbic)

In Uganda, deposits are held with ABSA Bank Uganda, which contributes to environmental impact through liquidity support to an institution with embedded sustainability frameworks, including green lending, ESG policy integration, and climate risk governance.

Impact Pathway:

Deposits strengthen bank balance sheets, enabling the scaling of green, transition and sustainability linked financing to corporates, SMEs, agriculture and renewable energy projects.

Environmental Assessment:

Moderate-Positive

SOCIAL IMPACT

Through government bonds and collective investment schemes, sovereign investments indirectly support:

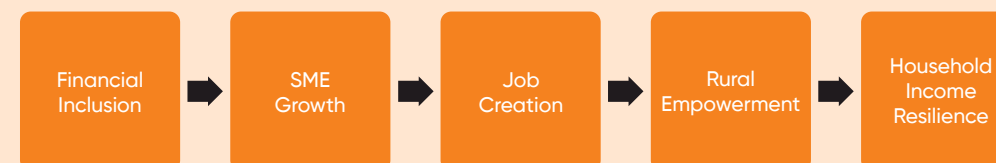
- Healthcare, education and social protection funding
- Public infrastructure development supporting economic inclusion
- Public sector wage financing and essential social services

These allocations reinforce macroeconomic stability and national scale social service delivery.

Through Bank Counterparties

- **Co-operative Bank of Kenya:** Agricultural and cooperative financing targeting over 3 million farmers, supporting rural economic empowerment.
- **Equity Bank Kenya:** Digital financial inclusion, SME financing, household support programmes and workforce training initiatives.
- **KCB Bank Kenya:** SME expansion, digital credit inclusion and job creation initiatives.
- **NCBA Bank Kenya:** SME growth financing and measurable inclusion targets.
- **Stanbic Bank Kenya:** Enterprise risk management integration supporting responsible lending.
- **Kenya Women Microfinance Bank:** Financing women led micro and small enterprises, promoting financial inclusion in rural and peri-urban Kenya, and supporting climate-resilient livelihoods and agri-value chains.
- **ABSA Bank Uganda:** Financial literacy, SME development, youth empowerment and community support initiatives, including training programmes and targeted philanthropic contributions.

Impact Pathway:



GOVERNANCE IMPACT

The portfolio demonstrates high governance integrity due to its concentration in:

- Sovereign instruments issued under regulated and transparent frameworks in Kenya and Uganda
- Tier 1 banks regulated by the Central Bank of Kenya and the Bank of Uganda
- Institutions with board-level ESG oversight and structured sustainability governance

Counterparty governance characteristics include:

- Board oversight of sustainability and climate strategy
- ESG policy frameworks and formal sustainability disclosures
- Climate risk integration into Enterprise Risk Management
- Quantified sustainability and emissions reduction targets

In Uganda, governance is further supported by the investment manager, Sanlam Allianz Investments Limited, which applies quantitative and qualitative credit assessment models, including capital adequacy, asset quality, earnings quality, liquidity, business strategy, management and board oversight, disclosures, track record, succession planning and control systems.

Governance Assessment: Strong

ESG OVERALL ASSESSMENT

PILLAR	ASSESSMENT	RATIONALE
Environmental	Moderate-Positive	Indirect climate support via sovereign infrastructure funding and bank green finance frameworks
Social	Strong	Financial inclusion, SME funding, agriculture support, women empowerment, public service financing
Governance	Strong	Regulated sovereign and Tier 1 banks; board-level ESG oversight; formal sustainability frameworks
Transparency Gap	Moderate	Limited portfolio-level financed emissions data and quantified impact metrics

ESG IMPACT BY INVESTMENT CATEGORY

• Kenya Treasury Bills (~6%) and Uganda Treasury Bills (74%)

Indirect support for sovereign liquidity and climate-aligned programmes; high governance oversight; positive indirect ESG contribution.

• Kenya Government Bonds – AFS (~28%)

Infrastructure, energy transition and national development support; strong governance; positive ESG signal.

• Government Bonds – HTM (Kenya ~41%; Uganda 9%)

Long-term funding of sustainable development and social expenditure; strong sovereign governance; positive ESG signal.

• Collective Investment Scheme – Sanlam Allianz Income Fund (Uganda 10%)

Structured investment exposure under managed funds; supports diversified allocation within regulated frameworks.

• Bank Deposits (Kenya and Uganda)

Co-operative Bank Deposits (~10%) – ESG integration and agri-sustainability finance

Equity Bank Deposits (~3%) – Digital and SME inclusion

KCB Deposits (~2%) – Green lending and E&S screening

NCBA Deposits (~2%) – Emissions baselines, reduction targets and green finance scaling

Stanbic Deposits (~1%) – Climate risk governance and transition finance policy

Kenya Women Microfinance Bank (~7%) – Women-led enterprise financing and rural livelihood support

ABSA Bank Uganda (7%) – Deposits supporting a Tier 1 institution with embedded ESG frameworks and sustainability initiatives

AUDITED FINANCIAL STATEMENTS



AUDITED FINANCIAL STATEMENTS

The Directors present their annual report together with the audited financial statements of AAR Insurance Kenya Limited (the "Company") and its subsidiary (together, the "Group") for the year ended 31 December 2025, which disclose the state of affairs of the Group and Company.

BUSINESS REVIEW

AAR Insurance Kenya Limited is licensed to design and distribute general insurance products as stipulated in the Insurance Act laws of Kenya and Uganda. AAR Insurance Kenya Limited controls 100% of AAR General Insurance Uganda formally AAR Health Services Uganda and has consolidated its financial statements in accordance with requirements of IFRS 10.

The Group profit before tax for the year was Shs 772 million (2024: Shs 595 million) while the Company profit before tax was Shs 725 million (2024: Shs 536 million) driven by growth in revenues, investment income and reduction in management costs from operational efficiencies, as well as initiatives such as process optimisation, strategic partnerships, cost control measures, and enhanced customer engagement. The Group's return on assets increased to 6.3% (2024: 4.9%), reflecting improved asset utilisation during the year. Similarly, the Company's return on assets rose to 6.9% (2024: 5.9%). The Group's return on equity improved to 22.1% (2024: 18.5%), while the Company recorded a return on equity of 21.2% (2024: 20.6%), indicating enhanced profitability and stronger returns to shareholders.

PRINCIPAL RISKS AND MITIGATION STRATEGIES

The Group's activities expose it to a variety of financial risks, including underwriting risk, credit risk and the effects of changes in market prices and interest rates. The Group's overall risk management program focuses on the identification and management of risks and the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

The Group's risk management policies include the use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place to help manage liquidity and seek to maximise return within an acceptable level of interest rate risk.

The Group's risk management objectives and policies are detailed on note 33

RESULTS AND DIVIDEND

The Group profit after tax for the year of Shs 599 million (2024: Shs 404 million) while the Company profit after tax was Shs 576 million (2024: 383 million) has been applied to retained earnings. This performance was attributed to growth in investment income in Kenya and Uganda subsidiary, process optimisation initiatives and partnerships also contributed to the Group's profitability. The directors recommend the payment of a dividend of Shs 90 million for the year ended 31 December 2025 (2024: Shs 70 Million).

DISCLOSURES TO AUDITOR

The directors confirm that with respect to each director at the time of approval of this report:

- (a) there was, as far as each director is aware, no relevant audit information of which the Group and Company's auditor is unaware; and
- (b) each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITOR

Ernst and Young were appointed as the auditors in 2023 and will continue in office in accordance with Companies Articles of Association Section 719 of the Kenyan companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By order of the Board

SECRETARY

30th March 2026

Code of Corporate Practice and Conduct

AAR Insurance Kenya Limited is committed to the principles of effective corporate governance and the Board is of the opinion that the Group and Company currently complies with principles of good corporate governance.

The Board of Directors

The Board of Directors of AAR Insurance Kenya Limited consists of seven directors. The Board takes overall responsibility for the Group and Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management against budgets and business plans. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles. The Board is chaired by non-executive director, who has no executive functions.

The Board is confident that its members have the knowledge, talent and experience to lead the Group and Company. The

non-executive directors are independent of management and exercise their independent judgement. With their depth of experience, they add value to Board deliberations.

The Board is required to meet at least four times a year. The Board delegates the day-to-day management of the business to the Principal Officer and senior management. All directors have access to the Group and Company Secretary and his services and may seek independent professional advice, if necessary. It is the Group and Company's philosophy to manage and control its business on a decentralised basis. Senior management meet monthly to review business results, operations, key financial indicators and the strategic direction of the Group and Company. Board meetings are held quarterly to deliberate the results of the Group and Company.

Board Committees

The Board is supported by the following committees:

a) Investment, Finance and Strategy Committee

The responsibilities of this committee are as follows:

i) Asset and Liability Management functions, including:

- Lay down an overall investment policy and operational framework for AAR Insurance Kenya investment operations in compliance with the Insurance Act, CAP 487.
- Review and make recommendations to the Board on equity investments, mergers, acquisitions, and divestitures that may have a material current or future effect on the financial condition of the Group and Company.
- Review the Group and Company's real property holdings and make recommendations to the Board on proposals for the acquisition, disposition and leasing of real property by the Group and Company.
- Review and make recommendations to the Board on matters relating to the establishment of a dividend policy, the issuance of debt and equity securities, and the initiation or amendment of any revolving credit facilities for the Group

and Company.

- Oversee and review management of the Group and Company's investment policies, investment portfolio and return on investment.
- From time to time, the Committee reviews the Group and Company's banking relationships and the performance of banks with which the Group and Company maintains operating accounts. The objective of this review will be to optimise the Group and Company's access to banking services while minimising management fees and transaction costs.
- Monitor investment performance and regularly report performance to the Board.
- Review periodically the Group and Company's interest rate and currency risk management policies and programs.
- Review the Group and Company's tax program including any tax receivable agreements.
- Review and oversee the Group and Company's treasury management activities

ii) Finance functions

- Monitor and oversee the financial affairs of the Group and Company including the Group and Company's balance sheet and provide recommendations on the Group and Company's capital management strategy.
- Oversee the Group and Company's capital structure, capital sourcing and liquidity management and make recommendations to the Board regarding strategies and activities related thereto.
- Advise the Board on annual budgets and financial planning, and the creation and monitoring of internal controls and accountability policies.
- Propose for Board approval a budget that reflects the Group and Company's goals and Board policies.
- Ensure that the budget accurately reflects the needs, expenses, and revenue of the Group and Company.

- Review proposed new funding for ongoing financial implications, recommending approval or disapproval to the Board.
- Review and make recommendations to the Board on the Group and Company's quarterly and annual financial statements.
- Monitor income and expenditure against projections.
- Review and recommend financial policies to the board, including ensuring adequate internal controls and maintaining financial records in accordance with standard accounting practices.
- Ensure that accurate and complete financial records are maintained by the Group and Company and filed with the Insurance Regulatory Authority (IRA) and any other applicable governmental authority.

iii) Strategy functions

- Oversee the development of the Group and Company's Strategy and ensure that the Group and Company has a current and relevant Strategy, geared to the strategic positioning of the Group and Company, its sustainable development, as well as the establishment of processes for planning, implementing, assessing and adjusting the business strategy.
- Ensure that a strategy implementation plan is developed, adhered to and embedded in the Group and Company.
- On a quarterly and timely basis, receive a Strategy Implementation Monitoring and Evaluation Report from Management, or such other report as may be required from time to time along with recommendations to ensure that milestones and timelines are being met.
- Consider and make recommendations to the Board

concerning new strategic initiatives and alliances beneficial to the Group and Company's long-term strategy.

- Review significant changes and emerging trends in the Group and Company's operating environment, identify risks and opportunities, and evaluate suggested changes in strategic direction to ensure the delivery of the Group and Company's mandate.
- Monitor the stakeholders concerns on the business of the Group and Company.
- Formulate the Group and Company's goals based on the critical issues and the business of the Group and Company.
- Regularly review and uphold the mission and vision of the Group and Company to align with the Group and Company's goals.
- Present strategic plans to the Board for review and approval.
- Regularly update the Board on the progress of each strategic milestone.

The Board members who served the Committee as of December 2025 are detailed below:

- Jones Nzomo – Chairperson
- Patricia Kiwanuka – Member
- Menka Shah – Member
- Eline Blaauboer* – Alternate Director to Menka Shah
- Justine Kosgei – Member

b) Nomination Remuneration and Compensation Committee

i. The responsibilities of the Committee regarding nomination:

- Make recommendations to the Board regarding its size and composition and the tenure of directors.
- Lead a selection process that shall be formal, rigorous

and transparent, and be responsible for identifying, reviewing and recommending to the Board candidates for appointment, whether as executive or non-executive directors, which candidates shall be considered on merit and assessed against objective criteria.

- Review and make recommendations to the Board regarding the Board members' compensation.
- Establish a mechanism for formal assessment and assess the effectiveness of the Board as a whole, the contribution by each director to the effectiveness of the Board, the contribution of the Board's various committees, and the performance of the Principal Officer, the Chief Executive Officer, or their equivalent.
- Recommend to the Board the removal of the Chief Executive Officer and Senior Management if they are ineffective, errant, or negligent in discharging their duties and responsibilities.
- Ensure that all directors undergo appropriate induction programs and receive continuous training.
- Regularly consider development plans and succession planning for directors, the Chief Executive Officer, and other senior executives, taking account the challenges and opportunities facing the Group and Company to ensure that there is an appropriate portfolio of skills and experience within the Group and Company.

• Make recommendations to the Board regarding the renewal of the terms of office of non-executive directors and the continuation (or not), in service of any Director at any time; and

• Establish the policy regulating how executive directors may become non-executive directors of other companies and monitor its implementation on the Board.

ii. The responsibilities of the Committee regarding

remuneration are as follows:

- Determine, agree and develop the Group and Company's general policy on non-executive, executive and senior management remuneration.
- Determine specific remuneration packages for executive directors of the Group and Company including but not limited to basic salary, benefits in kind, any annual bonuses, performance base incentives, share incentives, pension and other benefits.
- Determine any criteria necessary to measure the performance of executive directors and senior management in discharging their functions and responsibilities.
- Ensure that executive directors and senior management are fairly but responsibly rewarded for their individual and collective contributions and performance.
- Aim to position for executive directors and senior managers' remuneration levels relative to local and international industry benchmarks that are sufficient to attract, retain and motivate executives of the quality required by the board. In determining the specific remuneration packages, the committee will have due regard to local and international industry benchmarks.
- From time to time, review the terms and conditions of remuneration packages and service agreements for executive directors.
- Oversee the formulation, review and implementation of the Group and Company's remuneration policy and determination of specific remuneration packages of the Board and senior management.
- Advise on and oversee formulation and review of the Group and Company's human resource related policies.
- Provide necessary appropriate support to the Chief Executive Officer and senior management in human

resource matters of the Group and Company.

- Consider incentive pools, reward and performance appraisal structures and if fit recommend for Board approval.
- At least annually review the adequacy and effectiveness of the Directors' remuneration policy to ensure it supports sound and effective risk management and the appropriateness of any variable remuneration included in overall compensation.
- Seek periodic internal assurances that the Group and Company's remuneration processes and principles as set out in the remuneration policy are being implemented in line with the policy.
- Periodically review, at least annually, all material matters of retirement benefit design and governance; and
- Periodically review reports on other remuneration-related and employee issues as necessary.

The Board members who served the Committee as of December 2025 are detailed below:

- Beatrice M. Soy – Chairperson
- Patricia Kiwanuka – Member
- Onno Schellekens – Member
- Justine Kosgei – Member

c) Audit Committee

The responsibilities of this committee are as follows:

i. Financial Statements and Disclosure Matters

The Board members who served the Committee as of December 2025 are detailed below:

- Establish procedures to attend to issues relating to maintenance of books of account, administration policies and procedures, transactions and other matters having a bearing on the financial position of AIK, whether raised by

the auditors or by any other person

- Review the draft annual financial statements, including specific disclosures made and recommend to the Board whether the draft annual financial statements should be approved.
- Review analysis prepared by management and/or the external auditor setting forth significant financial reporting issues and judgements made in connection with the preparation of the Group and Company's financial statements including the development, selection and disclosure of critical accounting estimates and analyses and major issues regarding accounting principles and financial statement presentation, including any significant changes in the Group and Company's selection or application of accounting principles and any major issues as to the adequacy of the internal controls and any special steps adopted in light of material control deficiencies.
- Discuss with management and external auditors the effect of regulatory and accounting initiatives as well as off-balance sheet transactions on the Group and Company's financial statements.
- Discuss with the external auditors the matters required to be disclosed in the financial statements relating to the conduct of the audit. Discuss:
 - a) The adoption of, or changes to, the Group and Company's significant auditing and accounting principles and practices as suggested by the external auditors, Head of Internal Audit or the management.
 - b) The post audit report provided by the external auditor and the Group and Company's response to that letter, as well as other material written communications between the external auditor and the management, such as any schedule of unadjusted differences.
 - c) Any difficulties encountered during the audit work, including any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

- d) Review disclosures made to the Audit Committee by the Group and Company's external auditors and management during their conduct of the audit process.

ii. Internal Control Matters

- Review the internal control system, including information technology security and control and the Group and Company's control environment.
- Discuss any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving the management or other employees who have a significant role in the Group and Company's internal controls.
- Understand the scope of internal, external auditors and other review functions of internal control systems and obtain reports on significant findings and recommendations, together with the management's response.
- Review the status of any action plans and management responsiveness.

iii. Internal Audit

- Review and approve the Internal Audit charter, activities, staffing and organisation structure of the internal audit function.
- Review and approve the annual audit plan, audit budget and audit strategy and, all major changes to the same.
- Monitor the independence of the internal audit activities from the external auditors and management.
- Protect the independence of the internal audit function.
- Meet with the Head of Internal Audit at least once a year and in the absence of management and obtain insights on internal control systems adequacy and the extent of their

implementation.

- At least once per year review the performance of the Head of Internal Audit and ensure commensurate compensation in line with the Group and Company's remuneration structure.
- Review the effectiveness of the internal audit function including compliance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practices of Internal Auditing.

iv. External Audit

- Review the experience and qualifications of the senior members of the external audit team.
- Obtain and review a report from the external auditors at least annually regarding:
 - The independent auditor's internal quality control procedures.
 - Any material issues raised by the most recent internal quality control review, or peer review, of the firm or by any inquiry or investigation by governmental or professional authorities within the preceding five years in respect of one or more independent audits carried out by the firm.
 - Any steps taken to deal with any such issues; and
 - All relationships between the independent auditor and the management.
- Recommend to the Board policies for the Group and Company's hiring of employees or former employees of the external auditor who participated in any capacity in the audit of AIK.
- Meet with the external auditor prior to the audit to discuss the proposed audit scope and approach, staffing, including coordination of audit effort with internal audit and its internal audit quality control/assurance processes.
- Where necessary the Committee may meet separately with the external auditor to discuss any matters that the Committee or auditors believe should be discussed

privately.

The Board members who served the Committee as of December 2025 are detailed below:

- Patricia Kiwanuka – Chairperson
- Wassili Diagos – Member
- Jones Nzomo – Member

d) Risk and Compliance Committee

The responsibilities of this committee are as follows:

- Determining the Group and Company's Risk Appetite, including Risk Appetite Statement, Risk Principles, and Risk Tolerances.
- Ensuring that AIK establishes and maintains an appropriate and effective Risk Management Framework to ensure that sufficient resources are in place for risk management.
- Assisting the Board in discharging its duty to oversee, on an ongoing basis, the Risk Management Framework.
- Advising the Board on risk-related issues or aspects as requested by the Board or, in the opinion of the Board Risk Committee, requires the Board's attention.
- Monitoring and reporting to the Board on the Group and Company's risk profile, compliance with policies, relevant laws and regulations, and established risk limits and the actions taken to mitigate the exposure; and
- Reviewing the implementation and maintenance of appropriate systems, procedures, and codes of conduct per the Group and Company's policy guidelines regarding identification, analysis, mitigation, and control of risks.

The Board members who served the Committee as of December 2025 are detailed below:

- Wassili Diagos – Chairperson
- Jones Nzomo – Member
- Beatrice Soy – Member

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company at the end of the financial year and of their profit or loss for that year.

The directors are responsible for ensuring that the Group and Company keep proper accounting records that are sufficient to show and explain the transactions of the Group and Company; disclose with reasonable accuracy at any time the financial position of the Group and Company; and that enables them to prepare financial statements of the Group and Company that comply with prescribed financial reporting standards as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act, 2015 and Section 56 of the Kenyan Insurance Act, Cap. 487. They also accept responsibility for:

- Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- Selecting suitable accounting policies and then apply them consistently; and
- Making judgements and accounting estimates that are reasonable in the circumstances.

Having assessed the Group and Company's ability to continue as a going concern, as highlighted in note 2(e)(xxvii), the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group

and Company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of directors on 30th March 2026 and signed on its behalf by:

----- Esther Koimett, CBS Chairperson	----- Patricia Kiwanuka Director	----- Justine Kosgei Chief Executive and Principal Officer
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I have conducted an actuarial valuation of the non-life business of AAR Insurance Kenya Limited as at 31 December 2025.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act. These principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the financial statements of the Group and Company. In my opinion, the general business of the Group and Company was financially sound and the actuarial value of the liabilities in respect of all classes of general business did not exceed the amount of claims liabilities at 31 December 2025.

Ezekiel Macharia
Kenbright Actuarial and Financial Services Ltd

30th March 2026

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AAR INSURANCE KENYA LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of AAR Insurance Kenya Limited ("the Company") and its subsidiary ("the Group") set out on pages 15 to 84, which comprise of the consolidated and separate statements of financial position as at 31 December 2025, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 December 2025, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015 and Section 56 of the Kenyan Insurance Act, Cap. 487.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA

Code) and other independence requirements applicable to performing audits of financial statements of the Group and Company and in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and Company and in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The key audit matters apply to the separate financial statements

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
<p>Valuation of Insurance Contract Liabilities (Note 2(e) and Note 28)</p> <p>The valuation of insurance contract liabilities has a significant risk of misstatement due to the complexity associated with the underlying assumptions and the sensitivity to assumptions and actuarial judgment applied.</p> <p>As at 31 December 2025, the Company's insurance contract liabilities amount to KShs 4,967 million (2024: KSh 3,947 million). Of this amount, KShs 1,783 million (2024: KShs 1,383 million) relates to liabilities for incurred claims (LIC), KShs 1,743 million (2024: KShs 1,343 million) being the present value of future cashflows and KShs 40 million (2024: KShs 40 million) being the risk adjustment. The LIC reflects current, explicit, unbiased and probability-weighted estimate of the present value of the expected future cashflows (best estimate), and an explicit risk adjustment for non-financial risk.</p> <p>This area was significant to our audit as the estimation of the LIC is a complex process, applying actuarial and statistical methods over historical data and patterns requiring the use of estimates and judgements. It requires the use of complex formulas and computational tools that may be incorrectly configured, and for which inaccurate input data may be used.</p> <p>Additionally, the expected future cashflows relating to the LIC for catastrophes which are usually of less frequency but higher severity, are more difficult to estimate and their calculation require the use of expert judgement, especially for events taking place close to year end.</p>	<p>Our audit procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Evaluating the Company's accounting policies and actuarial methodology to assess compliance with IFRS 17. • Assessing the analyses of contracts prepared by the Company for the purpose of the classification according to the different measurement approaches and tested such analyses for compliance with IFRS 17 and to the underlying contracts on a sample basis. • On a sample basis, we tested the completeness and accuracy of data used in the calculation of transition balances to underlying sources. • We performed audit procedures over key assumptions, including the implementation of those assumptions into the models. These procedures included testing underlying support and documentation, including reviewing a sample of experience studies supporting specific assumptions, challenging the nature, timing and completeness of changes recorded, and assessing whether individual changes were errors or refinements of estimates. • We tested the completeness and accuracy of data utilized by the Company in estimating the insurance contract liabilities by reconciling such amounts to the underlying accounting records and performing data-enabled audit procedures and claims data plausibility checks on the selected samples.

Other Information

The directors are responsible for the other information. The other information comprises of the Report of the Directors, as required by the Kenyan Companies Act, 2015, Corporate Information, Statement of Corporate Governance, Report of the Consulting Actuary and the Statement of Directors' Responsibilities. Other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard..

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015 and Section 56 of the Kenyan Insurance Act, Cap. 487, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit

evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or

when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER MATERS PRESCRIBED BY THE KENYAN COMPANIES ACT, 2015

In our opinion the information given in the report of the directors on page 3 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Allan Gichuhi, Practicing Certificate Number 1899.

Allan Gichuhi

For and on behalf of Ernst and Young LLP
Certified Public Accountants
Nairobi, Kenya

30th March 2026



UNIQUE CODE: 85763260330

**CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Notes	GROUP		COMPANY	
		2025	2024	2025	2024
		Shs'000	Shs'000	Shs'000	Shs'000
Insurance revenue	4	14,026,311	12,297,875	12,309,692	10,696,270
Insurance service expenses	5	(13,291,950)	(11,464,615)	(11,738,037)	(9,983,890)
Insurance service results before reinsurance		734,361	833,260	571,655	712,380
Net (expense)/income from reinsurance contracts held	6	(21,635)	(108,619)	32,688	(125,558)
Insurance service results		712,726	724,641	604,343	586,822
Interest from government securities calculated using the effective interest method	7	561,097	421,595	499,074	378,327
Fair value (loss) /gain on government securities through profit and loss	7	101,769	143,063	101,769	143,063
Interest from deposits calculated using the effective interest method	7	164,285	138,737	137,318	125,982
Total investment income		827,151	703,395	738,161	647,372
Other income	8	20,395	17,323	14,142	8,203
Net (increase)/decrease in ECLs on financial assets	9	(21,459)	(666)	(22,739)	281
Other operating expenses	10(b)	(752,671)	(830,391)	(595,492)	(689,274)
Other finance costs	11	(14,207)	(19,637)	(13,890)	(17,549)
Profit before income tax		771,935	594,665	724,525	535,855
Income tax expense	12(a)	(173,301)	(190,649)	(148,908)	(152,386)
Profit for the year		598,634	404,016	575,617	383,469
Exchange differences on translation of foreign operations		3,396	(49,837)	-	-
Total comprehensive income for the year		602,030	354,179	575,617	383,469

**CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025**

	Notes	GROUP		COMPANY	
		2025	2024	2025	2024
		Shs'000	Shs'000	Shs'000	Shs'000
ASSETS					
Cash and bank balances	13	922,773	846,262	858,344	683,082
Deposits with financial institutions	14	1,337,691	1,606,349	1,298,141	1,312,469
Government securities	15	4,742,241	3,622,327	3,937,892	3,345,812
Reinsurance contract assets	16	1,817,941	1,371,047	1,122,052	703,316
Other receivables	17	434,307	406,099	421,264	398,046
Current income tax	12(c)	40,026	46,015	-	4,307
Amounts due from related parties	18	2,012	45,445	25,803	54,947
Deferred income tax	19	26,571	23,989	14,657	454
Investment in subsidiaries	20	-	-	542,627	442,627
Right of use assets	21	78,670	110,590	74,085	101,121
Property and equipment	22	82,574	60,901	59,628	43,610
Intangible assets	23	14,346	23,085	7,086	11,731
Total assets		9,499,152	8,162,109	8,361,579	7,101,522
EQUITY AND LIABILITIES					
Equity					
Share capital	24	1,017,627	1,017,627	1,017,627	1,017,627
Share premium	24	460,523	460,523	460,523	460,523
Translation reserve		(46,441)	(49,837)	-	-
Proposed Dividends	25	90,000	70,000	90,000	70,000
Retained earnings		1,189,339	680,705	1,145,775	660,158
Total equity		2,711,048	2,179,018	2,713,925	2,208,308
LIABILITIES					
Current income tax	12(c)	-	-	5,937	-
Other payables	26	780,807	1,015,139	525,835	770,042
Amounts due to related parties	18	6,436	-	4,866	-
Amount payable under fund administration contracts	27	42,256	43,921	42,256	43,921
Insurance contract liabilities	28	5,857,145	4,787,628	4,967,300	3,947,148
Lease liabilities	29	101,460	136,403	101,460	132,103
Total liabilities		6,788,104	5,983,091	5,647,655	4,893,214
Total equity and liabilities		9,499,152	8,162,109	8,361,579	7,101,522

The financial statements on pages 149-211 were approved and authorized for issue by the Board of Directors on 30th March 2026 and were signed on its behalf by:

.....
Esther Koimett, CBS
Chairperson

.....
Patricia Kiwanuka
Director

.....
Justine Kosgei
Chief Executive & Principal Officer

GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

GROUP STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL SHS'000	SHARE PREMIUM SHS'000	TRANSLATION RESERVE SHS'000	PROPOSED DIVIDENDS SHS'000	RETAINED EARNINGS SHS'000	TOTAL SHS'000
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Notes

Year ended 31 December 2025

At 1 January 2025	1,017,627	460,523	(49,837)	70,000	680,705	2,179,018
Translation differences	-	-	3,396	-	-	3,396
Profit for the year	-	-	-	-	598,634	598,634
Other comprehensive income	-	-	3,396	-	598,633	602,029
Paid Dividend	-	-	-	(70,000)	-	(70,000)
Proposed Dividends	-	-	-	90,000	(90,000)	-
At 31 December 2025	1,017,627	460,523	(46,441)	90,000	1,189,339	2,711,048
Year ended 31 December 2024						
At 1 January 2024	700,000	460,523	-	-	346,689	1,507,212
Transfer of subsidiary	317,627	-	-	-	-	317,627
Translation differences	-	-	(49,837)	-	-	(49,837)
Profit for the year	-	-	-	-	404,016	404,016
	-	-	(49,837)	-	404,016	354,179
Proposed Dividend	-	-	-	70,000	(70,000)	-
At 31 December 2024	1,017,627	460,523	(49,837)	70,000	680,705	2,179,018

**GROUP AND COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025**

COMPANY STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL SHS'000	SHARE PREMIUM SHS'000	PROPOSED & PAID DIVIDENDS SHS'000	RETAINED EARNINGS SHS'000	TOTAL SHS'000
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Notes

Year ended 31 December 2025

At 1 January 2025	1,017,627	460,523	70,000	660,158	2,208,308
Profit for the year	-	-	-	575,617	575,617
Paid Dividend	-	-	(70,000)	-	(70,000)
Proposed Dividend	-	-	90,000	(90,000)	-
At 31 December 2025	<u>1,017,627</u>	<u>460,523</u>	<u>90,000</u>	<u>1,145,775</u>	<u>2,713,925</u>

Year ended 31 December 2024

At 1 January 2024	700,000	460,523	-	346,689	1,507,212
Transfer of Subsidiary	317,627	-	-	-	317,627
Profit for the year	-	-	-	383,469	383,469
Proposed Dividend	-	-	70,000	(70,000)	-
At 31 December 2024	<u>1,017,627</u>	<u>460,523</u>	<u>70,000</u>	<u>660,158</u>	<u>2,208,308</u>

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	GROUP		COMPANY	
		2025	2024	2025	2024
		Shs'000	Shs'000	Shs'000	Shs'000
Cash flows from operating activities					
Cash used in operations	30(a)	464,744	401,476	449,319	336,773
Interest paid on lease liabilities	29	(13,500)	(15,065)	(13,477)	(14,760)
Income tax paid	12(c)	(176,850)	(178,697)	(165,658)	(136,989)
Net cash (used in)/ generated from operating activities		274,394	207,714	270,184	185,024
Cash flows from investing activities					
Purchase of property and equipment	22	(54,070)	(29,079)	(42,767)	(21,743)
Purchase of intangible assets	23	(2,008)	(2,910)	(1,160)	(2,149)
Purchase of government securities	15	(2,959,533)	(488,775)	(2,434,902)	(485,125)
Disposal of government securities	15	2,068,594	192,806	2,068,594	164,772
Interest received from government securities & fixed deposits	7	725,382	560,332	636,392	504,309
Accrued interest on government securities	15	(124,674)	-	(124,674)	-
Proceeds from disposal of property and equipment	8	3,244	754	3,236	562
Investment in subsidiary	20	-	-	(100,000)	(125,000)
Cash and cash equivalents of subsidiary recognised upon transfer		-	81,696	-	-
Net cash flows generated from investing activities		(343,065)	314,824	4,719	35,626
Cash flows from financing activities					
Payment of principal portion of lease liabilities	29	(48,626)	(43,302)	(43,969)	(37,882)
Cash used in financing activities		(70,000)	-	(70,000)	-
Net increase in cash and cash equivalents		(187,297)	479,236	160,934	182,769
Movement in cash and cash equivalents					
Effect of exchange rates		(4,850)	160,593	-	-
At 1 January		2,452,611	1,812,782	1,995,551	1,812,782
Net increase in cash and cash equivalents		(187,297)	479,236	160,934	182,769
At 31 December	30(b)	2,260,464	2,452,611	2,156,485	1,995,551

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

1. General information

AAR Insurance Kenya Limited is incorporated in Kenya under the Companies Act (Cap 486) as a private limited liability company. The Group and Company and Group is licensed to design and distribute general insurance products as stipulated in the Insurance Act. The Group and Company has extensive presence countrywide serving over 200,000 customers. The Group and Company is owned 100% by AAR Insurance Holdings Limited. The ultimate parent AAR Holdings Limited owns 92.75% of AAR Insurance Holdings Limited. The address of the registered office is: Real Towers, Hospital Road, P.O Box 41766-00100 Nairobi.

2. Summary of material accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards issued by the international accounting standards board (IFRS's) and in the manner required by the Kenyan Companies Act, 2015. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in the functional currency Kenya Shillings (Shs), rounded to the nearest thousand. For Kenyan Companies Act, 2015, reporting purposes in these financial statements, the statement of financial position represents the balance sheet and the statement of profit or loss represents the profit and loss account.

(b) Statement of Compliance

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Group and Company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial

statements are disclosed in note 3.

(c) Basis of consolidation

AAR Insurance Kenya Limited controls 100% of AAR General Insurance Uganda and has consolidated its financial statements in accordance with requirements of IFRS 10. The consolidation was performed using the acquisition method, whereby the assets, liabilities, income, and expenses of the subsidiary have been included in the consolidated financial statements from the date control was obtained. The Group consolidated financial statements are prepared in line with provisions of IFRS 10. The Group and Company and its subsidiaries apply similar accounting treatment in preparation of their financials. The Group and Company and its subsidiary have the same reporting dates of 31 December 2025. On consolidation, the assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at yearly average exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that foreign operation is reclassified to profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(d) New and amended standards and interpretations

i) New standards, amendments and interpretations effective and adopted during the Year that have no material impact on the financial statements

New Standards or amendments	Effective for annual periods beginning on or after
Lacks ¹ of Exchangeability (Amendment to IAS 21, The Effects of Changes in Foreign Exchange Rates)	1 January 2025

The Lack of Exchangeability amendments clarify how an entity determines the exchange rate when a currency cannot be

exchanged into another currency at the measurement date. The Group and Company did not have transactions or balances denominated in currencies subject to exchange restrictions during the reporting period

ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2025

Below are the standards issued but not yet effective, the Group is still assessing the impact of IFRS 18 on the financial statements. The rest of the standards are not expected to have a material impact on the Group. The Group will adopt the standards when they are effective.

New Standards or amendments	Effective for annual periods beginning on or after
Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures)	1 January 2026
Annual Improvements to IFRS Accounting Standards—Volume 11	1 January 2026
Power Purchase Agreements – Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 18, Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	1 January 2027
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2027
IFRS S2, Climate Related disclosures	1 January 2027
Translation to a Hyperinflationary Presentation Currency – Amendments to IAS 21	1 January 2027
Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37	1
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	2

- 1: The examples do not have an effective date or transition requirements. Entities are entitled to sufficient time to implement any changes as a result of illustrative examples.
- 2: In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

IFRS S1 and S2 were issued by the International Sustainability Standards Board (ISSB) with an effective date for annual periods beginning on or after 01 January 2024 subject to jurisdiction guidance. According to the Institute of Certified Public Accountants of Kenya (ICPAK) the effective date for the standards is 1 January 2027 for public interest entities.

(e) Accounting policies and disclosures Insurance contracts

The Group and Company's insurance contracts issued, and reinsurance contracts held are all eligible to be measured by applying the PAA. The PAA simplifies the measurement of insurance contracts in comparison with the general model.

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision)
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Group and Company's obligation to pay other incurred insurance expenses.

Classification and measurement

Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous Contract losses where such contracts reinsure onerous direct contracts.

The Group and Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another IFRS standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group. The Group and Company does not pay insurance acquisition cashflows on contracts yet to be recognised.

Presentation and disclosure

For presentation in the statement of financial position, the Group and Company aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

Insurance and reinsurance contracts classification

The Group and Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Group and Company determines whether it has significant insurance risk, by comparing benefits payable after an insured

event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

The Group and Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include Medical, Liability, Fire, Marine, and Personal Accident etc. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident. The Group and Company does not issue any contracts with direct participating features. Insurance and reinsurance contracts accounting treatment

Separating component from insurance and reinsurance contracts

The Group and Company assesses its insurance Contracts to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group and Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Group and Company's products do not include any distinct components that require separation.

Level of aggregation

The level of aggregation for the Group and Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group and Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Group and Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). No group for level of aggregation purposes may contain contracts issued more than one year

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The Group and Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

The Group and Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)

A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new

business. The Group and Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group and Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Group and Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Group and Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

Recognition

The Group and Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date

For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Group and Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Group and Company delays the recognition of a group of reinsurance contracts held that provide proportionate
- coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

And

(e) Accounting policies and disclosures

- The date the Group and Company recognises an onerous group of underlying insurance contracts if the Group and Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.
- The Group and Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Contract boundary

The Group and Company includes in the measurement of a group of insurance contracts all the future cashflows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group and Company can compel the policyholder to pay the premiums, or in which the Group and Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Group and Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks

Or

- Both of the following criteria are satisfied:
- The Group and Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

Measurement - Premium Allocation Approach

Adopted Approach	
Premium Allocation Approach (PAA) Eligibility	The insurance contracts and reinsurance are for one year or less and so qualifies automatically for PAA.
Insurance acquisition cash flows for insurance contracts issued	The insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group.
Liability for Remaining Coverage (LFRC), adjusted for financial risk and time value of money	The Group and Company does not adjust the LRC for insurance contracts issued and remaining coverage for reinsurance contracts. Premiums are received within one year of the coverage period.
Liability for Incurred Claims, (LFIC) adjusted for time value of money	The incurred claims are expected to be paid out in less than one year. Hence, no adjustment is made for the time value of money.

I. Insurance Revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Group and Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Group and Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the periods presented, all revenue has been recognised on the basis of the passage of time.

II. Insurance service expense

Insurance service expenses are the costs associated with a group of insurance contracts, excluding investment components. They include incurred claims, amortisation of insurance acquisition cash flows, and other directly attributable expenses to servicing insurance contracts.

III. Net income or expense from reinsurance contracts held

The Group and Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Group and Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

IV. Fees income

Clients whose medical fund schemes are managed by the Group and Company are charged for fund administration services and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

V. Commission income

Commission income on reinsurance is recognised as revenue in the period in which it accrues. To achieve this, a proportion of reinsurance commissions' receivable is deferred and recognised as income over the term of the policy.

VI. Expenses

Expenses are recognised through profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

When economic benefits are expected to arise over several

accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognised through profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the equipment associated with the using up of assets such as property and equipment. In such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

- ii) An expense is recognised immediately through profit or loss when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Expenses have further been disaggregated to:

• Directly attributable expenses

Directly attributable expenses are costs that are directly related to acquiring, maintaining, or fulfilling new insurance contracts. These costs are included to the Insurance service expenses and ultimately form part of the measurement of insurance contract liabilities.

• Indirectly attributable expenses

Indirectly attributable expenses are costs that are not directly related to fulfilling insurance contracts. These expenses are recognised as incurred and appear in the other operating expenses section of the Income statement.

VIII. Realised /unrealised gains and losses

Realised/unrealised gains and losses recorded in profit or loss on investments include gains and losses on financial assets. Realised gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

IX. Finance cost

Interest paid is recognised through profit or loss as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

X. Determination of Liability for remaining coverage

The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided. Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.

Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).

Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Group and Company's obligation to pay other incurred insurance expenses.

Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous Contract losses where such contracts reinsure onerous direct contracts.

XI. Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount

of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

XII. Loss recovery component

The Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

XIII. Determination of Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods. The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of reported and incurred losses, based on the observed development of earlier years and expected loss ratios.

Historical claims development is mainly analysed by accident years and business lines. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate

cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

XIV. Acquisition cash flows

A proportion of commissions payable is deferred and amortised over the period in which the related premium is earned. Acquisition cash flows represent the proportion of commission expense in the periods up to the reporting date, which relates to the unexpired terms of policies in force at the end of the reporting period. The Group and Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another IFRS standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

XV. Reinsurance contracts held

Contracts entered into by the Group and Company with the medical service providers intending to pass the risk of treatment costs are treated as proportional reinsurance cessions as they guarantee both premiums and claims in equal measure.

The benefits to which the Group and Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable

for reinsurance contracts and are recognised as an expense when due.

XVI. Property and equipment

All categories of property and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major renovation costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the

Company and the cost of the item can be measured reliably. Day-to-day repairs and maintenance expenses are charged to profit or loss in the year in which they are incurred.

Items of property and equipment are depreciated using the straight-line basis to write down the cost of each asset to its residual value over the estimated useful lives as follows:

Leasehold improvements	20.0%
Motor vehicles	25.0%
Equipment and furniture	12.5%
Computer equipment	33.3%

Depreciation on an item of property and equipment commences when it is available for use and continues to be depreciated until it is derecognised, even if during that period the item is idle. Depreciation of an item ceases when the item is retired from active use or is being held for disposal.

The assets' residual values, depreciation method and useful lives

are reviewed and adjusted if appropriate, at each reporting date.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

XVI. Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Group and Company are recognised as intangible assets. All applications software are amortised over a period of 5 years.

Amortisation begins when the asset is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Internally generated intangible assets, are not capitalised and expenditure is reflected through profit or loss in the year in which the expenditure is incurred.

Software under implementation are recognised as work in progress at historical costs less any accumulated impairment loss. The cost of such software includes professional fees and costs directly attributable to the software. The software are not amortised until they are ready for the intended use.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised.

An intangible asset is derecognised upon disposal (i.e., at the

date the recipient obtains control) or when no economic future benefits are expected from its use or disposal.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised through profit or loss when the asset is derecognised. An intangible asset is derecognised when it is retired or disposed.

XVI. Financial instruments

A financial asset or liability is recognised when the Group and Company becomes party to the contractual provisions of the instrument.

(i) Classification

The Group and Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group and Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and Company has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans,

government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on:

- (i) the Group and Company's business model for managing the financial assets; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Group and Company classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/ (losses) in the period in which it arises.

Business model: the business model reflected how the Group and Company manages the assets in order to generate cash flows i.e. whether the Group and Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group and Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed SPPI:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group and Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest ('SPPI test'). In making this assessment, the Group and Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group and Company reclassifies debt investments when and only when its business model for managing those assets changes.

The Group and Company's corporate bonds, cash at bank and in hand and inter-company receivables are classified at amortised cost. Government securities are classified at amortised cost and FVPL.

Recognition and de-recognition

Financial assets are recognised when the Group and Company becomes a party to the contractual provisions of the asset. Initial recognition of financial asset is at fair value plus, for all

financial assets except those carried at fair value through profit or loss and transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group and Company has transferred substantially all risks and rewards of ownership.

Equity investments are carried at fair value. Gains and losses arising from changes in the fair value of equity investments are recognised through the statement of profit or loss. When equity investments are derecognised, the cumulative gains or losses previously recognised are also derecognised. Dividends on equity instruments are recognised in the statement of profit or loss when the Group and Company's right to receive payment is established. Fair values of quoted investments in active markets are based on current bid prices. Fair values for unquoted equity securities are estimated using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

(iv) Impairment

The Group and Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVPL. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The expected credit loss impairment model applies to the following financial instruments that are not measured at FVPL:

- Government securities measured at amortised cost;
- Other receivables;
- Deposits with financial institutions; and
- Bank balances.
- Amounts Due from related parties

The Group and Company will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Debt instruments that are determined to have low credit risk at the reporting date. The Group and Company will consider

a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in government securities; and

- Other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group and Company expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

Financial asset	Impairment approach
Other receivables	General approach
Government securities at amortised cost	General approach
Deposits with financial institutions	General approach
Amounts Due from related parties	General approach
Bank balances	General approach

General approach

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. Key events used in assessing the credit impairment include internal ratings, external ratings and operating results of the borrowers.

The Group and Company considers that there has been a significant increase in credit risk when any contractual are more than 30 days past due. In addition, the Group and Company also considers a variety of instances that unlikeliness to pay by

assessing whether there has been a significant increase in credit risk.

In cases when an instrument identified as defaulted, it is the Group and Company's policy to consider a financial instrument as 'cured' and, therefore, re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

ECL = PD x LGD x EAD

In applying the IFRS 9 impairment requirements, the Group and Company follows one of the approaches below:

- The general approach
- The simplified approach

The General Approach

Under the general approach, at each reporting date, the Group and Company determines whether the financial asset is in one of three stages in order to determine both the amount of ECL to recognise as well as how interest income should be recognised.

- **Stage 1** - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Group and Company will recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- **Stage 2** - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Group and Company will recognise lifetime ECL but interest income will continue to be recognised on a gross basis.
- **Stage 3** - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Group and Company will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying

amount of the financial asset less ECL.

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

The Simplified approach

Under the simplified approach, the Group and Company measures the loss allowance at an amount equal to lifetime expected credit losses.

Definition of default The Group and Company will consider a financial asset to be in default when:

- the counterparty or borrower is unlikely to pay their credit obligations to the Group and Company in full, without recourse by the Group and Company to actions such as realising security (if any is held); or
- the counterparty or borrower is more than 90 days past due on any material credit obligation to the Group and Company. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Group and Company.
- The Group and Company considers an instrument to be in default when internal or external information indicates that the Group and Company is unlikely to receive the outstanding contractual amounts in full. There were no such instances in 2025 or 2024.

In assessing whether the counterparty or borrower is in default, the Group and Company considers indicators that are:

- Qualitative: e.g. Breach of covenant and other indicators of financial distress;
- Quantitative: e.g. Overdue status and non-payment of another obligation of the same issuer to the Group and Company; and

Based on data developed internally and obtained from external sources.

Significant increase in credit risk (SIICR)

The Group and Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with

- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses. The Group and Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

Incorporation of forward-looking information

The Group and Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and forecast scenarios based on consideration of a variety of external actual and forecast information. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group and Company operates.

The base case represents a best estimate and is aligned with information used by the Group and Company for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

Significant increase in credit risk (SIICR)

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group and Company considers reasonable and supportable information that is relevant and available

without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group and Company's historical experience, expert credit assessment and forward-looking information.

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of Default (PD)
- Loss given default (LGD) and
- Exposure at default (EAD)

To determine lifetime and 12-month PDs, the Group and Company uses internally developed PD tables based on the default history of obligors with the same credit rating.

LGD is the magnitude of the likely loss if there is a default. The Group and Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group and Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group and Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group and Company considers a longer period. Where modelling of a parameter is carried out on a collective basis,

the financial instruments are grouped on the basis of shared risk characteristics, which include: instrument type; credit risk gradings; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a group remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Group and Company uses to derive the default rates of its portfolios. This includes the PDs provided by rating agencies.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(E) ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

XVI. FINANCIAL INSTRUMENTS (CONTINUED)

(IV) IMPAIRMENT (CONTINUED)

The gross carrying amount of financial assets (measured at amortised cost(AC) and fair value through profit or loss(FVPL)) and reinsurance contract assets with exposure to credit risk at 31 December 2025 was as follows:

GROUP

	CLASSIFICATION AND MEASUREMENT CATEGORY	GROSS CARRYING AMOUNTS	EXPECTED CREDIT LOSSES	NET AMOUNTS
		SHS '000	SHS '000	SHS '000
At 31 December 2025				
Due from Related parties	AC	2,273	(261)	2,012
Other receivables	AC	49,898	(1,902)	47,996
Government securities	AC and FVPL	4,742,676	(435)	4,742,241
Deposits with financial institutions	AC	1,378,192	(40,501)	1,337,691
Cash and bank balances	AC	923,682	(909)	922,773
Exposure to credit risk		7,096,721	(44,008)	7,052,713

		GROSS CARRYING AMOUNTS	EXPECTED CREDIT LOSSES	NET AMOUNTS
		SHS '000	SHS '000	SHS '000
At 31 December 2024				
Due from Related parties	AC	46,000	(555)	45,445
Other receivables	AC	55,383	(1,615)	53,768
Government securities	AC and FVPL	3,622,509	(182)	3,622,327
Deposits with financial institutions	AC	1,615,384	(9,035)	1,606,349
Cash and bank balances	AC	847,036	(774)	846,262
Exposure to credit risk		6,186,312	(12,161)	6,174,151

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(E) ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

XVI. FINANCIAL INSTRUMENTS (CONTINUED)

(IV) IMPAIRMENT (CONTINUED)

The gross carrying amount of financial assets (measured at amortised cost(AC) and fair value through profit or loss(FVPL)) and reinsurance contract assets with exposure to credit risk at 31 December 2025 was as follows:

COMPANY

	CLASSIFICATION AND MEASUREMENT CATEGORY	GROSS CARRYING AMOUNTS	EXPECTED CREDIT LOSSES	NET AMOUNTS
		SHS '000	SHS '000	SHS '000
At 31 December 2025				
Due from Related parties	AC	26,064	(261)	25,803
Other receivables	AC	42,645	(1,902)	40,742
Government securities	AC and FVPL	3,938,021	(129)	3,937,892
Deposits with financial institutions	AC	1,338,964	(40,823)	1,298,141
Cash and bank balances	AC	859,253	(909)	858,344
Exposure to credit risk		6,204,946	(44,024)	6,160,922

		GROSS CARRYING AMOUNTS	EXPECTED CREDIT LOSSES	NET AMOUNTS
		SHS '000	SHS '000	SHS '000
At 31 December 2024				
Due from Related parties	AC	55,503	(555)	54,947
Other receivables	AC	50,990	(1,615)	49,375
Government securities	AC and FVPL	3,345,921	(109)	3,345,812
Deposits with financial institutions	AC	1,320,630	(8,161)	1,312,469
Cash and bank balances	AC	683,856	(774)	683,082
Exposure to credit risk		5,456,900	(11,214)	5,445,685

SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(E) ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

XVI. FINANCIAL INSTRUMENTS (CONTINUED)

(V) MODIFICATION

The Group and Company rarely renegotiates or otherwise modifies the contractual cash flows of securities. When this happens, the Group and Company assesses whether or not the new terms are substantially different to the original terms. The Group and Company does this by considering, among others, the following factors:

- If the counterparty is in financial difficulty
- Whether any substantial new terms are introduced that affect the risk profile of the instrument
- Significant extension of the contract term when the borrower is not in financial difficulty
- Significant change in interest rate
- Change in the currency the security is denominated in
- Inclusion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan

If the terms are substantially different, the Group and Company derecognises the original financial asset and recognised a 'new' asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a SICR has occurred.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

(vi) Write off policy

The Group and Company writes off financial assets, in whole or in part when it has exhausted all practical recovery effort and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include

- ceasing enforcement activity; and
- the Group and Company is foreclosing on collateral and the value of the collateral is such as there is no reasonable expectation of recovering in full.

The Group and Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2025 was Nil (2024: Nil). The Group and Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

(vii) Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

XIX. Provisions

Provisions are recognised when the Group and Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group and Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented through profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

XX. Income taxes

Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised through profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Deferred income tax

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss. In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the

foreseeable future.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales taxes and premium taxes

Revenues, expenses and assets and liabilities are recognised net of the amount of sales taxes and premium taxes except:

- when the sales or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount

of sales or premium tax included.

Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority are included as part of receivables or payables in the statement of financial position.

XXII. Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the Functional Currency'). The financial statements are presented in thousands of Kenya Shillings (Shs'000) which is the Group and Company's functional and presentation currency.

Transactions in foreign currencies are initially recorded at their respective functional currency spot rate prevailing at the date of the transaction. Transactions in foreign currencies during the year are converted into the functional currency, Kenya Shillings at rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss in the year in which they arise.

The Group's consolidated financial statements are presented in Kenya Shillings, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

XXIII. Accounting for leases

Leases under which the Group and Company is the lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Group and Company recognises a right-of-use asset and a lease liability. The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Group and Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Group and Company's incremental borrowing rate is used.

For leases that contain non-lease components, the Group and Company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Group and Company at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

XXV. Employee entitlements

i) Retirement benefit obligations

The Group and Company operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Group and Company and employees.

The Group and Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions to this scheme are determined by local statute.

The Group and Company's contributions to the defined contribution scheme and NSSF are charged to profit or loss as they fall due.

ii) Bonus

Staff are entitled to a bonus which is based on pre-set performance parameters on an annual basis. The full cost of the bonus is expensed in the year in which it is earned and the amount can be measured reliably.

iii) Leave accrual

The estimated monetary liability for employees' accrued annual leave entitlement at the end of the reporting period is recognised as an expense accrual.

XXVI. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and government securities and deposits with financial institutions with original maturities of 90 days or less .

XXVII. Going concern

The Group profit after tax for the year of Shs. 599 million (2024: profit Shs. 404 million) , Company profit after tax Shs. 576

million (2024: profit Shs. 383 million) during the year ended 31 December 2025. As of that date, the Group's working capital surplus for the year of Shs. 2.61 billion(2024: Shs. 2.10 billion); Company's surplus for the year Shs. 2.66 billion (2024: Shs. 2.18 billion). As at year end the Group had a positive equity of Shs. 2.71 billion (2024: Shs. 2.18 billion) while Company had a positive equity of Shs. 2.71 billion (2024: Company positive equity Shs. 2.21 billion).

The Group performance was attributed to successful implementation of its transformation strategy and implementation of Group's digitisation strategy. Growth in the investment portfolio further strengthened earnings through higher investment income. The Group and Company strategy is now anchored on expanding classes of business to Non-medical classes of business with major focus on profitable market segments.

The Group is implementing a new turnaround and transformation strategy which is anchored on a strong purpose and vision of safeguarding every household's health and wealth within the Group's target markets. This is expected to create sustained impact-driven, top and bottom line growth in the coming years.

The directors remain confident that the Group and Company will remain a going concern over the next 12 months. In making this assessment, the directors have considered in detail all pertinent facts as outlined below:

- AAR General Insurance Uganda Limited's risk retention rate under Quota share treaty is at 30%, while the parent injected more capital to the subsidiary for acquisition of an insurance license. The subsidiary's CAR was at 204% (2024: 334%) which is above the minimum required ratio of 200%. The Ugandan subsidiary acquired a fully fledged insurance license which bolstered growth prospects, expands its market potential and strengthens its profitability outlook.
- Digital transformation through partnership with M-TIBA in claims management to benefit from a modern technology platform has reduced loss ratio and operating expenses. This will create convenient customer solutions that take

advantage of advanced digital capabilities such as self-service, robotics and artificial intelligence.

- Partnership with Cigna Healthcare, one of the world's largest internal private medical insurance companies, to offer international medical insurance products.
- Focus on profitable segments such as private corporate business, small and medium enterprises, retail business, general insurance and introduction of new offerings in the market to drive growth.
- Repricing of premiums for customers who had a higher claims loss ratio.

3. Significant accounting estimates and judgements

The Group and Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The estimates and underlying assumptions are regularly reviewed and revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key areas of estimates and judgements in applying the Group and Company's accounting policies are dealt with below:

The ultimate liability arising from claims made under insurance contract liabilities

The ultimate liability arising from claims made under insurance contracts is the Group and Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group and Company will ultimately pay for such claims. Management carries out a regular review of the status of outstanding claims and makes estimates of the required provisions based on historical experience and other factors that are considered to be relevant.

Liability of incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development

Incurred but not reported claims

The development of historical claims patterns provides a measure of the Group and Company's ability to estimate the ultimate value of claims. Estimates are made for claims incurred but not reported (IBNR) as at the year-end. The estimation is guided by the IRA guidelines on valuation of technical liabilities issued in May 2014 and is reviewed by the appointed actuaries who express an opinion on the adequacy of outstanding claim reserves. The Group and Company uses a combination of the chain-ladder techniques and the average cost per claim method to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each incident year that is not fully developed to produce an estimated ultimate claims cost for each year.

Average cost per claim method uses the development triangles for both the total claim amounts and number of unique claims estimates. The average claim amounts are then derived by dividing the total claim amounts by the number of unique claims.

Risk adjustment margin

The Risk Adjustment Margin (RAM) is the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises for non-financial risk as the entity fulfils insurance contracts.

To calculate the risk margin, two approaches were adopted. These methods include:

a) Bootstrapping method at 75% confidence level.

This involved simulating claims reserves by sampling from past outcomes of development factors. This resulted in the production of a full distribution of claims from which the mean and the 75th percentile reserves were estimated.

b) Cost of Capital Approach.

The Cost of Capital Approach was used to obtain the Risk Margin results for Engineering, Fire Domestic, Fire Industrial, Liability, Marine and GIT, Miscellaneous, Personal Accident, Theft, and Workmen's Compensation Classes of business. The rates used from this approach were derived from the Risk Based Capital Model provided by the Insurance Regulatory Authority ('IRA'). The RBC model provides the risk charges for each line of business under Capital Form 2. It also provides for an additional Catastrophe Risk Charge of 2%.

Deferred tax assets and liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already

recorded. The Group and Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authority. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

4. INSURANCE REVENUE

The Group and Company is licensed to design and distribute general insurance products as stipulated in the Insurance Act. In addition to medical insurance, the Group and Company is underwriting other short-term insurance business as defined by the Insurance Act. All contracts were measured under PAA. Insurance revenue can be analyzed between the two main classes as follows:

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
New business:				
Medical insurance	3,314,281	3,941,688	3,090,234	3,704,623
General insurance	113,179	77,919	113,179	77,919
	3,427,460	4,019,607	3,203,413	3,782,542
Renewal:				
Medical insurance	10,989,083	8,501,314	9,448,737	7,070,745
General insurance	119,943	103,852	119,944	103,852
	11,109,026	8,605,166	9,568,681	7,174,597
Amounts relating to changes in the Liability for Remaining Coverage	(510,175)	(326,898)	(462,402)	(260,869)
Total insurance revenue	14,026,311	12,297,875	12,309,692	10,696,270

5. INSURANCE SERVICE EXPENSES

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Gross benefits and claims incurred	10,431,203	8,907,369	9,213,135	7,821,584
Changes in liability for incurred claims	411,593	375,991	409,599	298,243
Insurance acquisition cashflows	1,494,779	1,270,072	1,307,102	1,093,998
Overheads directly attributable to fulfilling insurance contract	954,374	911,183	808,201	770,065
	13,291,950	11,464,615	11,738,037	9,983,890

6. NET EXPENSES FROM REINSURANCE CONTRACTS HELD

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Reinsurance expenses	(4,736,033)	(4,134,015)	(3,556,214)	(3,038,728)
Claims recoveries	4,032,623	3,401,935	3,141,944	2,481,381
Reinsurance commissions earned	682,447	624,569	447,630	432,897
Reinsurance risk adjustment movement	(672)	(1,108)	(672)	(1,108)
	(21,635)	(108,619)	32,688	(125,558)

Section 29(1) of the Insurance Act requires all registered underwriters to have in place appropriate reinsurance arrangements being arrangements approved by the Commissioner of Insurance in respect of insurance business underwritten in the course of the business.

7. INVESTMENT INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Interest from government securities calculated using the effective interest method	561,097	421,595	499,074	378,327
Fair value (loss) /gain on government securities through profit and loss	101,769	143,063	101,769	143,063
Interest from deposits calculated using the effective interest method	164,285	138,737	137,318	125,982
	<u>827,151</u>	<u>703,395</u>	<u>738,161</u>	<u>647,372</u>

8. OTHER INCOME

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Gain on disposal of property and equipment	3,244	753	3,235	562
Other Income	14,483	12,092	8,239	3,163
Others: discounts from suppliers.	2,668	4,478	2,668	4,478
	<u>20,395</u>	<u>17,323</u>	<u>14,142</u>	<u>8,203</u>

9. EXPECTED CREDIT LOSS MOVEMENT ON FINANCIAL INSTRUMENTS

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Premium Receivables	10,388	665	10,071	665
Related Parties	294	320	294	320
Other receivables	(287)	(510)	(287)	(510)
Government securities	(253)	(89)	(20)	(16)
Deposits with financial institutions	(31,466)	(1,227)	(32,662)	(353)
Bank balances	(135)	175	(135)	175
	<u>(21,459)</u>	<u>(666)</u>	<u>(22,739)</u>	<u>281</u>

10. (A) OVERHEADS DIRECTLY ATTRIBUTABLE TO FULFILLING INSURANCE CONTRACT

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Premium Levies	154,956	127,019	159,844	136,964
Information Communication Technology	66,905	104,747	55,573	98,165
Depreciation–Right of use	44,786	40,660	42,271	38,172
Staff costs directly attributable to fulfilling insurance contracts	437,111	403,937	357,174	323,826
Sales Loyalty Program	26,591	24,054	26,591	24,053
Other Selling Expenses	96,176	93,516	86,238	81,072
Advertising	79,127	71,291	70,124	60,198
Promotional items	10,970	7,954	10,386	7,615
Other Expenses	37,753	38,005	–	–
	<u>954,375</u>	<u>911,183</u>	<u>808,201</u>	<u>770,065</u>

10 (B) OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Staff costs (Note 10 (c))	302,497	281,891	222,560	201,780
Auditors' remuneration	16,188	16,488	11,804	11,822
Directors' fees (Note 29 (ii))	12,823	13,377	10,812	11,918
Legal expenses and professional fees	34,035	103,860	18,000	101,595
Depreciation of property and equipment (Note 13)	23,447	20,860	17,562	16,277
Amortisation of intangible assets (Note 14)	10,826	13,382	5,715	9,669
Consultancy fees	36,647	76,199	33,804	73,919
Subscriptions	7,634	11,147	7,262	10,724
Electricity and water	2,959	3,116	1,526	2,008
Cleaning and laundry	7,478	4,941	7,478	4,941
General office expenses	5,416	18,671	5,416	18,672
Licenses and insurance	4,781	4,041	2,708	2,000
Travel and accommodation costs	55,190	41,289	49,277	36,540
Printing and stationery costs	8,040	8,226	6,570	6,584
Telephone and postage costs	124,499	110,881	121,915	108,629
Bank charges	16,854	15,862	16,854	14,642
Repairs and maintenance	9,507	8,394	7,797	7,097
ESG expenses	9,665	10,490	9,665	10,490
Other expenses	64,185	67,276	38,767	39,967
	<u>752,671</u>	<u>830,391</u>	<u>595,492</u>	<u>689,274</u>

Other expenses include parking fees, entertainment, repair and motor vehicle expenses.

10. (C) STAFF COSTS

GROUP

	2025		2024	
	Shs'000		Shs'000	
	Directly attributable	Other Operating Expenses	Directly attributable	Other Operating Expenses
Salaries and other short term benefits	393,480	267,509	371,138	255,491
Retirement benefit costs:				
- Defined contribution pension costs	27,317	20,562	21,539	16,017
- National Social Security Fund	16,314	14,426	11,260	10,383
	<u>437,111</u>	<u>302,497</u>	<u>403,937</u>	<u>281,891</u>
Number of staff as at 31 December	242		209	

COMPANY

	2025		2024	
	Shs'000		Shs'000	
	Directly attributable	Other Operating Expenses	Directly attributable	Other Operating Expenses
Salaries and other short term benefits	334,239	208,269	306,849	191,202
Retirement benefit costs:				
- Defined contribution pension costs	17,923	11,168	14,651	9,129
- National Social Security Fund	5,012	3,123	2,326	1,449
	<u>357,174</u>	<u>222,560</u>	<u>323,826</u>	<u>201,780</u>
Number of staff as at 31 December	172		142	

The staff costs are distributed based on the expense allocation model where 61.6% of the total staff costs are directly attributable to acquiring and maintaining Insurance contracts while 38.4% of these costs are indirectly attributable. Included in the staff costs is a Shs 64 million staff bonus accrual based on company's bonus structure.

11. OTHER FINANCE COSTS

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Interest expense on lease liability expense (note 26)	11,884	15,065	11,567	14,760
Realised Exchange Losses	2,323	4,572	2,323	2,789
	<u>14,207</u>	<u>19,637</u>	<u>13,890</u>	<u>17,549</u>

12. INCOME TAX

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
a) Income tax expense				
Current income tax charge	175,522	114,911	163,111	110,735
Deferred income tax (credit)/charge (Note 18)	(2,221)	75,738	(14,203)	41,651
Income tax expense	<u>173,301</u>	<u>190,649</u>	<u>148,908</u>	<u>152,386</u>

The Group and Company's current tax expense is computed in accordance with income tax rules applicable to Kenyan and Uganda General insurance companies.

12. INCOME TAX (CONTINUED)

B) RECONCILIATION OF THE INCOME TAX EXPENSE TO THE ACCOUNTING PROFIT BEFORE INCOME TAX

The tax on the Group and Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before income tax	771,935	594,665	724,524	535,855
Tax calculated at the statutory tax rate of 30% (2024: 30%)	231,581	178,400	217,357	160,757
Tax effect of expenses not deductible for tax purposes	(47,384)	12,224	(24,607)	(8,396)
Deferred tax on revaluation gain on IFB not reversed	(55,259)	-	(42,919)	-
Under provision of prior year deferred income tax charge	44,363	25	(923)	25
Income tax expense	173,301	190,649	148,908	152,386

Tax effect on expenses not deductible for tax purposes includes excess limits permitted on items disallowed for tax purposes.

C) CORPORATE TAX (PAYABLES) /RECOVERABLE

	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January	46,015	11,388	4,307	7,212
Income tax expense for the year	(175,522)	(114,911)	(163,111)	(110,735)
Tax deducted at source	18,460	-	15,872	-
Tax credits utilised	(28,663)	(29,159)	(28,663)	(29,159)
Tax paid during the year	176,850	178,697	165,658	136,989
Translation differences	2,886	-	-	-
At 31 December	40,026	46,015	(5,937)	4,307

13. CASH AND BANK BALANCE

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Kenya Women Microfinance Bank Limited	21,393	4,248	21,393	4,248
Standard Chartered Bank	47,396	148,383	-	-
Stanbic Bank Kenya Limited	97,649	44,063	97,649	44,063
Co-operative Bank of Kenya Limited	7,310	1,211	7,310	1,211
Diamond Trust Bank Kenya Limited	19,892	4,463	19,892	4,463
KCB Bank Kenya Limited	1,093	4,731	1,082	4,731
Equity Bank Kenya Limited	8,046	14,755	5,401	11,359
Sidian Bank	4,659	4,664	4,659	4,664
Citibank	700,324	591,813	700,324	591,813
Absa	886	16,807	886	16,807
SMEP	111	112	111	112
Others	14,924	11,786	546	385
Provision for expected credit losses	(909)	(774)	(909)	(774)
	<u>922,773</u>	<u>846,262</u>	<u>858,344</u>	<u>683,082</u>

Movements on the provision for impairment of bank balances are as follows:

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	(774)	(949)	(774)	(949)
Decrease / (increase) in provisions in the year	(135)	175	(135)	175
At end of year	<u>(909)</u>	<u>(774)</u>	<u>(909)</u>	<u>(774)</u>

14. DEPOSITS WITH FINANCIAL INSTITUTIONS

The Group and Company holds deposits with the financial institutions below:

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Kenya Women Microfinance Bank Limited	343,441	351,042	343,441	351,042
NCBA Bank Kenya PLC	83,688	108,341	83,688	108,341
Stanbic Bank Kenya Limited	95,254	480,377	56,026	185,623
Co-operative Bank of Kenya Limited	548,648	644,935	548,648	644,935
Absa Bank Kenya PLC	2,022	1,926	2,022	1,926
KCB Bank Kenya Limited	130,227	24	130,227	24
Equity Bank Kenya Limited	170,828	25,403	170,828	25,403
Diamond Trust Bank Limited	4,084	3,336	4,084	3,336
Provision for expected credit losses	(40,501)	(9,035)	(40,823)	(8,162)
	<u>1,337,691</u>	<u>1,606,349</u>	<u>1,298,141</u>	<u>1,312,469</u>

Included in deposits with financial institutions are deposits held in the name of ICEA Lion Asset Managers amounting to Shs 595,713,981 (2024: Shs 459,315,772). The deposits mature within 90 days of the acquisition date.

At 31 December 2025, the average effective interest rate was 11.52% (2024: 14.81%).

Movements on the provision for impairment of deposits are as follows:

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	(9,035)	(7,808)	(8,161)	(7,808)
Decrease / (increase) in provisions in the year	(31,466)	(1,227)	(32,662)	(353)
At end of year	<u>(40,501)</u>	<u>(9,035)</u>	<u>(40,823)</u>	<u>(8,161)</u>

15. GOVERNMENT SECURITIES

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Government securities include:				
Treasury bonds at fair value	1,436,598	1,114,546	1,436,598	1,114,546
Treasury bills at amortised cost	1,084,729	651,514	335,515	374,926
Treasury bonds at amortised cost	<u>2,221,349</u>	<u>1,856,449</u>	<u>2,165,908</u>	<u>1,856,449</u>
	4,742,676	3,622,509	3,938,021	3,345,921
Provisions for expected credit losses	(435)	(182)	(129)	(109)
	<u>4,742,241</u>	<u>3,622,327</u>	<u>3,937,892</u>	<u>3,345,812</u>

Treasury bonds and bills are debt securities issued by the Government of Kenya and Uganda and are measured at fair value and amortised cost.

The maturity profile for the government securities are as follows:

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Within one year	789,284	843,933	355,964	605,258
Between one year and five years	870,596	1,256,474	499,261	1,218,561
After five years	3,082,796	1,522,102	3,082,796	1,522,102
Provisions for expected credit losses	(435)	(182)	(129)	(109)
At end of year	<u>4,742,241</u>	<u>3,622,327</u>	<u>3,937,892</u>	<u>3,345,812</u>

The movement in government securities is as follows:

At start of year	3,622,327	3,206,672	3,345,812	2,853,236
Additions	2,959,533	488,775	2,434,902	485,125
Maturities	(2,068,594)	(192,806)	(2,068,594)	(164,772)
Fair value (loss)/gain on government securities	101,227	143,063	101,227	143,063
Interest paid during the year	124,674	29,269	124,674	29,269
Provisions for expected credit losses	(435)	(182)	(129)	(109)
Translation differences	3,509	(52,464)	-	-
At end of year	<u>4,742,241</u>	<u>3,622,327</u>	<u>3,937,892</u>	<u>3,345,812</u>

Movements on Expected Credit losses

At start of year	(182)	(93)	(109)	(93)
Decrease / (increase) in ECL in the year	(253)	(89)	(20)	(16)
At end of year	<u>(435)</u>	<u>(182)</u>	<u>(129)</u>	<u>(109)</u>

Included in the Company government securities are treasury bonds amounting to Shs. 3,602,507,639 (2024: Shs. 2,970,995,040) and treasury bills amounting to Shs. 335,514,456 (2024: Shs. 374,925,885).

As at the reporting date, the Group held statutory deposits amounting to Shs. 495,085,924 (2024: Shs. 350,684,206), while the Company held statutory deposits of Shs. 495,043,370 (2024: Shs. 350,646,293). The average effective interest rate on treasury bonds was 17.75% (2024: 20.19%) per annum while the average interest rate on treasury bills was 13.31% (2024: 16.36%) per annum.

16. REINSURANCE CONTRACT ASSETS HELD (GROUP) 2025

	ASSETS FOR REMAINING COVERAGE		AMOUNTS RECOVERABLE ON INCURRED CLAIMS		TOTAL SHS'000
	EXCLUDING LOSS-RECOVERY COMPONENT SHS'000	LOSS-RECOVERY COMPONENT SHS'000	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS SHS'000	RISK ADJUSTMENT SHS'000	
Reinsurance contract liabilities as at 01/01	1,010,323	-	354,818	5,906	1,371,047
Net balance as at 1 January	1,010,323	-	354,818	5,906	1,371,047
An allocation of reinsurance premiums	4,736,032	-	-	-	4,736,032
Amounts recoverable from reinsurers for incurred claims	-	-	(4,032,623)	672	(4,031,951)
Insurance acquisition cashflows amortisation	-	-	(682,446)	-	(682,446)
Reinsurance Investment components	-	-	-	-	-
Net income or expense from reinsurance contracts held	4,736,032	-	(4,715,069)	672	21,635
Effect of changes in non-performance	(6,002)	-	(1,684)	-	(7,687)
Total changes in the statement of comprehensive income	4,730,030	-	(4,716,753)	672	13,949
Cash flows					
Premiums paid	5,083,660	-	-	-	5,083,660
Amount received	-	-	(4,653,522)	-	(4,653,522)
Total cash flows	5,083,660	-	(4,653,522)	-	430,138
Net balance as at 31 December	1,363,953	-	418,049	5,234	1,787,236
Reinsurance contract assets as at 31/12	1,363,953	-	418,049	5,234	1,787,236
Effects of translation	29,020	-	1,685	-	30,705
Net balance as at 31 December	1,392,973	-	419,734	5,234	1,817,941

16. REINSURANCE CONTRACT ASSETS HELD (GROUP)

	2024				
	ASSETS FOR REMAINING COVERAGE		AMOUNTS RECOVERABLE ON INCURRED CLAIMS		TOTAL SHS'000
	EXCLUDING LOSS-RECOVERY COMPONENT SHS'000	LOSS-RECOVERY COMPONENT SHS'000	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS SHS'000	RISK ADJUSTMENT SHS'000	
Reinsurance contract asset as at 01/01	1,316,646	-	117,902	7,014	1,441,562
Net balance as at 1 January	1,316,646	-	117,902	7,014	1,441,562
An allocation of reinsurance premiums	4,134,015	-	-	-	4,134,015
Amounts recoverable from reinsurers for incurred claims	-	-	(4,026,504)	1,108	(4,025,396)
Net income or expense from reinsurance contracts held	4,134,015	-	(4,026,504)	1,108	108,619
Total changes in the statement of comprehensive income	4,134,015	-	(4,026,504)	1,108	108,619
Cash flows					
Premiums paid	3,886,558	-	-	-	3,886,558
Amount received	-	-	(3,764,210)	-	(3,764,210)
Total cash flows	3,886,558	-	(3,764,210)	-	122,348
Net balance as at 31 December	1,069,189	-	380,196	5,906	1,455,291
Reinsurance contract assets as at 31/12	1,069,189	-	380,196	5,906	1,455,291
Effects of translation	(58,866)	-	(25,378)	-	(84,244)
Net balance as at 31 December	1,010,323	-	354,818	5,906	1,371,047

16. REINSURANCE CONTRACT ASSETS HELD COMPANY (CONTINUED)

	2025				
	ASSETS FOR REMAINING COVERAGE		AMOUNTS RECOVERABLE ON INCURRED CLAIMS		TOTAL SHS'000
	EXCLUDING LOSS-RECOVERY COMPONENT SHS'000	LOSS-RECOVERY COMPONENT SHS'000	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS SHS'000	RISK ADJUSTMENT SHS'000	
Reinsurance contract liabilities as at 01/01	542,203		155,207	5,906	703,316
Net balance as at 1 January	542,203	-	155,207	5,906	703,316
An allocation of reinsurance premiums	3,556,214				3,556,214
Amounts recoverable from reinsurers for incurred claims	-	-	(3,141,944)	672	(3,141,272)
Insurance acquisition cashflows amortisation	-	-	(447,630)	-	(447,630)
Net income or expense from reinsurance contracts held	3,556,214	-	(3,589,573)	672	(32,688)
Effect of changes in non-performance	(6,002)	-	(1,684)	-	(7,687)
Total changes in the statement of comprehensive income	3,550,212	-	(3,591,258)	672	(40,374)
Cash flows					
Premiums paid	3,910,565	-	-	-	3,910,565
Amount received	-	-	(3,532,203)	-	(3,532,203)
Total cash flows	3,910,565	-	(3,532,203)	-	378,362
Net balance as at 31 December	902,556	-	214,262	5,234	1,122,052
Reinsurance contract assets as at 31/12	902,556	-	214,262	5,234	1,122,052
Reinsurance contract liabilities as at 31/12					
Net balance as at 31 December	902,556	-	214,262	5,234	1,122,052

16. REINSURANCE CONTRACT ASSETS HELD COMPANY (CONTINUED)

	2024				
	ASSETS FOR REMAINING COVERAGE		AMOUNTS RECOVERABLE ON INCURRED CLAIMS		TOTAL SHS'000
	EXCLUDING LOSS-RECOVERY COMPONENT SHS'000	LOSS-RECOVERY COMPONENT SHS'000	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS SHS'000	RISK ADJUSTMENT SHS'000	
Reinsurance contract assets as at 01/01	655,312	-	117,902	7,014	780,228
Net balance as at 1 January	655,312	-	117,902	7,014	780,228
An allocation of reinsurance premiums	3,038,727	-	-	-	3,038,727
Amounts recoverable from reinsurers for incurred claims	-	-	(2,914,277)	1,108	(2,913,169)
Net income or expense from reinsurance contracts held	3,038,727	-	(2,914,277)	1,108	125,558
Total changes in the statement of comprehensive income	3,038,727	-	(2,914,277)	1,108	125,558
Cash flows					
Premiums paid	2,925,618	-	-	-	2,925,618
Amount received	-	-	(2,876,972)	-	(2,876,972)
Total cash flows	2,925,618	-	(2,876,972)	-	48,646
Net balance as at 31 December	542,203	-	155,207	5,906	703,316
Reinsurance contract assets as at 31/12	542,203	-	155,207	5,906	703,316
Net balance as at 31 December	542,203	-	155,207	5,906	703,316

17. OTHER RECEIVABLES

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Sundry receivables	17,001	16,361	9,956	12,082
Receivables from Assemble Tanzania	26,363	20,705	26,155	20,591
Pay and Invoice Receivables	6,534	18,317	6,534	18,317
Provisions for expected credit losses	(1,902)	(1,615)	(1,902)	(1,615)
Other receivables – financial assets	47,996	53,768	40,742	49,375
Prepayments	386,311	352,331	380,521	348,671
	<u>434,307</u>	<u>406,099</u>	<u>421,264</u>	<u>398,046</u>
Movements on the provision for impairment of other receivables are as follows:				
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	(1,615)	(1,105)	(1,615)	(1,105)
Decrease/(increase) in provisions in the year	(287)	(510)	(287)	(510)
At end of year	<u>(1,902)</u>	<u>(1,615)</u>	<u>(1,902)</u>	<u>(1,615)</u>
Sundry receivables are cash covers placed with banks and staff debtors.				

18. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS

The Company is owned by AAR Insurance Holdings Limited. The ultimate holding company is AAR Holdings Limited, which is incorporated and domiciled in Kenya.

AAR General Insurance (U) Limited is a wholly owned subsidiary of AAR Insurance Kenya Limited.

Terms and conditions of transactions with related parties:

The transactions are made at normal commercial terms and are settled within 30-90 days.

i) Amounts due from related companies

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
AAR General Insurance (U) Limited	-	-	23,791	7,877
AAR Holdings Limited	2,273	11,507	2,273	12,892
AAR Insurance Holdings Limited	-	34,493	-	34,733
Provision for expected credit losses	(261)	(555)	(261)	(555)
Total amounts due from related companies	<u>2,012</u>	<u>45,445</u>	<u>25,803</u>	<u>54,947</u>
Movements on the expected credit losses for related parties are as follows:				
At start of year	(555)	(875)	(555)	(875)
Decrease / (increase) in provisions in the year	294	320	294	320
At end of year	<u>(261)</u>	<u>(555)</u>	<u>261</u>	<u>(555)</u>

18. RELATED PARTIES AND RELATED PARTIES TRANSACTIONS (CONTINUED)

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
ii) Amounts due to related companies				
AAR Insurance Holdings Limited	6,436	-	4,866	-
Total amounts due from related companies	6,436	-	4,866	-
iii) Directors' remuneration				
Directors' fees	12,823	13,377	10,812	11,918
Director's remuneration	26,991	24,072	26,991	24,072
	39,814	37,449	37,803	35,990
iv) Key management compensation				
Salaries and benefits:				
Salaries and other short term benefits	127,006	122,013	72,868	75,563
Defined contribution pension costs	6,194	7,473	6,194	7,473
	133,200	129,486	79,062	83,036

The Group and Company's maintains a remuneration policy that ensures fairness and transparency in Board of director's compensation. The Group and Company compensates its directors on a monthly fixed fee basis.

19. DEFERRED INCOME TAX

Deferred income tax is calculated, in full, on all temporary differences under the liability method using the enacted tax rate of 30% (2024: 30%). The movement on the deferred income tax account is as follows:

	GROUP	COMPANY	2025	2024
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January	23,989	99,476	454	42,105
Credit /(charge) to profit or loss (Note 12(a))	2,221	(75,738)	14,203	(41,651)
Translation differences	361	251	-	-
At 31 December	26,571	23,989	14,657	454
The deferred tax asset is attributable to the following items:				
Accelerated capital allowances	4,939	9,003	4,939	9,003
Other temporary differences	13,420	5,691	1,506	(17,844)
Leases	8,212	9,295	8,212	9,295
	26,571	23,989	14,657	454

The other temporary differences relate to tax charge on expected credit losses charged to debt instruments as per note 2(e)(ix), unrealised revaluation gains on government bonds and tax losses carried forward by the Group and subsidiary.

20. INVESTMENT IN SUBSIDIARIES

Proportion of ownership interest and voting power held at

	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Investment at cost:				
AAR General Insurance Uganda Limited 19,074 ordinary shares of Shs. 5 each	100%	100%	542,627	442,627
			542,627	442,627

AAR Insurance Kenya Limited controls 100% of AAR General Insurance Uganda through at a value of Shs. 543 million. In June 2025, AAR Insurance Kenya did a further capital injection of Shs. 100million to the Uganda subsidiary.

Ownership of AAR General Insurance Uganda Limited

	2025	2024
	Shs'000	Shs'000
Opening investment value	442,627	-
Transfer of sharecapital from parent Company	-	317,627
Additional capital injection during the year	100,000	125,000
	542,627	442,627

Set out below is the summarised financial information for the Company's subsidiary

AAR General Insurance Uganda

	2025	2024
	Shs'000	Shs'000
Assets		
Investments	843,900	570,395
Reinsurance contract assets	695,889	667,731
Other assets	170,796	274,624
Total Assets	1,710,585	1,512,750
Liabilities		
Insurance contract liabilities	889,845	840,480
Other liabilities	280,989	258,554
Total Liabilities	1,170,834	1,099,034
Net Assets	539,751	413,716
Summarised cash flows		
Net cash generated/used from operating activities	108	61,956
Net cash generated/used from investing activities	(200,310)	(98,414)
Net cash generated/used from financing activities	99,424	117,942
Increase in cash and cash equivalents	(100,778)	81,484
Cash and cash equivalents at beginning of the year	165,208	81,696
Cash and cash equivalents at end of year	64,430	163,180

21. RIGHT-OF-USE ASSET

The right of use asset only comprises of buildings.

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Cost				
At 1 January	388,143	370,747	373,734	353,826
Additions	15,235	19,908	15,235	19,908
Lease adjustments			108	-
Translation difference	-	(2,512)	-	-
At 31 December	403,378	388,143	389,077	373,734
Depreciation				
At 1 January	277,553	234,441	272,613	234,441
Charge for the year	47,301	43,149	42,271	38,172
Lease adjustments	-	-	108	-
Translation difference	(146)	(37)	-	-
At 31 December	324,708	277,553	314,992	272,613
Net book value				
At 31 December	78,670	110,590	74,085	101,121

22. PROPERTY AND EQUIPMENT - GROUP

	LEASEHOLD IMPROVEMENTS SHS'000	COMPUTER EQUIPMENT SHS'000	FURNITURE AND EQUIPMENT SHS'000	MOTOR VEHICLES SHS'000	WORK IN PROGRESS SHS'000	TOTAL SHS'000
Year ended 31 December 2025						
Cost						
At 1 January 2025	43,367	117,801	128,790	5,470	9,348	304,776
Additions	20,580	14,054	9,073	5,608	4,755	54,070
Disposals	(3,330)	(7,040)	(2,506)	(3,506)	-	(16,382)
Transfer from WIP	-	-	-	-	(9,348)	(9,348)
Adjustments and writeoffs	-	14	(5)	968	-	977
Translation difference	-	(220)	(43)	-	-	(263)
At 31 December 2025	60,617	124,609	135,309	8,540	4,755	333,830
Depreciation						
At 1 January 2025	39,258	101,774	97,461	5,382	-	243,875
Charge for the year	3,560	12,393	7,260	234	-	23,447
Disposals	(3,330)	(7,040)	(2,506)	(3,506)	-	(16,382)
Translation difference	-	73	243	-	-	316
At 31 December 2025	39,488	107,200	102,458	2,110	-	251,256
Net book value						
At 31 December 2024	21,129	17,407	32,854	6,429	4,755	82,574
Year ended 31 December 2024						
Cost						
At 1 January 2024	42,682	119,112	132,579	5,470	-	299,843
Additions	685	13,738	5,308	-	9,348	29,079
Disposals	-	(11,888)	(999)	-	-	(12,887)
Translation difference	-	(3,161)	(8,098)	-	-	(11,259)
At 31 December 2024	43,367	117,801	128,790	5,470	9,348	304,776
Depreciation						
At 1 January 2024	38,004	106,392	95,937	4,242	-	244,575
Charge for the year	1,254	10,183	8,283	1,140	-	20,860
Disposals	-	(11,888)	(999)	-	-	(12,887)
Translation difference	-	(2,913)	(5,761)	-	-	(8,673)
At 31 December 2024	39,258	101,774	97,461	5,382	-	243,875
Net book value						
At 31 December 2024	4,109	16,025	31,331	87	9,348	60,901

22. PROPERTY AND EQUIPMENT - COMPANY

	LEASEHOLD IMPROVEMENTS SHS'000	COMPUTER EQUIPMENT SHS'000	FURNITURE AND EQUIPMENT SHS'000	MOTOR VEHICLES SHS'000	WORK IN PROGRESS SHS'000	TOTAL SHS'000
Year ended 31 December 2025						
Cost						
At 1 January 2025	43,367	95,977	78,936	5,470	9,348	233,098
Additions	20,580	9,896	6,683	5,608	-	42,767
Transfer from WIP	-	-	-	-	(9,348)	(9,348)
Disposals	(3,330)	(7,040)	(2,436)	(3,506)	-	(16,312)
At 31 December 2025	60,617	98,833	83,183	7,572	-	250,205
Depreciation						
At 1 January 2025	39,258	83,267	61,581	5,382	-	189,488
Charge for the year	3,560	9,565	4,203	234	-	17,562
Other Adjustments	-	-	(161)	-	-	(161)
Disposals	(3,330)	(7,040)	(2,436)	(3,506)	-	(16,312)
At 31 December 2025	39,488	85,792	63,187	2,110	-	190,577
Net book value						
At 31 December 2024	21,129	13,041	19,996	5,462	-	59,628
Year ended 31 December 2024						
Cost						
At 1 January 2024	42,682	97,814	78,032	5,470	-	223,998
Additions	685	10,051	1,659	-	9,348	21,743
Disposals	-	(11,888)	(755)	-	-	(12,643)
At 31 December 2024	43,367	95,977	78,936	5,470	9,348	233,098
Depreciation						
At 1 January 2024	38,004	86,873	56,735	4,242	-	185,854
Charge for the year	1,254	8,282	5,601	1,140	-	16,277
Disposals	-	(11,888)	(755)	-	-	(12,643)
At 31 December 2024	39,258	83,267	61,581	5,382	-	189,488
Net book value						
At 31 December 2024	4,109	12,710	17,356	87	9,348	43,610

23. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Cost				
At 1 January	168,230	169,775	129,235	127,086
Additions	2,008	2,910	1,161	2,149
Disposals	-	-	-	-
Translation reserve	394	(4,455)	(92)	-
At 31 December	170,632	168,230	130,304	129,235
Amortisation				
At 1 January	145,145	135,965	117,504	107,835
Charge for the year	10,826	13,383	5,714	9,669
Translation reserve	315	(4,203)	-	-
At 31 December	156,286	145,145	123,218	117,504
Net book value				
At 31 December	14,346	23,085	7,086	11,731

24. SHARE CAPITAL AND PREMIUM

The total authorised number of ordinary shares is 203,525,314 (2024: 203,525,314) with a par value of Shs. 5 per share. All issued shares are fully paid.

	NUMBER OF SHARES SHS'000	SHARE CAPITAL SHS'000
Balance at 1 January 2025	203,525,314	1,017,627
Movements in the year	-	-
Balance at 31 December 2025	203,525,314	1,017,627
	NUMBER OF SHARES SHS'000	SHARE CAPITAL SHS'000
Balance at 1 January 2024	140,000,000	700,000
Transfer of Uganda subsidiary through share swap (Note 20)	63,525,314	317,627
Balance at 31 December 2024	203,525,314	1,017,627
Movement in share premium is as follows:		
	2025	2024
	Shs'000	Shs'000
At 1 January	460,523	460,523
Conversion to share capital	-	-
At 31 December	460,523	460,523

This is a non-distributable reserve as per the requirements of the Kenya Companies Act, 2015. The share premium is the excess of the cash received for ordinary shares above the par value of Shs 5

25. DIVIDEND

The Company is committed to providing a sustainable and predictable return to its shareholders through regular dividend payment while maintaining sufficient capital to support its business operations and growth strategies. The financial year ended 31 December 2025 the Board of Directors proposed a dividend of Shs. 0.44 (2024: 0.34) per share, totaling Shs. 90 Million (2024: Shs. 70 Million) subject to approval by shareholders.

26. OTHER PAYABLES

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Accruals	323,862	342,883	242,459	293,221
Payables to service providers	287,813	258,583	147,258	101,711
Commissions payable	101,297	197,658	84,421	182,836
Statutory Payments	42,952	63,689	38,309	63,689
Sundry payables	13,558	25,627	2,063	1,887
Other payables - financial liabilities	769,481	888,440	514,510	643,344
Premium advance receipts	11,325	126,699	11,325	126,699
Other payables - non financial liabilities	11,325	126,699	11,325	126,699
	780,807	1,015,139	525,835	770,043

Included in Sundry payables are Sacco payment deductions, stale cheques and staff savings deductions.

The carrying value of the above payables approximates their fair value. The transactions are made at normal commercial terms and are settled within 30-90 days.

27. AMOUNTS PAYABLE UNDER FUND ADMINISTRATION CONTRACTS

At 31 December

GROUP		COMPANY	
2025	2024	2025	2024
Shs'000	Shs'000	Shs'000	Shs'000
42,256	43,921	42,256	43,921

These amounts relate to funds the Group and Company holds for clients who opt not to purchase an insurance products but to place funds with the Group and Company, from which their hospital bills are settled. The Group and Company charges administration fees for this arrangement.

28. INSURANCE CONTRACT LIABILITIES - ROLL FORWARD (GROUP)

	2025					
	LIABILITY FOR REMAINING COVERAGE		LIABILITY FOR INCURRED CLAIMS		ASSETS FOR INSURANCE ACQUISITION	
	EXCLUDING LOSS COMP. SHS'000	LOSS COMP. SHS'000	PRESENT VALUE OF FUTURE CASH FLOWS SHS'000	RISK ADJ. FOR NON-FIN. RISK SHS'000	CASH FLOWS SHS'000	TOTAL SHS'000
Opening insurance contract liabilities	3,118,755	-	1,618,407	50,466	-	4,787,628
Net balance as at 1 January	3,118,755	-	1,618,407	50,466	-	4,787,628
Insurance revenue	(14,026,311)	-	-	-	-	(14,026,311)
Insurance service expenses						-
Incurred claims and other directly attributable expenses	-	-	11,385,578	-	-	11,385,578
Changes that relate to past service - adjustments to the LIC	-	-	411,863	(270)	-	411,593
Insurance acquisition cashflows amortisation	1,494,779	-	-	-	-	1,494,779
Insurance service expenses	1,494,779	-	11,797,441	(270)	-	13,291,950
Insurance service result	(12,531,532)	-	11,797,441	(270)	-	(734,361)
Total amounts recognised in comprehensive income	(12,531,532)	-	11,797,441	(270)	-	(734,361)
Cash flows						-
Premiums received	14,729,816	-	-	-	-	14,729,816
Claims and other directly attributable expenses paid	-	-	(11,392,993)	-	-	(11,392,993)
Insurance acquisition cashflows	(1,549,785)	-	-	-	-	(1,549,785)
Total cash flows	13,180,031	-	(11,392,993)	-	-	1,787,038
Net balance as at 31 December	3,767,254	-	2,022,855	50,196	-	5,840,305
Closing insurance contract liabilities	3,767,254	-	2,022,855	50,196	-	5,840,305
Effects of translation	15,613	-	728	499	-	16,840
Net balance as at 31 December	3,782,867	-	2,023,583	50,695	-	5,857,145

28. INSURANCE CONTRACT LIABILITIES - ROLL FORWARD (GROUP)

	2024					
	LIABILITY FOR REMAINING COVERAGE		LIABILITY FOR INCURRED CLAIMS		ASSETS FOR INSURANCE ACQUISITION	
	EXCLUDING LOSS COMP. SHS'000	LOSS COMP. SHS'000	PRESENT VALUE OF FUTURE CASH FLOWS SHS'000	RISK ADJ. FOR NON-FIN. RISK SHS'000	CASH FLOWS SHS'000	TOTAL SHS'000
Opening insurance contract liabilities	2,895,928	-	1,065,261	55,792	-	4,016,981
Opening insurance contract assets	-	-	-	-	-	-
Net balance as at 1 January	2,895,928	-	1,065,261	55,792	-	4,016,981
Insurance revenue	(12,297,875)	-	-	-	-	(12,297,875)
Insurance service expenses						
Incurring claims and other directly attributable expenses	-	-	9,818,552	-	-	9,818,552
Changes that relate to past service - adjustments to the LIC	-	-	385,784	(9,793)	-	375,991
Insurance acquisition cashflows amortisation	1,270,072	-	-	-	-	1,270,072
Insurance service expenses	1,270,072	-	10,204,336	(9,793)	-	11,464,615
Insurance service result	(11,027,803)	-	10,204,336	(9,793)	-	(833,260)
Finance expenses from insurance contracts issued	-	-	-	-	-	-
Total amounts recognised in comprehensive income	(11,027,803)	-	10,204,336	(9,793)	-	(833,260)
Investment components Other changes	-	-	-	-	-	-
Cash flows						
Premiums received	12,824,098	-	-	-	-	12,824,098
Claims and other directly attributable expenses paid	-	-	(9,603,386)	-	-	(9,603,386)
Insurance acquisition cashflows	(1,476,552)	-	-	-	-	(1,476,552)
Total cash flows	11,347,546	-	(9,603,386)	-	-	1,744,160
Net balance as at 31 December	3,215,671	-	1,666,211	45,999	-	4,927,881
Closing insurance contract liabilities	3,215,671	-	1,666,211	45,999	-	4,927,882
Closing insurance contract assets	-	-	-	-	-	-
Effects of translation	(96,916)	-	(47,804)	4,467	-	(140,253)
Net balance as at 31 December	3,118,755	-	1,618,407	50,466	-	4,787,628

28. INSURANCE CONTRACT LIABILITIES - ROLL FORWARD (CONTINUED) - COMPANY

	2025					
	LIABILITY FOR REMAINING COVERAGE		LIABILITY FOR INCURRED CLAIMS		ASSETS FOR INSURANCE ACQUISITION	
	EXCLUDING LOSS COMP. SHS'000	LOSS COMP. SHS'000	PRESENT VALUE OF FUTURE CASH FLOWS SHS'000	RISK ADJ. FOR NON-FIN. RISK SHS'000	CASH FLOWS SHS'000	TOTAL SHS'000
Opening insurance contract liabilities	2,563,434	-	1,343,214	40,500	-	3,947,148
Opening insurance contract assets	-	-	-	-	-	-
Net balance as at 1 January	2,563,434	-	1,343,214	40,500	-	3,947,148
Insurance revenue	(12,309,692)	-	-	-	-	(12,309,692)
Insurance service expenses	-	-	-	-	-	-
Incurred claims and other directly attributable expenses	-	-	(10,021,336)	-	-	10,021,336
Changes that relate to past service - adjustments to the LIC	-	-	(409,682)	83	-	409,599
Insurance acquisition cashflows amortisation	1,307,102	-	-	-	-	1,307,102
Insurance service expenses	1,307,102	-	(10,431,018)	83	-	11,738,037
Insurance service result	(11,002,590)	-	(10,431,018)	83	-	(571,655)
Total amounts recognised in comprehensive income	(11,002,590)	-	(10,431,018)	83	-	(571,655)
Cash flows						-
Premiums received	12,977,195	-	-	-	-	12,977,195
Claims and other directly attributable expenses paid	-	-	(10,031,055)	-	-	(10,031,055)
Insurance acquisition cashflows	(1,354,333)	-	-	-	-	(1,354,333)
Total cash flows	11,622,862	-	(10,031,055)	-	-	1,591,807
Net balance as at 31 December	3,183,706	-	1,743,176	40,418	-	4,967,300
Closing insurance contract liabilities	3,183,706	-	1,743,176	40,418	-	4,967,300
Net balance as at 31 December	3,183,706	-	1,743,176	40,418	-	4,967,300

28. INSURANCE CONTRACT LIABILITIES - ROLL FORWARD (CONTINUED)- COMPANY

	2024					
	LIABILITY FOR REMAINING COVERAGE		LIABILITY FOR INCURRED CLAIMS		ASSETS FOR INSURANCE ACQUISITION	
	EXCLUDING LOSS COMP. SHS'000	LOSS COMP. SHS'000	PRESENT VALUE OF FUTURE CASH FLOWS SHS'000	RISK ADJ. FOR NON-FIN. RISK SHS'000	CASH FLOWS SHS'000	TOTAL SHS'000
Opening insurance contract liabilities	2,304,559	-	829,387	47,429	-	3,181,375
Opening insurance contract assets	-	-	-	-	-	-
Net balance as at 1 January	2,304,559	-	829,387	47,429	-	3,181,375
Insurance revenue	(10,696,270)	-	-	-	-	(10,696,270)
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	-	8,591,649	-	-	8,591,649
Changes that relate to past service - adjustments to the LIC	-	-	305,171	(6,928)	-	298,243
Insurance acquisition cashflows amortisation	1,093,998	-	-	-	-	1,093,998
Insurance service expenses	1,093,998	-	8,896,820	(6,928)	-	9,983,890
Insurance service result	(9,602,272)	-	8,896,820	(6,928)	-	(712,380)
Finance expenses from insurance contracts issued	-	-	-	-	-	-
Total amounts recognised in comprehensive income	(9,602,272)	-	8,896,820	(6,928)	-	(712,380)
Cash flows						
Premiums received	10,982,600	-	-	-	-	10,982,600
Claims and other directly attributable expenses paid	-	-	(8,382,994)	-	-	(8,382,994)
Insurance acquisition cashflows	(1,121,453)	-	-	-	-	(1,121,453)
Total cash flows	9,861,147	-	(8,382,994)	-	-	1,478,153
	2,563,434	-	1,343,214	-	-	3,947,148
Net balance as at 31 December	2,563,434	-	1,343,214	40,500	-	3,947,148
Closing insurance contract liabilities	2,563,434	-	1,343,214	40,500	-	3,947,148
Closing insurance contract assets	-	-	-	-	-	-
Net balance as at 31 December	2,563,434	-	1,343,214	40,500	-	3,947,148

29. LEASE LIABILITIES

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs '000	Shs '000	Shs '000	Shs '000
At 1 January	136,403	161,494	132,103	150,077
Renewals	15,236	19,908	15,236	19,908
Interest on lease liabilities	11,884	15,065	11,567	14,760
Repayment of principal portion	(48,626)	(43,302)	(43,969)	(37,882)
Repayment of interest	(13,500)	(15,065)	(13,477)	(14,760)
Exchange differences	63	(1,697)	-	-
At 31 December	101,460	136,403	101,460	132,103
The total cash outflow for leases in the year was:				
	2025	2024	2025	2024
	Shs '000	Shs '000	Shs '000	Shs '000
Payments of principal portion of lease liability	48,626	43,302	43,969	37,882
Payment of Interest on lease liabilities	13,500	15,065	13,477	14,760
At 31 December	62,126	58,367	57,446	52,642

30. NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of profit before income tax to net cash generated from operations

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before income tax	771,935	594,665	724,525	535,855
Adjusted for:				
Depreciation of property and equipment (Note 22)	23,447	20,860	17,562	16,277
Amortisation of intangible assets (Note 23)	10,826	13,383	5,715	9,669
Depreciation of right of use asset (Note 21)	47,301	43,149	42,271	38,172
Interest on lease liabilities (Note 29)	11,884	15,065	11,567	14,760
Fair value (loss) /gain on financial assets (Note 7)	(101,769)	(143,063)	(101,769)	(143,063)
Interest received from deposits & government securities (Note 7)	(725,382)	(560,332)	(636,392)	(504,309)
Net change in ECLs on financial assets (Note 9)	21,459	-	22,739	-
Loss on disposal of property and equipment (Note 8)	(3,244)	(753)	(3,235)	(562)
	<u>56,457</u>	<u>(17,026)</u>	<u>82,983</u>	<u>(33,201)</u>
Changes in working capital:				
- Other receivables	(28,208)	(128,840)	(23,218)	(144,623)
- Related Parties	49,869	518	34,010	18,088
- Reinsurance contract assets	(446,894)	(63,519)	(418,736)	76,912
- Insurance contract liabilities	1,069,517	893,773	1,020,152	765,773
- Amount payable under fund administration contracts	(1,665)	1,855	(1,665)	1,855
- Other payables	(234,332)	(285,285)	(244,207)	(348,031)
Net cash used in operations	<u>464,744</u>	<u>401,476</u>	<u>449,319</u>	<u>336,773</u>
b) Cash and cash equivalents				
Total cash at bank	922,773	846,262	858,344	683,082
Deposits with financial institutions maturing within 3 months (Note 14)	1,337,691	1,606,349	1,298,141	1,312,469
	<u>2,260,464</u>	<u>2,452,611</u>	<u>2,156,484</u>	<u>1,995,551</u>

31. Capital commitments

The Group and Company's capital commitments as at 31 December 2025 amounted to Shs 6,478,171 (2024: Shs 5,041,350). These commitments relate to the revamp of branch offices aimed at modernizing the branch network, enhancing customer experience, and supporting the Group's operational efficiency and growth strategy.

32. Contingent liabilities

As is common in the insurance industry, the Group and Company is subject contingent liabilities arising from disputed invoices from medical providers as shown below.

	2025	2024
	Shs'000	Shs'000
Disputed invoices from medical providers	Nil	Nil

The Directors believe that the ultimate resolution of these contingent liabilities is not expected to result into a material effect on the results of the Group and Company's operations, financial position or liquidity.

The constitution of capital managed by the Group and Company is as shown below:

	GROUP		COMPANY	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Share capital	1,017,627	1,017,627	1,017,627	1,017,627
Share premium	460,523	460,523	460,523	460,523
Translation reserve	(46,441)	(49,837)	-	-
Proposed Dividends	90,000	70,000	90,000	70,000
Retained earnings	1,189,339	680,705	1,145,775	660,158
	<u>2,711,048</u>	<u>2,179,018</u>	<u>2,713,925</u>	<u>2,208,308</u>

33. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

a) Capital risk management

The Group and Company maintains an efficient capital structure from a combination of equity (shareholders' funds) and borrowings, consistent with the Groups and Company's risk profile and the regulatory and market requirements of its business.

The Group and Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth;
- to safeguard the Group and Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the Group and Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Group and Company is focused on the creation of value for shareholders.

The Group and Company has a number of sources of capital available to it and seeks to optimise its debt-to-equity structure in order to ensure that it can consistently maximise returns to shareholders. The Group and Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Group and Company manages as capital all items that are eligible to be treated as capital for regulatory purposes

The Group and Company manages capital in accordance with these rules and has embedded the necessary tests to ensure continuous and full compliance with such regulations. The Company's capital adequacy ratio was 167% (2024:160%) which is above the minimum regulatory requirement of 100%. The subsidiary AAR General Insurance Uganda's Capital adequacy ratio was 204% (2024:334%)

33. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

a) Capital risk management (continued)

The Group and Company's and subsidiary's capital adequacy ratio position as at 31 December 2025 is as shown below;

	AAR GENERAL INSURANCE UGANDA		AAR INSURANCE KENYA	
	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Total capital available	437,055	311,892	2,563,556	2,088,704
Minimum required capital	213,829	93,315	1,531,509	1,308,582
Capital adequacy ratio (%)	204%	334%	167%	160%
Required capital adequacy ratio (%)	200%	200%	100%	100%

b) Financial risk

This section summarises the way the Group and Company manages key risks.

Categories of financial assets and financial liabilities

	CLASSIFICATION AND MEASUREMENT CATEGORY	GROUP		COMPANY	
		2025	2024	2025	2024
		Shs'000	Shs'000	Shs'000	Shs'000
Financial assets					
Due from Related parties	AC	2,012	45,445	25,803	54,947
Other receivables	AC	47,996	53,768	40,742	49,375
Government securities	AC	3,305,643	2,507,781	2,501,294	2,231,266
Government securities	FVPL	1,436,598	1,114,546	1,436,598	1,114,546
Deposits with financial institutions	AC	1,337,691	1,606,349	1,298,141	1,312,469
Cash and bank balances	AC	922,773	846,262	858,344	683,082
		<u>7,052,713</u>	<u>6,174,151</u>	<u>6,160,922</u>	<u>5,445,685</u>
Financial liabilities					
Amounts due to related parties		6,436	-	4,866	-
Amounts payable under fund administration	AC	42,256	43,921	42,256	43,921
Other payables	AC	769,482	888,440	514,510	643,343
Lease liability	AC	106,460	142,403	106,460	138,103
		<u>924,633</u>	<u>1,074,764</u>	<u>668,092</u>	<u>825,367</u>

The Group and Company's activities expose it to a variety of financial risks. These risks include: liquidity risk, credit risk and the effect of changes in foreign currency exchange rates, interest rates and market prices. The Group and Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, price risk, currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products all of which are exposed to general and specific market movements. The risks that the Group and Company primarily faces due to the nature of its investments and liabilities are interest rate risk and price risk.

33. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

Market risk

The market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

Interest rate risk

Interest rate risk arises primarily from investments in fluctuating interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Group and Company's management monitors the sensitivity of reported interest rate movements monthly by assessing the expected changes in the different portfolios.

The Group and Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable interest rate instruments.

Appraisal of investment portfolio is done on a regular basis and the investment spread reviewed depending on the existing interest rates. The Group and Company has also placed significant balances in fixed deposits. However, the Group and Company is not largely exposed to interest rate risk as far as loans and borrowings are concerned. There was no bank overdraft (2024: Shs Nil).

Short term non-life insurance liabilities are not impacted by interest rate risk since discounting of future cash flows of claims is not carried out. Non-life claims are stated on actual basis. If interest rates had been 10% lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2025 would have decreased by Shs 82,715,100 (2024: 70,339,443); Company Shs 73,816,100 (2024: Shs 64,737,118)

This is mainly attributable to the Company's exposure to interest rates on its deposits. The Group and Company has no significant

concentration of interest rate risk other than what is currently disclosed.

Foreign exchange risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and Company predominantly transacts in the local currency, AAR Insurance Kenya (Kenya shillings) and AAR General Insurance Uganda (Uganda Shillings) The risk associated with transactions in other currency is considered nominal.

The Group and Company has no significant concentration of currency risk.

b) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than arising from interest rate risk or currency risk), whether those changes are carried by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The Group and Company has no significant concentration of price risk.

c) Financial risk

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Group and Company's exposure to credit risk:

- The Group and Company trades only with recognised, creditworthy third parties. It is the Group and Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures taking into account its financial position, past experience and other factors.

- Individual risk limits are set based on internal ratings in accordance with limits set by the management. In addition, receivable balances are monitored on an ongoing basis with the result that the Group and Company's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group and Company.
- Credit risk in respect to re-insurance is managed by placing the Group and Company's reinsurance only with companies that have high international or similar ratings.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates. Some of the Group and Company's credit risk counterparties are rated by Standard and Poor's Moody's Credit Rating Agency as shown below.

The Group and Company classifies counterparties without an external credit rating as below: Group 1 - new customers/related parties.

Group 2 - existing customers/related parties with no defaults in the past.

Group 3 - existing customers/related parties with some defaults in the past.

33. Management of insurance and financial risk (continued)

b) Financial risk continued

Credit risk continued

The amount that best represents the Group and Company's maximum exposure to credit risk at 31 December is made up as follows:

	CREDIT RATING OR CLASSIFICATION	GROUP		COMPANY	
		2025	2024	2025	2024
		Shs'000	Shs'000	Shs'000	Shs'000
Government securities	B+	4,742,241	3,622,327	3,937,892	3,345,812
Deposits with financial institutions					
	Group 2				
Kenya Women Microfinance Bank Limited	BB	305,311	345,551	305,311	345,551
NCBA Bank Kenya PLC	BB	83,542	108,152	83,542	108,152
Stanbic Bank Kenya Limited	BB	95,179	478,191	55,629	184,311
Co-operative Bank of Kenya Limited	BB	547,849	643,995	547,849	643,995
Absa Bank Kenya PLC	BB	1,986	1,892	1,986	1,892
KCB Bank Kenya Limited	BB	130,223	24	130,223	24
Equity Bank Kenya Limited	BB	169,517	25,208	169,517	25,208
Diamond Trust Bank Limited	BB	4,084	3,336	4,084	3,336
Cash and bank balances					
Kenya Women Microfinance Bank Limited	Group 2	21,366	4,243	21,393	4,248
Standard Chartered Bank	BB	47,396	148,383	-	-
Stanbic Bank Kenya Limited	BB	97,568	44,026	97,649	44,063
Co-operative Bank of Kenya Limited	BB	7,302	1,211	7,310	1,211
Diamond Trust Bank Kenya Limited	BB	19,881	4,460	19,892	4,463
KCB Bank Kenya Limited	BB	1,092	4,728	1,082	4,731
Equity Bank Kenya Limited	B+	8,032	14,726	5,401	11,359
Sidian Bank	BB-	4,615	4,620	4,659	4,664
Citibank	BB	699,601	591,187	699,415	591,039
Absa	B+	885	16,780	886	16,807
SMEP	BB-	111	112	111	112
Others		14,924	11,786	546	385
Reinsurance contract assets		1,817,941	1,371,047	1,122,052	703,316
Related party balances	Group 2	2,012	45,445	25,803	54,947
Other receivables	Group 2	47,996	53,768	40,742	49,375
		8,870,654	7,545,198	7,282,974	6,149,001

Included in Government securities are statutory deposits placed under Lien of Shs 495 million as required by the regulator. The Group and Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- Reinsurance contract assets;
- Mortgage loans and corporate bonds;
- Deposits with financial institutions;
- Government securities; and
- Other receivables.
- Related party balances

33. Management of insurance and financial risk (continued)

b) Financial risk (continued)

Credit risk (continued)

The Group and Company have no significant concentration of credit risk. The Group and Company structures the levels of credit risk it accepts by placing limits to counterparties, or groups of counterparties, and to geographical and industry segments. During the reporting period, significant changes in gross balances have contributed to variations in the Expected Credit Loss (ECL) provision. The key factors influencing these changes are the overall ECL balance increase due to higher gross balances and economic factors. Such risks are subject to an annual or more frequent review.

The loss allowance for all the financial assets has been measured at an amount equal to 12 months expected credit losses (ECL). The changes in the loss allowances for the government securities can be explained by the movement disclosed in note 15 except for the FV gains and losses.

For the other financial assets, the changes in gross carrying amounts that would explain the changes in the ECL are explained by the account balances transactions during the year in the ordinary course of business. The loss allowances for the same have been measured at amounts equal to the 12 months ECL.

Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors. For debt securities, the Group and Company has a policy to invest only in high-quality corporate and government debt.

The Group and Company's fund manager makes regular reviews and assesses the degree of compliance with the Group and Company procedures on credit. Exposures to individual policyholders and groups of policyholders are collected and monitored by the management credit committee. The fund manager is also responsible for developing and maintaining the Group and Company's risk ratings to categories exposures according to the degree of risk of default when external credit ratings are not available. Risk grades are subject to regular review

by management. The Group and Company classifies counterparties from external sources (Global Credit Rating Company and Standard and Poor's financial services Company) as above:

Credit quality analysis

The following table sets out information about the credit quality of debt investments measured at FVTPL.

GOVERNMENT SECURITIES	2025	2024	2025	2024
	Shs'000	Shs'000	Shs'000	Shs'000
Based on Standard and Poor's Rating Agency ratings B+	1,436,598	1,114,546	1,436,598	1,114,546

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Group and Company is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled on a regular basis, using actuarial techniques. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand.

33. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)**b) Financial risk (continued)**

Liquidity risk, maturity profiles (continued)

The table below provides a contractual maturity analysis of the Group and Company's financial liabilities:

GROUP	UP TO 1 YEAR	1-2 YEARS	2-5 YEARS	TOTAL
31 December 2025	Shs'000	Shs'000	Shs'000	Shs'000
Amounts due to related parties	6,436	-	-	6,436
Amounts payable under fund administration	42,256	-	-	42,256
Other payables	769,481	-	-	769,481
Lease liability	24,750	38,182	43,528	106,460
	<u>842,923</u>	<u>38,182</u>	<u>43,528</u>	<u>924,633</u>
31 December 2024	Shs'000	Shs'000	Shs'000	Shs'000
Amounts payable under fund administration	43,921	-	-	43,921
Other payables	888,440	-	-	888,440
Lease liability	36,591	83,193	22,619	142,403
	<u>968,952</u>	<u>83,193</u>	<u>22,619</u>	<u>1,074,764</u>
COMPANY				
31 December 2025	Shs'000	Shs'000	Shs'000	Shs'000
Amounts due to related parties	4,866	-	-	4,866
Amounts payable under fund administration	42,256	-	-	42,256
Other payables	514,510	-	-	514,510
Lease liability	24,750	38,182	43,528	106,460
	<u>586,382</u>	<u>38,182</u>	<u>43,528</u>	<u>668,092</u>
31 December 2024	Shs'000	Shs'000	Shs'000	Shs'000
Amounts payable under fund administration	43,921	-	-	43,921
Other payables	643,344	-	-	643,344
Lease liability	38,291	83,193	22,619	142,403
	<u>723,856</u>	<u>83,193</u>	<u>22,619</u>	<u>829,668</u>

33. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

b) Financial risk (continued)

Liquidity risk, maturity profiles (continued)

The table below summarises the maturity profile of other liabilities of the Group and Company

GROUP				
31 December 2025	UP TO 1 YEAR	1-2 YEARS	2-5 YEARS	TOTAL
	Sh'000	Sh'000	Shs'000	Shs'000
Other payables	11,325	-	-	11,325
Insurance Contract liabilities	2,074,278	-	-	2,074,278
	<u>2,085,603</u>	<u>-</u>	<u>-</u>	<u>2,085,603</u>
31 December 2024				
Other payables	126,699	-	-	126,699
Insurance Contract liabilities	1,668,873	-	-	1,668,873
	<u>1,795,572</u>	<u>-</u>	<u>-</u>	<u>1,795,572</u>
COMPANY				
31 December 2025				
Other payables	11,325	-	-	11,325
Insurance Contract liabilities	1,783,594	-	-	1,783,594
	<u>1,794,919</u>	<u>-</u>	<u>-</u>	<u>1,794,919</u>
31 December 2024				
Other payables	126,699	-	-	126,699
Insurance Contract liabilities	1,383,714	-	-	1,383,714
	<u>1,510,413</u>	<u>-</u>	<u>-</u>	<u>1,510,413</u>

33. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)**b) Financial risk (continued)****Liquidity risk, maturity profiles (continued)**

Maturity analysis for financial assets

The below table summarises the maturity profile of financial assets of the Group and Company

GROUP	UP TO 1 YEAR	1-2 YEARS	2 AND ABOVE	TOTAL
31 December 2025	Shs'000	Shs'000	Shs'000	Shs'000
Government securities	789,284	870,596	3,082,361	4,742,241
Deposits with financial institutions	1,337,691	-	-	1,337,691
Cash and bank balances	922,773	-	-	922,773
Due from related parties	2,012	-	-	2,012
Other receivables	47,996	-	-	47,996
	<u>3,099,756</u>	<u>870,596</u>	<u>3,082,361</u>	<u>7,052,713</u>
31 December 2024				
Government securities	843,933	1,256,474	1,521,920	3,622,327
Deposits with financial institutions	1,606,349	-	-	1,606,349
Cash and bank balances	846,262	-	-	846,262
Due from related parties	45,445	-	-	45,445
Other receivables	53,768	-	-	53,768
	<u>3,395,757</u>	<u>1,256,474</u>	<u>1,521,920</u>	<u>6,174,151</u>
COMPANY				
31 December 2025				
Government securities	355,964	499,261	,082,667	3,937,892
Deposits with financial institutions	1,298,141	-	-	1,298,141
Cash and bank balances	858,344	-	-	858,344
Due from related parties	25,803	-	-	25,803
Other receivables	40,742	-	-	40,742
	<u>2,578,994</u>	<u>499,261</u>	<u>3,082,667</u>	<u>6,160,922</u>
31 December 2024				
Government securities	605,258	1,218,561	1,521,993	3,345,812
Deposits with financial institutions	1,312,469	-	-	1,312,469
Cash and bank balances	683,082	-	-	683,082
Due from related parties	54,947	-	-	54,947
Other receivables	49,375	-	-	49,375
	<u>2,705,131</u>	<u>1,218,561</u>	<u>1,521,993</u>	<u>5,445,685</u>

33. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

b) Financial risk (continued)

Liquidity risk, maturity profiles (continued)

Maturity analysis for financial assets

The Group and Company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group and Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1** – Quoted prices in active markets for identical assets

or liabilities. This level includes equity securities, and debt instruments listed on the Nairobi Securities Exchange and Government securities.

- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- **Level 3** – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group and Company considers relevant and observable market prices in its valuations where possible.

Fair value hierarchy

The following table represents hierarchy measurement of the Company's investments measured at fair value.

The carrying amounts of the other financial instruments approximate their carrying amounts.

Disclosure of fair value for treasury bonds measured at amortised cost with a carrying amount of Shs. 2.221 billion (2024: Shs. 1.856 billion) see note 15.

GROUP

	FAIR VALUE			TOTAL
As at 31 December 2025	LEVEL 1	LEVEL 2	LEVEL 3	
	Shs'000	Shs'000	Shs'000	Shs'000
Government securities	1,436,598	-	-	1,436,598
As at 31 December 2024				
Government securities	1,114,546	-	-	1,114,546

COMPANY

As at 31 December 2025	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	SHS'000	SHS'000	SHS'000	SHS'000
Government securities	1,436,598	-	-	1,436,598
As at 31 December 2024				
Government securities	1,114,546	-	-	1,114,546

34. Management of insurance and financial risk (continued)

c) Insurance risk (Continued)

The principal risk the Group and Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from the expectations. Frequency of claims, severity of claims and subsequent development of claims influence this.

The Group and Company principally issues the following types of general insurance contracts medical insurance and Non-medical product classes (Fire, theft ,Engineering, Professional Liability, Marine, Personal accident and Workman's compensation). Risks under non-life insurance policies usually cover twelve months duration. Therefore, the objective of the Group and Company is to ensure that sufficient reserves are available to cover these liabilities.

The Group and Company deals in general insurance business and transacts health insurance. The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. For a portfolio of insurance contracts, the risk the Group and Company faces is that the actual claims may exceed the carrying amount of the insurance liabilities.

The Group and Company has developed its insurance strategy to diversify the type of insurance risks accepted and to develop within each category a sufficiently large portfolio of insurance contracts to reduce the variability of the expected outcome. Careful selection of risks and implementation of the underwriting guidelines as well as use of the reinsurance arrangements bring about an improvement in the variability of the risks. Frequent claims review to assess all new and ongoing claims, review of claim handling procedures and investigation of possible fraudulent claims are undertaken to reduce the risk exposure of the Group and Company. The Group and Company also promptly pursues claims in order to reduce its exposure to unpredictable future developments that can adversely affect the Group and Company.

The insurance business is ceded on an excess of loss, quota share, proportional and surplus treaties with the same retention limit across all product lines. Amounts recoverable from reinsurers are in accordance with the reinsurance contracts. Although the Group and Company has reinsurance arrangements, it is not relieved of its direct obligation to its policyholders and although there are cash call limits for each surplus treaties of varying amount, a credit exposure exists with respect to ceded insurance, to the extent that the reinsurer is unable to meet its obligation assumed under such reinsurance arrangements.

For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements. These risks do not vary significantly in relation to the location of the risk insured by the Group and Company, type of risk insured and by industry. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group and Company.

The Group and Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Group and Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events. The purpose of these

underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group and Company's risk appetite as decided by management. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The table below sets out the concentration of the insurance contract liabilities by type of contract

GROUP	GROSS LIABILITIES		REINSURANCE CONTRACT ASSETS		NET LIABILITIES	
	Shs'000		Shs'000		Shs'000	
As at 31 December 2025						
Medical insurance	5,635,604		1,795,491		3,840,113	
Non Medical insurance	221,541		22,450		199,091	
	<u>5,857,145</u>		<u>1,817,941</u>		<u>4,039,204</u>	
As at 31 December 2024						
	Gross liabilities		Reinsurance contract assets		Net liabilities	
	Shs'000		Shs'000		Shs'000	
Medical insurance	4,614,073		1,352,958		3,261,115	
Non Medical insurance	173,555		18,089		155,465	
	<u>4,787,628</u>		<u>1,371,047</u>		<u>3,416,581</u>	
COMPANY						
As at 31 December 2025						
	Gross liabilities		Reinsurance contract assets		Net liabilities	
	Shs'000		Shs'000		Shs'000	
Medical insurance	4,745,759		1,099,602		3,646,157	
Non Medical insurance	221,541		22,450		199,091	
	<u>4,967,300</u>		<u>1,122,052</u>		<u>3,845,248</u>	
As at 31 December 2024						
	Gross liabilities		Reinsurance contract assets		Net liabilities	
	Shs'000		Shs'000		Shs'000	
Medical insurance	3,773,593		685,226		3,088,367	
Non Medical insurance	173,555		18,090		155,465	
	<u>3,947,148</u>		<u>703,316</u>		<u>3,243,832</u>	

c) Insurance risk (Continued)

Sensitivity analysis

Key assumptions

The principal assumption underlying the liability estimates is that the Group and Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivity analysis

	CHANGE IN ASSUMPTIONS	IMPACT ON INSURANCE REVENUE	IMPACT ON INSURANCE SERVICE EXPENSES	IMPACT ON PROFIT BEFORE TAX	IMPACT ON EQUITY
		Shs'000	Shs'000	Shs'000	Shs'000
31 December 2025					
Average claim cost	+1%	-	83,136	(70,665)	(49,466)
Average premium per life	+1%	94,162	-	80,037	56,026
Investment Interest rates	+10%	-	-	73,816	51,671

	Change in assumptions	Impact on insurance revenue	Impact on insurance service expenses	Impact on profit before tax	Impact on equity
		Shs'000	Shs'000	Shs'000	Shs'000
31 December 2024					
Average claim cost	+1%	-	81,198	(69,019)	(48,313)
Average premium per life	+1%	86,147	-	73,225	51,257
Investment Interest rates	+10%	-	-	64,737	45,316

c) Operational risks

As a leading general insurance company, AAR Insurance recognises that operational risks are inherent in our business. We have established a strong risk management framework to proactively identify, assess, and mitigate risks that could impact our operations, reputation, and financial performance. Our approach includes stringent internal controls, advanced cybersecurity measures, regulatory compliance frameworks, and a well-defined business continuity strategy. Through continuous investment in technology, staff training, and independent audits, we strengthen our resilience against emerging risks while ensuring, regulatory adherence, operational excellence and long-term value creation for our stakeholders

33. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they can be recovered or settled.

GROUP At 31 December 2025	LESS THAN 12 MONTHS Shs'000	AFTER 12 MONTHS Shs'000	TOTAL Shs'000
ASSETS			
Cash and bank balances	922,773	-	922,773
Deposits with financial institutions	1,337,691	-	1,337,691
Government securities	789,284	3,952,957	4,742,241
Reinsurance contract assets	1,817,941	-	1,817,941
Other receivables	434,307	-	434,307
Current income tax	40,026	-	40,026
Amounts due from related parties	2,012	-	2,012
Deferred income tax	-	26,571	26,571
Right of use assets	-	78,670	78,670
Property and equipment	-	82,574	82,574
Intangible assets	-	14,346	14,346
Total assets	5,344,034	4,155,118	9,499,152
LIABILITIES			
Other payables	780,807	-	780,807
Amounts due to related parties	6,436	-	6,436
Amount payable under fund administration contracts	42,256	-	42,256
Insurance contract liabilities	5,857,145	-	5,857,145
Lease liabilities	24,750	76,710	101,460
Total liabilities	6,711,394	76,710	6,788,104
Net assets	(1,367,360)	4,078,408	2,711,048

33. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they can be recovered or settled.

GROUP At 31 December 2024	LESS THAN 12 MONTHS Shs'000	AFTER 12 MONTHS Shs'000	TOTAL Shs'000
ASSETS			
Cash and bank balances	846,262	-	846,262
Deposits with financial institutions	1,606,349	-	1,606,349
Government securities	843,933	2,778,394	3,622,327
Reinsurance contract assets	1,371,047	-	1,371,047
Other receivables	406,099	-	406,099
Current income tax	46,015	-	46,015
Amounts due from related parties	45,445	-	45,445
Deferred income tax	-	23,989	23,989
Right of use assets	-	110,590	110,590
Property and equipment	-	60,901	60,901
Intangible assets	-	23,085	23,085
Total assets	5,165,150	2,996,959	8,162,109
LIABILITIES			
Other payables	1,015,139	-	1,015,139
Amount payable under fund administration contracts	43,921	-	43,921
Insurance contract liabilities	4,787,628	-	4,787,628
Lease liabilities	36,591	99,812	136,403
Total liabilities	5,883,279	99,812	5,983,091
Net assets	(718,129)	2,897,147	2,179,018

33. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

The table below shows an analysis of assets and liabilities analyzed according to when they can be recovered or settled.

COMPANY At 31 December 2025	LESS THAN 12 MONTHS Shs'000	AFTER 12 MONTHS Shs'000	TOTAL Shs'000
ASSETS			
Cash and bank balances	858,344	-	858,344
Deposits with financial institutions	1,298,141	-	1,298,141
Government securities	355,964	3,582,057	3,937,892
Reinsurance contract assets	1,122,052	-	1,122,052
Other receivables	421,264	-	421,264
Amounts due from related parties	25,803	-	25,803
Deferred income tax	-	14,657	14,657
Investment in subsidiaries	-	542,627	542,627
Right of use assets	-	74,085	74,085
Property and equipment	-	59,628	59,628
Intangible assets	-	7,086	7,086
Total assets	4,081,568	4,280,140	8,361,579
LIABILITIES			
Current income tax	5,937	-	5,937
Other payables	525,835	-	525,835
Amounts due to related parties	4,866	-	4,866
Amount payable under fund administration contracts	42,256	-	42,256
Insurance contract liabilities	4,967,300	-	4,967,300
Lease liabilities	24,750	76,710	101,460
Total liabilities	5,570,944	76,710	5,647,654
Net assets	(1,489,376)	4,203,301	2,713,925

33. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

The table below shows an analysis of assets and liabilities analyzed according to when they can be recovered or settled.

COMPANY At 31 December 2024	LESS THAN 12 MONTHS Shs'000	AFTER 12 MONTHS Shs'000	TOTAL Shs'000
ASSETS			
Cash and bank balances	683,082	-	683,082
Deposits with financial institutions	1,312,469	-	1,312,469
Government securities	605,258	2,740,554	3,345,812
Reinsurance contract assets	703,316	-	703,316
Other receivables	398,046	-	398,046
Current income tax	4,307	-	4,307
Amounts due from related parties	54,947	-	54,947
Deferred income tax	-	454	454
Investment in subsidiaries	-	442,627	442,627
Right of use assets	-	101,121	101,121
Property and equipment	-	43,610	43,610
Intangible assets	-	11,731	11,731
Total assets	3,761,425	3,340,097	7,101,522
LIABILITIES			
Other payables	770,042	-	770,042
Amount payable under fund administration contracts	43,921	-	43,921
Insurance contract liabilities	3,947,148	-	3,947,148
Lease liabilities	32,291	99,812	132,103
Total liabilities	4,793,402	99,812	4,893,214
Net assets	(1,031,977)	3,240,285	2,208,308

12. INTEGRATED REPORTING (IR) INDEX

IR Content Elements	Page Number/Reference
Organisational overview and external environment	10 - 27
Governance	33 - 58
Business Model	71 - 73
Risks and Opportunities	76 - 85
Strategy and resource allocation	61 - 65
Performance Outlook	38 - 41
Basis of preparation and presentation	6 - 7
IR Guiding Principles	72 - 73
Strategic focus and future orientation	61 - 65
Connectivity of information	72 - 73
Stakeholder relationships	88 - 92
Materiality	93 - 96
Conciseness	Throughout
Reliability and completeness	6 - 7
Consistency and comparability	Throughout

GRI CONTENT INDEX

Statement Of Use		AAR insurance Group has reported with reference with the GRI Standards for the period 1st January 2025 and end 31st December 2025			
GRI 1 used		GRI 1 : Foundation 2021			
GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
General disclosures					
GRI 2: General Disclosures 2021	2-1 Organisational details	10 - 27			
	2-2 Entities included in the organisation's sustainability reporting	20 - 21			
	2-3 Reporting period, frequency and contact point	6 - 7			
	2-4 Restatements of information	7			
	2-5 External assurance	7			
	2-6 Activities, value chain and other business relationships	20 - 27			
	2-7 Employees	101 - 108			
	2-8 Workers who are not employees	28 , 88 , 92			
	2-9 Governance structure and composition	33 -58			
	2-10 Nomination and selection of the highest governance body	53 - 54			
	2-11 Chair of the highest governance body	29, 46 - 47			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	2-12 Role of the highest governance body in overseeing the management of impacts	58			
	2-13 Delegation of responsibility for managing impacts	58			
	2-14 Role of the highest governance body in sustainability reporting	58			
	2-15 Conflicts of interest	NA			
	2-16 Communication of critical concerns	57			
	2-17 Collective knowledge of the highest governance body	37			
	2-18 Evaluation of the performance of the highest governance body	53			
	2-19 Remuneration policies	NA			
	2-20 Process to determine remuneration	NA			
	2-21 Annual total compensation ratio	NA			
	2-22 Statement on sustainable development strategy	47, 61 - 70			
	2-23 Policy commitments	99 - 131			
	2-24 Embedding policy commitments	99 - 131			
	2-25 Process to remediate negative impacts	99 - 131			
	2-26 Mechanisms for seeking advice and raising concerns	125 - 126			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	2-27 Compliance with laws and regulations	122 - 126			
	2-28 Membership associations	12			
	2-29 Approach to stakeholder engagement	88 - 92			
	2-30 Collective bargaining agreements	N/A			
Material Topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	93 - 96	A grey cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Standard reference number is not available		
	3-2 List of material topics	98			
Economic Performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 98			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	71 - 73			
	201-2 Financial implications and other risks and opportunities due to climate change	75			
	201-3 Defined benefit plan obligations and other retirement plans	N/A			
	201-4 Financial assistance received from government	N/A			
Market Presence					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 96			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	107			
	202-2 Proportion of senior management hired from the local community	N/A			
Indirect economic impacts					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 – 98			
	203-2 Significant indirect economic impacts	99 – 101, 103, 111, 137-138			
Procurement practices					
GRI 3: Material Topics 2021	203-2 Significant indirect economic impacts	107 – 109, 126 – 130			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	N/A			
Anticorruption					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 – 96			
GRI 206: Anticompetitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A			
Tax					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 – 96			
GRI 207: Tax 2019	207-1 Approach to tax	125 – 126			
	207-2 Tax governance, control, and risk management	133 – 134			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	207-3 Stakeholder engagement and management of concerns related to tax	Pg 125 -126			
	207-4 Country-by-country reporting	Pg 125 -127			
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 98			
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	N/A			
	302-2 Energy consumption outside of the organisation	N/A			
	302-3 Energy Intensity	N/A			
	302-4 Reduction of energy consumption	112 - 113			
	302-5 Reductions in energy requirements of products and services	N/A			
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 98			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	115 - 116			
	305-2 Energy indirect (Scope 2) GHG emissions	115 - 116			
	305-3 Other indirect (Scope 3) GHG emissions	115 - 116			
	305-4 GHG emissions intensity	N/A			
	305-5 Reduction of GHG emissions	117 - 118			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	305-6 Emissions of ozone-depleting substances (ODS)	N/A			
	305-7 Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions	N/A			
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 96			
	306-1 Waste generation and significant waste-related impacts	112 - 113			
GRI 306: Waste 2020	306-2 Management of significant waste-related impacts	112 - 113			
	306-3 Waste generated	112 - 113			
	306-4 Waste diverted from disposal	112 - 113			
	306-5 Waste directed to disposal	112 - 113			
Supplier Environmental Assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 96			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	N/A			
	308-2 Negative environmental impacts in the supply chain and actions taken	N/A			
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 96			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	103			
	401-3 Parental leave	103			
Occupational Health and Safety					
GRI 3: Material Topics 2021 Occupational Health and Safety 2018	3-3 Management of material topics	93 - 96			
	403-1 Occupational health and safety management system	108			
	403-2 Hazard identification, risk assessment, and incident investigation	108			
	403-3 Occupational health services	108			
	403-4 Worker participation, consultation, and communication on occupational health and safety	108			
	403-5 Worker training on occupational health and safety	108			
	403-6 Promotion of worker health	108			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	108			
	403-8 Workers covered by an occupational health and safety management system	108			
	403-9 Work-related injuries	108			
403-10 Work-related ill health	N/A				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Training and Education					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 96			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	104 - 107			
	404-2 Programs for upgrading employee skills and transition assistance programs	104 - 107			
	404-3 Percentage of employees receiving regular performance and career development reviews	107			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 96			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	102			
	405-2 Ratio of basic salary and remuneration of women to men	107			
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 96			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents	N/A			
Forced or compulsory Labour					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 96			
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	N/A			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 3: Material Topics 2021 Gri 413: Local Communities 2016	3-3 Management of material topics	93 - 96			
	413-1 Operations with local community engagement, impact assessments, and development programs	99 - 101			
	413-2 Operations with significant actual and potential negative impacts on local communities	N/A			
Supplier Social Assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 96			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	N/A			
	414-2 Negative social impacts in the supply chain and actions taken	N/A			
Customer Health and Safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 96			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	N/A			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	N/A			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 3: Material Topics 2021	416-1 Assessment of the health and safety impacts of product and service categories	117 - 118			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	N/A			
Marketing and labelling					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 96			
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	110			
	417-2 Incidents of non-compliance concerning product and service information and labelling	N/A			
	417-3 Incidents of non-compliance concerning marketing communications	N/A			
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	93 - 96			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	N/A			

13. ISSB CHECKLIST

IFRS Guideline	Disclosure Requirements	IFRS S1 Clauses	IFRS S2 Clauses	Disclosure Reference within the Report
Governance Body				
About governance body(s) or individual(s) responsible for oversight of S/Cr/Os	1. Which governance body(s), oversee the effective management of S/Cr/Os across the entity?	27 (a)	6 (a)	Pg 59
	2. How are responsibilities for S/Cr/Os reflected in the terms of reference, mandates, role descriptions and other related policies applicable to the governance body?	27 (a)(i)	6 (a)(i)	Pg 59
	3. How are appropriate skills and competencies of the governance bodies determined or developed to oversee strategy designed to respond to S/Cr/Os?	27 (a)(ii)	6 (a)(ii)	Pg 59
	4. How and how often are those in the governance body(s) informed about the organisation's related risks and opportunities?	27 (a)(iii)	6 (a)(iii)	Pg 59
	5. Explain how those in (1) consider S/Cr/Os when overseeing the entity's strategy, decisions on major transactions, and its risk management process and related policies? Have those in (1) considered trade-offs associated with those risks and opportunities?	27 (a)(iv)	6 (a)(iv)	Not Reported
	6. How does one in (1) oversee the setting of targets related to S/Cr/Os, and monitor progress towards those targets? Have related performance metrics been included in remuneration policies? If so, how?	27 (a)(v)	6 (a)(v)	Not Reported
	1. Is management directly involved in the S/Cr/Os activities of their entity? Demonstrate how they are involved?	27 (b)	6 (b)	Not Reported
	2. Does management possess sufficient knowledge of all major business lines to ensure that appropriate policies, processes, controls and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated?	Not Specified	Not Specified	Pg 59
	3. How has the management deployed the appropriate skills to ensure that appropriate processes, controls and procedures are carried out to monitor, manage and oversee S/Cr/Os?	27 (b)(ii)	6 (b)(ii)	Not Reported
	4. Is the management role delegated to a specific management-level position or management-level committee? How is oversight exercised over that position or committee?	27 (b)(i)	6 (b)(i)	Not Reported

IFRS Guideline	Disclosure Requirements	IFRS S1 Clauses	IFRS S2 Clauses	Disclosure Reference within the Report
Strategy				
Sustainability/ Climate related risks and Opportunities Sustainability and Climate related Risks and Opportunities (SrRO)	1. Identify and describe Sr/CrRO that could reasonably be expected to affect the entity's prospects.	29 (a)	10 (a)	Not Reported
	2. How are key stakeholders engaged on sustainability and climate related issues to better enable the institution to develop strategies to address relevant concerns?	29 (a)	9 (a)	Not Reported
	3. Categorise each identified climate related risk as either a physical risk or transition risk.	Not Specified	10 (b)	Not Reported
	4. Specify the time horizons—short, medium or long term—over which the effects of each of those Sr/CrRO could reasonably be expected to occur. Explain how the time horizons link to the planning horizons used for the entity's strategic decision making.	30 (b)	10 (c)	Not Reported
	1. Describe the current and anticipated effects of Sr/CrRO on the entity's business model and value chain.	32 (a)	13 (a)	Not Reported
	2. Where in the entity's business model and value chain are Sr/CrRO concentrated? (for example, geographical areas, facilities and types of assets)	32 (b)	13 (b)	Not Reported
	1. Describe how the entity responded to, and plans to respond to, Sr/ CrRO in its strategy and decision-making	33 (a)	14 (a)	Not Reported
	2. Describe any current and anticipated changes to the business model attributable to climate-related risks and opportunities including changes in resource allocation e.g., plans to manage or decommission carbon, energy or water-intensive operations, changes in demand or supply chain, or investments and expenditure, including on research and development, acquisitions and divestments?	Not Specified	14 (a) (i)	Pg 119 - 126
	3. Describe any current and anticipated direct mitigation and adaptation efforts, for example, energy use, fleet management, employee commute, water consumption, resource consumption and usage of paper.	Not Specified	14 (a) (ii)	Pg 125 - 126
	4. Describe any current and anticipated indirect mitigation and adaptation efforts, (for example, through working with customers and supply chains)	Not Specified	14 (a) (iii)	Pg 124

IFRS Guideline	Disclosures	IFRS S1	IFRS S2	Disclosure Reference
	5. Details on any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies.	Not Specified	14 (a) (iv)	Pg 124 - 126
	6. Details of how the entity plans to achieve any climate-related targets including greenhouse gas emissions targets it has set and any targets it is required to meet by law or regulation	Not Specified	14 (a) (v)	Pg 124 - 126
	7. How is the entity resourcing or plans to resource the activities attributable to climate-related risks and opportunities?	Not Specified	14 (b)	Pg 124 - 126
	8. What's the progress against plans the entity has disclosed in previous reporting periods? Include both quantitative and qualitative information	Not Specified	14 (c)	Not Reported
	9. Describe how the entity considered trade-offs between SrRO e.g. cost of training employees vis a vis skill development	33 (c)	Not Specified	Not Reported
Effects on financial position, financial performance, and cash flows				
Financial position, financial performance, cash flows and financial planning	1. Describe the current and anticipated effects of Sr/CrRO on the entity's business model and value chain.	34(a) (b)	15 (a) (b)	Not Reported
	2. Over the short-, medium- and long-term, disclose quantitative and qualitative information about the financial effects of Sr/CrRO. Include how the entity expects its financial position to change, given its strategy to manage Sr/CrRO, taking into consideration: • Investment and disposal plans, and, • Its planned sources of funding to implement its strategy	35 (c)	15 (c)	Not Reported
	3. Disclose quantitative and qualitative information about how the entity expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage Sr/CrRO.	40 (b) (c)	21 (b) (c)	Not Reported
Resilience				
The organisation's capacity to adjust to uncertainties arising from sustainability-related risks	1. Disclose information that explains the entity's capacity to adjust to the uncertainties arising from Sr/CrRO. Include, where applicable, quantitative and qualitative assessment of the resilience of its strategy and business model and explain how and when the organisation carried out that assessment	41	22 (a)	Not Reported
	2. For climate-related risks and opportunities, an entity shall use climate-related scenario analysis to assess its climate resilience and disclose:	Not Specified	22 (b)	Not Reported

IFRS Guideline	Disclosures	IFRS S1	IFRS S2	Disclosure Reference
	• The implications of the entity's resilience assessment, including potential responses to the possible outcomes identified in the scenario analysis;			Not Reported
	• Areas of uncertainty that affect the organisation's resilience assessment;			Not Reported
	• The organisation's capacity to adjust its strategy and business model over the short, medium and long term.			Not Reported
	3. For climate-related risks and opportunities, disclose how and when the organisation did its climate-related scenario analysis, including how many and what type of scenarios the organisation used and why Include the time horizons and scope of operations to which the analysis applied.	Not Specified	22 (b) (i)	Not Reported
	4. For climate-related risks and opportunities, what were the key assumptions made in the scenario analysis?	Not Specified	22 (b) (ii)	Not Reported
	5. For climate-related risks and opportunities, what was the reporting period in which the climate-related scenario analysis was carried out?	Not Specified	22 (b) (iii)	Not Reported
Sustainability Risks				
Risk Identification and monitoring process	1. How does the entity identify, assess and prioritise sustainability/ climate-related risks?	44(a)	25(a)	Pg 85
	2. How does this process monitor sustainability/ climate-related risks?	44 (a) (iv)	25(a)(v)	Pg 85
	3. What inputs and parameters (for example, information about data sources and the scope of operations covered in the processes) does the entity apply to assess, prioritise and monitor sustainability/ climate-related risks?	44(a)(i)	25(a)(i)	Pg 85
	4. How does the entity apply scenario analysis to inform its identification of sustainability/climate-related risks? If so, how?	44(a)(ii)	25(a)(ii)	Not Reported
	5. How does the entity assess the nature, likelihood and magnitude of the effects of those risks?	44(a)(iii)	25(a)(iii)	Not Reported
	6. How does this process consider qualitative factors, quantitative thresholds, or other criteria?	44(a)(iii)	25(a)(iii)	Not Reported
	7. How does this process prioritise sustainability/ climate-related risks relative to other types of risk?	44(a)(iv)	25 (a) (iv)	Not Reported

RISK MANAGEMENT

IFRS Guideline	Disclosures	IFRS S1	IFRS S2	Disclosure Reference
	8. How has the entity changed the processes it uses compared with the previous reporting period? If so, how?	44(a)(vi)	25(a)(vi)	Not Reported
	What processes does the entity have in place to manage Sr/CrROs?	43(b)	25(c)	Not Reported
	10. Is scenario analysis integrated into and does it inform the entity's overall risk management framework?	44(a)(ii)	25(a)(ii)	Not Reported
	11. How has the entity considered that circumstances might change over time? Which in turn will affect the organisation's approach to scenario and climate-related scenario analysis?	44 (b)	25 (b)	Not Reported
Sustainability Opportunities				
Opportunities Identification and monitoring process	1. How does the entity identify, assess, prioritise and monitor sustainability/ climate-related opportunities relative to other types of opportunities?	44 (b)	25(b)	Pg 85
	2. What inputs and parameters (for example, information about data sources and the scope of operations covered in the processes) does the entity apply to assess, prioritise and monitor sustainability/ climate-related opportunities?	44 (a) (i)	25 (a) (i)	Not Reported
Managing Risks and Opportunities				
Risk Management process	1. What processes does the entity have in place to manage Sr/CrROs?	43 (b)	25 (c)	Not Reported
	2. Which Sr/CrROs fall under this process?	30 (a)	9 (a)	ESG Risks
	3. What are the investment and disposal plan for this process??	35 (c) (i)	16 (c) (i)	Not Reported
	4. What are the planned sources of funding to implement this process?	35 (c)	16 (c) (ii)	Not Reported

METRICS AND TARGETS

IFRS Guideline	Disclosures	IFRS S1	IFRS S2	Disclosure Reference
Metrics				
For each sustainability/ climate-related risk and opportunity that could reasonably be expected to affect the company's prospects, the company is required to disclose metrics.	1. For each Sr/CrRO, what metrics are required by an applicable IFRS Sustainability Disclosure Standard.	46 (a)	27	Not Reported
	2. For each Sr/CrRO, what metrics does the entity use to measure and monitor that SRO and its performance in relation to that SRO, including progress towards any targets the organisation has set, and any targets it is required to meet by law or regulation.	46 (b)	28 (c)	Not Reported
	3. Do you apply a metric that is taken from another source other than IFRS Sustainability Disclosure Standard? If so, explain: <ul style="list-style-type: none"> • How the metric is defined; • Whether the metric is an absolute measure, a measure expressed in relation to another metric or a qualitative measure; • Whether the metric is validated by a third party and, if so, which party; • The method used to calculate the metric and the inputs to the calculation, including the limitations of the method used and the significant assumptions made. 	50 (a – d)	33 (a–g)	Pg 6
	4. Which approach, inputs and assumptions does the entity use to measure its GHG emissions?	Not Specified	29 (a) (iii) (1)	Pg 113-116
	5. Why has the entity chosen to use the approach, inputs and assumptions it uses to measure the GHG emissions?	Not Specified	29 (a) (iii) (2)	Pg 113
	6. Have there been any changes in the measurement approach, inputs and assumptions the entity has used in the reporting period? Why were there changes?	Not Specified	29 (a) (iii) (3)	Not Reported
	7. How are the Scope 1 and Scope 2 GHG emissions disaggregated between the consolidated accounting entity and other investees such as associates, joint ventures and unconsolidated subsidiaries?	Not Specified	29 (a) (iv)	Pg 113-115

IFRS Guideline	Disclosures	IFRS S1	IFRS S2	Disclosure Reference
	8. How are the Scope 2 GHG emissions disaggregated per location, and which are their associated contractual instruments?	Not Specified	29 (a) (v)	Pg 115
	9. What categories are included in the entity's measurement of Scope 3 greenhouse gas emissions, according to the categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3)?	Not Specified	29 (a) (vi) (1)	Not Reported
	10. Which category 15 GHG emissions are associated with the entity's investments (financed emissions)?	Not Specified	29 (a) (vi) (2)	Not Reported
	11. Does the entity apply a carbon price in decision-making? If so, how?	Not Specified	29 (f)	Not Reported
	12. Does the entity factor climate-related considerations into executive remuneration? If so, how?	Not Specified	29 (g)	Not Reported
All Targets				
	Which approach has the entity used while setting each target? Has the approach been validated by a third party?	51	34 (a)	Not Reported
	How does the entity review each target and monitor its progress against it?	51 (g)	34 (b)	Pg 117-118
	Have there been revisions to the targets? If so, why?	51 (g)	34 (d)	Pg 117-118
	How has the entity been performing against each of the set targets? Have there been trends and changes in the entity's performance?	51 (f)	35	Pg 117-118
	For each metric, indicate: 1. The metric used to set the target 2. The objective of the target 3. The part of the entity to which the target applies e.g., entire or part of the entity, specific business unit 4. The base period from which progress is measured 5. Existing milestones and interim targets 6. Whether the quantitative target is an absolute or intensity target 7. How has the target been informed by the latest international agreement on climate change, including jurisdictional commitments arising from that agreement?	51 (a-g)	36	Pg 117-118

IFRS Guideline	Disclosures	IFRS S1	IFRS S2	Disclosure Reference
GHG Emission Target				
	1. Which GHG emissions are covered by the target? In which category (Scope 1, 2 and 3) does these emissions fall?	Not Specified	36(a)	118
	2. Is the target a gross GHG emission target or a net GHG emission target? If net, has the entity separately disclosed the associated gross greenhouse gas emission target?	Not Specified	36(c)	118
	3. Was the target derived using a sectoral decarbonization approach?	Not Specified	36(d)	Not Reported
	4. To what extent does the entity rely on the use of carbon credit to achieve its net GHG emissions target?	Not Specified	36(e)(i)	Not Reported
	5. Which third-party scheme verified or certified the carbon credits used by the entity?	Not Specified	36(e)(ii)	Not Reported
	6. Which type of carbon credit did the entity use?	Not Specified	36(e)(iii)	Not Reported
	7. Was the underlying offset nature-based or based on technological carbon removals?	Not Specified	36(e)(iii)	Not Reported
	8. Was the underlying offset achieved through carbon reduction or carbon removal?	Not Specified	36(e)(iii)	Not Reported
	9. Which other factors may be considered to verify the credibility and integrity of the carbon credits the entity has used/plans to use?	Not Specified	36(e)(iv)	Not Reported



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