

RISK MANAGEMENT POLICY

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1 OVERVIEW

Risk poses potential adverse impacts on AFPLC's financial health and earnings. The company's Risk Management Policy, aligned with regulatory guidelines, aims to identify, assess, and manage risks effectively while maximizing shareholder value. Transparent disclosures help stakeholders understand risk exposures and promote a culture of risk awareness within the organization.

2 RISK GOVERNANCE

AFPLC's risk governance structure, built on accountability, includes an engaged Board, experienced management, and a centralized Risk & Compliance Department.

Three Lines of Defense

1. Business Line Operations
2. Risk Management
3. Independent Verification

AFPLC's capacity to identify, assess, prioritize and mitigate the risks it faces has enabled the company to develop and grow over the years, ultimately reflecting the company's strong corporate governance and prudent risk management stance.

3 THE BOARD OF DIRECTORS

The Board of Directors at AFPLC oversees risk management, ensuring alignment with company strategies and risk appetite. They receive updates on key risks, approve policies, and guide senior management in identifying and controlling risks. The Internal Audit Department reports independently to assess the effectiveness of the risk governance framework.

3.1 BOARD SUB COMMITTEES

1. Board Integrated Risk Management Committee (BIRMC)
2. Board Audit Committee (BAC)
3. Related Party Transaction Review Committee (RPTRC)
4. Human Resource and Remuneration Committee (HR&RC)
5. Nomination and Governance Committee

4 ROLE OF THE RISK OFFICER

The Risk Officer reports to the Board Integrated Risk Management Committee (BIRMC) and the CEO, overseeing the implementation of approved risk management policies, including the Risk Appetite Statement (RAS). Responsibilities include developing a comprehensive risk management framework, maintaining an updated risk register, and submitting quarterly reports to the BIRMC. The Risk Officer also participates in key decisions, such as capital planning and new product development, providing recommendations to ensure effective risk management aligns with strategic objectives.

5 RISK APPETITE

The Risk Appetite Statement (RAS) defines the company's acceptable risk levels, integrating regulatory requirements, strategic goals, and capital adequacy to promote sustainable value creation and ensure efficient compliance for stakeholders.

AFPLC's Risk Appetite Framework aligns with company strategy, encompassing four components that combine qualitative and quantitative criteria to guide the management of acceptable risks in achieving strategic objectives.

6 RISK MANAGEMENT PRINCIPLES

Provide the qualitative foundation of the risk appetite framework. These principles include:

1. Promotion of a robust risk culture
2. Accountability for risk by the business lines
3. Independent oversight exercised by Risk Management
4. Avoidance of excessive risk concentrations
5. Ensuring risks are clearly understood, measurable, and manageable

7 FINANCIAL OBJECTIVES

Focus on long-term shareholder value. These objectives include sustainable earnings growth, maintenance of adequate capital in relation to AFPLC's risk profile, and availability of financial resources to meet financial obligations on a timely basis at reasonable prices.

8 RISK APPETITE MEASURES

The risk appetite measures are the metrics that gauge risk and articulate AFPLC's risk appetite. They provide a link between actual risk-taking activities and the risk management principles, strategic principles and governing financial objectives described above.

9 RISK CATEGORIES

1. STRATEGIC RISK MANAGEMENT
2. CREDIT RISK MANAGEMENT
3. LIQUIDITY RISK MANAGEMENT
4. INTEREST RATE RISK MANAGEMENT
5. MARKET RISK MANAGEMENT
6. REPUTATION RISK MANAGEMENT
7. TECHNOLOGICAL RISK
8. OPERATIONAL RISK MANAGEMENT

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