

# FWD Takaful Berhad

## Risk Committee Terms of Reference

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### **Membership**

The Committee shall comprise not less than three (3) independent non-executive Directors.

The Chairman of the Committee shall be an independent non-executive Director appointed by the Board of Directors of the Company (the “**Board**”).

The Board may from time to time appoint to the Committee additional members it has determined to be independent.

The Committee may invite any Director, executive or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objective.

### **Meetings and Quorum**

The Committee shall meet with such frequency and at such times as it may determine. It is expected that the Committee shall meet at least four times each year.

The quorum for meetings shall be two (2) independent non-executive Directors.

### **Objective**

The Committee shall be accountable to the Board and shall have non-executive responsibility for oversight of and advice to the Board on matters relating to high level risk related matters and risk governance.

### **Responsibilities of the Committee**

Without limiting the generality of the Committee’s objective, the Committee shall have the following non-executive responsibilities, powers, authorities and discretion:

1. To oversee and advise the Board on all high-level risk related matters and to support the Board in meeting the expectations on risk management as set out in the Bank Negara Malaysia policy document on Risk Governance.

In providing such oversight and advice to the Board, the Committee shall oversee (i) current and forward-looking risk exposures; (ii) the Company’s risk appetite and future risk strategy, including capital and liquidity management strategy; and (iii) management of risk within the Company.

2. To advise the Board on risk appetite and tolerance in determining strategy.

In preparing advice to the Board on risk appetite and tolerance the Committee shall (i) satisfy itself that risk appetite conforms the Company’s strategy; (ii) seek such assurance as it may deem appropriate and take into account of the current and prospective macroeconomic and

financial environment, drawing on financial stability assessments published by authoritative sources that may be relevant; (iii) review and approve the methodology used in establishing the Company's risk appetite including for example risk asset ratios, limits on exposures and concentrations, leverage ratios, economic capital ratios and stress and scenario testing; and (iv) review the results of appropriate stress and scenario testing.

3. To advise the Board on alignment of remuneration with risk appetite.

In assisting the implementation of a sound remuneration system, the Committee shall examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Remuneration Committee.

4. To consider and advise the Board on the risks associated with proposed strategic acquisitions or disposals as requested from time to time by any Director in consultation with the Chairman of the Committee. In preparing such advice the Committee shall satisfy itself that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the FWD Group<sup>1</sup>, drawing on independent external advice where appropriate and available, before the Board takes a decision whether to proceed.

5. To require regular risk management reports from management which:

- (i) enable the Committee to assess the risks involved in the Company's business and how they are controlled and monitored by management; and
- (ii) give clear, explicit and dedicated focus to current and forward-looking aspects of risk exposure which may require a complex assessment of the Company's vulnerability to hitherto unknown or unidentified risks.

6. To review the effectiveness of the Company's risk management framework and internal control systems (other than internal financial control systems).

In undertaking this responsibility the Committee shall:

- (i) satisfy itself that there are adequate procedures for monitoring in a sufficiently timely and accurate manner, large exposures or risk types whose relevance may become of critical importance;
- (ii) satisfy itself that there are adequate procedures in place for requiring compliance with FWD Group policies;
- (iii) consider any material findings from regulatory reviews and interactions with regulators in relation to risk governance or risk assessment or management process;
- (iv) discuss the internal control systems with management and satisfy itself that management has discharged its duty to have an effective internal control system. The Audit Committee shall have primary responsibility in this regard in relation to internal financial controls;
- (v) satisfy itself that the risk management function is adequately resourced (including taking into account qualifications and experience of staff and training programmes and budget), has appropriate standing within Company and is free from constraint by management or other restrictions; and
- (vi) seek assurance from internal audit that internal control processes for risk management are adequate for the strategy determined by the Board.

7. Where applicable, the Committee shall approve the appointment and removal of the Chief Risk Officer.

The Committee shall seek such assurance as it may deem appropriate that the Chief Risk Officer:

- (i) participates in the risk management and oversight process at the highest level on an enterprise-wide basis;
  - (ii) has satisfied himself or herself that risk originators in the business units are aware of and aligned with the Company's risk appetite;
  - (iii) has a status of total independence from individual business units;
  - (iv) reports to the Committee alongside an internal functional reporting line to the FWD Group Chief Risk Officer;
  - (v) cannot be removed from office without the prior agreement of the Board; and
  - (vi) has direct access to the chairman of the Committee in the event of need.
8. To seek to embed and maintain throughout the Company a supportive culture in relation to the management of risk and maintenance of internal controls alongside prescribed rules and procedures.
  9. To review any issue which arises from any report from internal audit, the external auditor's annual report on the progress of the external audit, the management letter from the external auditor, any queries raised by the external auditor to management or, in each case, responses from management, which relates to the management of risk or internal control and has been referred to the Committee by the Audit Committee or as this Committee shall consider appropriate.
  10. To require a timely response to be provided by management on material issues relating to the management of risk or internal control (other than internal financial control) raised in the external auditor's management letter which are considered by the Committee.
  11. To review and endorse the content of the statements made in relation to internal controls (other than internal financial controls) in the annual report and accounts for submission to the Board.
  12. To establish the technology risk appetite which is aligned with the Company's risk appetite statement. In doing so, the Committee must recommend the corresponding risk tolerances for technology-related events and ensure key performance indicators and forward-looking risk indicators are in place to monitor the Company's technology risk against its approved risk tolerance. The Committee must procure the senior management to provide regular updates on the status of these indicators together with sufficiently detailed information on key technology risks and critical technology operations to facilitate strategic decision-making.
  13. To ensure and oversee the adequacy of the Company's information technology ("IT") and cybersecurity strategic plans covering a period of no less than three years. These plans shall address the Company's requirements on infrastructure, control measures to mitigate IT and cyber risk and financial and non-financial resources, which are commensurate with the complexity of the Company's operations and changes in the risk profile as well as the business environment. The Committee shall review these plans periodically, at least once every three years.
  14. To be responsible in overseeing the effective implementation of a sound and robust technology risk management framework ("TRMF") and cyber resilience framework ("CRF") in

order to ensure the continuity of operations and delivery of services in the Company. The Committee must ensure that the Company's TRMF and CRF remain relevant on an ongoing basis. The Committee shall periodically review and affirm the TRMF and CRF, at least once every three years to guide the Company's management of technology risks.

15. To ensure the risk assessments undertaken in relation to material technology applications submitted to the regulator are robust and comprehensive.
16. To review cyber risks and related issues, including the strategic and reputational risks associated with a cyber-incident.
17. Where applicable, to (i) review at least annually the terms of reference for the executive risk management meetings; and (ii) to review the minutes of such meetings and such further information as the executive risk management meeting may request from time to time.
18. To provide to the Board such additional assurance as it may reasonable require regarding the reliability of risk information submitted to it.
19. The Committee shall meet alone with the head of internal audit at least once each year to ensure that there are no unresolved issues or concerns.
20. Where applicable, to review the composition, powers, duties and responsibilities of subsidiary companies' risk committees.
21. To undertake or consider on behalf of the Chairman or the Board such other related tasks or topics as the Chairman or the Board may from to time entrust to it.
22. To report to the Board on the matters set out in these terms of reference.
23. The Committee may consider any matter relating to, and may request any information as it considers appropriate, from any Audit Committee, or other committee which has responsibility for the oversight of risk within the Company.
24. Where there is a perceived overlap of responsibilities between the Company's Risk Committee and the Audit Committee, the respective Committee Chairmen shall have the discretion to agree the most appropriate Committee to fulfill any obligation. An obligation under the terms of reference of the Company's Risk Committee or the Audit Committee will be deemed by the Board to have been fulfilled providing it is dealt with by either of the Committees.
25. Where the Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on action needed to address the issue or to make improvements and shall report any such concerns to the FWD Group Audit Committee and/or FWD Group Risk Committee as appropriate; or to any audit and/or risk committee of the immediate holding company as appropriate.
26. The Committee may appoint, employ or retain such professional advisors as the Committee may consider appropriate. In particular, the Committee shall consider whether external advice on risk matters should be taken to challenge analysis undertaken and assessments made by the Committee and the risk management function, for example an external advisor might be asked for input on the stress and scenario testing of a business strategy. Any such appointment shall be made through the Secretary to the Committee, who shall be responsible for the contractual arrangements and payment of fees by the Company on behalf of the Committee.

27. The Committee shall review annually the Committee's terms of reference and its own effectiveness and recommend to the Board, any necessary changes.
28. Any resolution in writing, signed or assented to by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted and may consist of several documents in the like form each signed by one or more of the members of the Committee and shall be forwarded or otherwise delivered (including, without limitation, by facsimile transmission).

Notes

1. In the context of these terms of reference, "FWD Group" means FWD Limited and its subsidiaries.