SUMMARY OF THE RISK MANAGEMENT POLICY

Asia Asset Finance PLC (The "Company")'s Risk Management Policy defines a comprehensive Risk Management Framework aimed at providing a structured and systematic approach to identifying, assessing, managing, and mitigating risks throughout the organization. The framework is critical to ensuring the protection of the institution's assets, reputation, and stakeholders, while also maintaining compliance with regulatory requirements and supporting strategic objectives.

Objectives of the Policy

The Risk Management Policy is designed to achieve the following objectives:

- **More confident and rigorous decision-making and planning:** Enabling better business decisions based on a clear understanding of risks.
- **Better identification of opportunities and threats:** Enhancing the ability to identify and capitalize on opportunities while managing potential threats.
- **Proactive management of opportunities and threats:** Moving from reactive to proactive risk management practices.
- **More effective allocation and use of resources:** Ensuring resources are used efficiently to manage risks and capitalize on opportunities.
- **Improved incident management and reduction in loss and cost of risk:** Minimizing the frequency and severity of incidents and associated losses.
- **Adopting suitable risk management techniques:** Using appropriate methods to improve stakeholder value, confidence, and trust.
- **Clear understanding by all staff of their roles, responsibilities, and authorities for managing risk:** Ensuring a shared responsibility for risk management across all levels of the organization.
- **Improved compliance with relevant legislation:** Maintaining adherence to all legal and regulatory requirements.
- **Better corporate governance:** Strengthening governance practices by embedding risk management principles into decision-making processes.
- **Improvement in risk culture:** Promoting a strong risk culture where risk awareness and ownership are shared by all employees.

Risk Categories

AAF Finance PLC divides risks into the following categories, with each category's scope and definitions detailed within the policy:

1. **Credit Risk:** Risk arising from borrowers or counterparties failing to meet their financial obligations.
2. **Liquidity Risk:** Risk related to the company's ability to meet its financial commitments as they come due.
3. **Financial Risk:** The risk of loss due to financial market fluctuations, including interest rates, currency exchange, and investment risk.
4. **Compliance Risk:** Risk of legal or regulatory sanctions due to non-compliance with laws, regulations, or internal policies.
5. **Market Risk:** Risk arising from market fluctuations in asset prices, interest rates, or foreign exchange rates.
6. **IT Risk:** Risk associated with information technology systems, cybersecurity, data breaches, or IT system failures.
7. **Operations Risk:** Risk stemming from failures in internal processes, systems, or human factors that can disrupt business operations.

Roles and Responsibilities

The policy outlines the specific roles and responsibilities in risk management as follows:

- **Board of Directors:** Provides oversight and approves the risk management framework, ensuring alignment with the company’s risk appetite and strategic objectives.
- **Integrated Risk Management Committee (IRMC):** Monitors the overall risk profile of the company and ensures risks are managed within the defined risk appetite.
- **Risk Management Department:** Responsible for implementing the risk management framework, conducting risk assessments, and ensuring risks are properly mitigated.
- **Senior Management:** Oversees risk management practices within their respective areas and ensures adherence to risk policies.
- **Business Unit Heads:** Identify and manage risks within their business units and ensure compliance with the risk framework.
- **Internal Audit:** Serves as the third line of defense, independently assessing and providing assurance on the effectiveness of the risk controls and processes.

Risk Framework

The Risk Management Policy includes methods for **Risk Identification**, focusing on recognizing both existing and emerging risks across all business units. These methods ensure that the company maintains a comprehensive view of its risk landscape.

Risk Measurement: Risks are evaluated based on their **impact** and **probability** to classify them into **Low**, **Medium**, or **High** categories. This classification helps in prioritizing the risks and determining the appropriate mitigation strategies.

Risk Mitigation: Each identified risk is accompanied by specific mitigation measures, which are integrated into company policies and procedures. The goal is to reduce the likelihood or impact of adverse events through proactive controls and strategies.

Risk Monitoring and Reporting

Risks are continuously monitored through the IRMC using a **Risk Matrix**, which highlights key risks and their levels based on the company's **Risk Appetite Statement**. The matrix is a tool for decision-making and helps ensure that risks remain within acceptable tolerance levels.

Internal Audit plays a crucial role as the third line of defense by regularly auditing the risk management controls and ensuring they are operating effectively. This independent oversight is critical to ensuring that risks are well-managed and controls are adequate.

Review, Monitor and Update of the Policy

As the owner of the policy, Compliance officer shall be responsible to review the policy at least annually or more frequently as necessary. Any changes and amendments should be documented with rationale and to be presented to the Nominations and Governance committee for review and approval.