

# ENTERPRISE RISK MANAGEMENT



HEALTHIER, LONGER,  
BETTER LIVES

## Overview

AIA Singapore's Risk Management Framework ("RMF") is a structured and disciplined approach aligning strategy, processes, people and systems to evaluate and manage the uncertainties the Company faces as it creates value. It has a comprehensive and integrated set of components that support the achievement of the corporate objectives, and provides the strategic, operational and foundational layers to govern, embed, implement, monitor and continually improve risk management in the Company.

The RMF outlines the approach to decisions regarding risk management, the roles of all relevant parties, as well as the governance structure, policies and processes to enable risk management to be embedded as a component in all critical decisions. It also provides the structure for identifying, quantifying and mitigating risk across AIA Singapore.

## Risk Management Philosophy

AIA Singapore recognises the importance of sound risk management in every aspect of our business and for all stakeholders. For our policyholders, it supports safeguarding their interests and our ability to meet our obligations to them. For regulators, sound risk management supports industry growth and enhances the public's trust in the industry. For investors, it is key to protecting and enhancing the long-term value of their investment.

AIA Singapore's risk management philosophy does not seek to eliminate all risks but rather to identify, understand and manage them within acceptable limits in order to support the creation of long term value.

## Risk Appetite

The Company's Risk Appetite statement is as follows:

"The amount of risk taken by AIA Singapore in the ordinary course of its business will be sufficient to meet its customers' reasonable requirements for protection and benefits while ensuring that the level and volatility of shareholder returns are in line with a broadly-based risk profile appropriate for a Singapore life and health insurance company."

The Company supports this statement with four risk principles, – regulatory capital, liquidity, earnings volatility and business practice. These risk principles are supported by Risk Tolerances which defines a measurable benchmark that enables AIA Singapore to validate each of these principles such that assurance can be provided to the Board that the Company is operating within its risk appetite.

## Risk Governance Structure

The Board Risk Committee ("BRC") oversees risk management across the Company. The BRC is also responsible for providing oversight on initiatives to establish and embed a strong risk culture across the Company.

The BRC has established the Financial Risk Committee ("FRC") and Operational Risk Committee ("ORC") to oversee management of financial and non-financial risks respectively.



The FRC is chaired by the Chief Executive Officer and oversees risks associated with Financial, Insurance and Investment risks including issues around capital, product and asset allocation. The ORC is chaired by the Chief Risk Officer and oversees risks associated with failure in internal processes, people, and system or from external events.

AIA Group's oversight on risks is in the form of FRC and ORC providing reports to the Group Financial Risk Committee and Operational Risk Committee respectively on a regular basis. There is also regular reporting on risk matters by the Company's Enterprise Risk Management department to AIA Group's Risk Management department.

This risk governance is built around the "Three Lines" model, consisting of all business functions (1st Line), the oversight parties (2nd Line) and assurance (3rd Line).

### **Key Risks**

The Company takes into consideration all reasonably foreseeable and relevant material risks it is exposed to, when assessing the various issues affecting the Company. The principal risks considered are financial risk and operational risk.

### **Own Risk and Solvency Assessment (ORSA)**

The Company performs its ORSA at least annually, to assess the adequacy of its risk management and current/projected solvency position with a time horizon consistent with the business and strategy plans. The Board and the Executive Committee ("**Exco**") take responsibility for the ORSA, and the Company documents the rationale, calculations and action plans arising from this assessment.

The ORSA report will be discussed and tabled to Exco for endorsement, and finally to the Board for approval.

### **Asset-Liability Management**

Asset-Liability Management ("**ALM**") is a vital element within the Company's RMF. The ALM framework focuses on all risks requiring coordination of the Company's assets and liabilities. The Company implements an ALM strategy intended to cover all aspects of ALM risk exposures by adopting strategic investment management and, product development and pricing functions to achieve the Company's financial objectives, given its risk tolerances and other constraints. The Company's Asset-Liability Management Committee is a management committee that the Board has delegated the authority to provide oversight of ALM policies, processes and controls, and the implementation of ALM and Strategic Asset Allocation decisions. The Company manages its assets and liabilities in compliance with AIA Group and AIA Singapore policies and guidelines.

For the financial year 2024, the investment risks and risks arising from interest rate sensitivity and foreign currency mismatch between assets and liabilities are held as Component 2 ("**C2**") risk requirement as prescribed under MAS Notice 133.