



AMW CAPITAL LEASING & FINANCE PLC

Summary of the Risk Management Policy

This policy covers the requirements specified under point 9.2.1 of the CSE Listing Rules Section 9 on Corporate Governance. The contents of this policy address the requirement ‘(f) Policy on Risk management and Internal controls’.

The following sections provide a summary of the content in the Risk Management Policy under each topic.

1.0 Approvals & Sign Off

The Risk Management Policy (“the policy”) was approved on 23rd August 2023 by the Board of Directors of AMW Capital Leasing and Finance PLC (“AMWCL”).

2.0 Introduction

AMW Capital Leasing and Finance PLC (AMWCL) recognizes that risk-taking is fundamental to financial business operations, but effective risk management is necessary to safeguard the company's assets and maximize shareholder returns. The company adopts a conservative approach to risk, balancing opportunities for growth while maintaining stability, strong governance, and high levels of customer trust. Risks are assessed for their potential adverse effects on capital, assets, or strategic objectives.

3.0 Risk Management Framework

The framework provides the foundation for identifying, assessing, treating, monitoring, and reporting risks. Key elements include:

- **Risk Governance:** Ensuring oversight through an active Board of Directors and an experienced senior management team.
- **Risk Appetite:** Establishing tolerance levels for acceptable risk types.
- **Techniques:** Processes for identifying, measuring, and controlling risks.

4.0 Roles and Responsibilities

Board of Directors: Oversees the company’s risk strategy/appetite and ensures alignment with business objectives.

Management Committees: Specialized committees handle specific risk areas such as asset-liability management, credit policies, IT & IS, and operational risks

Internal Divisions: Key divisions (e.g., compliance, IT, and HR) are responsible for risk management within their areas.

5.0 Strategic Risk Management

Strategic risk arises from poor business decisions, failure to execute business plans, and adapt to changes in the environment. AMWCL mitigates this through:

- Annual strategic planning and realistic budgeting.
- Continuous monitoring of competition, market conditions, and external factors.
- Oversight from the Board and senior management to ensure alignment with goals.
- Tools include performance reviews against budgets, targets, and Key Risk Indicators (KRIs).

6.0 Credit Risk Management

Credit risk involves potential losses due to borrowers failing to meet obligations. AMWCL mitigates this risk through:

- **Policies:** Strict credit strategy, policies, and approval procedures.
- **Monitoring Tools:** Internal credit rating systems, portfolio analysis, stress testing, and recovery analysis.
- **Oversight:** The Board reviews credit quality and provisioning, while senior management ensures policy adherence.

7.0 Liquidity Risk Management

Liquidity risk pertains to the company's inability to meet its financial obligations. AMWCL's approach includes:

- Monitoring asset and liability maturity gaps.
- Maintaining contingency funding plans for emergencies.
- Ensuring relationships with funding sources are diversified and reliable.

The Assets and Liabilities Management Committee (ALCO) oversees these activities, ensuring regulatory compliance and cost efficiency.

8.0 Market Risk Management

Market risk arises from changes in interest rates, equities, or other financial variables. AMWCL primarily manages this through:

- **Interest Rate Risk:** Using maturity gap analysis and re-pricing strategies to mitigate exposures.

- The company avoids high-risk market activities like investments in equities or foreign currencies.

9.0 Operational Risk Management

Operational risk includes losses from internal processes, systems, human error, or from external events (e.g., fraud, system failures, or natural disasters). AMWCL's approach involves:

- Implementing strong internal controls and crisis management systems.
- Assigning clear roles to senior management and operational committees.
- Regular audits and training programs to minimize errors and fraud.

9.1 Internal Controls

AMWCL's internal control system is designed to ensure the effectiveness of its risk management framework and compliance with documented policies.

9.1.1 Core Elements of Internal Controls

- **Compliance Checks:** Regular verification of adherence to management controls.
- **Non-Compliance Procedures:** Policies for reviewing, addressing, and resolving non-compliance issues.
- **Approval Systems:** Documented processes for approvals and authorizations, ensuring accountability at appropriate management levels.

9.1.2 Internal Audit and Oversight

- **Audit Coverage:** Adequate internal audits to verify the implementation of policies and procedures.
- **Board Involvement:** The board, directly or through its audit committee, ensures that audit scope and frequency align with risk exposures.
- **Operational Risk Management Validation:** Periodic audits confirm the effective implementation of the operational risk management framework.

9.1.3 Segregation of Duties

- Appropriate segregation of duties to avoid conflicts of interest.

- Preventative measures ensure no individual or team has overlapping responsibilities that could enable concealment of errors, losses, or inappropriate actions.
- Potential conflicts of interest are identified, minimized, and monitored independently.

9.1.4 Division-Level Risk Management

- Divisional Heads are responsible for creating risk grids that identify key operational risks and establish control mechanisms within their divisions.

9.1.5 CCTV

- Installation of CCTV cameras across AMWCL business premises.
- CCTV use helps prevent fraud (internal and external) and supports compliance with Financial Intelligence Unit (FIU) requirements.

10.0 Reputation Risk Management

Reputation risk relates to negative publicity that could harm the company's standing. AMWCL manages this by:

- Proactively communicating positive news and addressing potential issues swiftly.
- Monitoring customer complaints, compliance, and operational activities to preemptively mitigate potential reputation risks.

11.0 Risk Audit

Risk Audit is a set of independent reviews by the BOD and Corporate Management to obtain confirmation that procedures and controls are maintained effectively and efficiently in risk management.

12.0 Stress Testing

Stress testing evaluates AMWCL's resilience to adverse scenarios by assessing the impact on profitability, liquidity, and capital. This ensures preparation for unexpected economic or operational challenges.

13.0 MIS Reports

Timely and accurate MIS plays a critical part in identifying and managing risks. The Risk Management Division and Integrated Risk Management Committee may use MIS information and reports or any additional reports or information when managing risks.

This policy will be reviewed by the BIRMC once in two years or whenever necessary. Any changes will be approved by the Board of Directors.

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