

Policy Code: RM-9 Reputational Risk**Purpose**

The following policy provides guidelines for the management of Reputational Risks including its identification and assessment, monitoring and reporting, and mitigation.

Scope:

The scope of this policy is within the jurisdiction of RM, and SM under the direct supervision of the AC and BOD.

Content:**1. Reputational Risk Overview**

Reputational Risk is the risk that an event or situation could adversely or beneficially affect the ability of the company in:

- 1) Achieving its objectives;
- 2) Maintaining a good reputation; and
- 3) Meeting stakeholder expectations.

Reputational Risk management is focused on early identification of potential risk events, as well as having an appropriate action plan in place in case an event occurs that has a potentially negative impact on the company's reputation.

Key sources of Reputational Risk include:

- i) Communications and crisis management;
- ii) Corporate governance and leadership;
- iii) Corporate social responsibility;
- iv) Failing to deliver on promises to customers;
- v) Financial performance;
- vi) Regulatory compliance; and
- vii) Rumors of illiquidity.

2. Reputational Risk Governance

The strategy for the management of Reputational Risk will be determined by the BOD following recommendations from the AC. The strategy will be reviewed periodically to ensure that risks arising from changes in the market and other external factors are adequately considered.

Reputational Risk management is delegated by the BOD to the AC, who will have a comprehensive overview of the potential and actual risk profile of the company. However, the responsibility for regular assessment and measurement of reputation risk will be delegated to the HRM.

The Reputational Risk management processes of the company are closely linked to the management of Operational Risk, and are consequently divided into the following steps:

- a) Identification and assessment;
- b) Monitoring and reporting; and
- c) Mitigation and control.

3. Identification and Assessment

The company will identify and assess the potential sources, severities, and frequencies of Reputational Risk events. Identification and assessment of Reputational Risk is most effectively completed through the setting of KRIs and scenario analysis.

3. Key Risk Indicators (KRIs)

The company will undertake an evaluation of KRIs that most accurately measures the impact of a change in its reputation. This will include, for example, customer complaints or a significant change in the uptake or renewal of takaful policies.

Management will ensure that the risk indicators are:

- i) Risk sensitive – measurement is a true indicator of loss;
- ii) Provide insight into the risk of one business area or process relative to another; and
- iii) Apply across business lines and locations.

Scenario Analysis

Annually, SM will evaluate potential areas of high risk to the company's reputation. This will include an evaluation of the potential impact of such events and of action plans to manage them.

Assessment

The responsibility for assessing the potential impact of Reputational Risk will be delegated to RM. The management of this risk will include:

- i) Consideration and assessment of the risks and their potential impact on key stakeholders; and
- ii) Ensuring that a crisis management plan is in place should any of the risk events occur.

Measurement

The measurement of Reputational Risk is an area that is still undergoing significant development. The company will measure its reputation risk through the performance of KRIs against approved tolerance levels, as well

as the severity analysis completed as a part of the scenario analysis discussed above.

4. Monitoring and Reporting

Monitoring against the parameters discussed above will occur every month. Additionally, any events that have the potential to hurt the company's reputation will be monitored on an ongoing basis by RM and reported to the AC and the BOD.

5. Mitigation and Control

The company will have predetermined action plans in the event of any identified impacting events taking place, including remedial action to be taken within the company.

Each department/ unit is responsible for understanding and identifying any areas of Reputational Risk, and ensuring that SM is alerted to its existence promptly.