

---

## Three Lines of Defence

The Three Lines of Defence aims to oversee, challenge and offer assurance across all business matters in relation to risk. It ensures our control functions operate independently – and are properly resourced. The roles and responsibilities of each are as follows:

### First Line of Defence

The First Line represents the business operations, the management and employees who manage risk day-to-day in accordance with the strategies and policies set by the Board. The First Line develops and implements risk mitigation actions – including monitoring and reporting any risks incurred in the course of business.

#### Senior management team

This is our executive management and this team is responsible for effective internal controls and risk management. They regularly monitor and evaluate our overall risk profile to ensure that we operate within our risk tolerance. The team takes an active role in managing risk by assessment, challenging where appropriate, providing resolution plans as necessary, and capturing the results.

#### Functional units

Key personnel and management across functional units serve as process owners and risk takers responsible for operating the business, managing risks. This includes identifying, assessing, measuring, monitoring and reporting risks associated with their business processes or functions, as well as executing business controls so the overall business processes achieve their common objectives. The functional units translate the business risk appetite into methodologies and policies to monitor business management's control of risk.

#### Financial control function

Whilst the FWD Group does not establish a distinct financial control function, the responsibilities for ensuring robust control over financial matters (e.g. investments, accounting and financial reporting) is assumed by the Group Chief Financial Officer and undertaken by multiple teams under his control. The responsibilities are assigned to ensure that: (i) suitable policies are developed, implemented and reviewed to govern financial reporting and accounting practices; (ii) robust processes are designed, implemented and reviewed to comprehensively manage financial transactions, financial reporting, protect financial resources and reduce exposure to potential fraud; and (iii) adequate financial reporting systems and tools are established, with integrated controls to identify any errors, inconsistencies or other accounting issues.

#### Actuarial function

The Actuarial function is established to provide advice to the Group Board and Group senior management regarding matters on technical provisions, premium and pricing activities, actuarial modelling, capital adequacy, reinsurance and compliance with related statutory and regulatory requirements, at a minimum.

---

## **Second Line of Defence**

The Second Line comprises our risk management and compliance functions. These provide independent oversight of risk exposures, risk management practices and compliance matters.

### **Risk management**

Risk management function is responsible for facilitating functional units in managing their risks and coordinating risk management across the Group. Risk Management works collaboratively with other Second Line functions to provide objective challenge and support and escalate matters when necessary – to help optimise the trade-off between risk and reward.

Risk management function has responsibility for providing support and opinion to the Group Board, GRC and senior management team. This is to establish and implement appropriate policies and procedures in relation to the Group Enterprise Risk Management (“ERM”) Framework. Risk management function and the Group Chief Risk Officer are responsible for the preparation of the ORSA report and actively liaise with the broader business and executives to enable its timely delivery. The Group Chief Risk Officer has direct access to the GRC for all risk matters independently.

### **Compliance**

Compliance function advises and assists functional units to manage compliance risk, ensuring compliance with all applicable laws, regulations and ethical standards. Compliance (i) partners with legal to identify laws, regulations and standards and identify areas of compliance risk within the business; (ii) works closely with all functional units to identify activities to mitigate compliance risk based on the Board’s approved risk appetite; (iii) monitors the First Line’s control of compliance risk and advises management on significant compliance risk management matters; (iv) works collaboratively with risk management to provide objective challenge and to support and escalate matters when necessary to help optimise the trade-off between risk and reward; and (v) Is an adviser to the business as it designs, implements and embeds business procedures, tracks internal mitigation activities, designs and delivers training and executes other framework activities. The Group Chief Compliance Officer has direct access to the GRC for all compliance matters independently.

## **Third Line of Defence**

The Third Line comprises the internal audit function. It provides independent assurance on the design and effectiveness of our risk management and internal control system. The Audit Committee, supported by internal audit, provides independent assurance on the design and effectiveness of our overall system of risk management and internal control. Internal Audit is independent of both the First and Second Line functions and reports directly to the Audit Committee.