

ENTERPRISE RISK MANAGEMENT

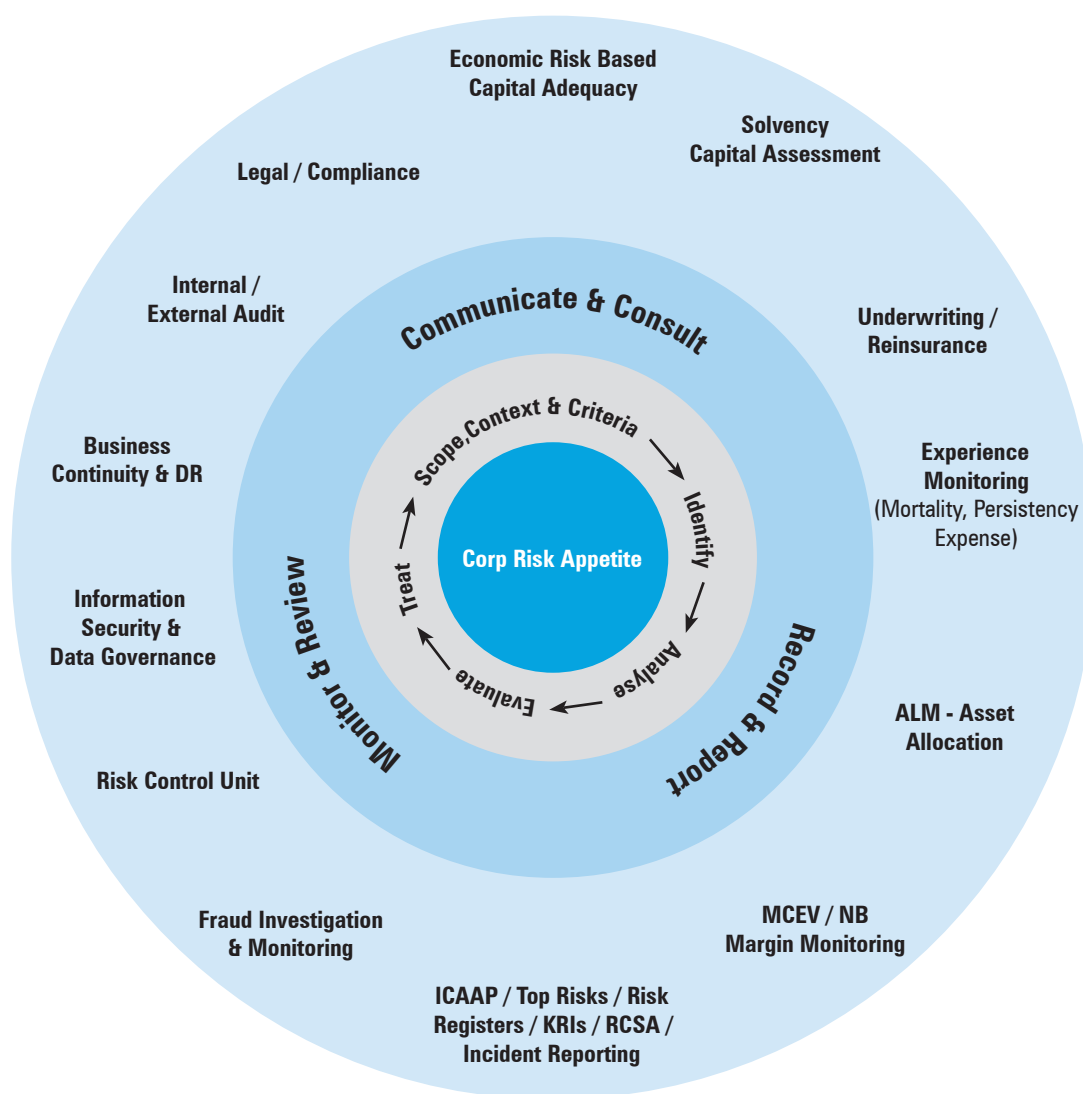
RISK MANAGEMENT FRAMEWORK

Effective management of risks is essential to achieve the Company's strategic, business and operational objectives and goals with a degree of assurance. In line with its quest for implementation of Enterprise Risk Management, SBI Life has developed a robust Risk Management Framework to identify, assess and mitigate its key business & strategic risks. The Company has also formulated a set of Risk Appetite Statements as the centrepiece of this framework so as to integrate risk management with strategic business objectives and lay down the overall risk appetite for the organisation.

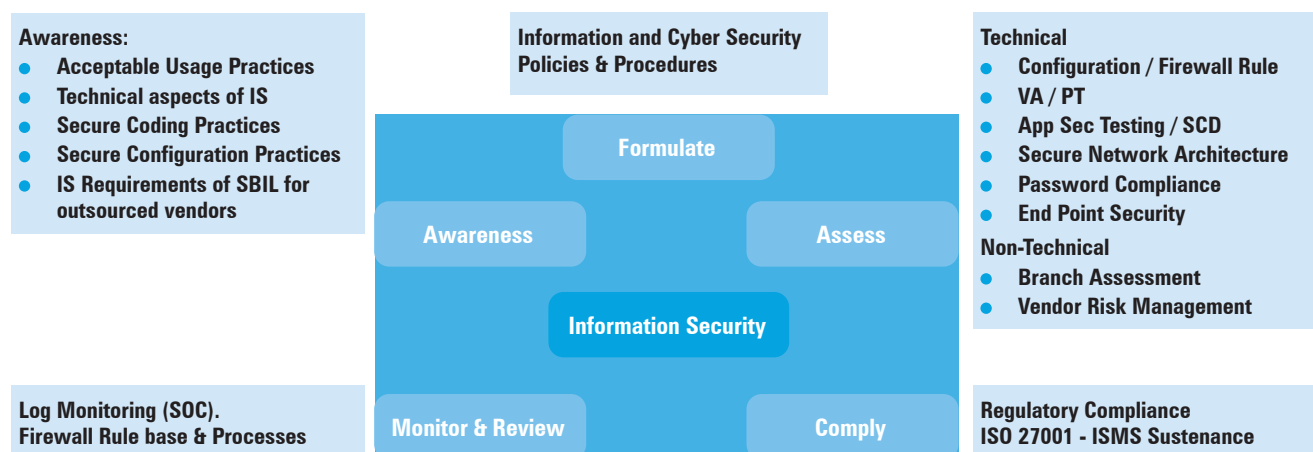
The Enterprise Risk Management at SBI Life encompasses all risks including Strategic Risk, Insurance Risk, Investment / Market Risk, Reputation Risk and Operational Risks like Fraud Risk, Information & Cyber Security Risk, Compliance Risk, Business Continuity Risk, etc.

The ISO 31000:2018 'Statement of Compliance' issued by British Standards Institution (BSI), in May 2018, for Enterprise Risk Management System of SBI Life covers all departments and functions at Corporate Office, Central Processing Centre, Regional & Branch Offices of the Company.

The Company has various Committees' to manage its risks. The Company considers risk management to be fundamental to prudent management practice and a significant aspect of Corporate Governance. The Risk Management framework at SBI Life is depicted in the following diagram-



INFORMATION SECURITY FRAMEWORK



The Company considers information security as a critical area and has a fully functional Information Security Team (IST) headed by Chief Information Security Officer (CISO). Information security practices of the Company are ISO 27001:2013 certified. The Information Security Committee (ISC), convened by the CISO, oversees all information security related activities that are carried out by the Company. Update of information security activities are presented to the Board Risk Management Committee on a regular basis.

The Company's Business Continuity Management (BCM) practices are ISO 22301:2012 certified. BCM activities are planned in such a manner that testing of the business continuity plans is regularly done in coordination with the concerned department/function. Proper planning and regular testing enabled the Company to successfully continue its essential/critical processes even during the complete lockdown due to Covid-19. Adequate Work from Home (WFH) connections were extended to Employees to continue the operations of the Company.

BUSINESS CONTINUITY MANAGEMENT FRAMEWORK



The key focus areas of the above Risk Management frameworks are:

- Strategic Risk Assessment & Capital Planning
 - Governance
 - Risk Universe
 - Risk Awareness
- a. **Strategic Risk Assessment & Capital Planning –**
- SBI Life conducts Strategic Risk Assessment activity for identification, assessment, mitigation, monitoring and controlling Top risks facing the Company on an annual basis. There is a well established Asset Liability Management process along with Strategic Asset Allocation based on matching of liabilities with different asset classes & duration. As a part of Capital Budgeting activity, the Company develops a 5 year Capital Rolling Plan which is regularly monitored. Risk assessment and risk management forms an integral part of these activities. Further, the risk categories have been standardised to ensure seamless assessment. The same are described in SBI Life Risk Management Policy & Internal Capital Adequacy Assessment Process (ICAAP) document. These documents are reviewed by the Risk Management Committee of the Board on an annual basis.

ENTERPRISE RISK MANAGEMENT (CONTD.)

b. Governance –

A risk reporting process has been formulated and implemented to manage risk governance requirements. Risk management is considered to be the responsibility of every employee of SBI Life and the same is driven by the Board.

SBI Life conducts an annual risk assessment exercise to identify the major risks faced by the Company for the ensuing year. Based on the same, top risks are identified and assigned to relevant risk owner for appropriate mitigation. Mitigation plans are monitored on a periodic basis.

A quarterly Risk Management Committee (RMC) of Executives and Asset Liability Committee (ALCO) is convened to discuss the ongoing risk management issues. In accordance with the IRDA Corporate Governance guidelines, SBI Life has also set up RMC at the Board level. These Committees meet on a quarterly basis. The RMC of the Board provides directions on Risk Management & Asset Liability Management.

c. Risk Universe –

The Company is exposed to several risks in pursuit of its business goals and objectives. The Company has put in place adequate safeguard(s) to mitigate these risks. In the capital adequacy framework, various risks are assessed and quantified by allocating capital to each risk at the desired level of confidence. Some of the key risk areas and their assessment are detailed below:

Operational Risk - Operational risks are managed through tools like Risk Registers, Risk Control Self-Assessment (RCSA), Incident Reporting, Business Continuity Planning, Information Security assessments and Key Risk Indicators (KRIs). The risks are discussed with stakeholders and mitigation strategies are devised with appropriate monitoring & control.

Market Risk - The Investments department complies with all regulations on Investments issued by IRDAI from time to time. Investments are done strictly

in line with the IRDAI regulations. The Investment Policy is exhaustive and covers all the key areas of risk management & reporting with regard to Market Risk. Market risk is further mitigated by matching assets and liabilities by type and duration and matching cashflows. A strategic asset allocation is approved by the ALCO for each business segment optimizing risk and reward of each asset class in the context of the asset liability profile of the segment. Guarantees provided on the products are assessed and monitored on an ongoing basis.

The Company undertakes economic capital assessment periodically to assess its capital adequacy on an economic basis.

Insurance Risk - Insurance risk is managed at the process level through appropriate system validations and functional structuring with the aid of analytical & modeling tools. The Actuarial team has formulated policies like Stress Test Policy, Reinsurance Policy and ALM Policy for Asset Liability Management.

d. Risk Awareness –

Sensitization and awareness creation of Risk Management across the Company is done through Training, Workshops, E-mailers, Seminars, Conferences, Quizzes, and Compendium of Loss incidents. 1st September of every year is celebrated as Risk Awareness Day wherein customized messages / emailers / audio visuals are broadcasted to enhance the risk awareness levels among employees. 30th November of every year is observed as 'Computer Security Day.' This occasion is used to create awareness in respect of information and cyber security in the Company. January 28th of every year is celebrated as 'Data Protection Day' and used to sensitise employees on data privacy and protection.