

Risk Management and Internal Control

Risk management and internal control are essential parts of corporate governance. The Board is responsible for ensuring that appropriate and effective risk management and internal control systems are established and maintained, and overseeing the systems on an ongoing basis, while management ensures sufficient and effective operational controls over the key business processes are properly implemented with regular reviews and updates.

The Board has put in place effective and efficient risk management and internal control systems which enable the Group to respond appropriately to significant business, operational, financial, compliance and other risks. This includes safeguarding assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed.

We have the *“Guidelines on Risk Management”* as well as the *“Guidelines on Internal Control System”* which provide guidance and procedures to subsidiaries and corporate departments of the Company for implementing risk management and internal control practices.

The Board, through the Audit Committee, conducts a review on the effectiveness of the risk management and internal control systems of the Group regularly. Management of all subsidiaries are required to submit to Group Audit and Risk Assurance Department the Risk Management and Internal Control Compliance Certificate and the Risk Management and Internal Control Assessment Checklist for reporting the key risks, the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations half-yearly. Executive directors of the Company would also submit a written report on the effectiveness of the Group’s risk management and internal control systems to the Audit Committee for review on a half-yearly basis.

NWS Holdings adopts both top-down and bottom-up approaches in relation to risk management. It involves collating and appraising bottom-up inputs from risk owners of all NWS Holdings corporate departments and business units of the Group, with refinements and adjustments through top-down inputs from the Board in an iterative manner.

It is the responsibility of all management staff to uphold the Group's risk management function by ensuring that all staff members and business units comply with the risk management practices embedded into our daily operations. The risk owners and risk oversight parties are clearly defined across the Group. They are required to identify, analyze and evaluate the risks facing their businesses with proper management execution to avoid, reduce or transfer those risks accordingly.

Besides, an early risk flagging mechanism is established which enables the Group to proactively identify and assess emerging risks and broad areas of changes, emanating from both internal and external factors, and act on them in a timely manner. Risk owners have to flag and report immediately to the corresponding risk oversight parties when a potential risk is perceived and significant impact is expected in any business area.