



ENTERPRISE RISK MANAGEMENT POLICY FRAMEWORK

The Enterprise Risk Management function within and at I&M Holdings Plc (IMH or the Group) is integrated and holistic covering all risk spectrums across the different geographic locations where it is present.

The Group had adopted the COSO Framework in its approach to management of risks across the various entities. The COSO Framework addresses the strategic, organizational, operational, analytical, reporting and control and is driven by governance structure consisting of board of directors and executive management committees at subsidiaries and joint venture level.

SUBSIDIARY RISK GOVERNANCE

The Group acknowledges that subsidiaries and joint venture are separate entities with independent local Board of Directors and regulatory authorities for which they have to render stewardship reports to. Consequently, the Group approach to the implementation of a uniform Enterprise Risk Management across the subsidiaries and joint venture is to develop a set of risk standards and policies in line with global best practices such as Basel Committee for Banking Supervision which the subsidiaries are expected to: (i) bench-mark against and (ii) adopt as long as those guidelines do not contradict local regulations and guidelines.

GROUP RISK MANAGEMENT OVERSIGHT FUNCTION

Risk related issues are taken into consideration in all business decisions and the Group continually strives to maintain a balance between risk and revenue. Additionally the Group continues to emphasize ongoing education of effective risk management practises to strengthen and enhance a culture of risk consciousness across the Group.

The Board of Directors is responsible to ensure strict compliance with relevant laws, rules and standards issued by the industry regulators and other law enforcement agencies, market conventions, codes of practices promoted by industry associations and internal policies.

The Group Board Audit and Risk Committee at IMH level (BARMC) is responsible for the overall risk oversight for the subsidiaries and joint venture. The following are the responsibilities and function of the committee as it relates to Risk Management:

- Ensure that there is adequate review and monitoring of the various risk indicators, and the Group's overall risk profile in accordance with structure and the periodicity as defined under the Risk Management Process of Group.
- To receive and review regular reports (quarterly) identifying the key risk indicators, the aggregate risk profile and changes therein, and any recommendations for the implementation of the appropriate risk management technique, with regard to the Group entities.
- To receive and review reports with regard to implementations plan for recommendations made and status of implementation.

In-order to discharge the functions above on daily basis, the committee is supported by the Group Chief Risk Officer who reports on Group Risk Profile, rating and instituted controls every quarter.

GROUP RISK APPETITE

The Group's Risk Appetite is summarized in a statement as.

"In serving our chosen business segments, IMH adopts a managed risk appetite aligned to our vision. At IMH, risk and control is everyone's responsibility".

The Group Risk appetite expresses the level of risk that the Group is willing to assume within its risk capacity in order to achieve its business objectives. It includes a set of minimum quantitative metrics and qualitative standards adopted by all subsidiaries in the achievement of their specific Country objectives.

QUALITATIVE

- Managed Risk Appetite that aligns with our vision
- Living the Risk Philosophy that '***Sustainability of the bank's business and enhancement of our stakeholder's value will always inform our business decisions***'
- Implementation of the three lines of defense approach to strengthen and embed risk culture where everyone within the bank has responsibility for risk and control

QUANTITATIVE

- The Group's risk appetite framework will involve the following:
- Return on Equity (ROE) above cost of equity
- Aggregate Operational loss not to exceed the pre-defined threshold
- At all times ensure the Group's Capital Adequacy ratio exceeds that of required by regulator and the pre-specified buffer and
- Ensure that the ratio of non-performing assets to total assets does not exceed the pre-defined threshold

EXTRACT OF THE GROUP'S RISK MANAGEMENT POLICY:

- Risk management is embedded in the Group as an intrinsic process and is a core competence of all its employees and ensure early warning triggers and alerts are actively controlled and mitigated.
- The Group risk profile includes Credit, Market, and Operational, Compliance, Environmental and social, Capital Management (ICAAP), Cyber Risk, Information Communication Technology, Country/Transfer, Reputational, Business Continuity Risk, and liquidity risks in a coordinated manner within the organization. All these risks are managed through Group Minimum Standards/Policies and procedure manuals.
- The Group's risk management function is independent of the business divisions.
- The Group's internal audit function reports to the Board Audit Committee and provides independent validation of the business units' compliance with risk policies and procedures and the adequacy and effectiveness of the Risk Management framework on an enterprise-wide basis.
- Group Risk Reporting covering top risks, emerging risks, heat maps, and mitigation strategies
- Ensuring that the Group Contingency Funding Plan is regularly reviewed and updated to effectively manage the Group Liquidity Risk
- Group Internal Capital Adequacy Assessment Program ensures that the Group capital is adequate to accommodate unexpected losses, both under normal and adverse conditions in various geographical locations.
- Stress Testing: Stress testing shall be an integral part of the Group's risk management process
- Fraud, Bribery and Corruption: Zero tolerance towards fraud, bribery or corruption with mandate for all employees to apply high standards of honesty and integrity consistently across the Group in their discharge of their roles.
- Compliance: Zero tolerance to deliberate or purposeful violations of legislative or regulatory requirements. The compliance function, under the leadership of the

Country's Chief Risk Officer (where the local regulations permits) or as independent Compliance unit has put in place a robust Compliance framework, which includes:

- Anti-money laundering and terrorism financing: All entities to have adequate systems and controls (AML Policies and procedure) in place to mitigate the Anti-money laundering and terrorism financing risks in their operations.
- Sustainability principles: Support and finance sustainable activities in line with its image, reputation and environmental risk management systems. The group does not finance any activities prohibited by international conventions.

The Group continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and international best practices. Training, individual responsibility and accountability, together with a disciplined and cautious culture of control, is an integral part of the Group's management of risk.
