DIS02:
RISK MANAGEMENT APPROACH

1. Risk Management Overview

Exim Bank Uganda Ltd (EBUL) maintains a robust and comprehensive risk management framework, which is meticulously applied by both the Board of Directors and the Management team.

This framework is fundamental in guiding the Bank's strategic planning, identifying potential risks that could impede the achievement of these strategies, and ensuring that risks are managed within acceptable limits defined by the Bank's risk appetite.

1.1. Enterprise Risk Management Framework (ERMF)

The ERMF at EBUL is enriched with the following characteristics:

- A detailed spectrum of risks to be managed.
- The processes and systems designed to handle these risks.
- The roles and responsibilities assigned to various individuals involved in risk management.
- Board approval and the focus on managing material risks while remaining flexible to changes in business operations.
- Subject to regular reviews to ensure continued relevance and effectiveness.

2. Risk Architecture

The Risk Architecture at EBUL encompasses the overall framework and structure established to identify, assess, manage, and mitigate risks effectively. Our approach is multidimensional, involving:

2.1. Risk Culture

- Reflects the Bank's vision and ethical standards.
- The Board and Executive Management team have established a strong tone at the top, emphasizing ethical conduct and trust in every decision.
- The Bank's code of conduct plays a crucial role in shaping our risk management culture. It sets clear ethical guidelines and behavioral expectations, fostering a culture of accountability, transparency, and regulatory compliance. This code encourages employees to align their decisions with best practices in risk treatment.

2.2. Three Lines of Defense Model

EBUL utilizes a three lines of defense model to ensure independent and coordinated assurance within the risk and control environment.
Risk ownership is distributed among all staff members as follows:

- **First Line of Defense:** Business process and control owners who are responsible for managing and mitigating risks within their areas.
- **Second Line of Defense:** Risk and Compliance Departments that provide oversight and support to the first line of defense, including the setting of guidelines and tolerance limits consistent with Bank's overall risk appetite.

  The second line is also responsible for ensuring the proper functioning of the Bank's risk management framework and is involved in several activities such as independent risk assessment, aggregation, and reporting.

  The second line also conducts a range of assurance activities while providing risk insights and advisory services to the first line as well as to Executive management and the Board.

- **Third Line of Defense:** Internal Audit, which offers independent assurance on the adequacy and effectiveness of the risk management framework.

This model helps build and maintain a strong risk culture by focusing on various drivers and emphasizing proper risk management practices. We invest in educating our employees on risk management principles through continuous awareness campaigns and diverse learning tools.

2.3. Risk Governance Structure

The Risk Management function at EBUL is led by the Head of Risk, who reports to the Chief Executive Officer and has full access to the Board through the Board Risk Management Committee (BRMC).

Similarly, the Compliance function, overseen by the Head of Compliance, also reports to the Chief Executive Officer and the BRMC. Internal Audit provides independent assurance to executive management and the Board regarding the effectiveness of the Bank's risk management framework, reporting directly to the Board Audit Committee (BAC).

This structure aligns with best practices and ensures a clear delineation of roles and responsibilities in managing risk.

3. Board and Committee Roles

3.1. Board of Directors

The Board oversees the Bank's strategic direction, policy formulation, organizational structure, and activities, and delegates authority to various Board Committees to ensure effective monitoring and implementation.

3.2. Board Committees

The Board has established six primary committees to support its oversight functions, including the potential formation of ad-hoc committees as needed.