

## 1.0. Group Enterprise Risk Management

Sterling Financial Holdings Company's Enterprise Risk Management (ERM) Framework ("Framework") sets out high-level principles and guidance for the consistent management of risks within the Sterling Financial Holdings Company Plc ("SFHC" or "the Group"). The Group consists of all subsidiaries of the holding company, jointly referred to as ("the subsidiaries") and the Group's ERM Framework reflects the commitment of the Group's Board of Directors ("the Board"), Board Audit and Risk Management Committee (BARMC), Board Finance and Investment Committee (BFIC) and the Management Risk Committee (MRC) to drive the overall strategy within a prudent risk management framework and in line with proper practice risk management principles.

## 2.0. 3 Lines of Defense Model

The Group has organised its risk governance structure according to the Three (3) Lines of Defense Model. This model incorporates roles for business owners, standard setters, and assurance providers. The Group's business owners serve as the *First Line of Defense* in the risk management framework, proactively identifying, assessing, and managing operational risks. They are accountable for implementing risk mitigation strategies, ensuring compliance with established governance frameworks, and maintaining timely and transparent reporting to the second line.

The *Second Line of Defense* aggregates group-wide standard setters. This line of defense is furnished with the responsibility of developing the overhead risk management frameworks that guide operations and monitoring compliance with preset risk management limits across the Group. The *Third Line of Defense* is responsible for providing assurance with regard to the robustness, appropriateness, effectiveness, and efficiency of the Group's ERM framework and other internal controls.

## 3.0. Risk Governance Stakeholders

Key stakeholders in the Group's risk governance structure include:

1. The *Board of Directors* ("the Board") is responsible for setting the tone for acceptable management of risk across SFHC and approves the Enterprise Risk Management Framework for the Group, including the Group and the Group's overall risk appetite. The Board is supported by its Board Audit and Risk Management Committee, which monitors and oversees the Group's risk profile and the implementation of the various risk frameworks approved by the Board and approves the Group's risk appetite methodology.
2. The *Board Audit and Risk Management Committee (BARMC)* is responsible for overseeing the process of identifying risks across the Group and ensuring that management puts in place adequate mechanisms to prevent, detect and report risks. The committee also discharges other responsibilities in the areas of statutory reporting, internal control systems, risk management systems, banking and legal proceedings, and internal and external audit functions on behalf of the Board.
3. The *Board Finance and Investment Committee (BFIC)* is responsible for advising the Board on its oversight responsibilities in relation to strategic planning, financial planning, investment planning,

execution and monitoring of finance and investment decisions. The BFIC advises an optimal investment mix consistent with the risk profile agreed upon by the Board.

4. The **Group Executive Management** is responsible for driving effective risk management practices across the enterprise by identifying and understanding potential risks and leading the path for reducing the likely impact on the Group's operations. **The Subsidiary Chief Executives**, support the operationalisation and management of the Group's risk management directives across their respective subsidiaries, including controlling the dedicated financial resources and risk appetite of the business divisions.
5. The Group **Management Risk Committee** is responsible for the management and control of the subsidiaries' overall risks on behalf of the Board. Its functions include setting the banking subsidiaries' risk philosophy, risk appetite, risk limits, and risk policies and ensuring that they are complementary to the Group's overhead risk appetite statement.
6. The **Group Management Team** is responsible for providing strategic leadership across the Group by coordinating risk management across the Group in line with the overhead strategic objectives. Key management officers include: The Group Chief Operating Officer, The Group Chief Risk Officer, The Group Chief Compliance Officer, The Group Chief Financial Officer, The Group Chief Legal Counsel, and The Group Chief Human Resource Officer.

Some of the aforementioned roles and responsibilities are replicated across the Group's banking subsidiaries for optimal oversight. The Banking subsidiaries also have designated **Chief Risk Officers** who oversee and control financial and non-financial risks that complement the Group's Enterprise Risk Management Framework.

#### **4.0. Scope of Group Enterprise Risk Management**

The Group's Enterprise Risk Management Framework and Risk Management Policies adequately cover risk identification, risk measurement, risk assessment, and mitigation of the Bank's key risk areas, including Credit Risk, Market Risk, Operational Risk, Interest Rate Risk, Liquidity Risk, Investment Risk, Reputational Risk, Regulatory Risk, Legal Risk, Cybersecurity Risk, Environmental, Social and Governance Risk and Strategic Risks.

The Group's Annual Financial Statements also contain detailed disclosures covering the key risk areas and key risk metrics, as well as executive management actions in place to avoid, mitigate, or treat inherent risks in the Group's businesses.