

Enterprise Risk Management (ERM) Lifecycle

Continuous Risk Identification, Mitigation & Reporting

CONFIDENTIALITY NOTICE

This document contains comprehensive ERM lifecycle processes and risk management methodologies. Distribution is restricted to CRO, Risk Committee, Board, and authorized risk personnel.

1. Risk Identification

1.1 Continuous Risk Assessment

Global Dot Bank employs a continuous risk identification process covering all material risk categories across the enterprise.

- **Credit Risk:** Counterparty default, concentration risk, portfolio quality
- **Market Risk:** Interest rate, FX, commodity price volatility
- **Liquidity Risk:** Funding stress, cash flow mismatches
- **Operational Risk:** Process failures, system errors, human error
- **Legal & Compliance Risk:** Regulatory breaches, litigation exposure
- **Reputational Risk:** Brand damage, customer trust erosion
- **Strategic Risk:** Business model disruption, competitive threats

1.2 AI-Driven Predictive Analytics

Advanced analytics and machine learning models are deployed for stress testing, scenario analysis, and early warning detection of emerging risks.

2. Risk Mitigation

2.1 Centralized Risk Oversight

All enterprise risk management is overseen by the Chief Risk Officer (CRO), who reports to the CEO and Board Risk & Audit Committee.

2.2 Dynamic Risk Controls

- Real-time risk exposure dashboards with automated alerts
- Dynamic limits that adjust based on market conditions and portfolio stress
- Contingency funding facilities and liquidity buffers
- Hedging strategies for market and FX risks
- Insurance coverage for operational and cyber risks

2.3 Three Lines of Defense

- **1st Line:** Business units own and manage risks within appetite

- 2nd Line: Risk and Compliance provide oversight and challenge
- 3rd Line: Internal Audit provides independent assurance

3. Risk Reporting

Report Type	Frequency	Audience
Daily Risk Dashboard	Daily	CRO, Division Heads
Risk Committee Report	Monthly	Board Risk Committee
ALCO Report	Monthly	Asset-Liability Committee
Board Risk Report	Quarterly	Full Board of Directors
Annual ERM Report	Annual	Board, Regulators, Investors

3.1 Key Risk Indicators (KRIs)

A comprehensive set of KRIs are monitored continuously, with escalation thresholds and alert mechanisms to ensure timely risk management response.

4. Risk Culture & Governance

- Risk awareness training mandatory for all employees
- Risk-adjusted performance metrics for management incentives
- Tone from the top: Board and CEO champion risk-aware culture
- Open escalation channels with non-retaliation protection
- Regular stress testing and scenario planning exercises

Risk Appetite Breach Protocol

Any breach of Board-approved risk appetite limits triggers immediate escalation to CRO (1 hour), Risk Committee (4 hours), and full Board (24 hours). Remediation plan required within 48 hours with regular progress updates.