

ENTERPRISE RISK MANAGEMENT POLICY AND FRAMEWORK

The Corporation's Enterprise Risk Management (ERM) policy formalizes its risk management programme and articulates the roles and responsibilities of the Board of Directors, Board Committees, Management and Staff. The policy provides management with the tools to effectively deal with uncertainty and associated risks and opportunities, thus enhancing the JDIC's capacity to build value by addressing the business risks which could influence the attainment of JDIC's goals and objectives.

JDIC's risk management system is guided by the key requirements of the COSO1 ERM Integrated Framework and ISO 31000 risk management standard.

The JDIC recognizes that an overall, unified enterprise risk management programme is required to ensure that all risks facing the Corporation are identified and appropriately managed. ERM provides the JDIC with a systematic way to deal with business uncertainties and the associated risks and opportunities. By utilizing disciplined risk and compliance management programmes, the JDIC manages its unexpected outcomes and reduce the impact of risks events when they occur.

Further, the JDIC believes that its business risks can be best managed using an integrated and holistic approach, within an ERM programme. The programme is owned and coordinated by the Executive Management Team, aligned to the strategic objectives of the JDIC, integrated into the managerial and formal reporting process and embedded within the JDIC's culture.

There are three Lines of Defense defined as follows:

First Line: The first line (risk owners and risk champions) is responsible for identifying, measuring and reporting risk on an enterprise-wide basis.

Second Line: The risk management function is responsible for coordinating and supporting the first line of defense in executing their risk management responsibilities, independently from the first line of defense. The second line (risk manager) provides "challenge" to the first line through reviewing its risk assessments and risk responses. The compliance function is also part of the second line of defense.

Third Line: The internal audit function is charged with the third line of defense, conducting risk-based and general audits and reviews to provide assurance to the Board that the overall governance framework, is effective and that policies and processes are in place and consistently applied.

Fourth Line: The external auditors and the regulators are often times considered to be the fourth line (and sometimes part the third line as they too are independent of the first and second line) and are expected to provide assurance as to the level of compliance of the first two lines of defense over risk and control procedures.

RISK GOVERNANCE & OPERATIONAL STRUCTURE

