Exceptions and Override Policy

Risk Policy | Global

Version 2.0 · July 2026 · Confidential — Internal Use

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Replace all references to “the Company” with your organisation’s name.

Document Control

Document name	Exceptions and Override Policy
Document type	Risk Policy
Jurisdiction	Global
Owner	Chief Risk Officer
Approved by	Board of Directors
Version	2.0
Effective date	July 2026
Review cycle	Annual
Next review due	July 2027
Classification	Confidential — Internal Use

Contents

1. Purpose

This Policy establishes the Company's requirements for the approval, documentation, monitoring, expiry and reporting of management-level exceptions and overrides — that is, approved departures from the Company's risk limits, policies, procedures, underwriting and pricing standards, and automated system decisions. A disciplined exception process is itself a control: it allows sound commercial judgement to operate within defined guardrails, while ensuring that every departure from an approved setting is visible, justified, time-bound, mitigated and reported.

Exceptions and overrides are legitimate tools when used sparingly and transparently. Used without discipline, they silently re-write the Company's real risk appetite, degrade the integrity of policies and decision systems, and conceal the build-up of risk from management and the Board. International supervisory frameworks — including the Basel Committee's Corporate Governance Principles for Banks and its Principles for the Sound Management of Operational Risk — treat uncontrolled management override as a defining failure mode of internal control. This Policy exists to keep exception activity within tolerance, to make override behaviour measurable as a risk indicator, and to ensure that persistent or high-volume exceptions trigger a review of the underlying policy or limit rather than continued case-by-case departure.

This Policy is approved by the Board of Directors, is owned by the Chief Risk Officer, and forms part of the Company's enterprise risk management framework. It applies to exceptions granted under management authority. Exceptions to Board-approved policy settings, to the Risk Appetite Statement, or to any matter reserved to the Board are governed by the separate Exceptions and Override Policy (Board) and are outside the scope of this document, except that this Policy governs how such requests are identified and escalated to that process.

2. Scope

This Policy applies to the Company and all of its subsidiaries, and to all directors, employees, contractors and secondees, across all products, portfolios, channels (including intermediated and digital channels) and jurisdictions in which the Company operates.

It governs the following exception and override types (together, "exceptions" unless the context requires otherwise):

- Credit decision overrides — approvals, declines, or amended terms that depart from credit policy, underwriting standards, scorecard or decision-engine outcomes, including low-side and high-side overrides.
- Pricing exceptions — departures from approved pricing schedules, margin floors, fee waivers beyond delegated discount authority, and bespoke pricing outside product settings.

- Limit excesses — exposures or positions exceeding approved credit, market, liquidity, concentration or operational limits, whether pre-approved or passive.
- Process and control waivers — approved suspension or modification of mandated process steps or internal controls, including documentation, verification and reconciliation requirements.
- System rule overrides — manual bypass, suppression or amendment of automated rules, models, alerts or system-enforced controls, including fraud and transaction-monitoring rule dispositions outside standard treatment.

The following are excluded from this Policy:

- Exceptions to Board-approved policies, Board-set limits or the Risk Appetite Statement, which must be escalated under the Exceptions and Override Policy (Board); no management authority may approve these.
- Departures from legal or regulatory obligations in any jurisdiction, which can never be approved as exceptions; suspected breaches must be handled under the Issues and Incident Management Policy and, where applicable, reported to the Company's prudential or conduct regulator.
- Financial hardship and financial difficulty arrangements made under the Company's hardship processes, which are governed by the Hardship Policy and the Debt Collection Policy.
- Model changes and recalibrations, which are governed by the Model Risk Policy; repeated overrides of a model are an input to that policy's review triggers, not a substitute for model change.

2.1 Jurisdictional application

This Policy states international best practice, anchored to the frameworks listed in the Regulatory Framework section. The Company must map the requirements of this Policy to the laws, regulations and supervisory expectations of each jurisdiction in which it operates — including any senior manager accountability regime, breach-reporting regime or consumer credit law that bears on exception and override activity — and document that mapping. Where local law or regulation imposes a stricter requirement than this Policy, local law prevails.

3. Definitions

Term	Definition
Exception	An approved departure from a requirement of a Company policy, procedure, risk limit, underwriting standard or control, granted on documented merits for a specific transaction, application, customer, process or system and, where applicable, time-limited and recorded with an associated risk acceptance.
Override	A decision by an authorised person to depart from, set aside or reverse the

	outcome produced by a scorecard, internal rating model, decision engine, policy rule or automated system control, whether that outcome is an approval, a decline, a rating, a price, a limit or a workflow block, supported by documented rationale.
Low-side override	An override that approves, or applies less stringent terms to, a transaction that policy or system rules would otherwise decline or restrict. Low-side overrides increase risk and attract the full requirements of this Policy.
High-side override	An override that declines, or applies more stringent terms to, a transaction that policy or system rules would otherwise approve. High-side overrides are recorded for fairness and model-performance monitoring, including monitoring for unlawful discrimination.
Limit excess	An exposure, position or metric that exceeds an approved risk limit, whether arising from an approved pre-excess request or from passive breach (for example market movement), and whether temporary or persisting.
Pricing exception	A departure from approved standard pricing, fee schedules, margin floors or discount authority for a product or customer.
Process or control waiver	An approved suspension or modification of a mandated process step or internal control, including documentation requirements, verification steps, segregation-of-duties arrangements and reconciliation controls.
System rule override	A manual intervention that bypasses, suppresses or amends the output of an automated rule, decision engine, fraud or transaction-monitoring alert disposition standard, or system-enforced control.
Key control	A control identified in the Company's control library as material to the delivery of a critical operation or to the prevention or detection of a material risk, consistent with the Basel Committee's Principles for Operational Resilience and Principles for the Sound Management of Operational Risk.
Materiality tier	The classification (Tier 1 — Material, Tier 2

	— Moderate, Tier 3 — Minor) assigned to an exception under section 6 that determines approval authority, second-line review and reporting treatment.
Compensating Control	A specific, verifiable control implemented for the duration of an exception to reduce the additional risk created by departing from a policy requirement to a level consistent with risk appetite, with a named owner and a defined method of verifying that it is operating.
Exceptions Register	The Company's single authoritative record of all exceptions and reportable overrides, operated by the Risk function in accordance with section 8.
Expiry date	The date, set at approval, on which an exception lapses automatically unless renewed or remediated. No exception may be approved without one.
Unauthorised exception	Any departure from policy, limit, process or system rule that was not approved in advance by the required authority under this Policy, or that continues past its expiry date without renewal. Unauthorised exceptions are policy breaches.
Second line	The Risk and Compliance functions, independent of business-line (first line) management, responsible for independent review, challenge and oversight of exception activity.
Executive Risk Committee (ERC)	The senior management committee chaired by the [CEO or Chief Risk Officer] with delegated executive oversight of risk management, including exception activity.
Senior Manager Accountability Regime	Any statutory or regulatory regime applicable in a jurisdiction in which the Company operates that requires prescribed responsibilities to be allocated to and documented for named senior individuals, holds those individuals personally accountable for the areas they oversee, and requires them to take reasonable steps to prevent failures within those areas.
Key Risk Indicator (KRI)	A quantified, forward-looking metric with defined thresholds or tolerance levels used to monitor changes in the level or trend of a risk exposure or in control effectiveness, and to trigger escalation and management action where risk

End of preview

This is a preview extract. The complete document continues beyond the pages shown here.

The full document is supplied as a single, fully editable Microsoft Word (.docx) file immediately after purchase — including every remaining section, the definitions, the regulatory framework references and all appendices and templates.

Bracketed prompts such as [30 days] mark the points where your own thresholds, committee names and local regulatory references are inserted.

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