

LUCIDUM

Governance | Risk | Compliance | Ethics



BARNOWL

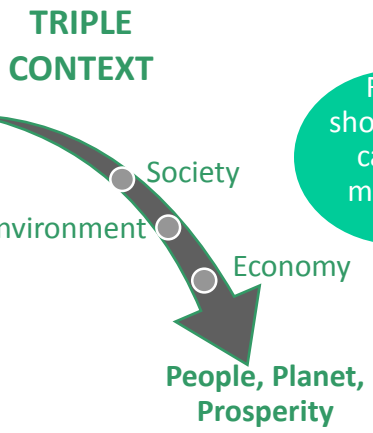
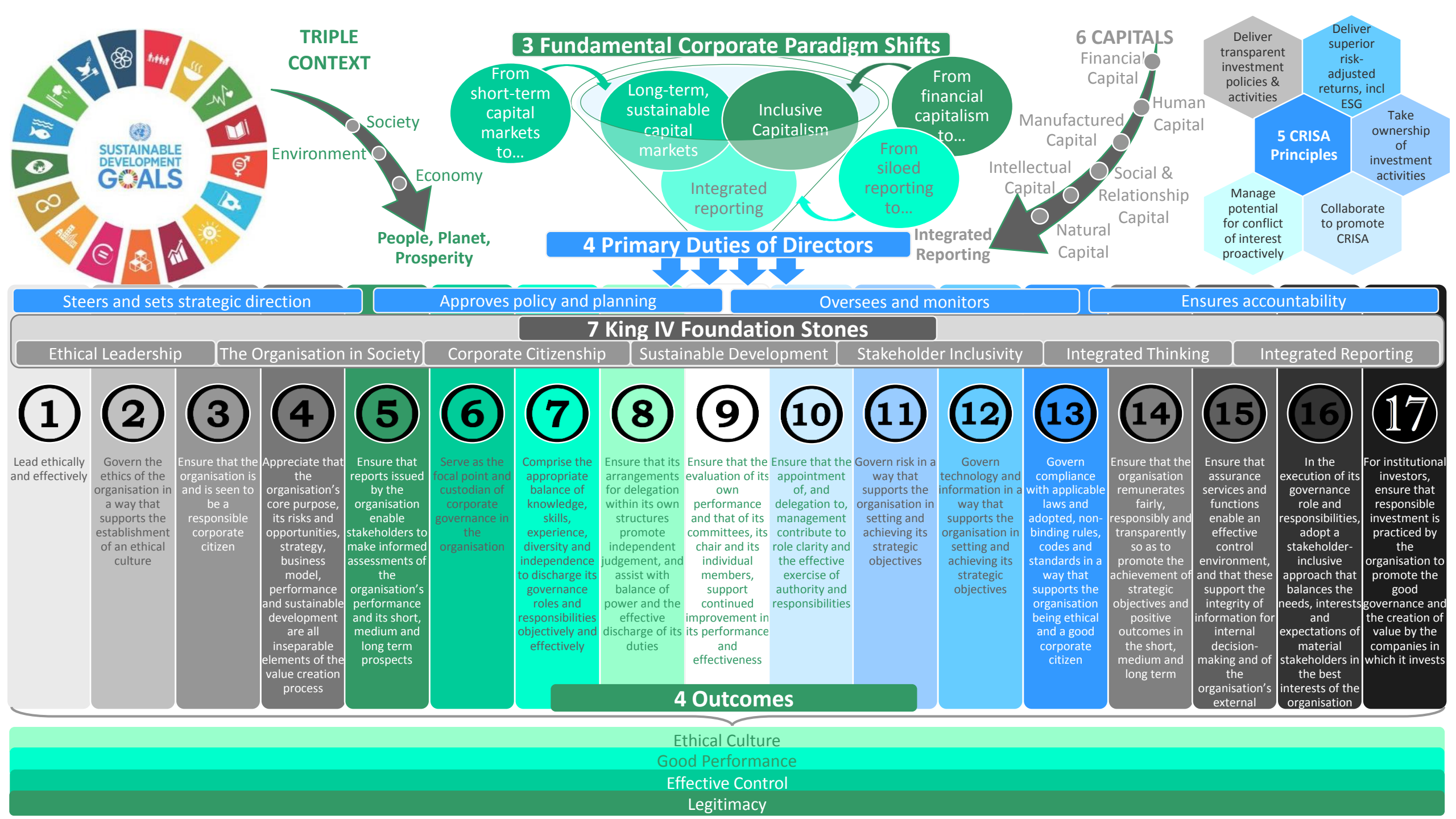
Information Sharing Session

BarnOwl Invites You To An Information Sharing Session
Topic: Risk Governance

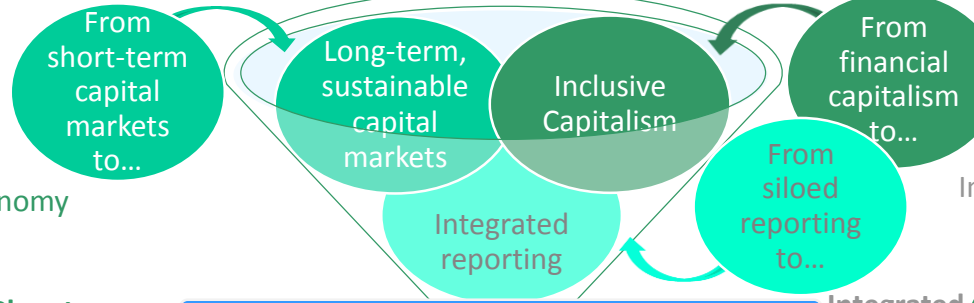
Content



| Slide | Item Description |
|-------|--|
| 3-5 | A Day in the Life of a Non-Executive Director |
| 6-7 | Who Should Make the Board's Life Easier? |
| 8-11 | What Should We Add to Our Process? |
| 12-15 | The Most Important Decision Making Tool...? |
| 16-18 | Combined Assurance from a Director's Perspective |
| 19 | Competencies of a Good Risk Manager |



3 Fundamental Corporate Paradigm Shifts



4 Primary Duties of Directors

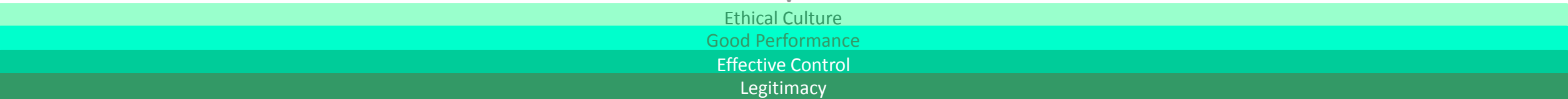


7 King IV Foundation Stones

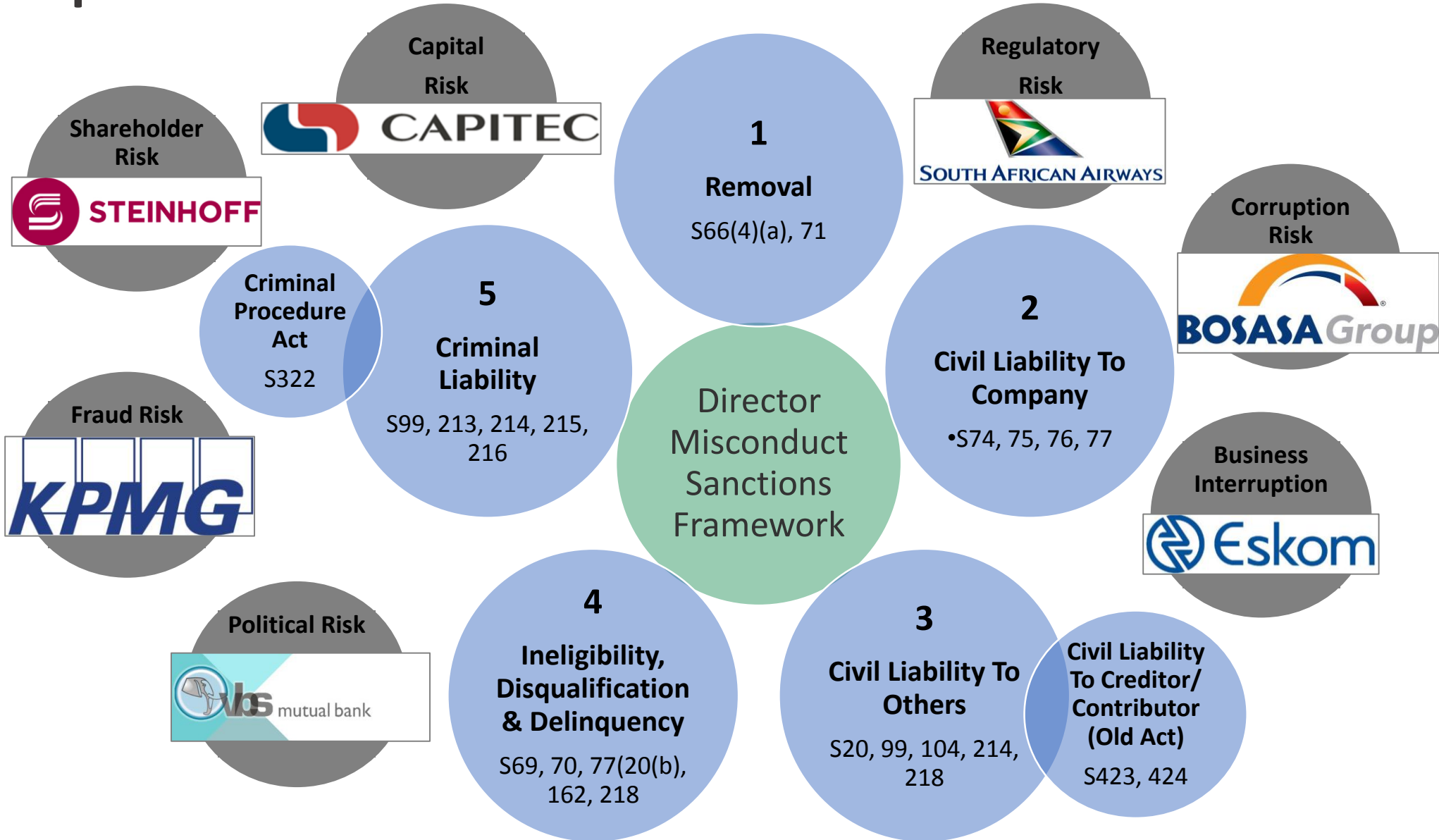


| | | | | | | | | | | | | | | | | |
|--------------------------------|--|---|--|---|--|--|---|--|---|---|---|---|--|---|---|--|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| Lead ethically and effectively | Govern the ethics of the organisation in a way that supports the establishment of an ethical culture | Ensure that the organisation is and is seen to be a responsible corporate citizen | Appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process | Ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long term prospects | Serve as the focal point and custodian of corporate governance in the organisation | Comprise the appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance roles and responsibilities objectively and effectively | Ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties | Ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness | Ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities | Govern risk in a way that supports the organisation in setting and achieving its strategic objectives | Govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives | Govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen | Ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term | Ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external | In the execution of its governance role and responsibilities, adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation | For institutional investors, ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests |

4 Outcomes

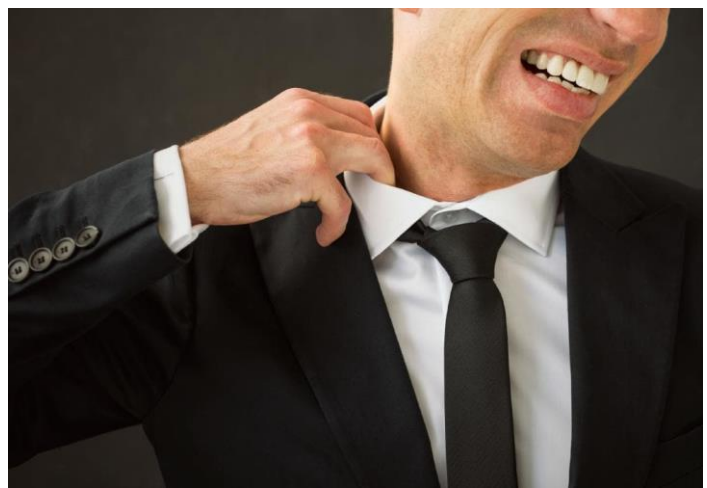


Consequences of Director Misconduct





Collective Duties



Sustainability

Strategy

Risk Appetite, Risk Tolerance and Risk Bearing Capacity (6 Capitals, Triple Context)

Enterprise-Wide Risk Management

Risk Management Capability

- ISO 31k/ COSO
- Risk Context
- Risk Culture
- Risk Management Maturity
- Risk Reporting

Ethics Capability

- ISO 26k
- Whistle Blowing
- Code of Conduct
- Corporate Culture
- Employee Engagement
- Ethics Risk

Stakeholder Management Capability

- Stakeholder identification
- Inclusivity
- Impact, Opinion, Leverage
- Stakeholder Risk
- Social Media
- Reputation

Compliance Capability

- Compliance Universe
- Risk-based compliance
- Core vs Generic requirements
- Standard Operating Procedures

Business Continuity Capability

- Business Impact Assessment
- Emergency Plans
- Crisis Plans
- Recovery Plans
- Continuity Plans

Combined Assurance Process

Governing Body

Social & Ethics Committee

Audit Committee

Risk Committee

Remuneration Committee

Nominations Committee

External Reporting

Ethical Culture

Value Creation

Effective Control

Legitimacy

Source of Risk...? Aligned Mitigation



- enhanced international collaboration in science, technology and innovation

- Supply chain practices
- Market development
- Conflicting demands

- sappi**
- Opportunity management
 - CSI (e.g. endangered species)
 - Bio-friendly processes

- Blue economy enablers
- Transport optimisation
- Plastic pollution

- Social & Ethics Committees
- Emissions
- Ethical conflicts

- Process efficiencies
- Purchase with purpose
- Market development

- AFRICAN INFRASTRUCTURE RISK & RESILIENCE**
- Integrated development
 - Risk, insurability & fundability
 - Public Private Partnerships

- SADTU**
- Remuneration practices
 - Labour action & demands
 - Entitlement mentality

- Align across entities
- Commercialise R&D
- Creative Commons

- Remuneration practices
- CSI risks & opportunities
- Social impacts

- Profit margin impacts
- Climate change impacts
- Skills development strategies

- S&H Risks: Internal/ External
- Employee health & benefits
- Repairs for damages

- Bursaries and internships
- R&D contribution
- Skills development programs

- EE monitoring
- Recruitment & promotion
- Biases & ethics calls

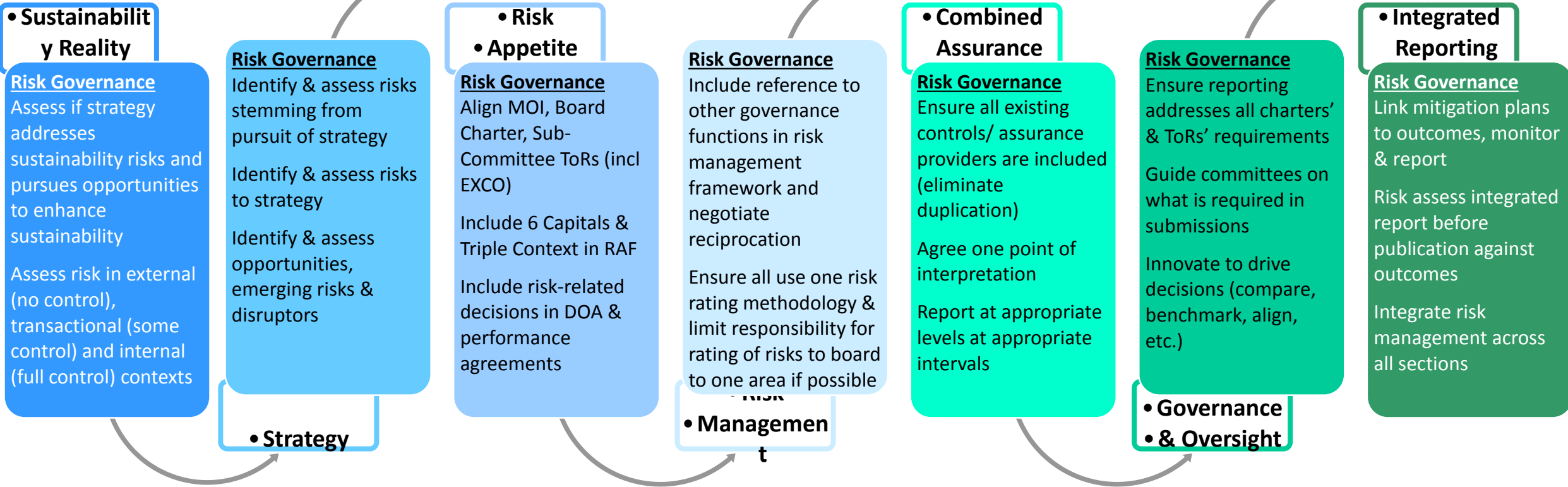
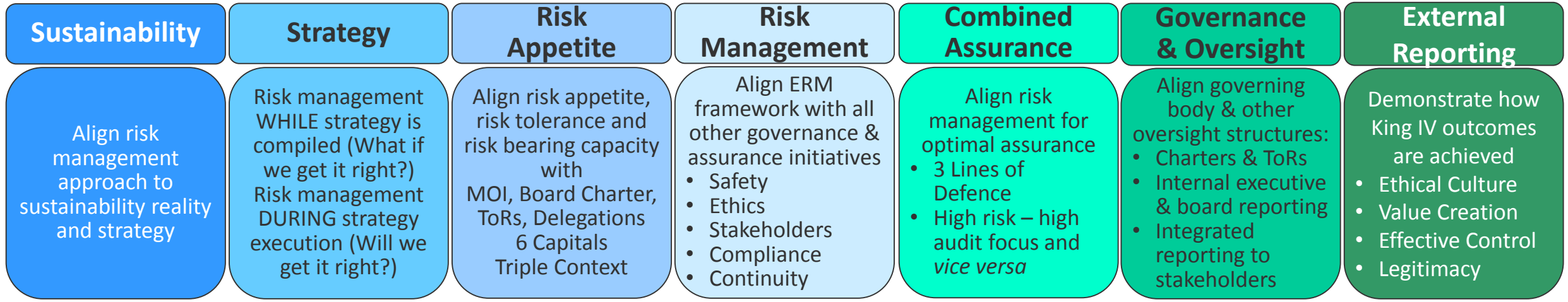
- Workplace hygiene
- Waste disposal
- Harvesting & saving devices

- Renewables
- Policy influence (IPP)
- Process efficiencies

- Generational theory
- Optimised technologies
- Accountability for outputs



Risk Governance Value Chain

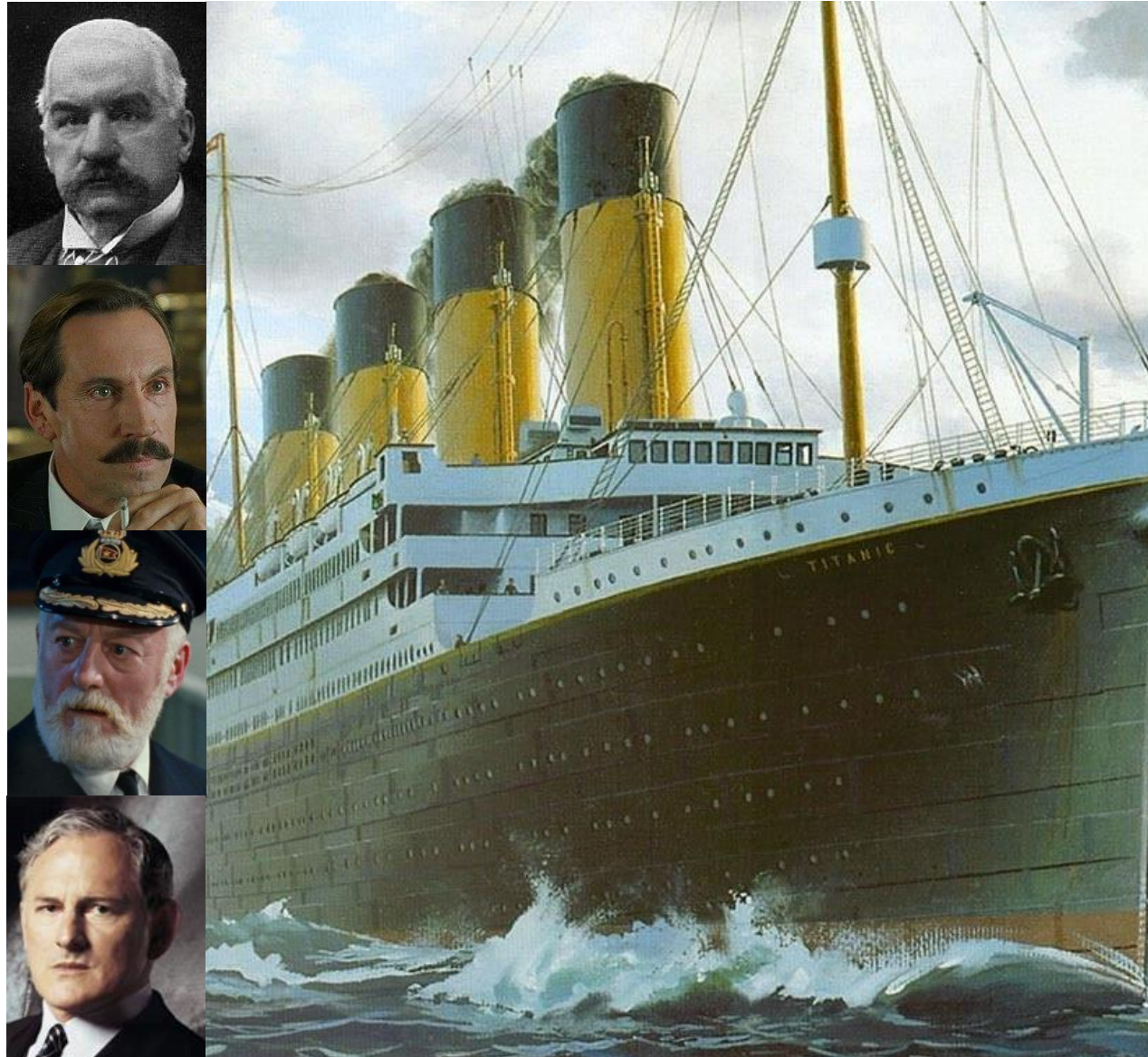


Comprehensive Risk Universe



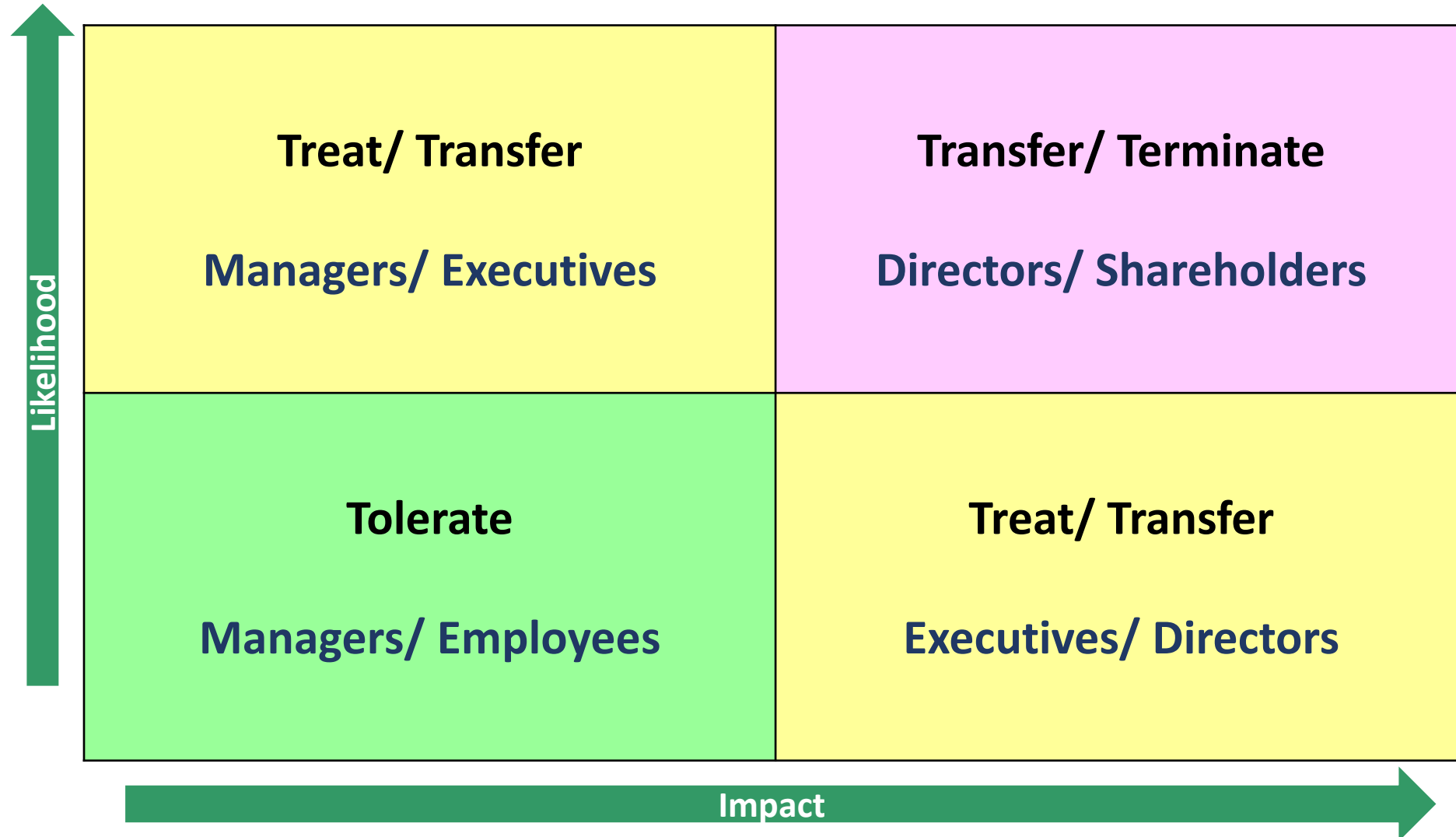
| | | | | | | | | | | | |
|----------------------------|--|---|---|---|---|--|--|------------------------|--|--|--|
| Purpose | Long-Term Sustainability | | | | | | | | | | |
| | Strategic Business Fit | | | Natural Resources | | | | Mergers & Acquisitions | | | |
| Strategy | Resilience & Financial Stability | | | Operational Excellence | | | Functional Excellence | | | Growth | |
| | <ul style="list-style-type: none"> • Claims experience • Utilisation • Healthcare Supply • Solvency • Contributions | | | <ul style="list-style-type: none"> • Operational efficiency • Skills & capacity • Business process performance • Stakeholder Satisfaction | | | <ul style="list-style-type: none"> • Support efficiencies • Operational demand management • Governance & assurance • Technical expertise | | | <ul style="list-style-type: none"> • Customer satisfaction • Profit margin trends • Market share • Societal reach • Customer demographics | |
| Operations/ Process | Product Development | | Sales & Marketing | | Debt | | Manufacturing | | Supply Chain | | Retail |
| | <ul style="list-style-type: none"> • Product & services • Budget & pricing • Innovation trends | | <ul style="list-style-type: none"> • Enrolment • Marketing • Issues management • Incentives • Correspondence | | <ul style="list-style-type: none"> • Billing • Collections • Debt management | | <ul style="list-style-type: none"> • Feedstock • Infrastructure development • Supplier management • Plant availability & production | | <ul style="list-style-type: none"> • Procurement • Inventory • Distribution & logistics | | <ul style="list-style-type: none"> • Shelf Space • Supply & demand match • Fraud • Cash management |
| Operations/ Process | Information | IT | BCM | Compliance | | Stakeholder | Project Management | | Fraud, Waste, Abuse | | HR |
| | <ul style="list-style-type: none"> • Data models • Privacy • IP • Trade Info | <ul style="list-style-type: none"> • Cyber-crime • Operations • Digitisation • AI | <ul style="list-style-type: none"> • Internal/ Outsourced • E | <ul style="list-style-type: none"> • Management systems • Listing rules • Legislation | | <ul style="list-style-type: none"> • Regulator • Supplier • Customer • Society | <ul style="list-style-type: none"> • Projects • Deviation measurement • Corrective actions | | <ul style="list-style-type: none"> • Customers • Supplier • Internal • External | | <ul style="list-style-type: none"> • Capacity • Skills |

Risk Appetite – Who Decides What And Why?



| Role Player | Role | Mandate | Decision Framework | Risk Appetite Framework |
|--------------|--|----------------------------------|-------------------------|--|
| Shareholders | Purpose | Memorandum of Incorporation | Risk Bearing Capacity | Unwilling or unable to invest further |
| Directors | Strategy & Oversight | Board Charter | Risk Tolerance | Unable to maintain purpose without additional investment |
| Management | Execute agreed Strategy | CEO Performance Contract | Risk Appetite | Unable to achieve Strategy |
| Employees | Conduct operations per standards & processes | Individual Performance Contracts | Delegation Of Authority | Unable to execute operations |

Risk Appetite For Decision-Making

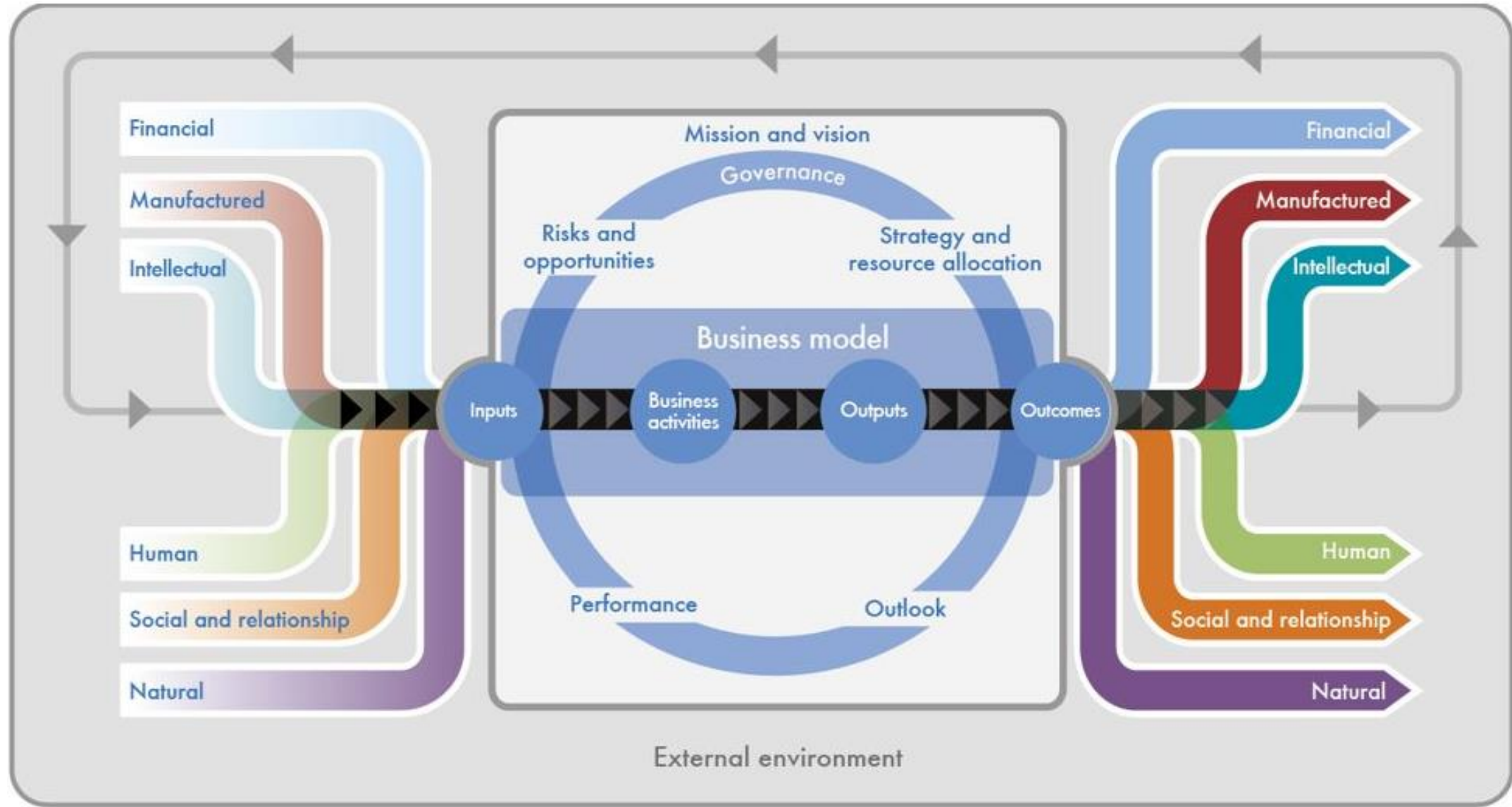




42!

THE ANSWER TO LIFE, UNIVERSE
AND EVERYTHING. 🪐

6 Capitals For Risk-Based Decision-Making



Value creation (preservation, diminution) over time

Risk Appetite For Decision-Making



| Risk Appetite, Risk Tolerance, Risk Bearing Capacity Level | | | | | | |
|--|--|--|--|--|--|--|
| <IR> 6 Capitals | Requires National Management Intervention | Requires Regional Leadership Intervention | Requires Global Leadership Intervention | Requires Board Intervention | Requires Shareholder Intervention | Impact Criteria/ Risk Consequences |
| | Within Risk Appetite Limit Will still achieve operational targets | Within Risk Appetite Limit Will still achieve budget targets | Within Risk Appetite Limit Will still achieve budget targets | Breach of Risk Appetite Limit Cannot achieve budget targets | Breach of Risk Tolerance Limit Cannot continue to operate without external assistance | |
| Social & Relationship Strength & efficacy of relationships with stakeholders providing license to operate; Community acceptance, government relations, suppliers, industry players | Non-compliance with localisation/ governance requirements (can be easily corrected) | Non-compliance with localisation/ governance requirements (can be corrected with time & effort) | Conflict between Entity standards & localisation/ governance requirements (requiring Entity intervention) | Conflict between Entity standards & localisation/ governance requirements (requiring regulatory negotiation) | Conflict between Entity standards & localisation/ governance requirements that cannot be resolved | Corporate Governance |
| | Increased allocations >? | Increased allocations >? | Delayed dividend payments; Increased allocations >CPI | Reduced dividend payments; Increased allocations >CPI+Growth % achieved | Non-payment of dividends; Increasing allocations >CPI+Growth % target | Shareholders/ Local Leadership Relationships |
| | Minor adverse, local public complaints | Adverse social media attention in one location | Adverse national media attention & criticism of colleague/s | Serious adverse, national media coverage & regional brand criticism | Prolonged adverse, regional media coverage & criticism affecting global brand | Reputation |
| | Local legal action/ fines not impacting cash flow targets | Significant legal action/ fines impacting cash flow targets | Legal/ class action (e.g. anti-trust) leading to loss of key product line/ service offering or reduced market share | Legal/ class action (e.g. anti-trust) that may require altered business model to continue business/ maintain acceptable market share | Legal/ class action (e.g. anti-trust) that will inevitably lead to significantly reduced market share/ discontinuation of business | Legal |
| | Strained regulatory relationship | Breakdown in regulatory relationship | Business interruption resulting from licencing dispute | Temporary loss of license to operate resulting from licencing dispute | Permanent loss of licence to operate resulting from licencing dispute | Government (Regulators) Relationship |
| | B-BBEE Pillars (Fin Sector): (i) Ownership (25) <? (ii) Mgmt Control (20) <? (iii) ESD (35) <? (iv) Skills Dvlpmnt (15) <? (v) Socio-Eco Dvlpmnt (5) <? | B-BBEE Pillars (Fin Sector): (i) Ownership (25) <? (ii) Mgmt Control (20) <? (iii) ESD (35) <? (iv) Skills Dvlpmnt (15) <? (v) Socio-Eco Dvlpmnt (5) <? | B-BBEE Pillars (Fin Sector): (i) Ownership (25) <? (ii) Mgmt Control (20) <? (iii) ESD (35) <? (iv) Skills Dvlpmnt (15) <? (v) Socio-Eco Dvlpmnt (5) <? | B-BBEE Pillars (Fin Sector): (i) Ownership (25) <? (ii) Mgmt Control (20) <? (iii) ESD (35) <? (iv) Skills Dvlpmnt (15) <? (v) Socio-Eco Dvlpmnt (5) <? | B-BBEE Pillars (Fin Sector): (i) Ownership (25) <? (ii) Mgmt Control (20) <? (iii) ESD (35) <? (iv) Skills Dvlpmnt (15) <? (v) Socio-Eco Dvlpmnt (5) <? | B-BBEE Pillars (Fin Sector): (i) Ownership (25) <? (ii) Mgmt Control (20) <? (iii) ESD (35) <? (iv) Skills Dvlpmnt (15) <? (v) Socio-Eco Dvlpmnt (5) <? |

Note: Criteria are used independently to evaluate risks, e.g. non-compliance can have regulatory/ financial/ reputational impact at different levels (consider all factors to derive reasonable impact rating).

Control status ● Advanced ● Good ● Need Improvement ● Weak ● None
Risk Movement Previous Risk Rating ▲ Increased ▼ Decreased No Change ★ New Risk

Combined Assurance Models



| Governance Requirements | Assurance Level | | | Coordinated approach to assurance activities related to significant risks |
|--|-----------------|---|---|---|
| Local: Companies Act 71 of 2008, JSE Listing Requirements, King IV | | 1 Operations management with regular reporting to EXCO | Manage, measure and mitigate operational risk & performance | |
| Foreign jurisdictions governance frameworks & legislation | | 2 Governance functions: risk, legal and compliance | Assist & guide management, provide assurance through monitoring and oversight | |
| MOI, Board Charter | | 3 Internal audit with regular reporting to AC | Independent monitoring and oversight | |
| Audit & Risk Committee ToRs | | 4 External accreditation, certification & assurance providers | Assurance on specific standards and certification requirements | |
| Internal policies & procedures | | 5 Board | Overall governance & oversight | |

Main Board, Audit Committee & Risk Committee oversee combined assurance model, related methodology and assurance outcomes

Combined Assurance – What Directors Look For...



| Risk | Residual Risk Rating | Risk Pressure | Control Effectiveness | Audit Outcomes | Combined Assurance Level | Second Line of Defence | | | | | | Third Line of Defence | |
|---------|----------------------|---------------|--------------------------|----------------|--------------------------|-----------------------------------|---|---------------------------------|-----------------------------|--------------------------|-----------|-----------------------|----------------|
| | | | | | | Corporate Governance | | Audit & Internal | | External Audit | Regulator | | |
| | | | | | | Management Committee Review | Board Committee Review | Compliance | Risk Management | | | Controller-ship | Internal Audit |
| Risk #1 | Very High | Decreasing | Good 80%-95% | High | | | | | | | | | |
| Risk #2 | High | Increasing | Need Improvement 50%-80% | Medium | | | | | | | | | |
| Risk #3 | Extreme | Unchanged | Need Improvement 50%-80% | Medium | | | | | | | | | |
| Risk #4 | Very High | Unchanged | Weak 20%-50% | High | | | | | | | | | |
| Risk #5 | Medium | Increasing | Need Improvement 50%-80% | High | Moderate | Skills Development & EE Committee | Social, Ethics & Transformation Committee | Chief Compliance Officer Review | Chief Risk Officer Sign Off | Internal Control Reviews | Extensive | Unqualified Opinion | No Findings |

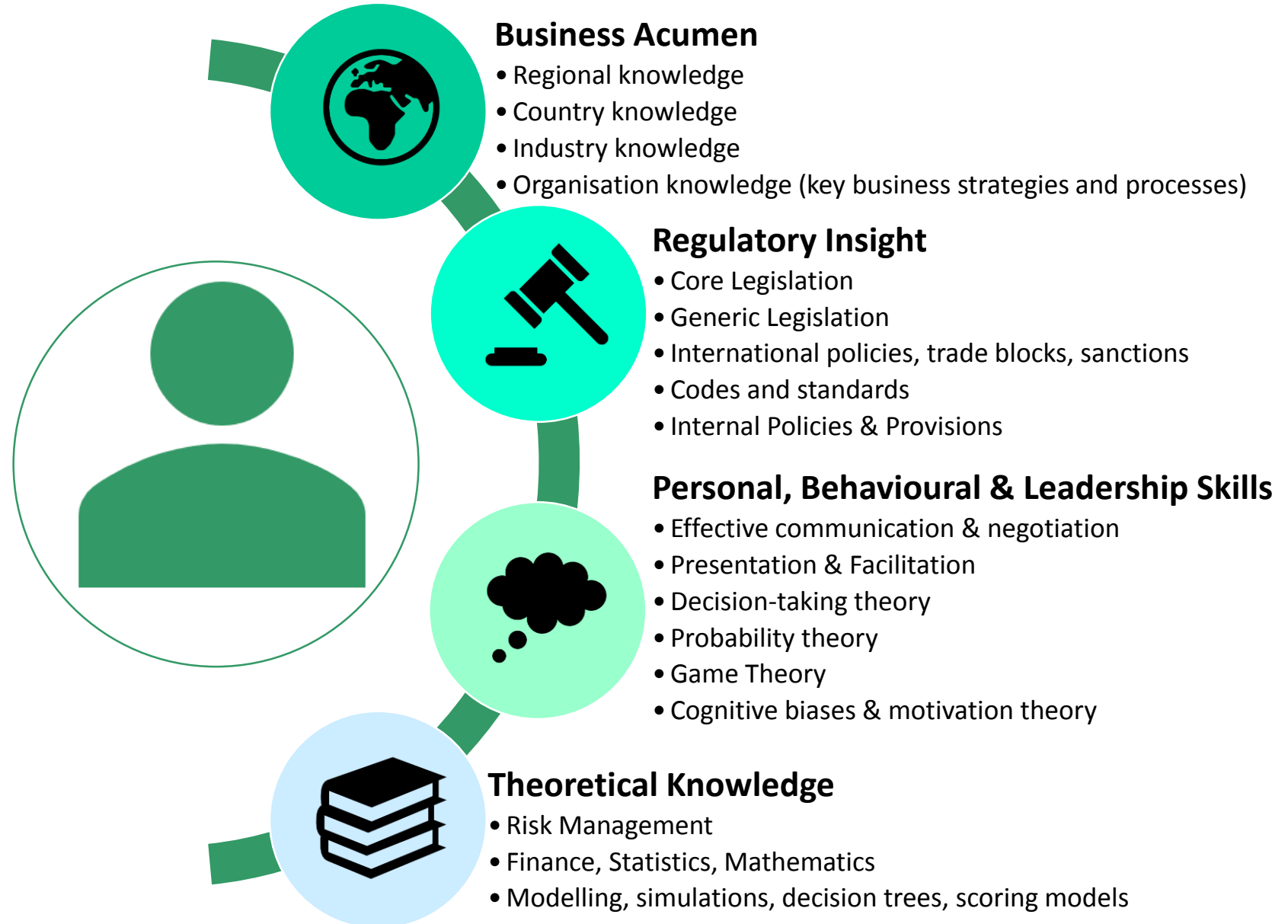
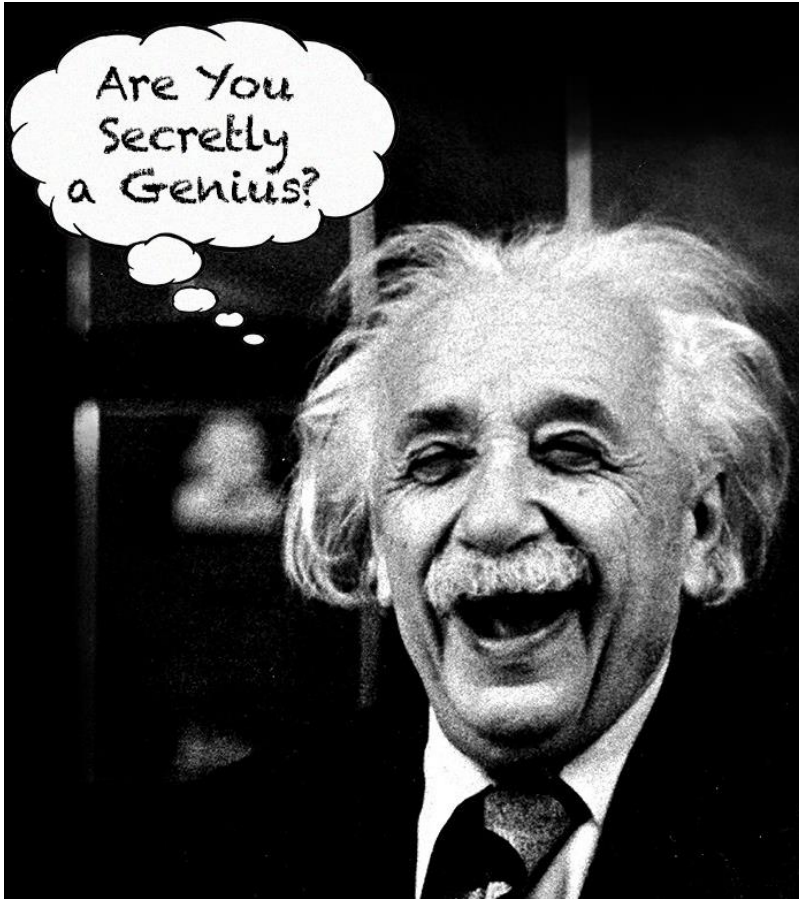
Legend

| Residual Risk Rating | Risk Pressure | Control Effectiveness | Audit Outcomes | Combined Assurance Level |
|----------------------|---------------|-----------------------|----------------|--------------------------|
| NR | Decreasing | Advanced | Low | Extensive |
| Low | | Good | | Adequate |
| Medium | Unchanged | Need Improvement | Medium | Moderate |
| High | | Weak | | Inadequate |
| Very High | Increasing | None | High | Poor |
| Extreme | | N/A | | N/A |

Combined Assurance – What Directors Should Do...



Key Risk Management Competencies



A Final Perspective...

