

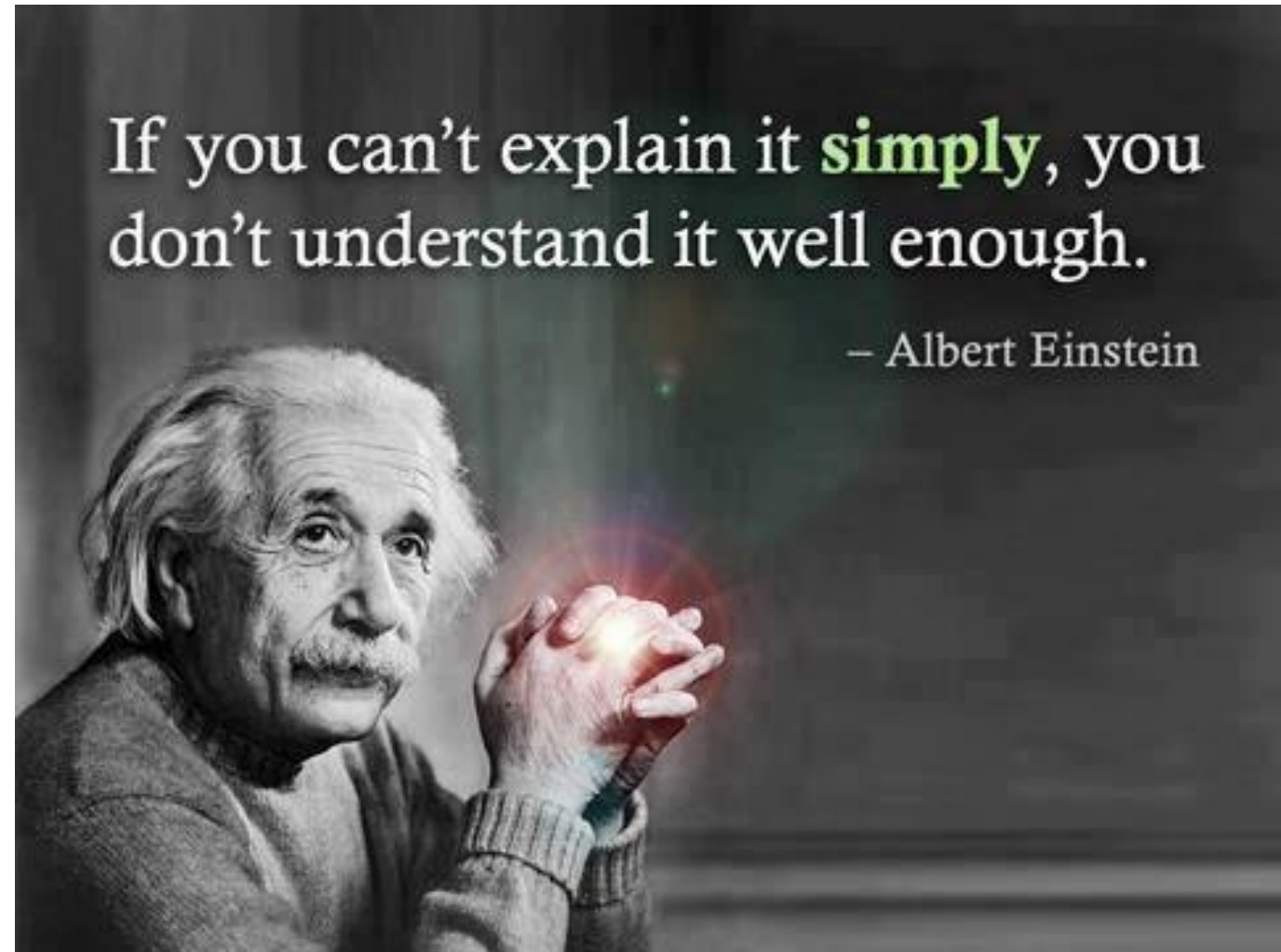
Implementing Enterprise Risk Management

September 2016



What is ERM?

- A process
- implemented by management
- to optimize its risks
- to maximize achievement of its objectives.



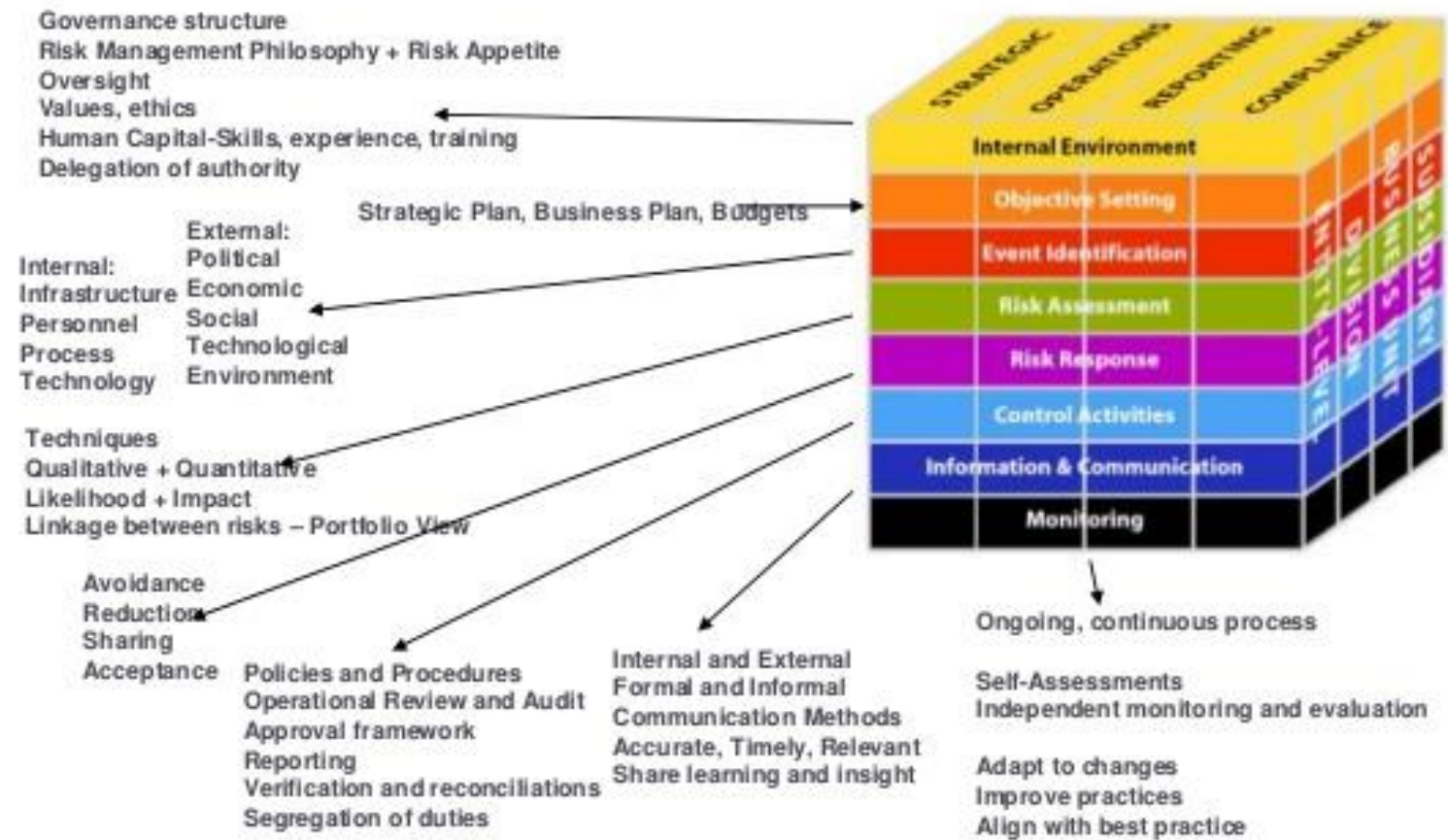
What is ERM?

Enterprise Risk Management (ERM) is defined by the Committee of Sponsoring Organizations (COSO) as:

“a **process**, effected by an entity’s board of directors, **management** and other personnel, applied in strategy-setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be **within its risk appetite**, to provide reasonable assurance regarding the **achievement of entity objectives**.”

COSO Framework

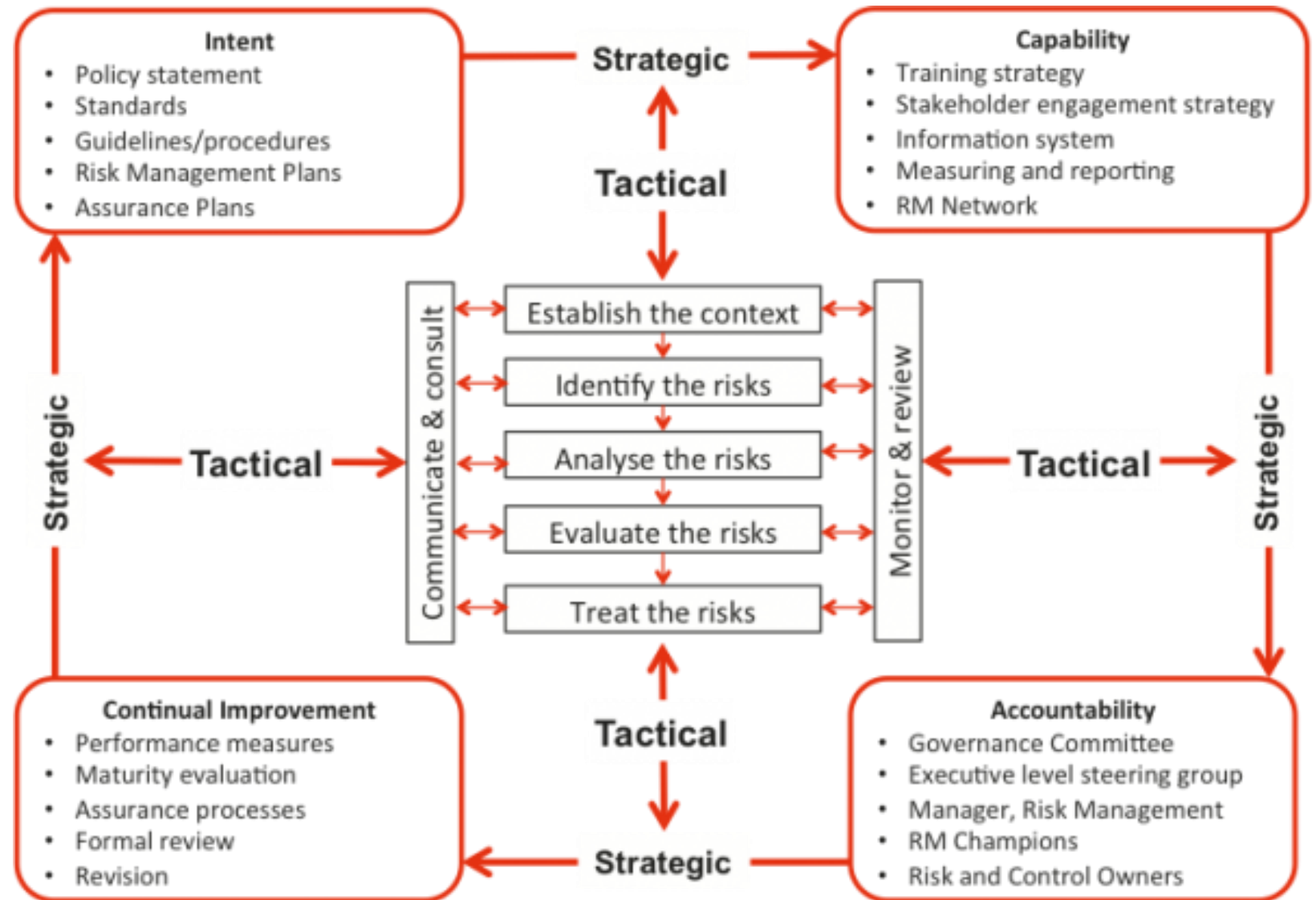
A Framework for Risk Management



Source: Enterprise Risk Management — Integrated Framework,
Committee of Sponsoring Organizations of the Treadway Commission.

ISO 31000

Defines Risk management principles as well as providing a framework/model



Why implement ERM?

- To achieve corporate objectives more efficiently and effectively?
- <https://www.youtube.com/watch?v=r1g8A--D4I0>



What do we need to get right?



Pre-requisite of Effective ERM



Pre-requisite of Effective ERM



Risk Management Governance

tone at the top

- Awareness
- Philosophy
- Tolerance/Appetite
- Organisation
- Policy



Awareness and Philosophy

Proactive
management
Versus
Wait and see



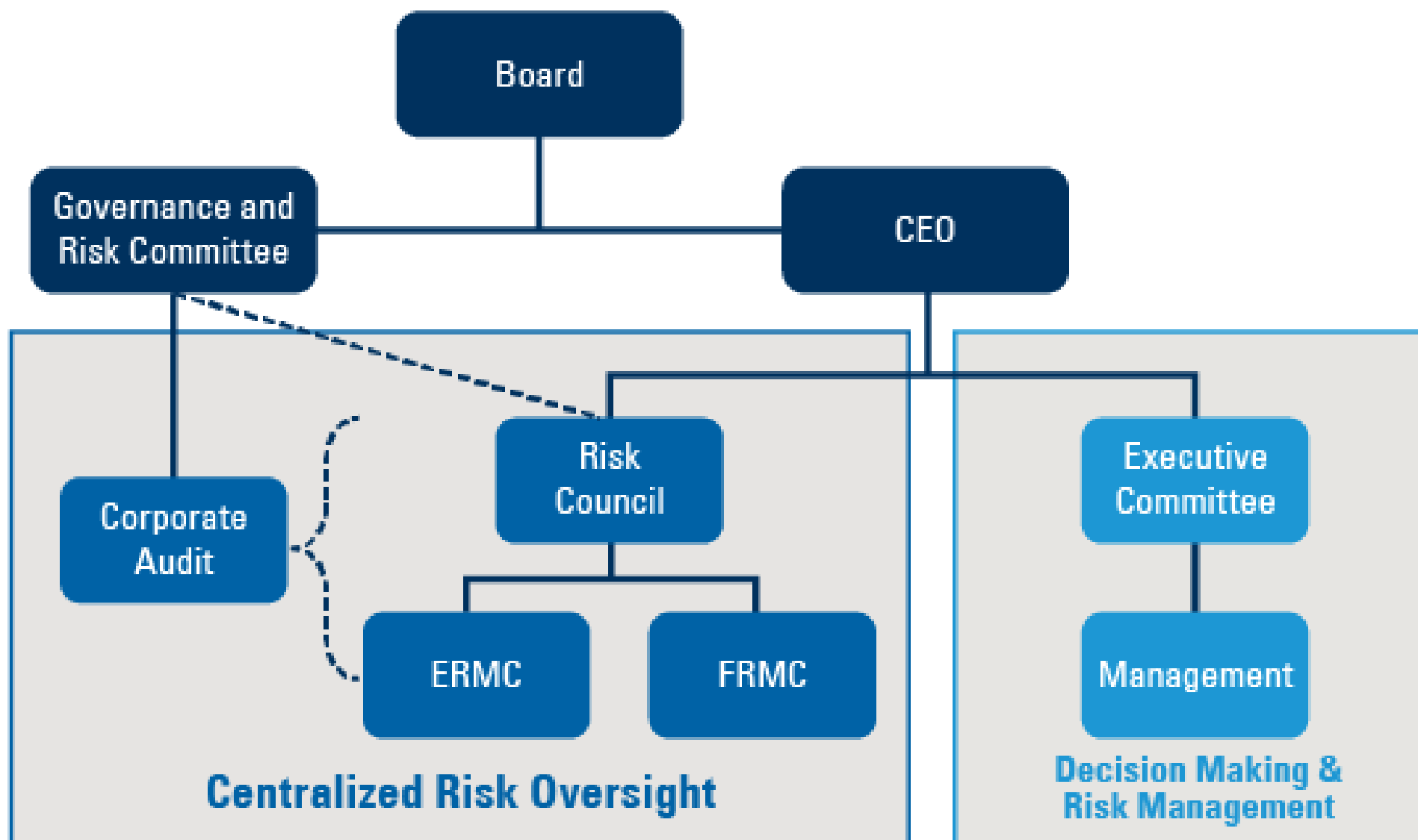
“What if we don’t change at all ...
and something magical just happens?”

Risk appetite & tolerance

- The ERM framework introduced the concepts of risk appetite and tolerance.
- Risk appetite is the broad-based amount of risk an entity is willing to accept in pursuit of its mission/vision.
- Risk tolerance is the acceptable level of variation in performance relative to achievement of objectives.
- In setting risk tolerance levels, management considers the relative importance of the related objectives and aligns risk tolerance with risk appetite.

RISK RATING	RISK TOLERANCE
C	We are not sufficiently prepared and immediate action is required
B	We believe Safaricom can or should do more.
A	We don't believe Safaricom can or should do more

Enterprise Risk Management (ERM) Governance



Policy

Safaricom Enterprise risk management policy v 5.0.docx - Windows Internet Explorer

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Safaricom Enterprise risk management policy v 5.0.docx

SAFARICOM ENTERPRISE RISK MANAGEMENT POLICY

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Risk appetite statement

The screenshot shows a web browser window displaying a Microsoft Word document. The browser's address bar shows the URL: http://intranet.safaricom.co.ke/documentcentre/iso/_layouts/15/WopiFrame.aspx?sourcedoc=%2Fdocumentcentre%2Fiso%2FShared%20Documents%2F.... The document title is "Safaricom Enterprise risk management policy v 5.0.docx". The document is viewed in "Microsoft Word Web App" mode. The user's name, "Sharon D'Souza Holi", is visible in the top right corner. The document content is displayed in a two-column layout. The left column contains a navigation pane with the following tabs: FILE, EDIT DOCUMENT, SHARE, FIND, and COMMENTS. The right column contains the main content area. The content area shows the following sections:

3 Risk Appetite Statement

The risk appetite statement will act as a guide to management and staff in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks. The risk appetite statement will also acts as an assurance to key stakeholders of Safaricom's commitment to managing risks. Below is the risk appetite statement for Safaricom:

"We the staff and management of Safaricom Limited are committed to growing stakeholder value by effectively and efficiently managing business risks.

We proactively manage any threats that may lead to the loss of revenue or market share by consistently delivering quality and reliable services to our customers

As employees we are committed to conducting business with integrity while exercising zero tolerance to any losses that may occur through wastage or fraud. Our Board and management team are dedicated to the highest standards of corporate governance whilst employing world class practices that protect the reputation of our brand and company as one of Africa's most respected organizations."

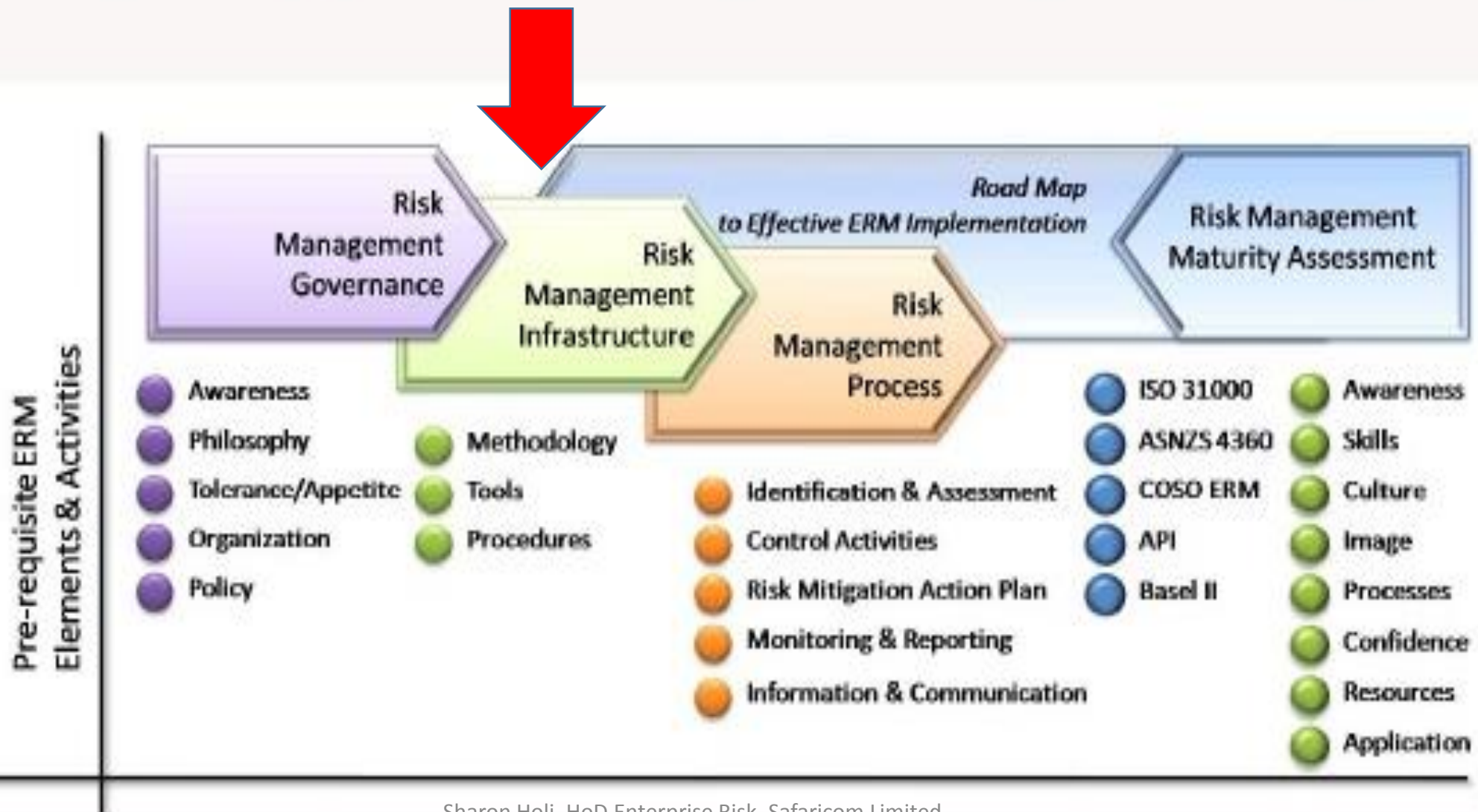
4 Risk Tolerance

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Pre-requisite of Effective ERM



Risk Management Infrastructure

Introduction to Risk Management Process

Enterprise Risk Management carries out Risk assessments twice every year in conjunction with business units and other stakeholders to determine the risk landscape of the business. The assessments identify various risks, their probability of occurrence, potential impact and the adequacy of controls put in place to manage these risks. Furthermore, planned mitigations are tracked for implementation and reported to the Board Audit Committee. The risk management process is based on International best practice standards i.e. ISO31000 and the Committee of Sponsoring Organizations (COSO) framework.

Identified risks are evaluated and rated by determining the likelihood of occurrence and impact of loss to the business in accordance to our risk tolerance levels as identified by senior management and documented in the table below. The likelihood of occurrence and impact are rated according to the rating tables below and in cognizance of the effectiveness of the existing controls. The measures of impact table is included in Appendix 1.

Level	Descriptor	Likelihood Description
5	Certain	Is expected once a week
4	Likely	Will probably occur once a month
3	Possible	Might occur once a quarter
2	Unlikely	Possibly once a year
1	Rare	Extraordinary event - might occur every 1-5 years

Level	Impact Descriptor
5	Extremely serious harm
4	Very Serious Harm
3	Serious Harm
2	Minor Harm
1	No significant Harm

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Risk Universe



"Well he certainly does a very thorough risk analysis."

Scope



IAMGOLD Risk Universe

Organization

- Leadership
- Governance:
 - Performance
 - Oversight and authority
 - Control environment
- Human Resources:
 - Talent management (attraction and retention)
 - Succession planning
 - Compensation & benefits

Strategic

- Cost containment / reduction
- Capital allocation
- Pipeline shrinkage
- Acquisition / Dispositions
- Joint venture
- Exploration
- Capacity constraints
- Investor relations
- Erosion of relative shareholder value

Compliance

- Fraud and corruption
- Legal
- Regulatory
- Title
- Standard of business conduct

Embedded Vulnerabilities

- High All In Sustaining Costs
- Insufficient capital to develop several projects
- Limitations on debt capacity
- Declining production profile / finite resources
- Operations in higher-risk jurisdictions
- Pipeline shrinkage
- Geo-technical failures
- Limited control over joint venture
- Declining market capitalization
- Shareholder activism
- Pandemic: Ebola
- Illegal mining

Finance

- Access to & cost of capital
- Capital structure and liquidity:
 - Dividend
 - Debt level
- Taxation:
 - Strategy and planning
 - Compliance
- Financial reporting

Operations

- Reserves and resources
 - Life of Mine (LOM)
- Environment / sustainability
- Mine development
- Security
- Health
- Safety
- Capital projects
- Technical
- Labour relations
- IT/Network

External

- Gold price volatility
- Country / Political risk
- Energy and input volatility
- Community Engagement
- Social relations
- Competition for properties and talent
- Commodity - FX volatility
- Supply chain
- Resource nationalism
- Hostile takeover

Pre-requisite of Effective ERM



Risk Management Process - Exercise



- Sources of information – annual report, interviews, workshops
- Gross versus net risk
- Likelihood and impact
- Adequacy of current controls
- Additional mitigations required
- Frequency of follow up

Maturity Assessment



- Continuous awareness
- Training and regular reading (CERM)
- Culture - To what extent is Risk discussed at Management decision making
- People and tools; budget to mitigate risk
- RISK ATTITUDE

Risk Management is everywhere!



Everyone is a Risk Manager

Q & A

