

ICPAK CFO's Breakfast Forum



CIC Plc Group CEO Presentation

Integrating Strategy, Corporate Governance and Risk Management practices within your Organization



Introduction

Role of strategy

The strategy organ in an organization is responsible for the development of a strategic plan that highlights the unique strengths of a company and how those can be used to take advantage of opportunities for growth.

Role of Corporate Governance

Good corporate governance in an organization;

- Encourages best practices among companies
- Promotes investor confidence in a company
- Encourages smooth, effective and transparent operations of a company
- Increases a company's ability to attract investors

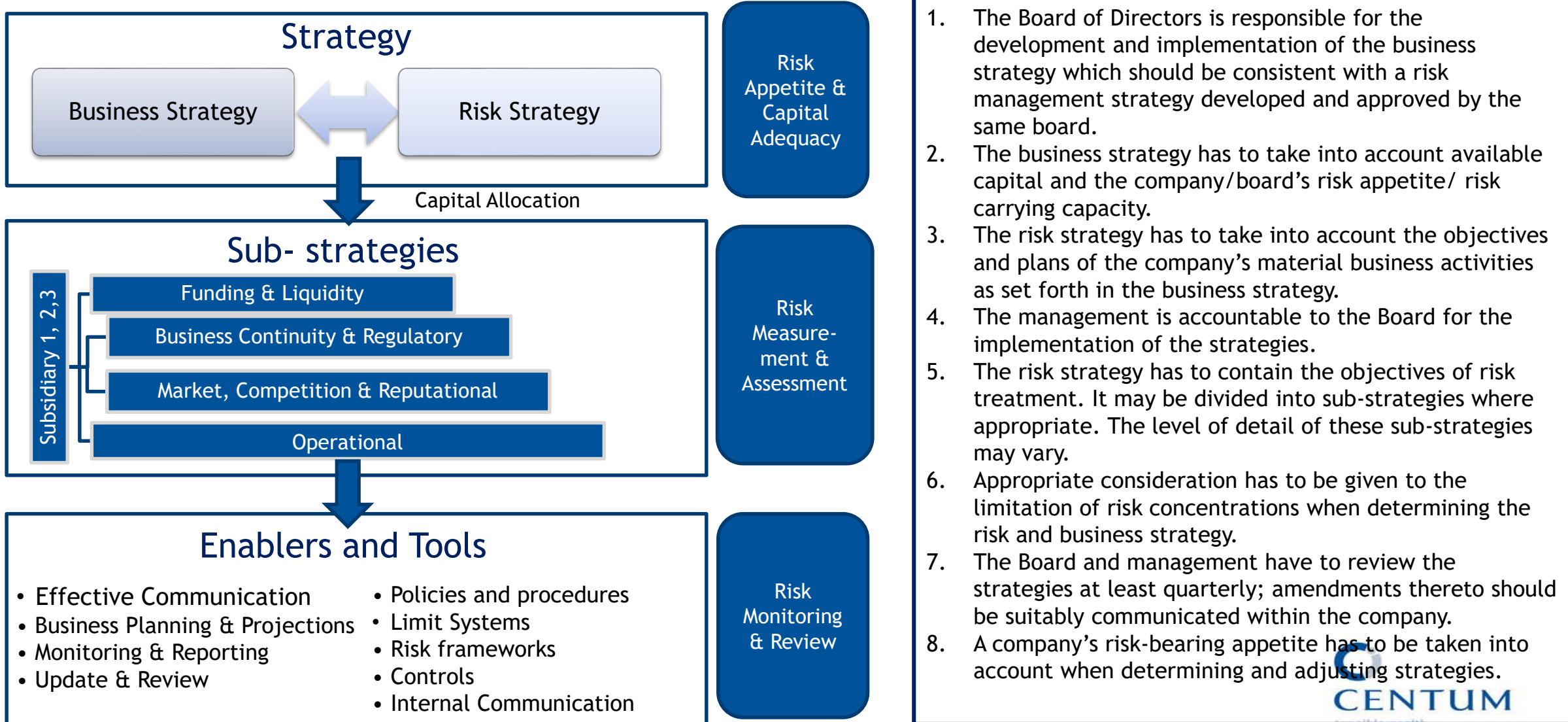
Role of Risk Management

Risk management in an organization is important as it ensures timely identification, evaluation and mitigation of relevant risks which help the company operate with vigor and efficiency, avoid any downside risks at the same time taking advantage of upside risks.

Need for integration.

To ensure that a company runs efficiently, all three organs should work together for the development of a solid company strategy that takes into account the risk profile of the organization. The implementation of the strategy should be within the governance structures set in place to ensure smooth operations within an organization as well as compliance with the regulations.

Development of Business & Risk Management Strategies



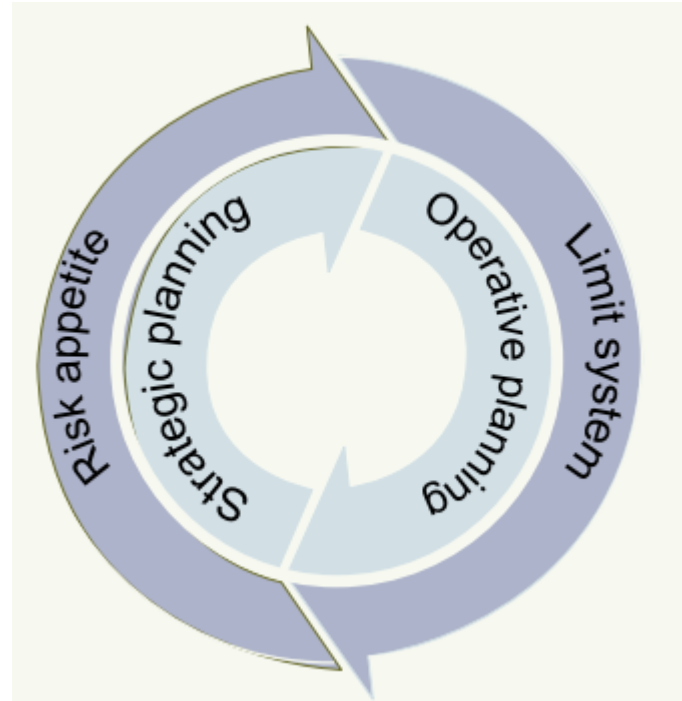
Continuously Linking of Risk Appetite to Strategic Planning

Risk appetite ↔ strategic planning

The Board reviews the company's risk appetite quarterly to ensure that it is aligned with the strategic plan of the organization along with other quantitative objectives such as profit, growth, return, value uplift, dividends income, project delivery etc.

The quarterly reviews also assess usage of and potential calls on capital.

Capital by nature is a scarce resource with mobility for application across **competing strategic objectives**, it is therefore very critical to have an **optimal allocation** approach on the backdrop of rigorous research, stakeholder and board engagements and risk carrying capacity.



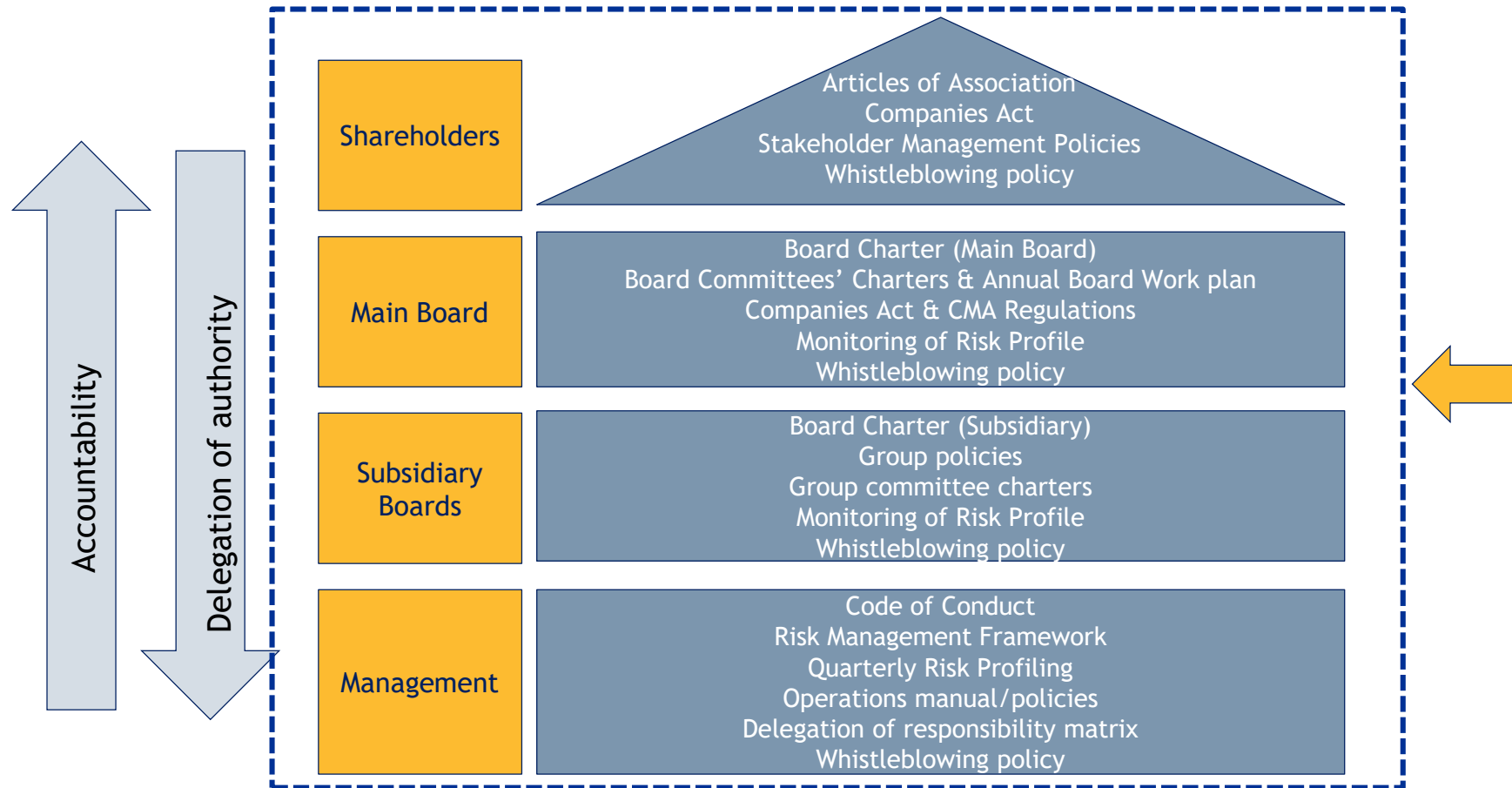
Limit system ↔ operative planning

Operative planning and resultant business objectives should be synchronized with the risk limits devolved from the risk appetite as well as the board approved strategic plan.

There should be continuous **monitoring** of business objectives/ targets and risk limits which would be **tweaked** on a need basis to ensure that the company operates at optimum levels and can take advantage of opportunities as they arise.

Role & Significance of a Robust Governance Framework

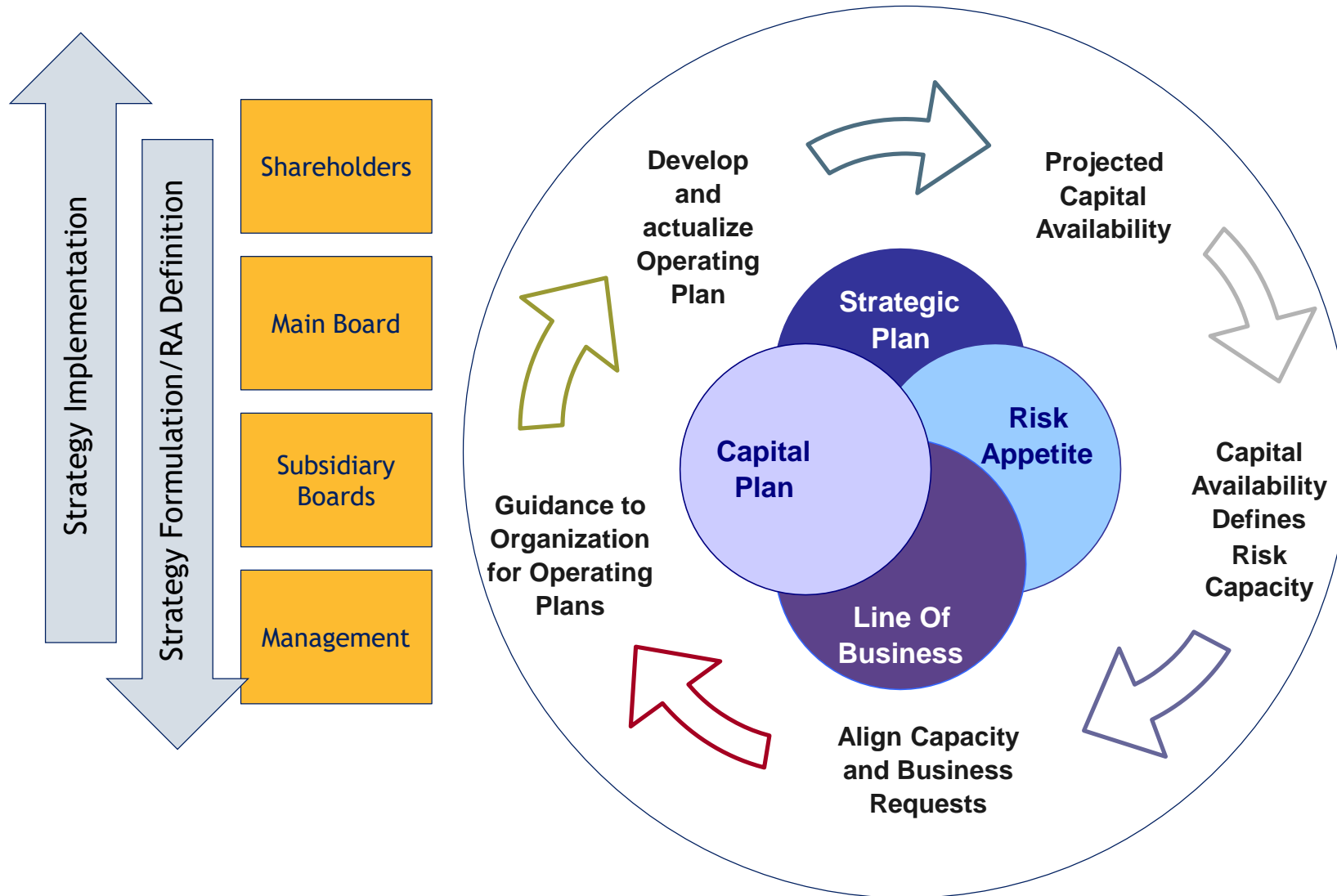
The fate of any company cannot be left in the hands of an individual no matter how brilliant they might be. There must be checks and balances in place to ensure that sound corporate governance cannot be circumvented.



Regulatory Framework & Market Best Practice

- Strong and competent boards (advisory or...) at subsidiary and group level
- Independence of the Risk and internal audit department(s)
- Transparency and accountability in governance and delivery of strategy
- Well defined oversight approach for portfolios/projects/subsidiaries depending on their maturity profile
- Credible staff with adequate capabilities at Group, subsidiary and project levels.
- Robust operating policies that allow for a good measure of risk carrying capacity

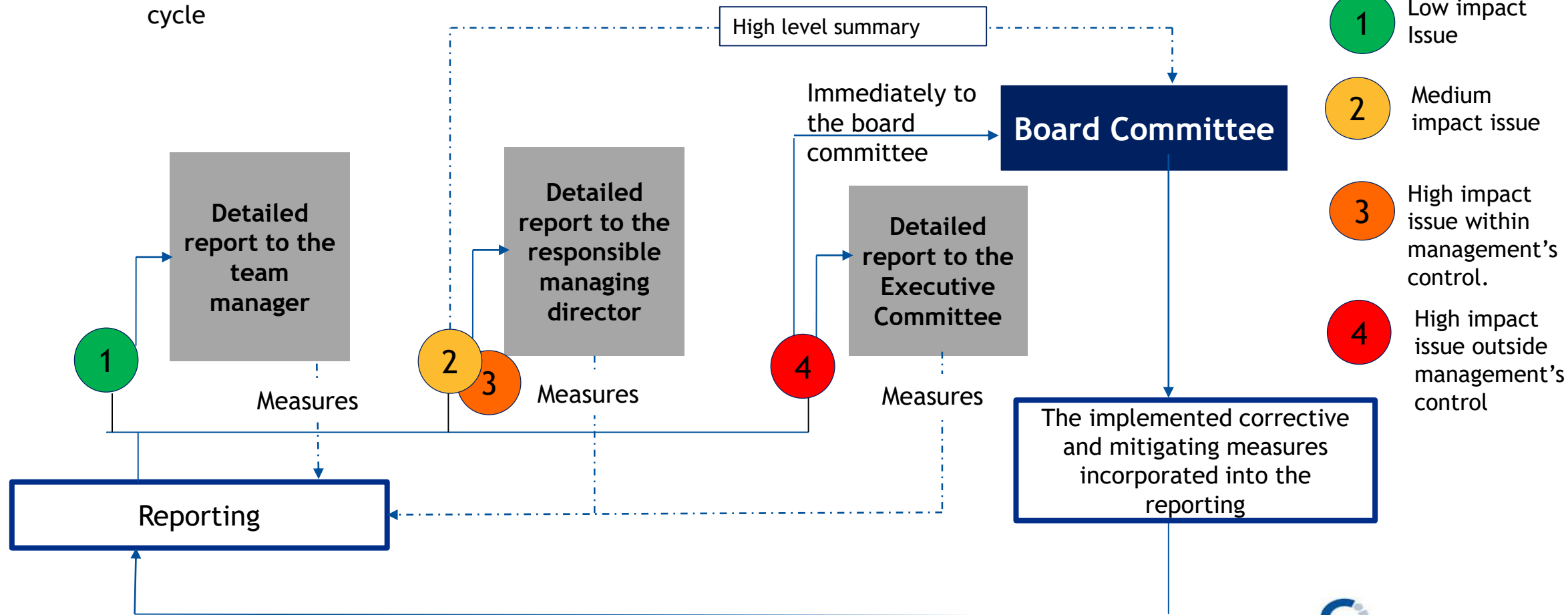
Linking Corporate Governance, Strategy, Capital and Risk Management



- Integrate the Corporate Strategy, Capital Plan and Risk Appetite into Business Planning.
- Blend Top Down Approach (strategy, guiding principles, risk philosophy) with Bottom Up Approach (performance and risk management measures at portfolio/ project/ subsidiary levels)
- All board members should be involved in strategy formulation, risk appetite definition so as to ensure that they fully understand the strategy, governance and risk management approaches of the organization and therefore add much needed value.
- Transparent and well coordinated communication on strategy, risk taking, capital allocation, execution and performance expectations

Strategy Course Correction and Risk Escalation through the Governance Structures

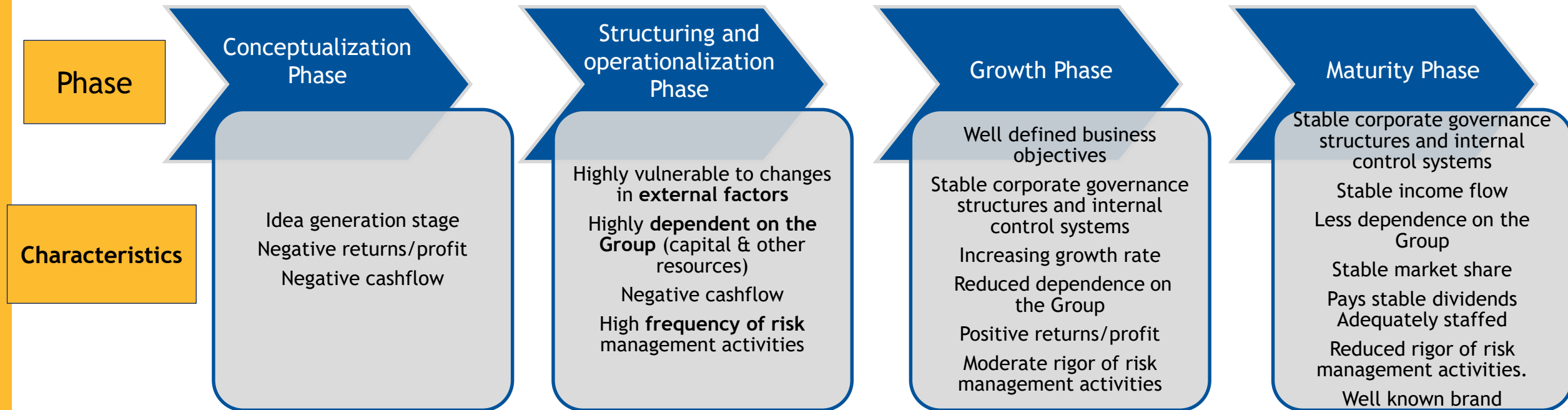
Independent risk reporting and strategy review updates within the organization, the subsidiary boards and the board committees at group level as part of the regular reporting cycle



Significance of the issue (strategy or risk) determines the escalation level

A Case Study on Integration of the 3 Pillars

Business Life Cycle



Case Study on Integration of the 3 Pillars

Based on an Agribusiness Subsidiary

Conceptualization Phase

- Set-up of a robust agribusiness **advisory Board** with appropriate board charter/ TORs/Chart of authority
- **Opportunity sourcing** within the agricultural sector (animal/plant) (end-to-end/production only/value addition) (local/export needs) (buy/lease land & equipment) (strategic partners/fully owned subsidiaries)
- **Preparation of the strategic objectives** linked to Group strategy, business case, financial models and projections
- Consultation around the appropriate **legal, tax & governance structures for the entity**. (local/foreign, preferred legal entity, shareholding structure, capital structure)
- Consultation around appropriate **branding, IT & HR needs**. (Riding on existing infrastructure/brands, recruitment strategies)
- **Risk and compliance assessments** of the business concept and proposed financing options (debt/equity mix)
- **Stress testing and scenario analysis of the business model** (Impact of depressed rains and water availability, high/low demand levels)
- **Assessment of the capital requirements** of the proposed project by the finance department (amounts and timings)
- **Risk appetite proposed** based on capital availability, scale/brand/return and focus desired and other external factors
- Presentation to **Advisory Board, Subsidiary Board**
- Presentation to the **Investment Committee**

Structuring and Operationalization Phase

- **Set-up of agreed corporate governance structures**; Boards, Board Charter, Charter of Authority, TORs
- **Registration of tax & legal entity** with the approved shareholding and capital structure.
- Registration of trademarks & **patents** and obtaining requisite **licences** (county, OSHA, F&B)
- Development of an appropriate **organogram & recruitment** of credible human resources (Obtain board approval).
- Review and sign off of **contractual agreements** (Purchase of land, contract off-takers, partners)
- Set-up of **chart of accounts & bank accounts** and defining **management reporting** matrices
- Development of the internal control framework;
 - Risk management framework (risk governance structure, risk management strategy, risk categories, risk appetite and tolerance)
 - Limit framework around line of agribusiness (animal/plant production), sub-limits for each production line (horticulture/cereals/product mix) (greenhouse/open-field)
 - Delegated approval matrix (limits on procurement, extension of credit, mix of bank signatories)
 - Set up of IT systems, website, social media accounts
 - policies, procedures, process flows, manuals (procurement policy, HR Manual, credit policy, stock management policy, other SOPs)
- Acquisition of assets and placement of relevant **insurance policies**.
- Bi-Monthly project risk and compliance assessments against project plans.
- Bi-monthly update of advisory Board and ExCo
- Quarterly reporting to Investment Committee and Subsidiary Board on strategy actualization, capital deployment, financial performance & projections, key challenges and additional capital requests.
- Quarterly reporting to Risk and Audit Board committees

Case Study on Integration of the 3 Pillars

Set-up of an Agribusiness Subsidiary

Growth Phase

- Ensuring **adherence to the board calendar** with layout of meetings, charter and work plan
- Ensure **communication** is maintained between the Main Board, Advisory Board, Subsidiary Board and Management
- **Monthly tracking of KPIs devolved from strategic objectives** (productivity per production line, sales pipeline, pack out rates, client satisfaction/attrition/growth, profitability, asset growth)
- Completion of monthly **KRIs, and snap checks for high risk areas** (debtors, creditors, stocks)
- **Monthly update of advisory Board and ExCo** on achievement of business targets, challenges, new viable opportunities and key risk exposures.
- Quarterly **internal audits & risk and compliance assessments.**
- Quarterly reporting to **Investment Committee** and Subsidiary Board on strategy actualization, capital deployment, financial performance & projections, key challenges, additional capital requests , key risk exposures ,**proposals for sale of stake or exit**
- Quarterly reporting to Risk and Audit Board committees
- Setting up **BCP & DR** procedures & tests
- Review and **update of existing policies and procedure manuals**

Maturity Phase (Developed Asset)

- Ensuring adherence to the board calendar with layout of meetings, charter and work plan
- Ensure communication is maintained between the Main Board, Advisory Board, Subsidiary Board and Management
- Monthly management portfolio review meetings
- Monthly tracking of KPIs devolved from strategic objectives (productivity per production line, sales pipeline, pack out rates, client satisfaction/attrition/growth, profitability, asset growth)
- Completion of monthly KRIs, and snap checks for high risk areas (debtors, creditors, stocks)
- **Semi-annual internal audits & risk and compliance assessments**
- Quarterly reporting to Investment Committee and Subsidiary Board on strategy actualization, capital deployment, financial performance & projections, key challenges, additional capital requests , key risk exposures, proposals for sale of stake or exit.
- Quarterly reporting to Risk and Audit Board committees
- Other special reviews on a need basis

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