

# Risk committee's report

The Basil Read board understands and takes accountability for all risks that could affect achieving the company's strategic priorities. The board has delegated responsibility for reviewing and monitoring risks across the company to the risk committee, but remains responsible for approving risk appetite.

The chief risk officer presents a quarterly report to the risk committee summarising developments in the risk environment and performance trends in key risk portfolios. The committee oversees management of the most significant risks by regularly reviewing risk exposures and related key controls.

Executive management is responsible for assessing, controlling and mitigating all categories of risk, and fostering a culture that will adhere to the philosophy and principles set out in the enterprise-wide risk management (ERM) framework.

All employees participate in the company's risk management, regardless of position, function or location. Basil Read employees are familiar with risk management policies relevant to their activities, know how to escalate actual or potential risk issues, and have an appropriate level of awareness of the ERM framework, risk management process and governance structures. Various risk-training initiatives during the year have raised awareness on changes to risk processes.

## Membership

- Mr Sango Ntsaluba (chairman) – non-executive director
- Mr Connie Molusi – non-executive director
- Ms Doris Dondur – independent non-executive director
- Mr Neville Nicolau (CEO) – executive director
- Ms Amanda Wightman (CFO) – executive director

Attendance at meetings is detailed in the governance report on page 71.

## Material existing and emerging risks

Material risks highlighted during the year which will remain focus areas in 2016:

- Liquidity risk as a result of access to funding, defaulting clients and protracted claims resolution

- Strategic risk where we have concentration in the public sector; uncompetitive tendering and a decreasing order book
- Operational risks due to work-related incidents involving people and equipment, mainly due to unsafe acts as well as ineffective subcontractor management and compliance.

These risks are described in detail in the risk report on page 26.

## Emerging risks

### Economic slowdown

The economic slowdown in South Africa has been identified as an emerging risk that may restrict the growth of the industry and delay clients in settling claims. In addition to slow growth, Basil Read recognises a depreciating currency, rising inflationary risks, electricity and water supply constraints are painting a new landscape, with tighter margins and less room for error.

### Broad-based black economic empowerment compliance

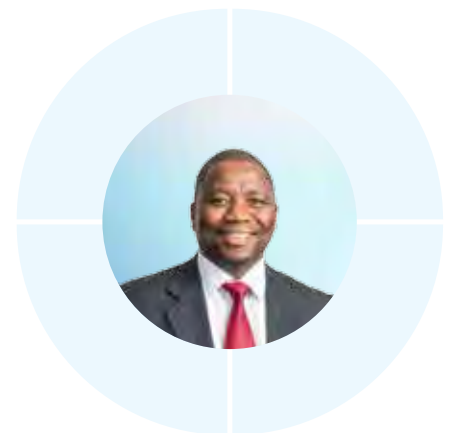
The delayed finalisation of sector codes between the construction sector and Department of Trade and Industry could affect Basil Read's BBBEE scorecard, affecting the company's sustainability if its rating deteriorates relative to competitors as a result of verification scheduling.

## Risk strategy

The focus will remain on continuously improving risk management practices in Basil Read, with the following objectives for 2016:

- Increasing the value of business by continuously embedding a systematic approach to managing risk and enhancing risk management capabilities and reporting
- Protecting the business by ensuring risk response strategies are in line with tolerance levels and risk appetite
- Instilling the culture of collective responsibility, with the anticipation and management of risk being everyone's concern, thus improving risk awareness and communication throughout the organisation.

The 2016 risk strategy is about evolving our approach to risk management and thinking about it differently. This will allow



Basil Read to protect itself better and offer the potential for increasing value and identifying additional margin by embracing and managing appropriate risks.

## Business continuity management

Business continuity management is based on the disaster management framework. The ISO certification audit conducted in 2015 indicated that the required disaster management plans and emergency response plans are in place and tested in the company. Business continuity management processes will be enhanced based on a gap analysis. Continuous development and testing of the company's readiness for an occurrence beyond its control is a priority for the current year.

## Safety

Regrettably 2015 was an extremely challenging year for our construction division, which recorded four fatalities. Details are disclosed in the safety section on pages 44 and 45 of this report. Our safety targets are not negotiable and continuous improvement and training on safe working procedures and risk assessments were effected during the year.

## Sango Ntsaluba

*Chairman of the risk committee*

20 April 2016