

Risk committee report



Sango Ntsaluba | Chairman of the risk committee



After evaluating the enterprise-wide risk management (ERM) framework, which is based on ISO 31000 and Committee of Sponsoring Organisations (COSO), the risk committee is satisfied the framework is adequate and, if consistently applied, should guide Basil Read's approach to identifying, evaluating and responding to key opportunities and risks that may impact strategic objectives. The organisation recognises that a coordinated approach to risk/opportunity management is needed to create and sustain value in the longer term and achieve its vision.

Ultimate responsibility for structure, accountability and risk management remains with the board of directors. The risk committee's main responsibility is to safeguard the independence and oversee the performance of the Basil Read risk function by monitoring the company's risk profile, risk appetite and tolerance levels while enhancing risk management capabilities and reporting.

Basil Read encourages transparency, cooperation and integration between all assurance providers through its combined assurance framework. This gives the committee a clear understanding of the strengths and weaknesses of internal control management systems and the relationship between the risk and control

Risk committee report continued

environments. Any identified weaknesses are addressed immediately.

The committee is regularly briefed on how management is embedding a culture of good governance and ethical behaviour. Although embedding such a culture does not guarantee that Basil Read will achieve its goals, its absence provides greater opportunity for error or for improprieties to occur.

The board of directors determined the risk appetite and tolerance levels for the company. The committee constantly tests, monitors and implements safety measures to ensure these are not exceeded.

While risk is measured in monetary value, reputational risk is also extremely important. How the company's actions are perceived by others in the market adds another layer of responsibility to being a good corporate citizen. The environment in which Basil Read operates, its social impact, and its economic impact and influence are all considered when measuring risk.

As in any business, Basil Read faces risk and uncertainty in everything it does. The risk report (page 14) explains how we consider risk and how the corporate strategy, reviewed annually, seeks to capitalise on identified opportunities while mitigating known risks. Where material risks have been identified in our business, we have implemented appropriate internal controls to protect shareholders' interests. The board is ultimately responsible for the organisation's system of risk management and internal controls, and discharges these duties by:

- Determining Basil Read's risk appetite (the risk we actively seek or accept in pursuing our long-term objectives, in the expectation of an economic return) and risk tolerance (the risk we are prepared to face in achieving our strategic goals)
- Overseeing the risk management strategy

- Ensuring management implements effective systems of risk identification, assessment and mitigation and internal controls.

These systems are designed to manage, rather than eliminate, the risk of failing to achieve business objectives and cannot provide absolute assurance against material misstatement or loss.

Our risk management process reviews, identifies, evaluates, manages and monitors risks facing the business. Those risks identified as significant, in addition to associated mitigating controls, are reviewed regularly by the executive committee and then by the board. The risk committee regularly reviews the effectiveness of the risk identification process and methodology used to evaluate and quantify the risk.

Principal risks

Top risks and associated mitigating controls are reviewed at least quarterly by executive management and the board. The company's principal risks in the review period included:

- Capital adequacy
- Order book decline
- Business sustainability
- Transformation
- Project delivery.

Review of risks

Top-down and bottom-up risk reviews are conducted in each division and department of Basil Read, involving executive management as well as operational and middle managers. All senior managers are responsible for managing and monitoring risks in their area of responsibility and recording these in the risk register. It is mandatory for this process to take place quarterly. For each risk identified, management assesses the impact of unmitigated risks, probability of occurrence, effectiveness of existing controls and level of exposure after mitigating measures have been implemented. Identifying possible

opportunities and additional threats is key to this process, as detailed in the risk report.

This process ensures all risks are measured, monitored and reported consistently. To protect our strategic objectives, it is important that we manage these risks as effectively as possible. Accordingly, the work of the risk management department is closely aligned to that of the internal audit department.

Risks related to sustainability

Risks related to safety, labour and community relations, social development, transformation and environmental impacts make up a significant portion of Basil Read's risk profile. Each division and department is responsible for mitigating safety and environmental impact and for monitoring the relevant action plans. In this way, the company ensures focus on these areas is maintained and that accountability is embedded at operational management level. Reviews of these risks and their associated management plans are conducted by the SHE and social, ethics and transformation committees, and results presented to the board.

A highlight for the review period was that we reported zero fatalities and no major environmental incidents.

Risk appetite

The board recognises that a well-defined risk appetite is the core instrument for aligning corporate strategy, capital allocation, risk and performance. Risk appetite and tolerance are fundamental concepts providing context for strategy setting, entrepreneurial behaviour and the pursuit of company objectives. They are informed by the company's risk culture and clarify what risks we can or are willing to take, as well as risks the company will avoid. Risk appetite and risk tolerance are inextricably linked to performance over time.

The board has formally defined its appetite for risk, and an enhanced risk appetite framework and statement was developed, approved and successfully implemented during the year. The committee confirms that this framework has supported increased consideration of risk capacity, process maturity and overall risk capability relative to key strategic, financial, operational and compliance imperatives for the company.

Risk profile

The board is satisfied that strategy and business plans do not give rise to risks that have not been thoroughly assessed by management and confirms no undue, unexpected or unusual risks were taken.



Sango Ntsaluba
Chairman of the risk committee

31 March 2017