

RISK MANAGEMENT POLICY

TT-FOA-24

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Standard Operating Policy – Finance,
Operations & Administration



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Approvals

The signatures below confirm that the reviewers agree with the content of the document and that this document is approved for implementation within Tshiamiso Trust.

Name	Position	Signature	Date
Prof. May Hermanus	Chairperson: Board of Trustees		
Kgomotso Molebatsi	Chairperson: HR, Remuneration and Governance Committee		
Daniel Kotton	Chief Executive Officer	<i>Daniel Kotton</i>	02/11/2021

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1. POLICY SCOPE

1.1. Purpose of the Policy

- 1.1.1. The purpose of this document is to outline the Risk Management Policy (“**Policy**”) for the Tshiamiso Trust (“the **Trust**”).
- 1.1.2. The Policy explains the Trust's approach to Risk Management and identifies the roles and responsibilities of key people and structures responsible for implementing the Policy. It outlines the key aspects of the Risk Management process and identifies the main reporting procedures. In addition, it describes how the Trust will evaluate the effectiveness of internal controls.

1.2. Objectives of the Policy

- 1.2.1. All activities undertaken by the Trust carry an element of risk. The exposure to these risks is managed through the practise Enterprise Risk Management (“**ERM**”) Framework. ERM forms a critical part of any entity's strategic management. It is the process whereby the Trust both methodically and intuitively addresses the risk attached to its activities with the goal of achieving sustained benefit in each activity across the entirety of all activities. The ERM approach attempts to proactively identify various categories of risk at the earliest opportunity in order to implement an appropriate solution to manage the risks efficiently and effectively. ERM is therefore recognised as an integral part of sound organisational management.
- 1.2.2. The underlying premise of Risk Management is that every organisation exists to provide value for its stakeholders. The Trust faces uncertainty, and the challenge for its management is to determine how much uncertainty the Trust is prepared to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. The framework provides a basis for the Trust to effectively deal with uncertainty of associated risk and opportunity, thereby enhancing its capacity to build value. Value is maximised when set objectives strike an optimal balance between growth and related risks, and resources effectively deployed in pursuit of the objectives. It is accordingly accepted by all stakeholders that the Trust will manage the risks faced in an appropriate manner.

- 1.2.3.** The Trust operates in an environment where factors such as technology, regulation, market conditions and internal operations create uncertainty. Uncertainty emanates from an inability to precisely determine the likelihood that potential events will occur and the associated outcomes.
- 1.2.4.** Value is created, preserved, or eroded by management decisions ranging from strategic planning to daily operations. Inherent in decisions is the recognition of risk and opportunity, requiring that the Trust consider information about the internal and external environment, deploys resources, and appropriately adjusts its activities to changing circumstances. Risk Management facilitates the Trust's ability to both create sustainable value and communicate the value created to stakeholders.
- 1.2.5.** The following factors require consideration when integrating Risk Management into the Trust's decision-making structures:
- a) Aligning Risk Management with objectives at all levels of the Trust;
 - b) Introducing Risk Management components into existing strategic planning and operational practices;
 - c) Communicating directions on acceptable levels of risk;
 - d) Including Risk Management as part of employees' performance appraisals; and
 - e) Continuously improving control and accountability systems and processes to consider Risk Management and its results.
- 1.2.6.** The Policy applies to all structures in the Trust and covers all activities which result in risk. The scope of this document also extends to all services carried out by third-party providers on behalf of the Trust. The Policy extends to all current and future activities, potential opportunities and business dealings involving the Trust.

1.3. Availability of the Policy

The Policy is available to all Employees and can be accessed on the Trust's intranet. It is the responsibility of each Manager to ensure that the Policy is available to all Employees.



2. POLICY STATEMENT

- 2.1. The Trust is committed to embedding Enterprise Risk Management to create and maintain an environment that enables the Trust to meet its objectives and deliver high quality services.
- 2.2. The Trust recognises that risk is part present in all business activities. By effectively managing risk, the Trust will increase the likelihood of meeting its mandate and objectives and improve stakeholder value, confidence and the trust. The Trust regards the risk management function as an integral part of the Trust's governance and accountability arrangements, performance management, planning and processes of reporting. To ensure effective risk management the Trust will:
 - 2.2.1. Feature in day-to-day decision-making at operational, management, strategic planning and execution levels;
 - 2.2.2. Ensure commitment by all to identifying, analysing, evaluating and mitigating exposures that may impact on the Trust achieving its objectives;
 - 2.2.3. Provide a commitment to training and knowledge development in the area of risk management, ensuring that all staff particularly those with management and decision-making responsibilities obtain sound understanding of the principles of risk management; and
 - 2.2.4. Provide a sound commitment to monitor performance whilst improving the risk culture and maturity of the Trust.

3. POLICY GOVERNANCE

3.1. Roles and Responsibilities

3.1.1. Board of Trustees

The Board of Trustees (the “**Board**”) is ultimately responsible for ensuring that all financial, reputational, and other risks are appropriately managed (“**Risk Management**”) and for ensuring that the requisite systems, practices, and culture are in place for Risk Management. The Board is also ultimately responsible for ensuring that the Trust complies with all applicable laws and regulations (“**Compliance**”). The Board may delegate Risk Management and Compliance to individuals, committees, consultants, and Service providers, but the ultimate responsibility still vests with the Board.

3.1.2. Finance, Risk & Audit Committee (FRA Committee)

The FRA Committee has delegated responsibility for overseeing the Trust's risk management processes and providing assurance to the Board on the effectiveness of the internal control system and any emerging issues, through its reports to Board. The Finance Risk Audit and Governance ("FRA") Committee is accountable for the quality, integrity, and reliability of the Trust's Risk Management capability.

3.1.3. Chief Executive Office

The CEO is accountable to the board for the Trust's Risk Management process and three lines of defence.

3.1.4. Management

Managers are responsible for complying with the Policy and managing risks for their respective activities. Managers will be expected to understand the nature of risk associated with their area of responsibility. Managers must be able to identify problems and implement practices and procedures to eliminate or reduce the exposure. When necessary, the use of specialist third parties for risk management review may be used to increase the reliability of the internal control system. Areas which may require external expertise include amongst others, health and safety, information technology, disaster management, business continuity and legislative compliance.

3.1.5. Risk Owners & Champions

Risk Owners are responsible for the management and control of all aspects of the risks assigned to them, including implementation of risk response actions to address threats and maximise opportunities.



3.1.6. Employees

All staff have a significant role in the management of risk, particularly within their own areas of control. Employees are responsible for ensuring individual risks are controlled and monitored, including the implementation of actions identified to strengthen controls, and where appropriate, escalating any changes or concerns to their Line manager.

3.1.7. Internal Audit

Internal Audit is an essential part of the overall risk governance framework within the Trust. Internal Audit plays a role in assisting the Board and Management in the monitoring of risk management in the Trust and providing independent assurance on how well risks are being mitigated.

Internal Audit will conduct, as a minimum, annual reviews of the Trust's controls and will provide reports to the Trust and the responsibilities include

- a) assessing the Trust's internal business management and Risk Management control processes; and
- b) reporting thereon to the FRA Committee.

3.2. Policy Review

The Policy will be reviewed on an annual basis, taking into account any changes in Risk Management and the Trust's operational requirements.

3.3. Ownership of Policy

Ownership of the Policy will be vested in the CEO.

3.4. Approval of Policy

The Policy and any amendments from time to time must be approved by the FRA Committee for recommendation and approval by the Board.

4. RISK DEFINITION

- 4.1. A risk is any threat or event that is currently occurring, or that has a reasonable chance of occurring in the future, which could undermine the institution's pursuit of its goals and objectives. It manifests as negative impacts on goals and objectives or as missed opportunities to enhance institutional performance.
- 4.2. Risk Management can be defined as a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on an institution's service delivery capacity.

5. RISK MANAGEMENT PROCEDURES & GUIDELINES

- 5.1. The implementation of the Policy takes place in accordance with the following procedures and guidelines:

- Identification of risks and opportunities
- Identification of probable risk owners
- Evaluation of the risks (impact and probability)
- Establishment of a risk appetite
- Gaining assurances about effectiveness of controls
- Identification of suitable responses to risk
- Reporting of significant risks
- Implementation, abatement and monitoring
- Risk-based internal auditing
- Awareness, training and record-keeping
- Embedding and reviewing

- 5.2. The following core principles are intended to drive behaviour towards the Trust's Risk Management:

5.2.1. Sound governance and oversight structures

The following governance and oversight structures will be put in place:

- The Board of Trustees and key sub-committees provide an oversight function of the Trust's Risk Management activities and are ultimately accountable for sound Risk Management to all stakeholders.
- The nature and intensity of Risk Management is tailored to the risk profile of each department in the Trust. Ownership and accountability of Risk Management resides at departmental management level as Risk Management should not be managed centrally

5.2.2. *Clearly outlined Risk Management Process*

Risk exposure is an inherent part of doing business; therefore, a clearly articulated and fully embedded Risk Management process is an essential part of any effective business strategy.

5.2.3. *Management capability across the three lines of defence*

Management capability including a focus on process, IT and people management is required across the three lines of defence to ensure sustainable, effective, and efficient Risk Management.

5.2.4. *Documented Risk Management Plan*

A documented Risk Management plan will be prepared for each Department, to serve the following purposes:

- Confirmation that the business is operating in risk appetite.
- Prompt identification and resolution of new operational risks and issues.

5.2.4.1. *Agreed Risk Appetite*

All risks are to be determined and evaluated against the Trust's risk appetite and which is approved by the Board of Trustees.

5.2.4.2. *Risk Management creates and protects value.*

Risk Management contributes to the demonstrable achievement of objectives and improvement of performance in health and safety, security, legal and regulatory compliance, product quality, project management, efficiency in operations, governance, and reputation.

5.2.4.3. *Risk Management is an integral part of all organisational processes*

Risk Management is not a stand-alone activity that is separate from the main activities and processes of the Trust. Risk Management is part of the responsibilities of management and an integral part of all organisational processes, including strategic planning and all project and change management processes. At the Tshiamiso Trust, Risk Management is intrusive and is not viewed only as a reporting process to satisfy governance expectations.

5.2.4.4. *Risk Management is part of decision making*

Risk Management helps the Executive Team make informed choices, prioritise actions and distinguish among alternative courses of action.

5.2.4.5. *Risk Management explicitly addresses uncertainty*

Risk Management explicitly takes account of uncertainty, the nature of that uncertainty, and how it can be addressed.

5.2.4.6. *Risk Management is systematic, structured, and timely*

A systematic, timely and structured approach to Risk Management contributes to efficiency and to consistent, comparable, and reliable results.

5.2.4.7. *Risk Management is based on the best available information*

The inputs to the process of managing risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecasts, and expert judgement.

5.2.4.8. *Risk Management is tailored*

The Risk Management framework and process are customised and proportionate to the Trust's external and internal context related to its objectives.

5.2.4.9. *Risk Management is transparent and inclusive*

Appropriate and timely involvement of stakeholders and decision makers at all levels of the Trust, ensures that Risk Management remains relevant and up to date. Involvement also allows stakeholders to be accurately represented and to have their views considered in determining risk criteria.

5.2.4.10. Risk Management is dynamic, iterative, and responsive to change

Risk Management continually senses and responds to change. As external and internal events occur, context and knowledge change, monitoring and review of risks take place, new risks emerge, some change, and others disappear.

5.2.4.11. Risk Management facilitates continual improvement of the organisation

The Trust has will develop and implement strategies to improve their Risk Management maturity alongside all other aspects of the Trust.

5.2.4.12. Alignment with standards and regulatory requirements

This Policy is aligned with regulatory requirements and industry standards, which include the principles outlined in:

- The Trust Deed and
- King IV.

5.2.4.13. Utilisation of a defined Risk Management Methodology

The Risk Management System employed by the Trust is a set of components and aligned to the following standards:

- Three Lines of Defence Model
- ISO 31000:2018

“APPENDIX A”

GLOSSARY OF TERMS

TERMINOLOGY	DESCRIPTION
Employees	Permanent, temporary workers and agents, wherever they are located irrespective of whether they work for the Trust on a full or part time basis.
Enterprise Risk Management	A structured approach that aligns strategy, processes, people, technology, and knowledge with the purpose of evaluating and managing the opportunities, uncertainties and threats the Trust faces. It involves integrating risk management effectively.
Policy	This Compliance Policy approved by the Board of Trustees of the Tshiamiso Trust and as amended from time to time.
Risk	The effect of uncertainty on objectives.
Service Providers	Independent contractors, consultants and any others who provide services to, or on behalf of, the Trust.
Three lines of defence	<p>The three lines of defence framework operates as follows:</p> <ul style="list-style-type: none"> • Staff in the first line of defence have direct responsibility for the management and control of risk in their units. Staff and management working in or managing operational business units with the Trust providing oversight of the operations; • The Risk Management function are the second line of defence who co-ordinate, facilitate and oversee the effectiveness and integrity of the Risk Management framework. The Finance Risk Audit and Governance Committee provides direct oversight of the second line of defence; and • The third line of defence provides independent assurance and challenge across all of the Trust's functions in respect of the integrity and effectiveness of the Risk Management framework. The assurance is conducted by both internal and external audit.
Trust	The Tshiamiso Trust constituted in terms of this Trust Deed;



Trustee	Trustees means the trustees of the Trust for the time being and from time to time.
Trust Deed	means the Tshiamiso Trust Deed and any annexes, schedules or attachments to it.