

# Risk management

Baladna Enterprise Risk Management (ERM) has been running for just over one year. During the last twelve months the business environment has continued to be volatile and challenging, the effective management and mitigation of risk has become more important. Baladna's ERM methodology has helped the Leadership team avoid and reduce the impact of any potential risks to the Company and its ability to execute strategy.

Baladna's methodology to manage potential business risks is aligned with recognised industry standards and best practices based on the COSO<sup>1</sup> Enterprise Risk Model for its Integrated Framework and ISO<sup>2</sup> 31000 for its Risk Management principles and guidelines.

The methodology is reviewed regularly and, where necessary, adapted to ensure it evolves with the Company's business needs, thereby allowing Baladna to manage risks effectively and efficiently, supporting the achievement of short and long term objectives.

Baladna's senior management uses these risk management principles in the course of setting strategy and making decisions. Management then plans, organises and directs the performance of sufficient actions to provide reasonable assurance that the Company's objectives can be achieved while ensuring that associated risks are kept within the agreed risk appetite at all times.

## Risk definition

Baladna defines risk as "the possibility of an event occurring that will have a negative impact on the strategic or business objectives of the Company." Risks are evaluated via a combination of the consequences of an event and the likelihood of its occurrence.

## Senior management and oversight

Baladna's senior management team is responsible for implementing Risk Management policies, procedures and practices across the Company, while the Audit Committee is responsible for oversight of the effectiveness of Baladna's Risk Management systems. To this end, senior management relies primarily upon the Leadership Team and the operational reporting lines to manage day-to-day risks, based upon direction from senior management.

<sup>1</sup>Committee of Sponsoring Organisations of the Treadway Commission

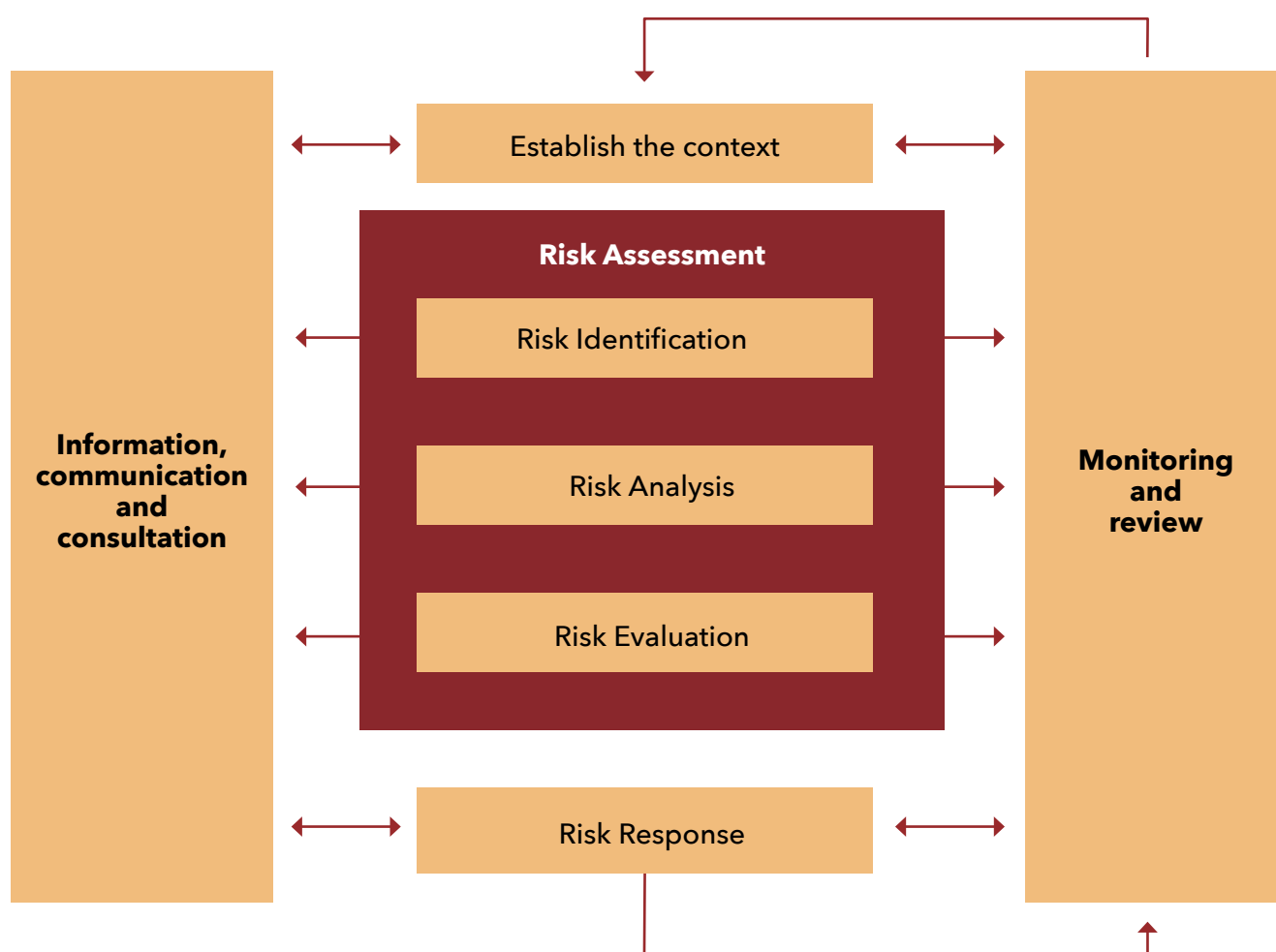
<sup>2</sup>International Organisation for Standardisation

## Approach

The Baladna Risk Management Process is aligned to the COSO model components and the process defined in ISO 31000. This cyclical process is supported by Baladna's Quality Department through the provision of education, training and monitoring, review and assessment. It is also supported through guidance to business management teams and the use of an ancillary toolset for recording, analysing and reporting on risks.

Procedures that include competitive monitoring, training, risk prevention and protection, along with the initiatives of specialised departments, such as the Quality, Health and Safety Department and Information Security, all contribute to the identification, analysis and management of risks.

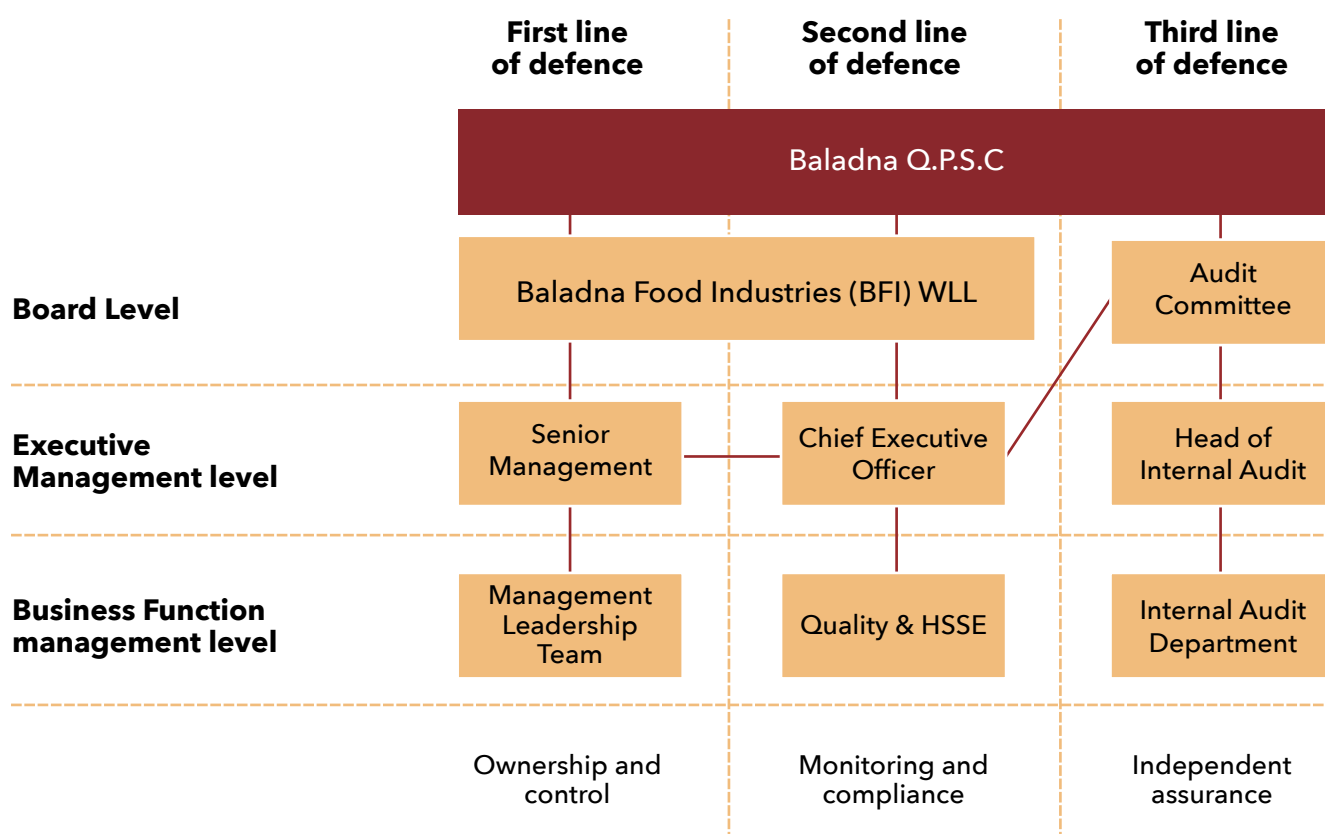
## Baladna's Risk Management Process



## Managing risk

Aligned with industry recognised and adopted best practice, Baladna operates a three lines of defence model to ensure accountability across the Company for governance, management and reporting of risks.

### Baladna's Three Lines of Defence Model



### Risk monitoring and reporting

Baladna's business risk register is reviewed quarterly by the Baladna Leadership Team for each business area. It is then consolidated and challenged by the Quality Department. The Quality Department presents the most significant risks that Baladna faces to the

Company's Chief Executive Officer and Leadership Team. A map of Baladna's Principal Risks and risk mitigation plans is reviewed and assessed, and this work serves as the basis for the presentations made to Baladna's Audit Committee.

## Baladna's crisis management structure

Baladna has developed a major incident and crisis management protocol, which can be activated if an abnormal or unstable event threatens the Company's strategic objectives, reputation or ongoing viability.

The approach to these types of incidents is based on industry standards and best practice. It incorporates a three-tiered response system to ensure rapid decision-making and action.

