

EOH ENTERPRISE RISK MANAGEMENT POLICY

EOH 000 GRC POL 04

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1. Introduction

The effective management of risk is central to the continued success and growth of EOH in line with its philosophies of Best People, Partner for Life, Right 1st Time, Sustainable Transformation and Lead and Grow. The philosophies support the vision to be the best technology and business solutions company to work for, partner with and invest in.

EOH's philosophies drive the design of the ERM operational risk program and are based on the principle of *learning drives root cause corrective action*.

The EOH Group ERM framework drives the design and deployment principles of the enterprise-wide operational risk programme.

The identified risks, their likelihood of occurrence, severity if occurred, mitigating measures (controls/procedures) and the risk management outcomes need to be discussed on a regular basis. Risks need to be ranked and prioritised to ensure a swift response and interventions to mitigate risks outside of tolerance levels. Liquidity risks need to be managed on a short-term and long-term basis ensuring the pairing of known cash in and outflows, with predictions of expected cash flows.

The deployment of the EOH ERM programme is based on the centre, divisions, clusters and business units taking on various degrees of responsibility. The EOH ERM Programme is an integrated endeavour underpinned by active sponsorship from the EOH Board, EOH Risk Committee and EOH EXCO.

The ERM programme has distinct committees within the structures including defined roles to deliver the operational outputs on an on-going and consistent manner, and according to the EOH Annual ERM Plan.

2. Risk Management Policy

EOH's risk management policy is to ensure the consistent application of the ERM framework, ensuring a standardised, consolidated and transparent ERM System Framework, approach and process for organisational Enterprise Risk Management to ensure the appropriate management of all types of risks across EOH.

The core objectives of EOH's risk policy are:

1. To protect shareholder value by understanding and minimising the impact of uncertain future events;
2. To maintain EOH's Group ERM framework;
3. To provide an information platform for more effective Group strategic and operational planning;
4. To enhance organisational resilience by maintaining an embedded ERM culture;
5. To provide an information system to deal more effectively with potential business disruptions thereby minimising the financial impact on the organisation; and
6. To provide a structure and systematic process to learn from loss events and to put the necessary controls in place to prevent the recurrence of such incidents.

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3. Implementation of Risk Policy

EOH will adopt a structured approach to risk management to ensure a consistent approach to the assessment and treatment of all types of risk, at all levels, and for all significant activities throughout the organisation.

Enterprise Risk Management (ERM) needs to be embedded into all of EOH's critical business processes to prevent an event that might affect EOH achieving its objectives. To achieve this, risks will be identified and managed in a consistent, proactive manner. Similarly, after an event has occurred, EOH will use systematic processes to learn from such occurrences and put the necessary preventative measures in place to prevent the recurrence of such incidents. In this way EOH will drive towards *Right 1st Time* operational excellence.

ERM is the responsibility of line management in all of EOH's Business Units, Clusters, Divisions and at Group level. Those responsible for the management of risks are also accountable for ensuring that the necessary measures to mitigate remain in place and are effective.

Good corporate governance will be achieved through the regular review, measurement, reporting and communication of risks.

EOH's EXCO will monitor and review the organisation's risk management framework ensuring compliance with applicable standards and best practice and report its findings to the EOH Risk Committee and EOH Board on a regular basis.

4. Risk Framework

The EOH ERM framework will be consistently applied for the management of all risks (operational, projects, strategic). The most significant components of the EOH ERM framework are set out below, namely:

1. EOH ERM Guideline enabling and ensuring management accountability for risk management through consistent best practice methodology and approach for risk management.
2. EOH ERM Standards that set the minimum requirements for risk management per risk management level.
3. EOH ERM Risk Analysis Framework, supporting standardised evaluation practices of risks.
4. EOH ERM System access with supporting functionality driving organisational consistency and reporting of risks (BarnOwl).
5. EOH ERM Structures with defined roles and responsibilities.
6. EOH ERM Annual Plan facilitating business management planning.
7. EOH ERM Committees, TOR's and KPI's are set for control.
8. EOH ERM Forums to support the sharing of good risk management practices.

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5. Risk Structure

The ERM structure for implementation and control is as follows:



Fig 1: EOH ERM Structure

6. Risk tolerance, defence and mandates

ERM Risk Tolerance is the risk that a Business Unit, Cluster, Division and / or Group is willing and able to accept in order to continue to deliver on its business strategy and objectives. The risk tolerance level is set at 10% of Net Profit after Tax supported by *three lines of defence*, namely:

1st Line: Operating Divisional Management

The Group's first line of defence is the senior executives and business unit managers who are directly responsible for EOH's business operations. They are accountable for:

- Managing the day-to-day risk exposures by applying appropriate procedures, internal controls and Group policies;
- The effectiveness of risk management and risk outcomes;
- Allocating resources to execute risk management activities;
- Tracking risk events and losses;
- Identifying occurrences and implementing remedial actions to address these occurrences; and
- Reporting and escalating material risks and issues to the Chief Risk Officer and Risk Committee.

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2nd Line: Group Risk Function

The Chief Risk Officer is a member of the EOH Executive Committee and is accountable for the effectiveness of the risk management function. The Chief Risk Officer reports to the Group CEO and has direct and unrestricted access to the Risk Committee Chairman. The Chief Risk Officer is responsible for developing Group-wide risk management policies, overseeing their implementation and reporting on risk issues to the EOH Executive Committee.

3rd Line: Assurance

The third line of defence comprises the Group's independent assurance functions that provide an independent and balanced view of all aspects of risk management (both first and second line of defence) across the Group to the various governance bodies within the Group.

The Chief Risk Officer and EOH CEO are mandated to escalate risks to the EOH Board.

7. Policy Approval

The policy is a controlled document and all changes should be requested from the EOH GRC Manager.

The policy is effective immediately upon signature and will apply to EOH, its subsidiaries, affiliates and businesses.



EOH Chief Risk Officer

2016.06.22

Date