



## RISK MANAGEMENT PLAN

<b>Policy #</b>	BW-GRP – RMPL	<b>Effective Date</b>	24 March 2020	<b>Email</b>	I PontshoM@Barloworld.com
<b>Version</b>	5	<b>Contact</b>	Pontsho Mokoena	<b>Phone</b>	++27 11 445 1826

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### PURPOSE

The purpose of the Risk Management Plan is to provide direction to the organization with regard to the implementation of its risk management activities.

### SCOPE

#### Policy Application

This policy applies to Barloworld Limited and all Barloworld divisions. Sub-divisions, companies, joint ventures where Barloworld has a majority shareholding, management control or a relevant agreement, and other entities within each division are to comply with this policy

#### Risk Management Structure and Responsibilities

##### Employees

Every Barloworld employee is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of the risk management strategies. Risk management must be integrated with other planning processes and management activities.

##### Board of Directors

"The governing body should delegate to management the responsibility to implement and execute effective risk management." King IV, Principle 11, clause 5.

Barloworld's Board, through the Risk and Sustainability Committee, is responsible for the risk management process within the Barloworld Group. The Risk and Sustainability Committee operates within approved Terms of Reference to assist the Board in fulfilling its oversight responsibilities. The Board proactively oversees Barloworld's risk strategy formulation, risk methodologies and risk assessments, as well as reinforces the Group's commitment to sound risk management. The Board ensures that management has in place appropriate capabilities to implement approved risk responses. The Board ensures, through the Risk and Sustainability Committee that it receives and reviews regular reports on risks and the risk management process.

##### The Risk and Sustainability Committee

The Risk and Sustainability Committee, established and empowered by the Board, operates within Terms of Reference established by the Board. The Risk and Sustainability Committee assists the board in reviewing the risk management process and the significant risks facing the company.

### Group Chief Executive Officer and Divisional CEO's

The Group Chief Executive Officer and Divisional CEO's are accountable for the implementation and maintenance of sound risk management.

### The Chief Financial Officer

The Chief Financial Officer is accountable through the Risk and Sustainability Committee for the implementation of this plan.

### The Group Executive: Risk and Insurance (GE: R&I)

The role of the GE: R&I is to provide a resource and focus for the development and implementation of the risk management policy. The GE: R&I will maintain regular contact and involvement with the divisions to ensure that the policy is implemented and be available for advice on risk management issues. The GE: R&I will, where appropriate, transfer risk management knowledge within the Group. The GE: R&I is responsible for the provision of the risk management techniques used by the organisation for the identification, assessment, management and treatment of risks on an appropriately uniform basis throughout the Group.

## **APPROACH**

<b>1.</b>	<b><i>Training and Awareness Programmes</i></b>
	<p>Management is accountable to provide the board with assurance that the risk management plan has been widely distributed throughout the business and that risk management has been integrated and embedded in the business activities and culture of the organisation.</p> <p>The assurance, unless otherwise specifically agreed by the GE: R&amp;I will comprise an annual, documented, comprehensive assessment outlining, at a minimum, the appropriate training for staff at different levels.</p>
<b>2.</b>	<b><i>Risk Monitoring</i></b>
	<p>The board must ensure that management monitors the risk management plan effectively and continually. In fulfilling its responsibility, the board should ensure that management, among others, performs the following monitoring measures:</p> <ol style="list-style-type: none"><li>1. measuring risk management performance against risk indicators; the risk indicators should be periodically reviewed for appropriateness;</li><li>2. periodically measuring progress against, and deviation from, the risk management plan;</li><li>3. monitoring changes in the external and internal environment;</li><li>4. determining the impact of environment changes on the strategic risk profile of the company;</li><li>5. ensuring that risk responses are effective and efficient in both design and operation;</li><li>6. tracking the implementation of risk responses;</li><li>7. analysing and learning lessons from changes, trends, successes, failures and events (including near-misses); and</li><li>8. identifying emerging risks.</li></ol> <p>Responsibilities for monitoring should be clearly defined in the risk management plan.</p>
<b>3.</b>	<b><i>Assurance of the Risk Management Process</i></b>
	<p>Management is accountable to provide the board with assurance that it has implemented and monitored the risk management plan and that it is integrated in the day-to-day activities of the company.</p> <p>The Group Internal audit function should provide independent assurance in relation to risk management. Internal audit does not assume the functions, systems and processes of risk management, but provides independent assurance to the board on the integrity and robustness of the risk management process. Each year, internal audit should provide a written assessment of the effectiveness of the system of internal controls and risk management to the board.</p>

<b>4.</b>	<b><i>Annual Review</i></b>
	The Risk Management Plan will be reviewed biennially by the Risk and Sustainability Committee.
<b>5.</b>	<b><i>Determination of the Levels of Risk Appetite</i></b>
	On an annual basis, management will recommend the group and divisional risk appetites to the board.
<b>6.</b>	<b><i>References</i></b>
	Reference has been made; inter alia, to the King IV Report, ISO 31000 "Risk management – Principles and guidelines" as well as the COSO documentation relating to Enterprise Risk Management.
<b>7.</b>	<b><i>Information and/or Advice</i></b>
	Information and/or advice relating to this policy document can be obtained from the Head: Group Risk & Insurance, contact information below:  E-mail address – <a href="mailto:PontshoM@barloworld.com">PontshoM@barloworld.com</a> Telephone number - +27 11 445 1826 Mobile number - +27 82 211 5151
<b>8.</b>	<b><i>Date of Review</i></b>
	This policy was reviewed on 16 March 2020

#### VIOLATIONS

Due to the varying nature and location of our businesses, local practices and different legal requirements, each division or subsidiary may use their own defined violations sections where the wording below is not appropriate. Any violation of this plan may result in disciplinary action, up to and including termination of employment. Barloworld reserves the right to notify the appropriate law enforcement authorities of any unlawful activity and to cooperate in any investigation of such activity. Barloworld does not consider conduct in violation of this plan to be within an employee's or involved person's course and scope of employment, or the direct consequence of the discharge of the employee's or involved person's duties. Accordingly, to the extent permitted by law, Barloworld reserves the right not to defend or pay any damages awarded against employees or involved persons that result from violation of this plan.

#### RELATED DOCUMENTS

Barloworld Risk Management Policy

King IV Report on Corporate Governance for South Africa 2016

Risk Categories/Sources

Annexure A – Guidelines for the Execution of the Barloworld HLRA Process

#### APPROVAL AND OWNERSHIP

Owner	Title	Date
<i>Pontsho Mokoena</i>	<i>Head: Group Risk and Insurance</i>	<i>24 March 2020</i>
Approved By	Title	Date
<i>Risk and Sustainability Committee</i>	<i>Risk and Sustainability Committee</i>	<i>24 March 2020</i>

**REVISION HISTORY**

<b>Version</b>	<b>Revision Date</b>	<b>Review Date</b>	<b>Description</b>
5	16 March 2020	16 March 2020	<i>Group wide review and incorporation of King IV requirements.</i>

## **Annexure A – Guidelines for the Execution of the Barloworld HLRA Process**

### **1. Application**

This policy applies to Barloworld Limited and all Barloworld divisions. Sub-divisions, companies, joint ventures where Barloworld has a majority shareholding and/or management control and other entities within each division, are to comply with the policy. Given the different structures within each division, it is not practical to indicate how many levels down the divisional structure should be involved but the process needs to be completed to at least include middle management level.

### **2. The Process**

The process used within Barloworld Limited is referred to as the HLRA process. The group does not subscribe to COSO or ISO 31000; rather the process used is tailor made for the group and uses, where appropriate, parts of the COSO and ISO methodologies.

### **3. Timing**

#### **3.1 Returns to the Corporate Office**

A fully completed Risk Register containing each division's top 20 risks must be submitted to the Corporate Office by 31 March annually. Returns are required from:

Barloworld Equipment South and Southern Africa  
Vostochnaya Technica  
Barloworld PLC and Equipment UK  
Barloworld Automotive  
Barloworld Logistics  
Barloworld Limited

In addition, the top twenty risks reflected on divisional risk registers, are to be updated as at the end of September and submitted to the Corporate Office before the end of October annually. Please ensure that "new" top risks are considered and included in the Risk Register where appropriate.

#### **3.2 Ongoing Management within the Division**

Risk management should be a separate agenda item at every board and/or management meeting. The full Risk Register should be included in the meeting pack and the Chairperson of the meeting must ensure that appropriate time is spent discussing the top risks as well as any new risks which have arisen since the previous meeting. The discussion must be minuted and the Risk Register updated if necessary.

### **4. Annual Workshop Process**

4.1 It is expected that the HLRA process will be done, in a systematic, documented and formal fashion in a workshop type environment "fresh" each alternate year i.e. without reference to prior work done. It is important that the workshop is attended by senior management representing all significant business areas of the entity for which the risk assessment is being done, including the CEO. Please ensure that sufficient time is set aside for the Risk Register to be fully completed in the workshop.

4.2 The annual HLRA workshop must commence with a review of the strategic objectives for the specific purpose of identifying those risks which could impact on the successful achievement of the objectives. In order to manage this process, it is essential that the facilitator and all persons present at the workshop are in possession of a summary of the strategy document. This should be supplemented with a list of the risk categories/sources. (See Annexure A). Two goals need to be achieved at the workshop:

- ensure that all risks which may impact achievement of the strategy are identified
- ensure that risks from all the risk categories/sources have been identified.

4.3 Please ensure that you have an experienced facilitator leading the session and managing group dynamics. The facilitator should ideally be the CEO/MD i.e. the person ultimately responsible for the management of risks in the entity. Under no circumstances must the facilitator "double up" as the record/minute taker.

- 4.4 The HLRA process must endeavour to identify **all** risks and opportunities emanating from the triple context (economy, society and environment) in which the organization operates and the capitals that the organization uses and affects.  
– King IV, Principle 11, clause 6.a.

The six capitals are financial, manufactured, intellectual, human, social and relationship, and natural capital.

The top 20 concept is used purely for the submission of divisional Risk Registers to the Corporate Office.

- 4.5 The “fresh” HLRA exercise (referred to in point 4.1) should be done using best judgement as at the date of the exercise and with a time horizon going forward, in the first instance, of one year, but major risks should also be considered using a time horizon of five years.
- 4.6 Please make reference to the most recently completed Internal Audit report that you have received and ensure that you take note of findings/areas of non-compliance/areas for improvement for the specific purpose of reducing/eliminating these findings in future audits.
- 4.7 You are encouraged to invite trusted third parties to your divisional discussion at which the submission to the Corporate Office will be formulated. Third party involvement often curtails “group think”.
- 4.8 Barloworld Group Internal Audit Services (BGIAS), Legal and Risk Services are to be invited to every annual HLRA workshop.
- 4.9 In the alternate years in which the “fresh” HLRA is not being done, the most recent risk register must be reviewed and updated using the same approach as is used annually for the September year end risk register.

## 5. **Detailed Explanation of each of the Column Headings in the Risk Register**

### 5.1 Division and Business Unit (Under the heading Risk Register)

The name of the entity completing the Risk Register.

### 5.2 Home Currency and Reporting Currency

This portion need only be fully populated if the completed risk register is going to be consolidated with risk registers in a different currency e.g. Home Currency of Handling Russia would be Ruble/Dollar. Reporting Currency may be Sterling i.e. Handling UK.

### 5.3 Date

The date on which the Risk Register is being completed.

### 5.4 Risk Appetite

The value of the divisional risk appetite number must be inserted here – no currency denomination and commas to denote the ‘000s. If the entity whose risks are being assessed does not have such a number, the financial manager of the entity must provide an estimate of the number in consultation with the Financial Director of the division.

### 5.5 Key Business Objective

The strategic objective/s against which the risk has been identified.

### 5.6 Business Risk

A description of the risk.

### 5.7 Risk Consequences

A description of what would happen if the risk became an actuality.

### 5.8 Risk Source

A description of the underlying source of the risk.

### 5.9 Probability

Using the table below, the workshop attendees must agree on the likelihood of the risk happening. The drop down box provides for each of the alternatives listed under Description below.

The facilitator must ensure that no cognisance is taken of current controls in place when the decision regarding probability is taken. The likelihood of the risk should also not be influenced by the impact.

PROBABILITY / LIKELIHOOD			%	Scale
DESCRIPTION	GUIDELINES	SCALE		
Almost Certain	This is a significant threat that could occur at any time. Immediate remedial action is required to remove or reduce the risk.			19 events every 20 years
Likely	The threat exists and it indicates high probability. Action is required to reduce this risk.			3 events every 4 years
Moderate	The threat exists but the history or expectation of this type of situation indicates occurrence is moderately probable. Action could be taken to reduce this risk but it is unlikely to be cost beneficial.			1 event every 2 years
Unlikely	A slight threat is perceived from this source but the situation is unlikely to occur. No action is required to reduce this risk, unless the business demands minimal risks.			1 event every 4 years
Rare	No perceived threat exists from this source. No action is required to reduce the risk.			1 event every 20 years

5.10 Severity

Using the table below, the workshop attendees must agree on the severity of the event should the risk materialise. The drop down box provides for each of the alternatives listed under Description below.

The facilitator must ensure that no cognisance is taken of current controls in place when the decision regarding severity is taken and must assume 100% probability when measuring severity.

**SEVERITY / IMPACT** **Reporting Currency**

	DESCRIPTION	GUIDELINES	SCALE	Potential Loss
10	<i>Death</i>	<i>Any event/incident that could result in one or more deaths</i>	<b>50</b>	
9	<i>Catastrophic</i>	<i>Loss of agency, Barloworld brand reputational issue, material financial loss, a sudden, extensive, or notable disaster or misfortune. A catastrophic failure is a sudden and total failure of some system from which recovery is impossible. Catastrophic failures often lead to cascading systems failure.</i>	<b>5</b>	
8	<i>Critical</i>	<i>A crisis or turning point, being in or verging on a state of crisis or an emergency, fraught with danger, grave, dangerous.</i>	<b>4</b>	
7	<i>Major</i>	<i>Occupational threatening injury or illness, major/substantial damages, will exceed contingency, dividend at risk, very serious, requiring great attention or concern.</i>	<b>3</b>	
6	<i>Serious</i>		<b>2</b>	
5	<i>Moderate</i>		<b>1</b>	

4	<i>Marginal</i>		<b>0.5</b>	
3	<i>Minor</i>		<b>0.25</b>	
2	<i>Negligible</i>		<b>0.125</b>	
1	<i>Insignificant</i>		<b>0.063</b>	

5.11 Value of Untreated Risk

The Value of Untreated Risk formula is built into the model and the number will appear once the Probability and Severity drop down boxes have been selected. This number provides an indication of the quantum of the Untreated Risk taking into account the probability and severity levels entered and assuming that no controls are in place.

5.12 Description of Controls currently in place

All controls currently effective and in place relating to the described risk. Future and planned controls should form part of the action plans.

5.13 Responsibility

The identity of the person/s responsible for the controls described in the previous column.

5.14 Quality of Existing Control Environment

Using the table below, the workshop attendees must agree on the effectiveness i.e. quality, of the controls currently in place to reduce the risk as described. The drop down box provides for each of the alternatives listed under Description below. In some cases, the controls described may be functioning fully effectively but may not be adequately designed to reduce the described risk, in which case the measurement of Partially Effective or Ineffective may be used.

QUALITY OF CONTROL ENVIRONMENT	
DESCRIPTION	GUIDELINES
Ineffective or absent 5%	Control is highly ineffective, or not in place at all.
Partially effective 50%	Control is only partially effective at times.
Effective 75%	Only effective under normal operating conditions.
Very effective 90%	Effective even under abnormal conditions.
Highly effective 95%	Completely effective. A minimal loss or no loss will occur

5.15 Residual Risk Value

The Residual Risk Value formula is built into the model and the number will appear once the Control drop down boxes have been selected. This number provides an indication of the quantum of the risk taking Probability, Severity and Current Controls into account.

5.16 Rating

The colours indicate the value of the risk as it compares to the risk appetite.  
 Black = Residual Risk Value exceeds risk appetite  
 Red = Residual Risk Value is just below but close to the risk appetite  
 Yellow = Residual Risk Value is clear of the risk appetite  
 Green = Residual Risk Value is well below the risk appetite

5.17 Residual Risk Value Change

This column reflects the quantum difference between the risk prior to controls being applied and the risk after the application of controls.

5.18 Management Risk Response

The drop down boxes provide four alternatives for addressing each risk

Risk responses are not necessarily mutually exclusive or appropriate in all circumstances. The options include the following:



- a) **Avoiding** the risk by not starting the activity that creates exposure to the risk;
- b) **Treating**, reducing or mitigating the risk, through improvements to the control environment such as the development of contingencies and business continuity plans. Risk treatment may include methods, procedures, applications, managements systems and the use of appropriate resources that reduce the probability or possible severity of the risk.
- c) **Transferring** the risk exposure, usually to a third party better able to manage the risk, for example, through insurance or outsourcing;
- d) **Tolerating** or accepting the risk, where the level of exposure is as low as reasonably practicable or where there are exceptional circumstances;

Selecting the most appropriate response involves balancing the costs and effort of implementation against the benefits derived. Note that the decision taken in respect of risk response can lead to the creation of another risk.

Risk response should be used to determine the next course of action e.g. reduction will require further controls/actions to be implemented to further reduce the residual risk value as required to be detailed in the next column. Risk acceptance should be reserved for risks where the residual risk value is below the risk appetite and no further action is deemed necessary or possible by management.

#### 5.19 Controls/Actions to be implemented to further reduce the Residual Risk Value

This is the crux of the risk management process which entails the planning, arranging and controlling of activities and resources to minimize the impacts of risks to levels that can be tolerated by shareowners and other stakeholders.

This is where the further actions and controls to address existing identified risks are recorded. Subsequent performance in managing risks should be measured against the implementation of these controls. These should be in sufficient detail to ensure that the reader can assess whether these address the residual risk and can be monitored by management. Alternatively, the risk register could also refer to detailed action plans that contain the detailed action and responsible parties. Controls/actions should also be identified keeping in mind that it is required that progress against set actions must be measurable.

#### 5.20 Responsibility

The names/s of the person/s responsible for the implementation of these new controls.

#### 5.21 Due Date

The date by which the new control/s is/are to be in place must be inserted here. Subsequent performance measurement should be assessed against this due date.

### 6. Risk Management Documentation

To manage risk properly, appropriate documentation is required.

Every entity is required to maintain a Risk Register in so far as risks impact on their respective responsibilities. Information from these HLRA's must be collated at divisional level and a divisional HLRA must be maintained. The top 20 risks from the divisional HLRA must be provided to the Group Executive: Risk and Insurance by 31 March annually. This information will be provided to the Risk and Sustainability Committee who will use this information to assist them in the development of a Barloworld Limited Risk Register. The Divisional Risk Register must be completed in full and maintained in an up to date format.