

# Risk committee report

The Group strives to maintain an appropriate balance between risk and reward, recognising that certain risks need to be taken to achieve sustainable growth and returns while at the same time protecting the Group and its stakeholders against avoidable risks.

## RESPONSIBILITY

The board is responsible for the governance of risk and has appointed a risk committee to review the risk management progress of the company, the effectiveness of risk management activities, the key risks facing the company and the responses to the risk.

This process is managed in accordance with the Group's risk management charter.

## MEMBERS OF THE RISK COMMITTEE

The risk committee formally convenes twice a year and consists of the members of the audit committee, the chief executive officer, chief financial officer and the chief risk officer. The composition of the committee ensures a good balance of executive and independent input.

Members of the committee consisted of Mr M H Ahmed (chairperson), Ms N B Jappie, Ms K F Mahloma, Mr S A Queen, Mr G D T Wege and Mr D Levin (chief risk officer). Despite not consisting of a majority of non-executive directors as envisaged by King IV™, the board is of the opinion that the current composition of the committee is satisfactory to discharge the committee's roles and responsibilities.

## MEETINGS

The committee holds a minimum of two meetings per annum. Additional meetings are convened on request of any members. The table below records the attendance of committee members at meetings:

	26 May 2020	12 November 2020
M H Ahmed	√	√
K F Mahloma	√	√
N B Jappie	√	√
S A Queen	√	√
G D T Wege	√	√
D Levin	√	√

√ In attendance

## RISK MANAGEMENT APPLICATION

In fulfilling its duties, the committee reviewed:

- risks related to new acquisitions and disposals;
- the treasury function covering liquidity, banking covenants, credit risk and foreign exchange risks;
- the Group's facilities, which are provided by its commercial bankers;
- the Group's main credit exposures;
- the Group's foreign exchange mandate, which requires that at least 50% of forex exposure is covered;
- the Group's safety, health and environmental (SH&E) and security risk control programme, which entails the continual auditing of all sites on an annual basis by the Group's operational compliance officer, and in terms of which selected sites are reviewed by independent risk consultants on a rotational basis;
- the insurance programme, in terms of which Group assets are insured subject to specific policy conditions, limits and deductibles;
- any fraud matters identified either by internal audit and/or via the independently managed ethics whistle-blower hotline;
- information technology risks as identified by the Group head of IT through continual assessment and monitoring; and
- material legal disputes.

The chairperson of the committee reports to the board on the most significant risks derived from the above. This continual emphasis on risk management assists the board to foster a culture in the Deneb Group that emphasises and demonstrates the benefits of a risk-based approach to internal controls and the management of the Group.

## INTERNAL CONTROLS AND COMBINED ASSURANCE FRAMEWORK

Deneb operates a combined assurance framework, which aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers, on the risk areas affecting the Group. The combined assurance framework is integrated with the Group's risk management approach. Risks facing

the Group are identified, evaluated and managed by implementing risk mitigations, such as insurance, strategic actions or specific internal controls.

The Group's internal controls and systems, which are reviewed by the audit committee, are designed to provide reasonable assurance as to the integrity and reliability of the financial and operational management information that assets are adequately safeguarded against material loss and that transactions are properly authorised and recorded. Internal controls also provide assurance that the Group's resources are utilised efficiently and that the activities of the Group comply with applicable laws and regulations.

The assurance obtained informs executive management about the effectiveness of the Group's internal controls in respect of significant risks. The risk committee, which is responsible for the oversight of risk management at Deneb, considers the risks and the assurance provided through the combined assurance framework and advises the board on the state of risks in Deneb's operating environment.

This information is used as the basis for the board's review, sign-off and reporting to stakeholders, via the integrated annual report, on risk management and the effectiveness of internal controls within Deneb by the audit committee. Deneb's combined assurance framework is based on Enterprise Risk Management best practice, as set out below.

## MATERIAL RISKS

A description of all immediately identifiable material risks specific to the company, its industry and/or its issued ordinary shares are available at [www.deneb.co.za](http://www.deneb.co.za)

The Deneb risk committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.



# Risk committee report (continued)

