Enterprise Risk Management Framework

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ERM Framework Custodian

RBPlat Board

Document Owner

Executive: Risk and Assurance
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<th>Date</th>
</tr>
</thead>
</table>

**Document Purpose**

The purpose of this document is to outline the Enterprise Risk Management (ERM) Framework within RBPlat which contextualizes risk management and describes the components thereof, as a whole, within our business as well as how RBPlat implements these components.
# Table of Contents

1.0 EXECUTIVE SUMMARY .................................................................................................................. 5  

1.2. ERM OBJECTIVES .......................................................................................................................... 6  

1.3. ERM FRAMEWORK DEVELOPMENT ......................................................................................... 7  

2.0 INTRODUCTION ............................................................................................................................. 8  

2.1. THE ENTERPRISE RISK MANAGEMENT ENVIRONMENT .......................................................... 9  

2.2. THE JOURNEY OF ERM ............................................................................................................... 10  

3.0 ERM CONTEXT .............................................................................................................................. 11  

3.1. ERM CULTURE - BEHAVIOURS ................................................................................................. 11  

3.2. ERM PHILOSOPHY ....................................................................................................................... 11  

3.3. ERM VISION ................................................................................................................................. 12  

3.4. ERM OBJECTIVES ....................................................................................................................... 13  

4.0 ERM FRAMEWORK ......................................................................................................................... 14  

4.1. OVERRIDING PRINCIPLES ........................................................................................................... 15  

4.2. BUSINESS STRATEGY, ERM STRATEGY AND RISK APPETITE ............................................. 15  

4.3. ERM GOVERNANCE ..................................................................................................................... 19  

4.4. ERM PROCESSES ......................................................................................................................... 34  

4.5. RISK CALCULATIONS .................................................................................................................... 48  

4.6. ERM POLICIES ............................................................................................................................. 50  

4.7. RISK REPORTING ......................................................................................................................... 53  

4.8. ERM COMMUNICATION, EMBEDDING, MONITORING, REVIEWING AND IMPROVING ....... 56  

4.9. PEOPLE AND CULTURE .............................................................................................................. 58  

5.0 APPENDIX A: DOCUMENTS REFERENCED IN THIS DOCUMENT ............................................ 59
Table of Figures

Figure 1: RBPlat ERM maturity model .................................................................................................................. 10
Figure 2: RBPlat Risk Philosophy Components ........................................................................................................ 12
Figure 3: RBPlat ERM Framework .......................................................................................................................... 14
Figure 4: RBPlat Risk Appetite Approach .................................................................................................................. 16
Figure 5: RBPlat Risk Appetite Input Considerations ............................................................................................... 16
Figure 6: RBPlat Risk Appetite Decision Filters ......................................................................................................... 17
Figure 7: Risk appetite construction ......................................................................................................................... 18
Figure 8: RBPlat 'Three Lines of Defence' Governance Model .................................................................................. 19
Figure 9: Business Dependency Model ..................................................................................................................... 39
Figure 10: RBPlat Risk Appetite calculation ................................................................................................................ 49
Figure 11: Risk Governance Communication .......................................................................................................... 56
1.0 EXECUTIVE SUMMARY

The underlying premise of Enterprise Risk Management is that every entity exists to provide value for its stakeholders. All entities face uncertainty and the challenge for management and the Board is to determine how much uncertainty to accept, as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Enterprise Risk Management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value.

The aim of the Enterprise Risk Management framework is to provide a structure within which management can operate to enforce the pro-active Enterprise Risk Management process and to inculcate a risk management culture throughout RBPlat and its mining operations and to further ensure that the risk management efforts of RBPlat are optimised.

RBPlat describes risk as the potential that an undertaken action or activity will not result in RBPlat achieving its strategic business objectives but through the use and application of suitable response procedures and/or controls to reduce the impact on strategic business objectives.

Some of the key changes affecting the mining industry which are forcing it to dynamically change the way business is conducted includes:

- Introduction of new legislation by regulators and government
- Recent developments in terms of labour relations which will changed the future mining landscape
- Global economic turmoil and its impact on financial markets
- Challenging operational environment (e.g. costs and grade) in the platinum mining sector
- The impact of climate change and associated catastrophe risks associated therewith

The introduction of these changes to an industry which has been largely relatively stable has led to a focus on risk management.

The development of the ERM framework has been commissioned by the RBPlat Board and Executive Committee who believe it to be good business practice and an integral part of RBPlat’s approach to managing the changes mentioned above. The development of the framework is also a key requirement of King 3 and will enhance compliance to the new Companies Act and other relevant legislation.

1.1.1. ERM Maturity Model

The ERM maturity model (figure 1, pg 10) describes which stages RBPlat (and other organisations) go through in order to “grow” into mastery in Enterprise Risk Management. While this growth is a long-term process and substantial effort is required to move between each ERM maturity stage, RBPlat is committed to move from its current state (“Emerging”) to a state of “Optimised” by 2015 thereby not only ensuring improved ERM practices but also bringing RBPlat in line with the industry leaders in risk management.
1.2. **ERM Objectives**

The RBPlat ERM Objectives are:

- To support the Board of Directors in its responsibilities with respect to the furtherance of the safe and sound operation of the business and the protection of all stakeholder interests
- To institute appropriate (with due consideration for the nature, scale, and complexity) resources, strategies, policies, and procedures for identifying, measuring, monitoring, managing, and reporting of all material risks RBPlat may be exposed to and which is able to be adapted as the business and the external environment change
- Establish an enterprise wide risk awareness culture of identifying, quantifying managing and reporting of risks within all levels of the organisation i.e. strategic, process, operational level
- Identify and seize business opportunities and meet acquisition targets (where required)
- Enhance the internal control environment in RBPlat
- Ensure Earnings Stability
- Protect against unforeseen losses
- Meet all regulatory requirements where applicable

To support the attainment of these objectives, RBPlat has adopted:

- The implementation of a Risk and Compliance Management Control Function, Internal Audit Control Function (outsourced) a Sustainable Development Control function, which includes Safety, Health and Environment and Community Development (at the mining operations).
- A Compliance Framework to ensure adherence to all regulatory requirements, including those pertinent to risks and risk management.

In addition, RBPlat will aim to develop and implement:

- An internal Control Framework which will provide management control assurance and will focus on improving our ability to manage risk effectively, so that we can quickly and confidently act on opportunities to gain competitive advantage, create further value and achieve sustained growth.
- A Governance Framework which will ensure good governance is achieved through the regular measurement, reporting and communication of risk management performance. This will include measuring the progress of risk management plans and assessing the overall maturity of the risk management programme.
- A Combined Assurance Plan to ensure adequate assurance is provided across the RBPlat business, especially with financial and operational control systems

RBPlat commits the necessary risk, finance, compliance, internal audit, and governance resources to ensure that the ERM objectives are achieved.
1.3. **ERM Framework Development**

The detail contained in the document herein will provide a process for management to guide the proactive risk and compliance management process and inculcate a risk management culture thereby ensuring that the strategic objectives of the business are optimised. The ERM Framework specifically addresses the structures, processes and standards implemented to manage risks on an enterprise-wide basis in a consistent manner. The framework further addresses the specific responsibilities and accountabilities for the ERM process and the reporting of risks and incidences at various levels within RBPlat ensuring thorough and transparent governance processes.

The Framework also aims, to embed the culture and practice of risk management in our day-to-day business activities – aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties RBPlat faces in creating stakeholder value. Risk Management must be actively managed and reinforced to ensure that it becomes part of RBPlat’s business culture.

Documentation of the ERM framework will provide the initial base for the progression of RBPlat up the ERM maturity scale (described above) to a target state of “Optimised” by 2015. It is prudent to note that concepts documented within this document are in line with existing and anticipated legislation in the mining sector in the forthcoming year. The document owner is very cognisant of the fact that future editions of the ERM framework will take new requirements into account and constant alignment is anticipated.
2.0 INTRODUCTION

The underlying premise of ERM is that every entity exists to provide value for its stakeholders. All entities face uncertainty and the challenge for management and the Board is to determine how much uncertainty to accept, as it strives to grow shareholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Enterprise Risk Management enables management to effectively deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value. Value is maximised when management sets objectives to strike an optimal balance between growth and related risks, and effectively deploys resources in pursuit of the entity’s objectives. It is accordingly accepted by all stakeholders that RBPlat will manage the risks faced in its business in an appropriate manner.

This document outlines the RBPlat Enterprise Risk Management Framework.

The aim of the ERM Framework is to provide a structure within which management can operate to enforce the pro-active ERM process and to inculcate the risk management culture throughout RBPlat and to further ensure that the risk management efforts of RBPlat are optimised. It describes RBPlat’s enterprise risk management processes and sets out the requirements for management in generating risk management action, together with furthering risk management assurance. This document further sets out RBPlat’s approach on the management of risk at all levels of the organisation.

The ERM Framework specifically addresses the structures, processes and standards implemented to manage risks on an enterprise-wide basis in a consistent manner. The standards further address the specific responsibilities and accountabilities for the Enterprise Risk Management process and the reporting of risks and incidences at various levels within RBPlat.

RBPlat describes a risk as the potential that an undertaken action or activity will not result in achieving our strategic business objectives but through the use of suitable response procedures and / or controls, the impact on our strategic business objectives can be reduced. Risk management can thus be defined as activities that are undertaken to reduce exposure to loss. Risk management is of the utmost importance to mining companies because of the inherent high risk environment of the industry. There are a host of activities involved in mining related risk management requiring both specialised skills and centralised oversight to perform successfully. In conjunction, there are also multiple changes currently affecting the mining industry globally and locally and future changes are expected to occur as well and these activities are beginning, appropriately, to fall under tighter executive management scrutiny and control.

Some of the key changes affecting the mining sector which are forcing it to dynamically change the way business is conducted include:

- Introduction of new legislation and codes of good practice by regulators/ legislators
- Changing business environment due to the recent breakdown of employee/ union/ employers relationships
- Global economic crises and its impact on financial markets
o The impact of climate change on mining operations and the potential catastrophe risks associated therewith

The introduction of these changes to an industry, which has been relatively stable, has led to an increased focus on risk management.

The ERM Framework will focus on the enhancing of governance and control functions as well as appropriate risk management processes to facilitate the financial and business sustainability of mining and related companies. In addition, it will also ensure compliance to existing and forthcoming legislation including but not limited to:

- The Companies Act (Act No. 71 of 2008) (with amendments)
- King Code of Governance Principles (King III)
- ISO 31000:2009 Risk Management Standard
- Mineral and Petroleum Resources Development Act (with amendments)
- Mine Health and Safety Act
- National Environmental Management Act
- National Water Act
- National Energy Act
- Policy and Standards related to Climate risk
- Other relevant legislation

By defining the ERM framework, it lays the platform to ensure effective assurance to internal and external stakeholders that RBPlat is familiar with the risk universe within which it operates, in order to meet its set objectives, and are able to manage it appropriately.

2.1. **THE ENTERPRISE RISK MANAGEMENT ENVIRONMENT**

2.1.1. **RBPlat’s Definition of Enterprise Risk Management**

Across RBPlat, value is managed on an enterprise-wide basis, and thus it stands to reason that the risks arising from business activities to create this value should also be managed at the enterprise level. Enterprise Risk Management (ERM) is the process that ensures an integrated approach to the management of risks within a complex and ever changing environment. An integrated ERM framework allows risk-based decision making and provides a streamlined process for evaluating opportunities within the business. An enterprise approach to managing risks involves all functional and/or operational divisions and each employee is encouraged to participate in the ERM process and bears responsibility for conducting at their role in the context of organisational risk management.

The nature of mining is uncertainty, which presents both risk and opportunity, with the potential to erode or enhance value and the challenge for executive management is to determine how much uncertainty to accept in the achievement of our business objectives. Enterprise risk management enables management to effectively deal with uncertainty and the associated risk and opportunity, thus
enhancing the capacity to build value. This implies that risk management is not risk avoidance – it is maximizing the risk/return relationship – it is about taking risks knowingly not unwittingly and is an integral part of good management practice and an essential element of good corporate governance.

2.1.2. Benefits of Enterprise Risk Management

Through the implementation of ERM, the following main benefits can be derived:

- Better alignment between RBPlat’s strategy and the management of risk associated therewith (which implies an increased likelihood of achieving the strategy)
- Fewer “shocks” and “unwelcome surprises” across the organisation
- Assurance to internal and external stakeholders that RBPlat is aware of its risk and regulatory universe applicable to its operating environment and is able to manage it adequately
- Ability to better uncover new opportunities and challenges
- Adoption of industry best practice for the management of risk within the mining industry

2.2. THE JOURNEY OF ERM

2.2.1. ERM Maturity Model

The ERM maturity model describes which stages RBPlat (and other organisations) go through in order to “grow” into mastery in Enterprise Risk Management. While this growth is a long-term process and substantial effort is required to move between each ERM maturity stage, RBPlat is committed to move from its current state (“Emerging”) to a state of “Optimised” by 2015 thereby not only ensuring improved ERM practices but also bringing RBPlat in line with best practice for risk management. It will also ensure that other risk categories reach the same level of maturity as the SHE risk management process, but more importantly the full alignment of risk management across the company. ERM is a dynamic concept and the framework will require constant revisiting and updating to meet RBPlat’s strategic objectives and the needs of industry and regulation. The ERM Framework will certainly evolve as RBPlat matures in risk management. The maturity model is displayed below:

Figure 1: RBPlat ERM maturity model

- No explicit risk strategy
- Silo approach, inconsistent methodology
- Address risks individually, focus on compliance
- Focus on new risk categories
- Focus on threats, no opportunity management
- “Risk is not my business” mentality
- RBPlat quoted as best practice
- Pervasive risk management, integrated with company strategy and processes, focusing on value
- Self-monitoring, integrated with EPM
- Fully integrated risk portfolio
- Advance tools (real-time, monte-carlo simulations, etc)
- “Risk is everybody’s business” mentality
3.0 ERM Context

3.1. ERM Culture - Behaviours

All stakeholders within the RBPlat value chain are responsible for the management of risk in accordance with the RBPlat ERM philosophy. The table below describes the ‘right’ Risk Management behaviours we expect all RBPlat internal stakeholders (e.g. employees, contractors, etc.) and external stakeholders (e.g. associated companies, outsource partners etc.) to have.

<table>
<thead>
<tr>
<th>What kind of Risk culture do we want?</th>
<th>The key Risk Management Behaviours</th>
<th>Behaviour Traits</th>
</tr>
</thead>
</table>
| Stakeholders take ownership for the risks in their environment and understand how they impact on RBPlat. | Good business understanding | ○ Stakeholders need to understand, articulate and consistently apply the risk/opportunity 'trade off' in their business decision making  
○ Stakeholder must be able to identify their risk components and be clear in articulating them  
○ Stakeholders must be clear on the impact of the risks in their business decision making  
○ Stakeholders must be able to implement effective controls |
| Stakeholders respond appropriately to risk information | Timeous and appropriate response to risk situation | ○ Stakeholders must reacting and respond appropriately to new risk information  
○ Take correct action where necessary |
| Stakeholders understand the value of rules and policies, adhere to, and challenge them when necessary | Adherence to Standards | ○ Stakeholders understand, comply to and advocate the use of all risk policies, standards and governance frameworks across RBPlat  
○ Rules are adhered to and where not, they are openly challenged |
| Confidence to highlight and challenge inappropriate decisions and information | Clear, open communication channels | ○ Risk issues are openly raised, questioned and highlighted. There is receptiveness to delivering or receiving bad news  
○ Being prepared to challenge and be challenged |
| The right risk decisions are made by the right people | Confidence | ○ Stakeholders feel empowered to make risk based decisions within a limits and authority framework |
| Risk information openly and transparently shared between teams | Collaborative communication | ○ Risk information flows openly within and across the organisation  
○ Risk information is shared and used constructively |

Table 1: Table of the ‘right’ Risk Management behaviours

3.2. ERM Philosophy

RBPlat views risk not only as a threat or uncertainty, but also as an opportunity to grow and develop the business, within the context of our risk appetite. The underlying premise of the RBPlat Risk Management philosophy is a thorough understanding of the risk exposures of RBPlat in order to ensure that management and the Board are appropriately informed to take strategic decisions in the interests of the shareholder and other stakeholders. The risk management system, policies and procedures should be embedded within the organisational culture and be consistent with our long term strategy.
Our risk philosophy is the foundation for our risk strategy and is comprised of three elements:

**Figure 2: RBPlat Risk Philosophy Components**

<table>
<thead>
<tr>
<th>Risk Philosophy Element</th>
<th>Description</th>
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</table>
| 1. Risk Understanding   | o RBPlat will endeavour to identify all material risks within its operations and understand how they impact the business  
                          o RBPlat will ensure that it understands (and meet) all associated regulatory requirements placed on these risks  
                          o RBPlat will limit the taking on of significant risks or risks that would threaten its future ability to operate its mining operations or risks that do not meet set regulatory requirements  
                          o RBPlat will ensure it has the appropriate skills and systems to manage these risks and where this is not possible; we will limit exposure to such risks until we have developed appropriate expertise. |
| 2. Risk Adoption        | o Only risks that do not fundamentally threaten RBPlat’s ability to continue its mining operations will be accepted  
                          o When adopting risks, RBPlat will take a group-wide perspective but recognise that business divisions/operations have the expertise and choice of whether or not to take on certain risks. |
| 3. Appropriate Risk Management for Value Creation | o In executing the business strategy, RBPlat will seek to optimise the risk/return trade off (as opposed to taking a purely loss-minimisation approach).  
                          o Risk is considered in terms of both the potential reward it brings and the threat it presents. In particular, the risk must be appropriately rewarded, allowing for all its characteristics, for the expected return and the relative upside and downside it brings. |

**Table 2: RBPlat Risk Philosophy Element Descriptions**

### 3.3. ERM VISION

The RBPlat ERM Vision Outcomes:

- Risk Management is **driven from the top**
- Risk Management **meets all** internal and external stakeholder requirements
- RBPlat has a **comprehensive understanding** of the risks it faces as a business
- RBPlat is **confident** in its selection of **which risks to adopt** and **how to manage them**
- Risk management techniques are **consistently applied to generate value**
- Effective risk management is an inherent **part of all our day-to-day roles**, thus enhancing the quality of strategic, capital allocation and day-to-day business decisions
- **Staff remuneration and incentives** explicitly **take into account** the extent to which **risk exposures** have linked into results delivered, and whether these risk exposures have complied with the agreed risk appetite
3.4. **ERM Objectives**

The RBPlat ERM Objectives are:

- To support the Board of Directors in its responsibilities with respect to the furtherance of the safe and sound operation of the business and the protection of all stakeholder interests
- To institute appropriate (with due consideration for the nature, scale, and complexity) resources, strategies, policies, and procedures for identifying, measuring, monitoring, managing, and reporting of all material risks RBPlat may be exposed to and which is able to be adapted as the business and the external environment change
- Establish an enterprise wide risk awareness culture of identifying, quantifying managing and reporting of risks within all levels of the organisation i.e. strategic, process, operational level
- Identify and seize business opportunities and meet acquisition targets (where required)
- Enhance the internal control environment in RBPlat
- Ensure Earnings Stability
- Protect against unforeseen losses
- Meet all regulatory requirements where applicable

To support the attainment of these objectives, RBPlat has adopted:

- The implementation of a Risk and Compliance Management Control Function, Internal Audit Control Function (outsourced) a Sustainable Development Control function, which includes Safety, Health and Environment and Community Development (at mining operations).
- A Compliance Framework covering all the approach to adhering to all regulatory requirements, including those pertinent to risks and risk management.

In addition, RBPlat will aim to develop and implement:

- An internal Control Framework which will provide management control assurance and will focus on improving our ability to manage risk effectively, so that we can quickly and confidently act on opportunities to gain competitive advantage, create further value and achieve sustained growth.
- A Governance Framework which will ensure good governance is achieved through the regular measurement, reporting and communication of risk management performance. This will include measuring the progress of risk management plans and assessing the overall maturity of the risk management programme.
- A Combined Assurance Plan to ensure adequate assurance is provided across the RBPlat business, especially with financial and operational control systems

RBPlat commits the necessary risk, finance, compliance, internal audit, and governance resources to ensure that the ERM objectives are achieved.
4.0 **ERM Framework**

The aim of the RBPlat ERM Framework (“the Framework”) is to provide a process for management to guide the pro-active risk and compliance management process and inculcate a risk management culture whereby ensuring that the strategic objectives of the business are optimised. The ERM Framework specifically addresses the structures, processes and standards implemented to manage risks on an enterprise-wide basis in a consistent manner. The framework further addresses the specific responsibilities and accountabilities for the ERM process and the reporting of risks and incidences at various levels within RBPlat ensuring thorough and transparent governance processes.

The Framework also aims, to embed the culture and practice of risk management in our day-to-day business activities – aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties RBPlat faces in creating stakeholder value. Risk Management must be actively managed and reinforced to ensure that it becomes part of RBPlat’s business culture.

The RBPlat ERM Framework comprise of 9 key components, namely:

1. **Overriding Principles**
2. **Business Strategy, ERM Strategy and Risk Appetite**
3. **ERM Governance**
4. **ERM Processes**
5. Risk Quantification
6. ERM Policies
7. Risk Reporting
8. ERM Communication, Embedding, Monitoring, Reviewing and Improving
9. People and Culture

4.1. **OVERIDING PRINCIPLES**

The following key inputs and overriding principles are continually kept in consideration throughout the Framework:

- ERM Context (described in section 2 above)
- Any regulatory requirements
- Royal Bafokeng Holdings/ Anglo American Platinum Guiding Principles (Policies),
- Governance Framework,
- Organisation Structure & Processes

4.2. **BUSINESS STRATEGY, ERM STRATEGY AND RISK APPETITE**

4.2.1. **RBPlat Group Business Strategy**

The RBPlat Business Strategy is developed by RBPlat senior management level and approved by the Board as part of a continuous business review process with consideration of the internal and external environment in which RBPlat operates. Business strategy and plans are independently developed for BRPM and StylDrif operations, which forms the foundation of the overall business strategy and strategic plan for RBPlat. It is used as a primary input to the development of the RBPlat Risk Strategy and RBPlat Risk Appetite.

4.2.2. **Risk Strategy**

Using the RBPlat business strategy as an input, the RBPlat risk strategy will be developed and approved by Board. The risk management strategy includes the risk management objectives, risk management principles and assumptions, risk appetite (in terms of monitoring exposures against tolerances), and assignment of risk management responsibilities across all the activities of RBPlat, consistent with RBPlat’s overall business strategy.

A clearly articulated Risk Strategy for RBPlat thus leads to:

- A guideline for the immediate objectives and focus areas for Risk management within RBPlat
- Transparency and clarity across the business and external stakeholders as to the nature and size of risks RBPlat wants to take on
- A link between the RBPlat business strategy and the defined risk appetite
- Compliance with regulatory requirements
4.2.3. Risk Appetite

Using the RBPlat Business Strategy and RBPlat Risk Strategy as inputs, the RBPlat Risk Appetite Statement will be developed. The Risk Appetite Statement will be used to inform the Target Risk Profile and Risk Appetite Limits for each Level 1 Risk Category (see Risk Categorisation), reflecting an appropriate balance between risk and return which in turn serve as an input to the risk strategy and business strategy.

4.2.3.1. Risk Appetite Approach

- The approach taken to construct the Risk Appetite is depicted below.

![Figure 4: RBPlat Risk Appetite Approach](image)

4.2.3.2. Stakeholder Risk Appetite Expectations

The RBPlat Board has the ultimate responsibility for Risk Management within RBPlat which includes the development of the risk appetite as well as the setting and monitoring of risk tolerances. In line with the above, the following are considered in developing the risk appetite statements and tolerances:

![Figure 5: RBPlat Risk Appetite Input Considerations](image)
4.2.3.3. **RBPlat Group Risk Appetite Filters**

A “filter” approach (depicted below) will be used to determining whether any proposed significant change in business (e.g. acquisitions, technology or process change, regulatory change, etc.) should be undertaken. The propensity, capacity and appetite for business risks associated with business opportunities that RBPlat Group is prepared, willing and able to accept, mitigate and manage can be represented by this approach. This will in turn confirm whether RBPlat Group is prepared to accept the associated risks and uncertainty associated with the opportunity. Each business operation and functional area will be required to follow a formal process and apply the filters when making business decisions to adopt the change. This process will include the completion of formal templates and/or documents demonstrating how the filters were applied as well as motivation for the new/additional risk.

![Figure 6: RBPlat Risk Appetite Decision Filters](image)

4.2.3.4. **Risk Appetite Statement Design**

The Statement is designed to support the RBPlat’s prevailing business strategy and is intended to facilitate decision-making on an informed basis such that there is a direct correlation between RBPlat’s strategy and its risk appetite.

A comprehensive Risk Appetite Statement therefore ensures that decisions are made on an informed basis and that there is a direct correlation between RBPlat’s strategy and its risk appetite. The Statement provides a clear reference point to monitor risk taking and to trigger appropriate action as the boundaries are approached (or breached).

The statement is designed to force the RBPlat Group to **include risk factors in any major strategic or tactical decision** and ask the question: ‘Is this course of action compatible with our risk appetite?’

The objective of the Statement is two-fold:

- To detail the risk agenda of the RBPlat externally to the market place; and
- To provide the basis for an internal risk limit structure consistent with Board strategy

The Statement is constructed as follows:

Once RBPlat’s overarching risk profile has been defined, RBPlat’s appetite for each risk type is articulated in terms of the following structure:
1. The propensity to take risk for a particular risk type refers to the RBPlat’s tendency to accepting or rejecting that risk. In line with its enterprise-wide risk profile, the group therefore has a tendency (i.e. propensity) to:
   a. Tend to avoid the risk;
   b. Tend to be adverse towards the risk;
   c. Tend to be conservative towards the risk;
   d. Tend to be receptive towards accepting the risk, within limits;
   e. Tend to be unlimited towards accepting the risk, unconstrained by limits

2. The risk appetite statement for each risk type represents the prevailing view regarding the quantum of risk that the Group is willing to accept in pursuit of its strategic objectives.

3. The risk measurement approach for each risk type is defined according qualitative and quantitative risks. In many instances (e.g. Legal and Reputational Risk), certain aspects of risk either prevent accurate measurement or make measurement extremely elusive and difficult. In these cases, a qualitative risk measurement approach will be preferred to articulate risk appetite.

4. Propensity to exercise control refers to the level of management control deemed most appropriate for the exercise of control measures around the acceptance of that risk.

5. Risk Tolerance Thresholds are measured by risk type. Breaches of these tolerance levels require specific intervention by the level of management identified at propensity to exercise control level. The thresholds are set according to what level is deemed acceptable, tolerable and unacceptable in defined probability ranges. Exposures that are:
   a. Acceptable (green) breaches of the tolerance target are deemed reasonable and likely do not require specific action other than noting;
   b. Tolerable (amber) breaches of the tolerance target may be tolerated but need to be monitored closely to ensure that the level of exposure does not worsen; and
   c. Unacceptable (red) breaches are unacceptable, and will require an immediate response to ensure that the effects are mitigated or eliminated.

During the initial roll out of the risk appetite, budgets (operational and capital) and the authority limits manual will be used as a basis to determine appetite and tolerance levels. Once the risk appetite and associated reporting has been fully embedded the process will be extended to individual mine and functional area level as part of the journey up the ERM maturity scale.
4.3. **ERM Governance**

The RBPlat Board has the ultimate accountability for risk management within RBPlat and has mandated the establishment of an ERM Framework, the attainment of the ERM objectives and the implementation of associated processes, roles and responsibilities, policies and reporting. The governance for the ERM framework is aligned to the overall RBPlat Governance Framework.

4.3.1. **Three Lines of Defence**

RBPlat has adopted the ‘three lines of Defence’ model, which is emerging as an industry norm, as an overriding guide for the governance of risk. This model is depicted below.

![Figure 8: RBPlat ‘Three Lines of Defence’ Governance Model](image)

4.3.2. **RBPlat Risk Management Governance Framework**

The RBPlat Risk Management Governance Framework is described below. It is an extension of the *RBPlat Governance Framework* and is subject to all requirements and principles described therein (detailed in the *RBPlat Governance Framework* document). The roles and responsibilities below only describe the roles and responsibilities in the ERM context.
Table 3: RBPlat Risk Governance Structure

4.3.2.1. **1st Line of Defence: Chief Executive Officer**

The Chief Executive Officer of RBPlat is accountable to the Board while the Board is accountable to stakeholders for ensuring that the RBPlat has and maintains an effective, efficient and transparent risk management process.

More specifically the CEO’s responsibilities include:

- Recommending to the Board Audit and Risk Committee and/or Board, from time to time, on matters relating to risk thresholds, risk policies, risk framework, risk strategies and the risk philosophy of RBPlat
- Ensuring the development of the necessary ERM framework, risk policies, risk strategy, risk processes, risk reporting mechanisms and risk structures
- Ensuring the roll out of the ERM framework, risk policies, risk strategy, risk processes, risk reporting mechanisms and risk structures into all business areas of RBPlat
- Identifying the risk appetite and risk tolerance levels and obtaining Board approval
- Consider the business’ significant exposure and ensure effective risk assessment criteria is in place
- Ensuring the following:
  - Appropriate leading practice risk management models, standards and techniques are used in the ERM program and system
  - That strategic, process, operational and programme risk assessments are undertaken on at least an annual basis
• That there are effective communication, measuring and monitoring systems in place
• Regular reports on the status of significant risks and related risk treatment plans and the
effectiveness thereof are prepared
• That the managing of risks is everyone’s responsibility within RBPlat and everyone is
aware of that
• That there are effective systems, processes, policies and internal control systems in
place within RBPlat and that they are operational in all respects
• Ensure that the ERM system is linked to RBPlat performance management system
• Appropriate ERM Committees are established and are functioning as intended
  o Attend the Risk and Governance Committee meeting as well as the Board Audit and Risk
    Committee

4.3.2.2. 1st Line of Defence: Executive Committee (‘Exco’)
Exco is accountable to Board for designing, implementing and monitoring the process of risk
management and integrating it into the day-to-day activities of RBPlat.

More specifically, the Exco is responsible for:

  o Designing an Enterprise Risk Management strategy in conjunction with the Executive: Risk &
    Assurance
  o Deciding on the manner in which risk mitigation will be embedded into management processes
  o Developing a culture of risk management in RBPlat
  o Ensuring that adequate and cost effective risk management structures are in place
  o Developing and ensuring the implementation of risk management plans including:
    • Actions to optimise risk/ reward profile, maximise reward with risk contained within the
      Board’s approved risk appetite and tolerance limits
    • A cost effective preventative and contingent control framework
    • A framework to ensure adherence to legal and regulatory requirements
  o Monitoring of the Enterprise Risk Management processes on both a detailed and macro basis by
    evaluating changes, or potential changes to risk profiles
  o Ensuring the implementation of measures recommended by the internal/ external auditors,
    which, in their opinion, would enhance control at a reasonable cost
  o Defining roles, responsibilities and accountabilities at the executive and senior management
    level
  o Assigning a manager to every key risk for appropriate response action including an action date
  o Utilising available resources to compile, develop and implement plans, procedures and controls
    within the Framework to effectively manage the risks
  o Identifying, evaluating and measuring risks and where possible quantifying and linking each
    identified risk to key risk indicators
  o Implementation of cost effective preventative and contingent control measures
o Implementation of procedures to ensure adherence to legal and regulatory requirements
o Implementing and maintaining adequate internal controls and monitoring the continued effectiveness thereof
o Reporting to the Board Audit and Risk Committee on the risk process and resultant risk/reward profiles
o Providing policies, frameworks, methodologies and tools to the business units and subsidiaries for identification, assessment and management of risks.

4.3.2.3. 1st Line of Defence: General Managers
The General Managers are accountable for ensuring that their areas of responsibility have maintained an effective, efficient and transparent risk management process.

More specifically their responsibilities include:

o Ensuring the roll out of the Framework, risk policies, risk strategy, risk processes, risk reporting mechanisms and risk structures within their areas of responsibility
o Assisting in the development of the risk appetite and risk tolerance levels and obtaining Board approval
o Ensuring the division operates within the confines of the risk appetite and risk tolerance levels
o Ensuring sufficient resources are committed to ensure the ERM Processes are carried out effectively
o Have a good understanding of the division’s significant exposures and ensure effective risk assessment and mitigation criteria is in place
o Ensure regular reports on the status of significant risks and related risk treatment plans and the effectiveness thereof for risks within the division are prepared
o A risk culture exists on the mine
o That there are effective systems, processes, policies and internal control systems in place within RBPlat and that they are operational in all respects
o Chair the Mine Risk Forum and attend the Executive Risk and Governance Committee meeting

4.3.2.4. 1st Line of Defence: Mine (BRPM and Styldrift)
Each employee within each mine is tasked with taking responsibility for the management of risk in their division (see 2nd Line of Defence: Mine Risk Champions). Each employee has the personal responsibility for day to day management of the risks associated with their tasks and the communication of these risks to the Risk Champions.
4.3.2.5. **1st Line of Defence: Corporate Functional Area Heads**

The Corporate Functional Area Heads of RBPlat are accountable for ensuring that support functions effectively support the rest of the business and that they maintain an effective, efficient and transparent risk management process.

More specifically their responsibilities include:

- Ensuring the roll out of the ERM framework, risk policies, risk strategy, risk processes, risk reporting mechanisms and risk structures within their areas of responsibility
- Assisting in the development of the risk appetite and risk tolerance levels and obtaining Board approval
- Ensuring the division operates within the confines of the risk appetite and risk tolerance levels
- Ensuring sufficient resources are committed to ensure the ERM Processes are carried out effectively
- Have a good understanding of the division’s significant exposures and ensure effective risk assessment and mitigation criteria is in place
- Ensure regular reports on the status of significant risks and related risk treatment plans and the effectiveness thereof for risks within the division are prepared
- A risk culture exists within the division
- That there are effective systems, processes, policies and internal control systems in place within RBPlat and that they are operational in all respects
- Attend the Corporate Risk Forum and Executive Risk and Governance Committee meeting

4.3.2.5. **1st Line of Defence: Corporate Functional Areas (HR, Finance, Projects)**

Each employee within each mine is tasked with taking responsibility for the management of risk in their division (see 2nd Line of Defence: Corporate Functional Area Risk Champions). Each employee has the personal responsibility for day to day management of the risks associated with their tasks and the communication of these risks to the Risk Champions.

4.3.2.6. **2nd Line of Defence: Compliance Control Function**

In terms of the company’s commitment to its adherence to all relevant legislation, it has established a compliance control function, which has been structured in such a way as to facilitate a culture of compliance throughout the company. The compliance control function is managed by the Executive: Risk & Assurance and is responsible for identifying, assessing, advising on, monitoring and reporting on, amongst others, the regulatory compliance risk in the company.

In order for it to be effective, the compliance control function needs to be, and needs to be perceived to be, independent. It also needs to be granted the appropriate authority and status to operate effectively.
In order for the Board to fulfil its responsibility for managing regulatory risk, there must be routine, formal reporting to the Board by the Executive: Risk & Assurance.

The Compliance function should be able to:

- Provide the RBPlat Board with regular information regarding the level of compliance with regulatory requirements
- Have adequate resources available to ensure proper compliance monitoring
- Have access to the Chairman of the Audit and Risk Committee and Social and Ethics Committee
- Liaise directly with the Regulators

The primary role of the compliance control function is to assist with, facilitate and monitor the effective management of compliance risks by RBPlat, through, *inter alia*, the following:

- The development of the compliance function strategy and compliance plan
- Setting policies and standards for compliance
- Providing advice on compliance related matters
- Identifying the regulatory universe
- Measuring and assessing compliance risk
- Compiling and maintaining a compliance manual or operational plan
- Establishing and maintaining a compliance culture
- Monitoring the level of compliance on an ongoing basis:
  - Highlighting and key compliance risks and the steps being taken to address them
  - Performance against compliance standards and goals
  - Compliance issues involving management or persons in positions of major responsibility
  - Material compliance violations or concerns involving any other person or business division
  - Material fines or other disciplinary actions taken by any regulator or supervisor in respect of RBPlat or any employee
- Monitoring the ethics hotline

4.3.2.7. **2nd Line of Defence: Head of Compliance**

The responsibility to facilitate compliance throughout the company has been delegated to the Executive: Risk and Assurance, who is responsible for the effective implementation of the Policy.

The Executive: Risk & Assurance is responsible for the following:

- Development of the Compliance Policy and Framework and to ensure that it is fully aligned with this ERM Policy and Framework
- Development of a Regulatory Universe in conjunction with the various functional areas to ensure that all Regulatory requirements are identified
o Development of specific Compliance Risk Management Plans, where required, to ensure adherence to the identified legislation
o Identify, assess and reporting on compliance and regulatory aspects to the various risk and governance structures
o Manage compliance risks by identifying and developing appropriate risk management strategies and policies
o Identify potential areas of compliance vulnerability and risk and develop corrective action plans
o Advise functional areas and mining units on their regulatory risk profiles and associated implications
o Creating a compliance driven culture in RBPlat that values responsible conduct and compliance with internal and external obligations

4.3.2.8. 2nd Line of Defence: Risk Management Control Function

The risk management control function has the authority to communicate with any employee on its own initiative and obtain access to any records required to carry out its responsibilities independent of the influence of other functions and Senior Management.

The RBPlat risk management control functional area responsibilities include:

o Assisting the Board of Directors and Senior Management in the effective operation of the risk management system, in particular by performing specialist analysis and performing quality reviews;

o Oversight, tracking and measurement of adherence to risk system including the risk register and associated processes
o Drive the identification, reporting and management of material risk positions and risk exposures
o Assist in classification and rating of risks
o Assessment of the evolving risk profile
o Assessment of pre-defined risk tolerances
o Drive the identification and mitigation of cross functional/mine risks and in relation to strategic affairs such as corporate strategy, mergers and acquisitions, and major projects and investments
o Ensure consistency in risk documentation and reporting
o Liaise with external market to identify trends in risk management and present business
o Monitoring the risk management system
o Maintaining an organisation-wide and aggregated view on the risk profile
o Reporting details on risk exposures and advising the Board of Directors with regard to risk management matters in relation to strategic affairs like corporate strategy, mergers and acquisitions and major projects and investments
o Reporting to Senior Management, key persons in Internal Control Functions, and the Board of Directors on the company’s risk profile, and detailing all material risk exposures facing RBPlat and related response plans
o Identifying and assessing emerging risks
4.3.2.9. **2nd Line of Defence: Executive: Risk & Assurance**

The Executive: Risk & Assurance should enjoy the freedom within the organisational structure to be objective and independent of the influence of other functions and Senior Management. He / she has the authority and responsibility to regularly report to the Board of Directors all material issues regarding RBPlat evolving risk profile, management of the risk function itself and risk management issues related to strategic affairs as necessary. The main objective of the Executive: Risk & Assurance is to ensure that RBPlat is able to timeously identify measure, manage, monitor, and report on all material risks by ensuring that the ERM Policy and Plan is executed and embedded in the organisation. The Enterprise Risk Management Framework and Policy is in line with international standard (ISO 31000).

The Executive: Risk & Assurance will perform within the following key performance areas:

- Development and implementation of risk management control function strategy
- Development and implementation of the risk management function ‘s operational plan
- Ensure the establishment and implementation of the risk management process throughout RBPlat
- Oversee, monitor, evaluate and communicate the status of implementation of risk management at RBPlat
- Ensure the effective functioning of the Corporate and Mine Risk Forums, Executive Risk and Governance Committee and Board Audit and Risk Committee;
- Analyse and report on risks to management, the Executive Risk and Governance Committee and Board Audit and Risk Committee
- Ensure that RBPlat has the requisite assurance plan and coordinate outputs to assurance providers to the organisation
- Monitor and evaluate the effectiveness of RBPlat’s assurance plan
- Manage business risks by identifying and developing appropriate risk management strategies and policies
- Identify, quantify, monitor and report business risks across all business divisions, and profile them accordingly
- Ensure that an adequate Risk Financing (Insurance) Programme is in place to protect the RBPlat assets and to mitigate any potential contingent liability exposures
- Identify potential areas of compliance vulnerability and risk and develop corrective action plans;
- Advise functional areas and mines on their risk profiles and associated implications
- Attend Board Committee meetings to provide the requisite reports

4.3.2.10. **2nd Line of Defence: Executive: Business Sustainability**

The Executive: Business Sustainability has the responsibility to ensure that Sustainable Development related risks are identified and appropriate risk response policy and plans are developed and implemented. He / she has the authority and responsibility to regularly report to the Board of Directors all material issues regarding RBPlat evolving sustainable development risk profile and the management of responses in relation to strategic affairs as necessary.
The Executive: Business Sustainability will perform within the following key performance areas:

- Development and implementation of sustainable development policy and strategy
- Development and implementation of the sustainable development operational plan
- Ensure the establishment and implementation of a sustainable development process throughout RBPlat
- Oversee, monitor, evaluate and communicate the status of implementation of sustainable development at RBPlat
- Ensure that RBPlat has the requisite assurance on sustainable development activities and processes
- Identify potential areas of climate change vulnerability and risk and develop response plans
- Advise functional areas and mines on sustainable development and associated implications
- Attend Board Social and Ethics Committee meetings to provide the requisite reports

4.3.2.11. 2nd Line of Defence: Company Secretary

The company secretary must provide directors with guidance in their duties, responsibilities and powers and make directors aware of all laws and regulations relevant to the company. This should include advice on business ethics and good governance. The company secretary should remain abreast of developments in corporate governance and is pivotal to ensuring that the directors adhere to the highest governance standards as detailed in the King Report (“King III”). The company secretary should also monitor international developments on corporate governance and bring these to the board’s attention where they would add value. He / she are the custodian of Board governance and is responsible to ensure that all governance related legislation and standards (Companies Act, King 3, JSE Listing requirements, memorandum and articles of association etc) is adhered to.

The Company Secretary will perform within the following key performance areas:

- The company secretary is responsible for the schedule of board and committee meetings for the year. The company secretary prepares the agendas for these meetings in conjunction with the chairperson and key executives.
- The company secretary takes the minutes of these meetings and should ensure that they are distributed as soon as possible thereafter to aid directors in implementing the decisions.
- The company secretary should ensure that the board’s policies and instructions are communicated to the relevant persons in the company and that pertinent issues, including risks identified, from management are referred back to the board where appropriate
- The company secretary must ensure that the directors and management operate within an authority framework approved by the board and reviewed and updated from time to time.

4.3.2.12. 2nd Line of Defence: Safety, Health and Environment

To ensure Safety, Health and Environmental related items are addressed from a risk perspective the risk profile related to these items must be kept up to date in line with the companies review and revision policy for documents. The SHE function must ensure the following:
There must be a SHE Baseline risk assessment where the functional areas, sub functions, physical structures and related activities are listed and defined.

Critical task inventory lists are done to ensure all employees are trained to identify the hazards they will be exposed to and how to mitigate such hazards so that they can conduct their duties in a safe, healthy and environmentally friendly way.

Where specific items of concern is identified, the issue based risk assessment process need to be followed to address that specific risk so that the mitigating factors can be put in place to reduce the risk to an acceptable risk profile.

For day to day operations, the continuous risk assessment method is used so that persons can do pre-check and start up inspections before a task is conducted.

4.3.2.13. 2nd Line of Defence: SHE Manager (BRPM)

The SHE Manager (BRPM) has overall responsibility to ensure that adequate SHE Management systems are developed and implemented to manage all SHE related risks. The identification and action plans required for all identified hazards and risks related to Safety, Health and Environment will fall under the responsibility of the SHE Manager BRPM/Styldrift.

The SHE Manager will perform within the following key performance areas:

- Manage a group of specialists either under Shared Services or at the operational shafts to ensure the requirements of the MHSA and relevant Environmental Acts are being complied with.
- Ensure that any significant risk identified that can pose an issue now or into the future for RBPlat be reported to the relevant General Manager and then for info to the Executive: Risk and Assurance and if applicable to the Executive: Business Sustainability.
- Development and implementation of the various SHE Management systems operational plans
- Ensure the establishment and implementation of a SHE Risk Assessment process throughout RBPlat
- Oversee, monitor, evaluate and communicate the status of implementation of SHE Management at RBPlat
- Ensure that RBPlat has the requisite assurance on SHE activities and processes
- Advise HOD’s at the mines SHE issues and associated implications
- Attend Board Social and Ethics Committee meetings to provide the requisite reports
- Assist the Executive: Risk and Assurance to ensure risk management is imbedded at mine level with regards to SHE risks and provide assistance to the Executive: Business Sustainability in the managing of sustainable development risks

4.3.2.14. 2nd Line of Defence: Executive Risk and Governance Committee

The Risk and Governance Committee is attended by each Functional Area Exco member, the Executive: Risk & Assurance, Chief Executive Officer, Mine General Managers and Company Secretary. The responsibilities of the Executive Risk and Governance Committee are set out in its terms of reference and briefly include the following:
o Review the RBPlat risk management framework and structures to be implemented as well as any significant subsequent changes thereto. This will include the review and approval of risk identification and measurement methodologies.

o Review the effectiveness of the risk management process on an on-going basis at strategic and operational level.

o Consider the adequacy of risk management strategies for significant risks facing RBPlat.

o Ensuring that the RBPlat strategic, process, operational and programme level risks are assessed on an on-going and that its control effectiveness are determined and evaluated.

o Development and maintenance of a strategic risk register.

o Monitor the progress and implementation of action plans and or treatments to address significant risks.

o Provide the Executive Committee with regular reports dealing with the effectiveness of the risk management process as well as information on significant risks and the status of the control environment.

o Review the proposals for any new significant change to the business (new product, acquisition, channel, policy, opportunity) using the risk appetite filter approach.

o Make recommendations from time to time to the Board Audit and Risk Committee on matters relating to risk thresholds, risk policies, risk strategies and risk philosophy.

o Review and ratify RBPlat specific asset and liability insurance programmes and their implementation.

4.3.2.15. 2nd Line of Defence: Functional Area and Mine Risk Champions

Functional Area and Mine Risk Champions will have the responsibility for the coordination of ERM, measurement, evaluation, analysis, treating and reporting of all risk status and strategies for their functional area/ mining unit. The Executive: Risk & Assurance will support management with these functions, while Executive and Senior Management will be responsible for the day-to-day interpretation and management of policy and procedural issues associated with ERM.

The Risk Champions responsibilities include:

o Identification of risks within their functional area/ mine and accordingly, the approvals, responsibilities and accountabilities applicable to the identification, analysis, treatment and reporting of risks, must be reported to the Executive Risk & Assurance.

o Where current risk controls are deemed ineffective to reduce the risk exposure and therefore warrant action, prepare appropriate control improvement and action plans. Included in each control plan will be the allocation of accountabilities and action dates for the implementation of the control improvement plan.

o Promote a culture of sound risk management and compliance within their functional area/ mine.

o Provide the Board with adequate and timely information to enable the Board to carry out its duties and functions including the monitoring and review of the performance and risk exposures, and the performance of the Senior Management.
o Provides the relevant stakeholders and the Regulator with the information required to satisfy the legal and other obligations
o Review progress on the implementation of agreed Risk Response Plans as well as changes in the risk environment
o Conduct a risk review or assessment for any material changes in the risk landscape
o Monitor compliance to all legislation
o Clear all Internal and External Audit findings as per agreed management actions
o Attend the Mine/ Corporate Risk Forums as a member to coordinate associated risks;
o Participate in any risk and governance related projects, representing their division’s interest

4.3.2.16. 2nd Line of Defence: Corporate and Mine Risk Forums
The Risk Forums are quarterly forums (not necessarily stand-alone) held between the functional heads/ Mine General Managers and their management committee and representatives from Risk Management. The Risk Forums responsibilities include:

o Review of the risks (and associated controls) impacting the mine/ functional area
o Review the Regulatory/ legal universe to ensure compliance
o Address any potential Audit concerns
o Manage all Risk stakeholders
o Orchestrate a cohesive approach to mitigate the mine/ functional area specific risks
o Prepare confirmed, consolidated feedback on risks to Executive Risk and Governance Committee
o Identify risk management related training requirements

4.3.2.17. 3rd Line of Defence: RBPlat Internal Audit (outsourced)
The Board and the Board Audit and Risk Committee have an oversight role to determine that appropriate risk and assurance processes are in place and that these processes are adequate and effective. The role of Internal Audit in corporate governance is defined by the South African Institute of Chartered Accountants as follows:

“To support the Board and Management in identifying and managing risks and thereby enabling them to manage the organisation effectively. This is achieved by:

o Enhancing their understanding of risk management and the underlying concepts
o Assisting them to implement an effective risk management process
o Providing objective feedback on the quality of organisational controls and performance.”

The Internal Audit function (outsourced), assists RBPlat management, the Audit and Risk Committee and the Board, by examining, evaluating, reporting and recommending improvements on the adequacy and effectiveness of financial and business/operational internal controls. The Internal Audit function is responsible for:
o Providing assurance that management processes are adequate to identify and monitor significant risks
o Using the outputs of risk assessments to direct internal audit plans
o Providing on-going evaluation of the risk management processes
o Providing objective confirmations that the Board receive the right quality of assurance and reliable information from management regarding risk
o Providing assurance regarding Enterprise Risk Management processes from both a design and functional perspective
o Providing assurance regarding the effectiveness and efficiency of risk responses and related control activities
o Providing assurance as to the completeness and accuracy of Enterprise Risk Management reporting

4.3.2.18. 3rd Line of Defence: RBPlat Board
The Board is accountable for the effective governance of an insurer and therefore is also accountable for the total process of risk management and forming an idea on the effectiveness thereof. The Board has delegated its responsibility for overseeing the management of risks to Board Audit and Risk Committee. The Board Audit and Risk Committee receive quarterly reports on the key risks and how they are being addressed and submit an annual review to the Board.

While it is agreed that the Board may delegate some of the activities or tasks associated with its own roles and responsibilities, given that this delegation meets the associated requirements described in the RBPlat Governance Framework document, the Board’s responsibilities in lieu of risk management include but are not limited to:

- Ensure appropriate structures are in place for the risk management system and internal controls system
- Ensure suitable individuals are appointed to the risk management and internal controls functions with due consideration for independence and objectivity required to carry out their allocated functions
- Ensure that the roles and responsibilities allocated to the Board, Senior Management, and Key Control Functions are clearly defined so as to promote an appropriate separation of the oversight function from the management responsibilities, and provide adequate oversight of the Senior Management.
- Provide effective oversight of the Senior Management tasked with risk related responsibilities
- Review whether the risk strategies, policies and procedures, as set by the Board, are being properly implemented
- Adopt and implement a defined and well documented risk management strategy (which is part of the business strategy and planning process)
- Adopt and implement a defined and well documented risk appetite,
A adopt and implement a Remuneration Policy, which does not incentivise excessive or inappropriate risk taking.

o Approving and implementing such systems and controls as necessary to ensure:
  - The financial reports present a balanced and accurate assessment of the RBPlat’s risk profile (in addition to its general financial health and viability as a going concern)
  - The promotion of appropriate, timely, and effective communications with the supervisor and relevant stakeholders on the risk of the business
  - The disclosure on matters such as risk appetite, risk tolerance and the risk management process in the annual report.

o Direct the risk culture and reinforce the commitment to sound risk management policies, practices, standards, models and techniques

o Ensure that a comprehensive risk assessment is undertaken at least annually,

o Ensure that significant findings and observations regarding weaknesses risk management systems and controls are promptly rectified. Where appropriate, this should be supported by a formal process for reviewing and monitoring the implementation of recommendations by the external auditor.

o Ensure that an evaluation of the effectiveness of the risk management systems and controls.

4.3.2.19. 3rd Line of Defence: Board Audit and Risk Committee

The Board Audit and Risk Committee provide independent assurance to the Board on risk management, amongst other responsibilities, which is contained in more detail in its Terms of Reference, which entails reviewing the following:

- The effectiveness of the internal control system and satisfy itself that the relevant internal controls have been implemented for all risk areas to be reviewed from time to time;
- Whether the risk areas of RBPlat’s operation have been covered in the scope of internal and external audits. Evaluate and make recommendations regarding the risk covered by internal and external audit;
- The effectiveness of the system for monitoring compliance with laws, regulations and the results of management’s investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- Controls over significant risks;

The Committee is also tasked with the responsibility of assisting the Board in executing its responsibilities with respect to risk management as set out above, including:

- Evaluating risk management systems and processes;
- Monitoring Management’s:
  - response in rectifying recommendations pertinent to risk areas recommended by internal audit;
  - communication of risk management and fraud prevention plan to employees; and
• implementation of risk management strategy, the fraud prevention plan, IT systems and administrative controls;
  o Reporting to Board on the effectiveness of risk management systems and controls;
  o Discussing with management the organisation’s major policies with respect to risk assessment and risk management; and
  o Tracking the performance in terms of risk management, compliance and assurance in subsidiary companies

There must be unrestricted access by the External Auditor to information and persons as necessary to conduct the audit. There should be regular meetings between the Board and the External Auditor during the audit cycle, including meetings without management present.

4.3.2.20. 3rd Line of Defence: Board Social and Ethics Committee

The Board Social and Ethics Committee provides oversight for RBPlat’s social and ethics responsibility in terms of the Companies Act, Minerals and Energy Resources Development Act, Mine Health and Safety Act, other relevant legislation and King 3, to ensure that RBPlat:

  o Safeguard the group’s assets and investments
  o Support business objectives and sustainability under normal as well as under adverse operating conditions
  o Behave responsibly towards all stakeholders having a legitimate interest in the group
  o Develop and implement the Social and Labour Plan
  o Develop and implement the group sustainable development policy
  o Develop and implement the Safety, Health and Environmental policy
  o Develop and implement the Ethics Policy
4.4. ERM PROCESSES

4.4.1. Develop the Criteria

In order to determine if a risk can be tolerated and the extent of tolerability we have to define certain criteria up front in order to lay the foundation and a reference for the ERM process steps going forward. The setting of criteria is usually performed upfront and reviewed for appropriateness annually with only minor changes expected. These criteria include the categorisation of all potential risks RBPlat may be exposed to, the appetite to take on the risk within the risk categorisation model, tolerance levels for these risks and the associated risk level calculation methodology.

4.4.1.1. Risk Categorisation

RBPlat will adopt a Risk Categorisation Model which groups and categorises the population of risks RBPlat may be exposed to, down to a level 3 categorisation. The table below describes the level 1 risks RBPlat is exposed to, but each of these level 1 risks should have associated level 2 and level 3 risks which will be addressed in the various risk specific policies and standards.

<table>
<thead>
<tr>
<th>L1 Risk Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational risk</td>
<td>The risk that RBPlat will not achieve its strategic business objectives due to failed people, process, system and / or external events.</td>
</tr>
<tr>
<td>Safety, Health and Environmental risks</td>
<td>The risk that RBPlat operations could cause injury or illness to employees and damage to the environment.</td>
</tr>
<tr>
<td>Strategic risk</td>
<td>The risk that discretionary decisions are made (or fail to be made) that adversely affect future earnings of the business.</td>
</tr>
<tr>
<td></td>
<td>The risk that discretionary decisions are made (or fail to be made) that adversely affect future sustainability of the business.</td>
</tr>
<tr>
<td>Financial risk</td>
<td>The risk that available liquid assets will be insufficient to meet changing market and business conditions, liabilities, funding of asset purchases.</td>
</tr>
<tr>
<td></td>
<td>The risk of adverse changes in the market value of assets due to change in value of market factors will negatively impact future earnings.</td>
</tr>
<tr>
<td></td>
<td>The risk that an asset against counterparty will not be repaid at the due and stipulated time.</td>
</tr>
<tr>
<td>Reputational Risk</td>
<td>The risk that RBPlat will suffer a deterioration of its reputation or standing due to a negative perception of its image among customers, employees, counterparties, shareholders and/or Regulators.</td>
</tr>
<tr>
<td>Regulatory Risk</td>
<td>The risk that RBPlat will not comply with legislation resulting financial loss or reputational damage</td>
</tr>
<tr>
<td>Project Risk</td>
<td>The risk that any factor may potentially hamper the project’s overall success and result in loss, delay, regulatory breach or reputational damage to RBPlat</td>
</tr>
</tbody>
</table>

Table 4: RBPlat Level 1 Risk Categorisation

The risk categorisation model will assist in:

- Understanding the risk landscape within the business
- Identifying risks
- Identifying cross-business cutting risks
- Providing a basis for organising and reporting findings
- Promoting the consistent use of a common risk language across the company, allowing meaningful aggregation and comparison of risks and issues
- Enhanced risk reporting to the Audit and Risk Committee and data sharing between business areas.

Risk categorisation will be used to introduce commonality of risk events within both the risk and control self-assessment and capital modelling processes.
4.4.1.2. Risk Tolerance for Risks on the Risk Register

The Board encourages the taking of controlled risks; the grasping of new opportunities and the use of innovation to further the interest of RBPlat to achieve its objectives; provided the resultant exposures are within RBPlat’s risk appetite and tolerance range. This tolerance range is set during the development of the company Risk Appetite as mentioned above. The assumption of any substantial risk outside its appetite will be specifically discussed and approved by the Board.

Management entrusted with the ownership of a risk area may approve within certain limited tolerance, variation to the risk appetite.

4.4.1.3. Risk Assessment Methodology

Likelihood and Consequences of Risks

In broad terms, risk is analysed by combining estimates of likelihood and consequence in the context of existing control measures to arrive at a level of risk. The objectives of this analysis are to sort risks into relevant ranking levels so that not only major risks are clearly identified but minor risks are also noted. This ranking can later be used to assist in the assessment and treatment of risks. Lower level risks or risks outside the risk appetite may be excluded from further more detailed risk considerations, but it is important that they are documented and added to the risk profile to demonstrate the completeness of the risk analysis.

Risk and Likelihood and Impact Ratings

Some events happen once in a lifetime; others can happen almost every day. Analysing risk requires an assessment of their frequency of happening. The following table provides broad descriptions to support likelihood ratings.

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Negligible</td>
<td>• &lt;1% probability</td>
</tr>
<tr>
<td></td>
<td>• occurrence requires exceptional circumstances</td>
</tr>
<tr>
<td></td>
<td>• exceptionally unlikely, even in the long term future</td>
</tr>
<tr>
<td></td>
<td>• only occur as a “100 year event”</td>
</tr>
<tr>
<td>2. Extremely Unlikely</td>
<td>• &gt;1% probability, or</td>
</tr>
<tr>
<td></td>
<td>• may occur but not anticipated, or</td>
</tr>
<tr>
<td></td>
<td>• could occur in “years to decades”</td>
</tr>
<tr>
<td>3. Very Unlikely</td>
<td>• &gt;20% probability, or</td>
</tr>
<tr>
<td></td>
<td>• may occur shortly but a distinct probability it won’t, or</td>
</tr>
<tr>
<td></td>
<td>• could occur within “months to years”</td>
</tr>
<tr>
<td>4. Moderate/ Feasible</td>
<td>• &gt;50% probability, or</td>
</tr>
<tr>
<td></td>
<td>• balance of probability will occur, or</td>
</tr>
<tr>
<td></td>
<td>• could occur within “weeks to months”</td>
</tr>
<tr>
<td>5. Probable (Expected/Likely)</td>
<td>• 99% probability, or</td>
</tr>
<tr>
<td></td>
<td>• impact is occurring now, or</td>
</tr>
<tr>
<td></td>
<td>• could occur within “days to weeks”</td>
</tr>
</tbody>
</table>

Table 5: Table of Likelihoods

It is also foreseeable that certain risks will have more impact on the business that others and an assessment is required to determine these impacts which would influence the response to the risks. The following table provides broad descriptions to support Impact ratings.
In addition to the above guideline in terms of financial impact, the following impact/consequences will also be applied in terms of risk category exposures:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Financial impact Operating Profit (R)</th>
<th>Investment impact Rand NPV</th>
<th>Human Health and Safety</th>
<th>Environment and Community</th>
<th>Reputation and Brand</th>
<th>Compliance and Legal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>≥100 million</td>
<td>≥500 million</td>
<td>Multiple fatalities / Impact on health ultimately fatal</td>
<td>Irreversible long term environmental damage to a highly valued species or location / Large-scale prolonged class action.</td>
<td>Prolonged international condemnation / RBPlat CEO and/or Functional Executives/ Mine GM’s departs and board is restructured / Public reprimand from Government / RBPlat loses mining licence for an extended period</td>
<td>Major litigation or prosecution with damages of R50m+ plus significant costs. / Custodial sentence for company Executive / Long term closure of operations by authorities.</td>
</tr>
<tr>
<td>2</td>
<td>10 million – 99 million</td>
<td>50 million - 499 million</td>
<td>Single fatality or loss of quality of life / Irreversible impact on health</td>
<td>Irreversible long term environmental damage. / Community outrage-potential for large-scale class action.</td>
<td>Prominent negative International and South African press reporting over many days / Non-public reprimand by Government / Senior executive departs and/or board is restructured. / Operating licence is threatened</td>
<td>Major litigation costing R10m+. / Investigation by regulatory body resulting in long term interruption to operations. / Possibility of custodial sentence/ Medium term closure of operations by governance.</td>
</tr>
<tr>
<td>3</td>
<td>1 million – 9,9 million</td>
<td>4,9 million – 5 million</td>
<td>Lost time injury / Reversible impact on health</td>
<td>Prolonged environmental impact. / High-profile community concerns raised – requiring significant remediation measures and management attention</td>
<td>National press reporting / Government caution / Pressure on Executives to leave. / Implications for operating licence.</td>
<td>Major breach of regulation with punitive fine. / Significant litigation involving many weeks of management time.</td>
</tr>
<tr>
<td>4</td>
<td>100 000 - 1 million</td>
<td>500 000 - 4,9 million</td>
<td>Medical treatment case / Exposure to major health risk</td>
<td>Major spill or release leading to off-site impact / Medium term recovery. / High potential for complaints from interested parties.</td>
<td>Local press reporting / Manager may be asked to leave. / Government may be interested</td>
<td>Breach of regulation with investigation or report to authority with prosecution and/or moderate fine possible.</td>
</tr>
<tr>
<td>5</td>
<td>&lt; 99 000</td>
<td>&lt; 499 000</td>
<td>First aid case / Exposure to minor health risk</td>
<td>Medium term effect on environment/community / Required to inform environmental agencies</td>
<td>Local press reporting / Disciplinary action may be taken</td>
<td>Minor legal issues, non-compliances and breaches of regulation.</td>
</tr>
</tbody>
</table>

Table 6: Table of Impacts
Risk Ranking Matrix
RBPlat uses the risk ranking matrix below to combine the selected likelihood and consequence ratings for each risk identified.

![Risk Ranking Matrix]

Assessing Controls
Internal controls are those processes in place within RBPlat which assist in limiting the risks associated with pursuing business objectives. Controls include all policies, procedures, management systems and structures that assist RBPlat to operate efficiently, effectively and ethically.

Formal controls are likely to be in place for many risk exposures. The degree and effectiveness of existing controls over risks needs to be assessed. Major risks that are not subject to effective controls may cause catastrophic consequences.

To assess control practices, the following questions apply:

- Are all appropriate controls present?
- Are the controls performing adequately?
- Does the control address the risk effectively or adequately?
- Is the control officially documented and communicated?
- Is the control in operation and applied consistently?
- Is the control reviewed by anyone independent of the person performing the control procedure?

To help describe and attribute a control rating, the following indicative ratings are used:

<table>
<thead>
<tr>
<th>Control Rating</th>
<th>Control Name</th>
<th>Control Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.20</td>
<td>Satisfactory</td>
<td>Nothing more to be done except review and monitor the existing controls. To the extent that is reasonably achievable, controls are well designed for the risk, are largely preventative and address the root causes and Management believes that they are effective and reliable at all times.</td>
</tr>
<tr>
<td>0.40</td>
<td>Improving</td>
<td>Most controls are designed correctly and are in place and effective. Some more work to be done to improve operating effectiveness or Management has doubts about operational effectiveness and reliability.</td>
</tr>
<tr>
<td>0.60</td>
<td>Ineffective</td>
<td>While the design of controls may be largely correct in that they treat most of the root causes of the risk, they are not currently very effective. There may be an over-reliance on reactive controls. Some of the controls do not seem correctly designed in that they do not treat root causes, those that are correctly designed are operating effectively.</td>
</tr>
<tr>
<td>0.80</td>
<td>Poor</td>
<td>Significant control gaps. Either controls do not treat root causes or they do not operate at all effectively. Controls, if they exist are just reactive.</td>
</tr>
<tr>
<td>1.0</td>
<td>None</td>
<td>Virtually no credible control. Management has no confidence that any degree of control is being achieved due to poor control design and/or very limited operational effectiveness.</td>
</tr>
</tbody>
</table>
Residual Risk Exposure (inherent risk x control effectiveness)

The Residual risk exposure can be calculated after considering the effectiveness of the existing controls. Should the residual risk value still exceed the appetite and tolerance levels, treatment would be required. The following rating table categorises the various levels of residual risk.

<table>
<thead>
<tr>
<th>Residual Risk rating</th>
<th>Residual risk magnitude</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 - 25</td>
<td>Extremely High</td>
<td>Unacceptable level of residual risk – Implies that the controls are either fundamentally inadequate (poor design) or ineffective (poor implementation). Needs Active Management: A risk action plan must be established and implemented.</td>
</tr>
<tr>
<td>10 - 20</td>
<td>High Risk</td>
<td>Unacceptable level of residual risk – Implies that the controls are either inadequate (poor design) or ineffective (poor implementation). Needs Regular Monitoring: Existing good controls should be maintained and any additional risk actions required should be defined and implemented.</td>
</tr>
<tr>
<td>5 - 10</td>
<td>Moderate Risk</td>
<td>Needs Periodic Monitoring: Risk should be monitored in conjunction with a review of existing control procedures.</td>
</tr>
<tr>
<td>1 - 5</td>
<td>Low Risk</td>
<td>Mostly acceptable level of residual risk – Requires minimal control improvements. No Major Concern: Significant management effort should not be directed towards these risks.</td>
</tr>
</tbody>
</table>

Residual Risk Appetite for Risks in the Risk Register

The Group has adopted the Likelihood and Impact values described below and for the calculation of Residual Risk Exposure. A risk with a Residual risk value of more than 20 will not be tolerated and will necessitate immediate management action to resolve.

4.4.2. Context Setting

Once the criteria for managing the risks has been developed and agreed to, it is important to establish the context which requires the business to recognise its objectives. The business should understand its products and services and its customers. This shared understanding is important because it provides the boundaries or context for the risk assessments. Establishing the context defines the basic parameters for managing risk and sets the scope and criteria for the rest of the process. The context may include both internal and external parameters. Many of these parameters were considered in the design of the risk management framework but need to be considered in greater detail and particularly how they relate to the scope of the particular risk management process.
RBPlat will undertake a detailed reassessment/review of its risks at all levels within the organisation on an annual basis. The first part of this assessment is to profile the key building blocks of RBPlat by means of a business dependency model. This will aid in highlighting its dependencies, critical parts of the business and identify vulnerabilities.

![Business Dependency Model](image)

**Figure 9: Business Dependency Model**

4.4.2.1. Establishing the External Context

External context is anything outside RBPlat which may influence the setting or achievement of our objectives. It is based on a companywide view and includes, but is not limited to:

- Regulatory: Cultural, political, legal, regulatory, financial, economic and competitive environment, whether international, national or regional
- Competitors: These are the competitors (both current and future) that RBPlat has in the market in which we operate
- External Stakeholders: Perceptions and values of external stakeholders. All stakeholders that might have a material impact on RBPlat’s performance/impact, including its Shareholders, Contractors, Investors, Financiers, communities, Unions, etc.
- Markets: These are the markets and customers that RBPlat has within which the organisation operates.
- Industry Trends: Trends within the industry that could necessitate change or result in risk
- Partners: These are the strategic alliances and relationships (including major suppliers) that RBPlat has chosen to form in support of its strategy.

4.4.2.2. Establishing the Internal Context

Internal context is anything within RBPlat which may influence the way in which we will manage risk and includes, but is not limited to:

- Objectives: These are RBPlat objectives that are aligned to the strategic goals, mission and vision of the organisation.
- Information and Information Flows: This is the intellectual capital and flow of it RBPlat has developed and retains
- Key assets, capabilities: These are the defined key assets, including human capital that RBPlat has developed and maintained in support of its strategy, policies and processes, standards and reference models, structures (e.g. governance, roles and accountabilities)
- Products: These are the segments, services and products within which RBPlat operates and focuses on, in support of its strategies.

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1 Source: Adapted from “The Institute of Risk Management South Africa (IRMSA) Code of Practice”
- Strategic Processes across the Value Chain: The strategic initiatives refer to the establishment of RBPlat strategic direction and monitoring executive management and organisational performance in achieving its strategic objectives. These include processes that management have implemented and are expected to make a major contribution to the achievement of the strategic objectives, mission and vision.

4.4.3. **Risk Identification**

This step in the ERM Process entails the identification of material threats and risks which RBPlat is exposed to pre and post risk mitigating steps by the business. This should be done using the following sub processes.

4.4.3.1. **Identify potential sources of risk associated with the risk categorisation model**

The risk categorisation model provides a population of the possible risks the RBPlat could be exposed to. A careful review of the entire risk categorisation model could reveal risks previously overlooked.

4.4.3.2. **Identify potential sources of risk associated with the business dependency model**

Having established the business dependency model, the risk assessment process must then identify the potential sources of risk associated with each element of it. Risk is apparent in potential sudden and unforeseen events, in variances, volatility and failure. Risk will be apparent in non-linear change, weakness and non-performance. Risk will also be reflected in dimensions of non-conformance. Sources of risk will be classified into external and internal factors. The process must have a future orientation as well as examining the facts of today’s business profile.

4.4.3.3. **Evaluate recent and imminent internal changes as possible sources of risk**

Recent changes in RBPlat may be a source of present risk. Equally, imminent change may alter the risk profile. The nature of the changes may relate to the new initiatives, new markets being entered into both locally and internationally, new partnerships, etc. Major changes in RBPlat organisational structure can change the dynamics of risk. Retrenchments, cutbacks and layoffs are an obvious source of risk. Significant shifts in strategic direction may increase the values at risk in the business.

4.4.3.4. **Identify external changes and identify associated risks**

Risk assessment processes must not only focus on existing business dynamics. Near-future changes must also be included in the process. Time horizons should be determined for this. Anticipated changes that are self-generating will be easily identifiable, such as investments, capital projects or new products. Their associated risks must be assessed as part of the risk framework. Certain changes in the business sector, but outside of RBPlat control can also be anticipated such as regulatory change and competitive movements. Associated risks must be assessed.

4.4.3.5. **Emergent risks**

Emergent risks are those that have not yet occurred but are at an early stage of becoming known and/or coming into being and expected to grow greatly in significance. It accepted that the recognition of emergent is not a precise process but the following proposed focus areas i.e. topics, under which emergent risks should be identified:
o **Political**: This relates to changes in political policy (e.g. due to a change of Government) or to actions of the political authorities.

o **Legal**: Risks arising from legal action or decisions made by the Courts. Examples are limitations on what can be done or financial penalties including damages and compensation.

o **Regulatory**: Actions and limitations by the regulatory authorities. Regulatory authorities include not only those covering the financial services industry but also more general authorities such as those responsible for health and safety, the environment and construction planning.

o **Direct Public Pressure**: Direct action by the large numbers of the public (e.g. by strikes or other acts) or by pressure groups (e.g. those based on local concerns or those having a specific agenda). It excludes cases where direct pressure results in action through the political, legal or regulatory processes.

o **Security**: This covers risks occurring from actions needed to ensure security in the short term in response to specific events or threats and in the long term from the general security risks in society. It also covers the risk of breaches or failures in security such as terrorist attacks.

o **Criminal Activity Early mitigation**: This covers all forms of criminal activity. Examples are violence, sabotage and fraud.

o **Technology**: Changes due to the effects of new technical developments that feed through into changes that affect the project. These may be based on new scientific discoveries or on further implementation of existing knowledge.

o **Environmental**: Risks due to any environmental factors. These include climate change, weather, natural conditions, natural disaster, disease and contamination. They include the effects of changes to the environment due to human activity.

o **Financial and Economic**: This covers risks due to the finance of the project or the economic circumstances (local, national or international) surrounding it. Examples are failure of finance and severe over or underestimation of commercial markets. It should be noted that all risks to a project are likely to have financial consequences, many of them major. This topic is not meant to cover the all risks but only those of a financial nature.

o **Human Factors**: These risks arise due to the actions of people. They can come from the action of a large number of people (e.g. a major strike) or from one or a very few individuals (e.g. unauthorised operating machinery, concealment of important information).

Following the identification of emergent risk, by utilizing the above broad focus areas, its impact and likelihood could be determined by undertaking the risk analysis process, outlined earlier.

**4.4.3.6. Identification of generic company specific risks**

In addition to the risks identified by the methods described above to identify risks at mine level, effort must also be allocated to identifying RBPlat specific strategic risks at Exco level. These risks must also be logged in the risk register and follow risk processes outlined in the ERM framework.
4.4.4. **Risk Assessment**

Once risks have been identified, they need to be assessed by those who identified the risk. The risk criteria discussed above forms the basis for this evaluation, especially in terms of the calculation factors described above for likelihood and severity.

4.4.4.1. **Assess the impact of risk across business areas**

Risks do not normally exist in isolation. They usually have a potential knock-on effect on other functions, business processes and risk categories. These cause and effect relationships must be identified, understood and documented. This principle is a deliberate and formal part of the risk assessment process and the aggregated effect of these risk groupings and linkages should be also be recorded. Many cross-functional effects of risk may not be immediately apparent without deliberate and systematic analysis, so a formal approach is required.

4.4.4.2. **Identify the key controls currently in place for the identified risks**

The existing controls in place for identified risks must be documented (in line with the RBPlat Control Internal Framework). A “control” is not only a financial term as it is describes any mitigating measure for any particular type of risk. Controls may take the form of:

- Financial mitigations such as hedges, insurance or securities
- Managerial actions such as compliance procedures, policies and levels of authority
- Strategic decision in nature such as diversification and investment related
- Legal actions such as contracts and indemnities, etc.

4.4.4.3. **Identify the perceived shortcomings in current measures to mitigate the impact of risks**

Management must embark upon a formal process to evaluate the appropriateness of current controls. Executive observation and judgment is often sufficient to identify shortcomings in control measures, and the level of desired control effectiveness can be expressed. Operational and technical risks lend themselves more to a more rigorous process of evaluating control effectiveness. Management must consider all categories of mitigation in this process. Results must be recorded in the risk register.

4.4.4.4. **Estimate the likelihood of risk events**

The likelihood of occurrence must be assessed for every identified risk based on the guidance provided in the risk criteria discussed above. A realistic evaluation of the likelihood of the risk occurring is essential, because it guides the allocation of resources in the company. The estimated likelihood of the risk event must be recorded.

4.4.4.5. **Identify any influencing factors that may contribute to or shape the risk profile**

Having identified a key risk exposure (e.g. increasing competition) the risk assessment must identify the factors that influence and shape the risk (e.g. barriers to entry). Every key risk will have influencing factors or variables and these factors may relate to inherent risk dynamics such as aggregation, accumulation and correlation. Others may relate to timing and cyclical factors. Other influences will be reflected in volatility, dependencies and criticality. The degree of diversification and spread of value may also shape the risk profile. All influencing factors must be documented as part of the process.
4.4.4.6. **Identify the potential root causes of risk events**

Exposures reflect the potential for risks materialising. Perils or triggers cause actual events. Such triggers of events must be identified and documented. For example, a business division may face a risk of interest rate hike. The trigger of such an event would be the decision made by the authorities and the extent of the rate increase. The purpose of identifying potential root causes is to give direction to risk intervention measures. This process of identifying root causes of risk events may be left until after the first round of risk assessments has been completed.

4.4.4.7. **Estimate the potential impact of the identified risk scenarios**

The consequences of risk are not only characterised in financial terms as described in the risk criteria section discussed above. Management must consider the impact relevant according to the prevalent category of the risk i.e. impact in terms of reputation damage, personal injuries and fatalities, media coverage, operational impact and defined objectives of the strategy.

4.4.4.8. **Evaluate the controls currently in place for key risk**

Every risk should have a number of controls, mitigations or interventions that have been designed to contain the potential impact of the risk. These controls need to be identified and evaluated. They will form the basis of an assurance plan to the Board of Directors and may be tested by management, self-assessment processes, the internal audit process or other independent means of evaluation.

It is vital that all of the existing controls for identified risks are in turn evaluated in line within the guidance provided in the risk criteria section discussed above and should be documented. The gap between existing control effectiveness and desired effectiveness must result in an action plan.

4.4.4.9. **Verify the levels of compliance with regulatory requirements**

RBPlat’s risk appetite for Regulatory risk is to avoid it and adherence to legislation and regulatory frameworks is not negotiable. Risk-related requirements are incorporated into control frameworks within RBPlat and these requirements must be verified. It is the responsibility of management to build compliance processes around these requirements. Any material breaches must be reported as deemed appropriate through the structures of reporting developed for this.

4.4.4.10. **Risk Assessment Matrix**

This involves assessing the magnitude of the consequences of a risk, should it occur and the likelihood of the event occurring taking into account the effectiveness of controls currently in place to mitigate the risk. This consequence and likelihood is combined to produce a residual risk level.

4.4.4.11. **Rank the risks in order of priority**

The ranking of risks in terms of net potential effect provides management with some perspective of priorities. This should assist in the allocation of capital and resources in the business to address the risks. Although the scales of quantification will produce an automated ranking of risks, management may choose to raise the profile of certain risks for other reasons. This may be justified, because of non-financial influences such as media implications, social responsibilities, regulatory pressures etc. The ranking of risks will also be shaped by strategic and business objectives.
4.4.5. Risk Response

Risks above the agreed appetite and tolerance levels should be identified and responded to. A number of response options are available. There could very well be instances where, after we have identified and assessed the risk, we actually choose to accept it as either the response will prove to be too expensive or it falls within our appetite. Where this is the case it is still important to record these situations but when we do want to respond to a risk, there are generally 4 response options:

<table>
<thead>
<tr>
<th>Response</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avoid</td>
<td>The risk by deciding either not to proceed with the activity that contains an intolerable risk (if this is practicable), choosing an alternative more tolerable activity which meets the objectives and goals of the organisation, or choosing an alternative less risky methodology or process within the activity. The option of adopting an alternative work practice of lower risk reduces the consequences and/or likelihood of harm or loss and therefore, is a treatment and not necessarily avoidance of risk. Avoiding the risk is equivalent to refusing to accept the risk.</td>
</tr>
<tr>
<td>Treat</td>
<td>The likelihood or the consequences of the risk, or both are treated. Note that there is a trade-off between the level of risk and the cost of reducing those risks to an acceptable level. Where risk reduction is considered both feasible and cost effective, the required funding will need to be budgeted, with the responsible person ensuring that the risk reduction measures are carried out to the level determined.</td>
</tr>
<tr>
<td>Transfer</td>
<td>Risks may also be transferred to others through insurance or contracts, often with outsourced service suppliers.</td>
</tr>
</tbody>
</table>
| Accept   | Accept or Tolerate - a decision is taken to accept the risk. Reasons why a risk may be accepted:  
  - The level of the risk is so low that specific treatment is not appropriate within available resources.  
  - The risk is such that there is no treatment available. For example, the risk that a project might be terminated following a change of government is not within the control of an organisation.  
  - The cost of treatment, including insurance costs, is so manifestly excessive compared to the benefit that toleration is the only option. This applies particularly to lower ranked risks.  
  - The opportunities presented outweigh the threats to such a degree that the risk is justified. |

Table 7: The risk response table

Higher levels of management will be consulted in the development of risk response plans which may also require advice from risk control and insurance specialists. Management of the process by senior staff should result in these plans being implemented. All risk response plans will be weighed in terms of the cost of implementing each response plan and the potential benefits and responses yielding adequate risk reductions at relatively low cost will be implemented. Also, when considering risk response options, it may be appropriate to combine several response options and risk responses may be specific to one risk or they might address a range of risks. All risk responses need to be documented and managed via the appropriate risk governance structures.

Where a risk response is outlined and implemented but doesn’t yield the desired outcome, the risk response will have to be re-assessed and addressed until the required result is obtained.

4.4.5.1. Allocation of risk treatment responsibilities

The seniority of the manager who manages remedial action depends on the nature and seriousness of the risk. This table indicates the appropriate level of risk response responsibility

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Level of Risk Response Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely High</td>
<td>General Managers, Functional Area Executives, Executive: Risk &amp; Assurance, Chief Executive Officer, Board Audit and Risk Committee</td>
</tr>
<tr>
<td>Risk</td>
<td></td>
</tr>
<tr>
<td>High Risk</td>
<td>General Managers and HOD’s, Functional Area Executives, Executive: Risk &amp; Assurance</td>
</tr>
<tr>
<td>Moderate Risk</td>
<td>HOD’s and relevant Risk Champions</td>
</tr>
</tbody>
</table>
### 4.4.5.2. Resources needed for treatment

Each department should budget for risk mitigation. Corporate and divisional budgets should identify and capture the costs associated with risk mitigation costs captured.

### 4.4.5.3. Establishment of treatment milestones and deadlines

Project plans for treatment are captured in the risk registers. Deadlines or milestones for completion of the projects should be set to the shortest time period possible, taking cognisance of the significance of the risk. If project plans have long lead times, consideration should be given to implementing interim measures or actions, if needed. If for whatever reason, action plans cannot all be implemented at the time of being approved, specific action plans should be prioritised based on the relative risk ratings.

### 4.4.5.4. RBPlat Specific Insurable Risks

For all insurable assets and liabilities throughout the Group (e.g. buildings, legal etc), an appropriate insurance programme should be in place. Insurable risks are identified and documented on the RBPlat risk register within the risk management system as well as the details surrounding the insurance. The approach is considered and ratified by the Executive Risk and Governance Committee.

### 4.4.5.5. RBPlat Business Continuity

Business Continuity Planning, including IT Disaster Recovery should be done across the business and a comprehensive Business Impact Assessments (BIA) should be performed. The detailed BCP should include the following:

- **IT Recoverability Assessment:**
  - The Recoverability Assessment is a detailed evaluation of the current backup and recovery procedures and resources. The objective is to assess RBPlat’s capability to achieve the recovery objectives for speed (Recovery Time Objective) and data integrity (Recovery Point Objective), as identified during the Business Impact Analysis. This phase of the engagement will identify exposures and recommend tactics to improve IT recovery capability in the event of a disaster occurrence.

- **Qualitative Risk & Workplace Security Assessment**
  - The Qualitative Risk & Workplace Security Assessment is designed to focus on the Data facility and a single adjacent building to determine its current physical condition, to identify possible single points of failure, and to recommend actions for risk mitigation. The type of alternatives recommended will depend upon the types of risks identified and may be based upon intangible factors specific to the culture, business practices, and RBPlat policies.

- **Recovery Strategy Definition**
  - Utilising the findings from the Qualitative Risk & Workplace Security Assessment, the Business Impact Analysis and the Recoverability Assessment, this phase of the engagement produces a cost/benefit analysis of recovery strategy alternatives. The

<table>
<thead>
<tr>
<th>Risk Level</th>
<th>Level of Risk Response Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Risk</td>
<td>Can normally use routine procedures to manage risks. Unlikely to need specific allocation of resources.</td>
</tr>
</tbody>
</table>

*Table 8: Appropriate level of risk response responsibility*
objective is to identify the recommended strategy for IT recovery, by analysing the cost of recovery alternatives in balance with achieving defined Recovery Time and Recovery Point Objectives.

- **Data Business Recovery Plan Development**
  - The Data Business Recovery Plan is a comprehensive guideline for managing a disaster which affects the IT environment, based on a selected recovery strategy. The objective of the Plan is to document a consistent, thorough and tested set of tasks, which are then assigned to specific teams within the organisation and who will be ready to respond to a disaster situation.

- **Corporate and Divisional Continuity Plan Development**
  - The Corporate and Mine Continuity Plans coordinates disaster recovery activities across a designated set of critical business functions. The objective is to define the tasks that users must complete to respond to a disaster for their department, so that they can perform vital functions once the IT infrastructure has been restored.

- **Crisis Communication Plans**
  - The Crisis Management Plan extends the scope of the Data Business Recovery Plan, Corporate and Departmental Plans, to provide a structured plan and process for managing a crisis. The objective is to establish key communications and defined roles and responsibilities from top executives to line management for disaster situations that require pre-planned and early warning staged activities, such as emergency Command Centres and planned evacuations.

- **Service Continuity Plan**
  - The Service Continuity Management Plan extends the scope of the Business Services Recovery Plan, to provide a structured plan and process for managing a major or minor interruption of services. The objective is to establish key communications, manual processes or work-around’s and defined roles and responsibilities from top executives to line management for any service situation that require continuity.

4.4.6. **Risk Monitoring and Oversight**

Risk profiles change over time to the extent that risk treatment plans that were once effective may become irrelevant; control activities may become less effective, or no longer be performed; business objectives may change or regulatory requirements may change. This can be due to the arrival of new personnel, changes in the business structure or direction, the introduction of new systems and processes or developments in the external environment.

In the face of such changes, management needs to continually monitor the effective functioning of the risk management process. This monitoring should occur in the normal course of management activities.

The following monitoring mechanisms will be implemented within RBPlat:

4.4.6.1. **Monitoring of the appropriateness and accuracy of risk management criteria**

The risk management criteria will be monitored for suitability within the RBPlat context. This will ensure the criteria used as a base for measuring and reporting risk accurately:
o Reflects the maturity of RBPlat and our ability to measure and report on risk
o Reflects the level of detail RBPlat wants to measure and report risk on

4.4.6.2. Monitoring of implementation of risk response plans
Action plans to develop and implement risk response plans need to be monitored to ensure that the necessary plans are implemented on schedule and as intended. This monitoring process should be embedded within the normal day to day monitoring processes already in place within the business e.g. departmental meetings, management meetings, Business Review meetings etc. Internal audit will also evaluate the status of action plans for significant risk exposures as part of their routine audits.

4.4.6.3. Monitoring of on-going effectiveness of risk treatment controls
The effective operation of risk treatment controls must be evaluated on an on-going basis. Each functional area within the business will need to develop its own plans as to the frequency and scope of these reviews taking into account, inter alia, legal and regulatory requirements. These reviews may include management reviews, self-assessment reviews and third party reviews as appropriate. The Internal audit function will also perform an independent review of selected risk treatment controls.

4.4.6.4. Monitoring of the effectiveness of the risk management process
The entire risk management process needs to be reviewed on a periodic basis. Internal Audit or an independent external consultant will be responsible for performing such review and providing assurance that the risk management process has been applied appropriately across RBPlat and that all elements of the process are suitable and sufficient. The monitoring component ensures that all ERM components function at all levels as the environment changes over time. Monitoring is carried out either through one time evaluations or continuous evaluations. Examples of continuous evaluations are as follows:

- Continuously review of reports
- Communications from external parties may corroborate internal data or, indicate problems;
- Self-assessment;
- Training seminars, planning sessions and meetings provide insights to employee’s competency, ethical conduct and risk behaviours.

4.4.6.5. Continuous Improvement
Through the constant monitoring and oversight of the ERM processes and engagement of all stakeholders (primarily though the Risk Forum meetings), it is expected that improvement opportunities will be identified and subsequently implemented.

In addition, on an annual basis, Risk Management will undertake a formal exercise to engage with all stakeholders to identify where the ERM processes can be improved.

4.4.7. Risk Management Information Systems
RBPlat should investigate the acquisition of risk management information systems to manage risk events across the ERM Processes.
4.5. **Risk Calculations**

The output from the ERM processes will serve as input for risk-related calculations which will be reported on.

4.5.1. **Risk Appetite Calculations**

Once the risk appetite statement is in place and the limit structure has been defined and cascaded throughout the organisation, regular monitoring of the current risk profile against the limit structure and risk appetite statement will be required.

Risk appetite calculations will be done and reported on a quarterly basis, initially using an excel tool – as the ERM maturity progresses so RBPlat will strive move to move to real time reporting using an integrated BI tool. During the initial roll out of the risk appetite, calculations and reporting will be made at corporate level. Once the corporate risk appetite and associated reporting has been fully embedded the process will be extended to functional area level and Mine level as part of the journey up the ERM maturity scale.

The measurement approach, as described in the diagram below, requires business divisions to determine three key ranges for the tolerances:

- **Target**: the target value / range to achieve
- **Acceptable**: Observations that fall within this range a will be acceptable and require no action
- **Tolerable**: Observations fall within this range a will be acceptable and require close monitoring
- **Unacceptable**: Observations that fall within this range will be unacceptable and require immediate action and continuous monitoring

On a quarterly basis, Risk Management is required to obtain the actual tolerance figures and classify the results in terms of the management intervention ranges described above and then perform the necessary risk appetite reporting.
4.5.2. Measure against the KRIs (Risk Dashboards)

Key Risk Indicators (KRIs) provide effective risk monitoring tools to track changes in risk levels and keep management apprised of shifts in established patterns. KRIs provide data on whether a risk is trending up, down, or is stable, both now and in the future. This acts as an early warning system, enabling management to take action to prevent the risk materialising. KRI’s are a vital step in making risk information more transparent, and have begun data collection from the business units. There are some readily available sources from which KRI’s can be derived. These sources include:

- Policies and regulations.
- Strategies and objectives.
- Stakeholder requirements.

The main objective of the review against KRIs is to assess whether the business operations and functional areas are meeting RBPlat Group Risk minimum standards and expectations and highlight those areas where improvements are required. KRI’s could also be used to identify negative trends as is the case in this example. However, the KRI could also be used for research or benchmarking. Any KRI’s indicating a negative trend should be escalated to the Executive: Risk & Assurance.

This exercise is focused on:

- Risk Appetite
- Internal Risk Events (IRE) or loss data (from the Risk Register or SHE System statistics)

Risk Champions, in collaboration with RBPlat Corporate Risk, need to formulate detailed action plans designed to address each of the identified weaknesses or deficiencies in their business area. This action plan, which is provided to RBPlat Corporate Risk, has clear owners and delivery dates.

The implementation of all agreed action plans are going to be monitored by RBPlat Corporate Risk. Any key slippages will be communicated to the relevant Risk Forum and/or Executive Risk and Governance Committee.
4.5.2.1 Operational risk event data

As part of the maturity progression of the ERM framework within RBPlat, the transparency and quality of data will be improved through the roll out of formal loss data collection standards for the operational and strategic risk categories and embedding them across RBPlat. Standardisation of loss information across RBPlat will facilitate early identification of trends leading to control improvements, enhanced risk mitigation and improved aggregation of losses. Our aim is to mitigate further operational risk events that lead to losses, within reasonable expectations, and to learn from all losses to improve processes and prevent recurrence.

A database will be administered, outlining significant operational losses in our operations and this data will assist us to take mitigating actions proactively, to avoid incurring similar losses in the future while improving customer experience. By collecting data systematically and consistently we are able to pinpoint repetitive process failures and actively improve controls in these areas.

4.6. ERM Policies

RBPlat is conscious about actively developing and regularly reviewing adequate written risk management policies that include a definition and categorisation of the material risks to which we are exposed, taking into account the nature, scope, and time horizon of the business, the levels of acceptable risk limits for each type of risk and the assignment of specific risk management obligations across RBPlat, including in respect of risk escalation and risk mitigation.

The ERM policy framework supports our corporate purpose by providing a consistent high level approach to managing the risks we face in pursuit of our strategic objectives. Risk policy statements set out the minimum standards that must be applied consistently across the business. Their purpose is to ensure that risks are managed in line with the risk appetite and that business divisions operate effectively and efficiently, in compliance with all applicable laws and regulations. Operations and Functional Areas ensure that their local procedures are aligned to the RBPlat Risk Policy Suite.

Policies are subject to regular review to reflect changes in circumstances and the risk appetite. Policies in place cover a range of topics, including financial risk, safety, health and environmental risk, operational risk, regulatory risk).

The acceptance, implementation, adherence and measurement of these policies is aligned to the Policy framework and are mapped to our risk categorisation model and form a key part of our governance framework. Their implementation allows RBPlat to establish a common framework of control across the business.
RBPlat will adopt a consistent approach to Enterprise Risk Management (ERM) that conforms to good practice and is in compliance with Solvency Asset Management (SAM) requirements. This approach must include the articulation of minimum principles and standards and is structured as follows:
- The ERM policy provides the overarching minimum principles and associated standards for the management of ALL risks within RBPlat.
- Each risk management principle is supported by a set of standards setting out how RBPlat will apply the principles.
- Measurement of compliance to the policy is at the standards level.
- Level 1 Individual risk-specific policies (e.g. operational risk policy or regulatory risk policy), as described in the RBPlat risk categorisation model have been developed to support the ERM Policy, where appropriate.

4.6.2. ERM Policy
The ERM risk policy specifies a set of nine risk management principles and the associated mandatory minimum standards for the management risk across the business related. The list of risk management principles is described below:
- The management of Risk must align to and be cognisant of the overarching guiding principles of the RBPlat group and sound business practice.
- An appropriate strategy must be in place for managing risk across RBPlat.
- Appropriate risk governance structures must be in place to ensure that the RBPlat risk management standards are met.
- Risk appetite limits must be in place for each Level 1 risk defined in the RBPlat risk categorisation model and the risk appetite must be consistent with the Risk Strategy and reflect the preference for and/or avoidance of risk.
- Appropriate risk management processes and metrics must be in place to ensure risks are identified, assessed and reported on a consistent basis.
- Appropriate risk tests and calculations, including scenario analysis, should be performed to better manage risks within RBPlat.
- Appropriate risk reporting must be in place to support the management of risk.
- The risk management system must be reviewed to ensure that it is consistent with best practice, as appropriate for RBPlat.
- An open and transparent organisational culture that encourages the right risk management behaviours must be fostered.

4.6.3. Financial Risk Policy
The RBPlat Financial Risk Policy will:
- Specify the mandatory minimum standards for the management of market risk across the business.
- Specify the nature, role and extent of RBPlat’s investment and/or borrowing activities.
- Establish explicit risk management procedures with regard to more complex and less transparent classes of asset, and investment in markets or instruments that are subject to less governance or regulation.
- Take into account the Code for Responsible Investing by Institutional Investors in South Africa which was issued by the Committee on Responsible Investing by Institutional Investors in South Africa.
- Adhere to the ‘Prudent Person Principle’.
RBPlat will only invest in assets and instruments whose risks the organisation can properly identify, measure, monitor, manage, control, and report.

RBPlat will only partner with credible investors that have a good governance and investment track record and with an acceptable credit rating (to be determined in Financial risk policy).

- Specify the mandatory minimum standards for the management of credit risk across the business.

### 4.6.4. Operational Risk Policy

The operational risk policy’s objective is to provide the mandatory minimum standards for the management of operational risk across RBPlat. Operational risk refers to the risk that RBPlat will not achieve its strategic business objectives due to failed people, process, system and/or external events and includes:

- **Process / Control failures**: The risk that RBPlat will not achieve its strategic business objectives due to process and/or associated control (on the process) failure.
- **Internal Fraud**: The risk that RBPlat will not achieve its strategic business objectives due to deliberate acts by employees intended to defraud, misappropriate property or circumvent regulations, the law or company policy and harm the organisation or a third party.
- **External Fraud**: The risk that RBPlat will not achieve its strategic business objectives due to deliberate acts by external parties intended to defraud, misappropriate property or circumvent regulations, the law or company policy and harm the organisation or a third party.
- **Accidents and acts of nature**: The risk that RBPlat will not achieve its strategic business objectives arising from accidents and natural disasters. Work related accidents will be covered by the Safety Health and Environmental Policy.
- **Employment practices**: The risk that RBPlat will not achieve its strategic business objectives from acts inconsistent with employment practices.
- **Sales, products and business practices**: The risk that the organisation, its products and employees fail to meet its professional, legal and fiduciary obligations towards its clients and third parties.
- **Technology**: The risk that technology systems are inadequate
- **Data**: The risk that RBPlat will not achieve its strategic business objectives due to data that is not fit for purpose

### 4.6.5. Safety, Health and Environmental Policy

The SHE Policy will confirm RBPlat understanding of its operations and that it has the potential to negatively affect the Health and Safety of people and can cause damage to the Environment. As an underground mining operation with an onsite concentrator at BRPM and new mine development operation at Stylidrift Mine, the policy focus on, but not limited to the following significant SHE risks:

<table>
<thead>
<tr>
<th>SAFETY</th>
<th>HEALTH</th>
<th>ENVIRONMENTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trucks and Tramming</td>
<td>HIV/AIDS</td>
<td>Water Pollution and availability</td>
</tr>
<tr>
<td>Winches and Rigging</td>
<td>Hearing Impairment</td>
<td>Waste Handling</td>
</tr>
<tr>
<td>Fall of Ground Management</td>
<td>TB</td>
<td>Disturbing Natural Resources</td>
</tr>
<tr>
<td>Equipment/material handling</td>
<td>Irritants Contact</td>
<td>Biodiversity Management</td>
</tr>
<tr>
<td>Man/ Machine Interaction</td>
<td></td>
<td>Climate change (i.e. both emissions management and adaptation)</td>
</tr>
</tbody>
</table>
In order to manage these risks, an RBPlat specific SHE Model is applied for assessing new onsite initiatives and activities as well as assessing failures to the alignment with the SHE Strategy.

4.6.6. Sustainable Development Policy
The sustainable development policy will drive RBPlat’s commitment to its Social and Labour Plan in addition to its environmental preservation initiatives. The policy will unpack RBPlat’s commitment to the goal of sustainable development in balancing our aspirations for a prosperous mining business with responsibility and accountability for the impact on the natural environment and communities within which it conduct operations. It will also confirm its mission to create stakeholder value from safe PGM extraction to leave a lasting positive legacy for future generations. Through this policy RBPlat will maintain its social license to operate, enhance its reputation and proactively respond to risks and assume opportunities to maintain a competitive advantage.

4.6.7. Ethics Policy
The Ethics Policy will drive RBPlat’s values and standards of right, good and fair conduct to shape decisions and actions of organisations and individuals making decisions on its behalf. The actions of RBPlat and its internal and external stakeholders will conform to a set of ethical standards as defined by society, by laws and regulations, and by organisation’s own internal policies and procedures. This policy will consist of four primary areas:
  o leadership commitment
  o governance structure
  o establishing an ethics management process
  o developing an ethical culture.

4.7. RISK REPORTING

4.7.1. External Reporting

4.7.1.1. Integrated Report
Risk management activities will be reported in the annual report and should include, amongst other disclosures, that:

  o The Board is accountable for risk management
  o There is an on-going process for identifying and managing risks
  o Risks are regularly reviewed and evaluated
  o There is an adequate system of control in place to manage and appropriately mitigate the risks
  o There is a business continuity and fraud prevention plan in place
  o The process of risk management includes:
    • Significant joint ventures and associates
    • Sustainability risks
  o Reasons for non-disclosure of specific risk management information

4.7.2. Internal Reporting
Management reports will be compiled and submitted to the following governance structures:
Board (when and where required)
Board Audit and Risk Committee
Executive Committee
Executive Risk and Governance Committee
Risk Forums (Mine and Corporate)

Operational reports should be reviewed by the relevant responsible person (as per this framework) and will be considered at the various forums/committees.

The Executive: Risk and Assurance, supported by the Executive Risk and Governance Committee, is responsible for the on-going reporting on risks and the risk management process to the various stakeholders.

The risk escalation process should establish procedures both for reporting on risk issues within normal reporting cycles and on an ad hoc basis to address matters of particular urgency.

4.7.2.1. Risk Champions
Risk Champions need to update their risk register and report the following to Risk Management:

- The risks which individual managers are responsible and accountable for
- The current/recorded controls in place to manage those risks – including the assessment of the control effectiveness
- The estimated residual risks/exposures for each risk – including agreed management actions and plans
- Feedback on the progress of risk response plans
- Recent feedback from assurance providers regarding their independent assessments.

4.7.2.2. Executive Risk and Governance Committee
The following needs to be presented to the ERC:

- High risk exposures and associated management actions and plans
- Cross-cutting risks and associated management actions and plans
- Performance against the Risk Appetite
- Details of status/progress in risk management process/control effectiveness by individual, department and/or operational process
- Areas where there is a lack of progress in risk management process/control effectiveness - to be followed up and actioned with individual managers/department heads
- Summary of the overall risk management process, highlighting areas requiring attention in order to ensure the timeous and effective implementation of approved risk management initiatives - to be followed up and actioned with the responsible individual managers/department heads

4.7.2.3. Board Audit and Risk Committee
- Summary of the overall risk management process and an assessment of its effectiveness – highlighting areas requiring Board attention
o Status Report on the Risk Management Implementation plan – highlighting the next steps in “the way forward”

o Overview of the Risk Profile for RBPlat, including:
  - Areas of highest risk – before existing controls
  - Areas of highest exposure – after existing controls
  - Key controls relied upon by management
  - Significant changes in individual risk and control assessments
  - Critical management actions required – and status of implementation
  - Measurement against key performance standards and indicators established for the risk management process

o Recommendations for disclosures regarding risk management in the Integrated Report

4.7.2.4. **Incident reports**
This is an internal management function and will form part of the enterprise risk management framework. The destination of incident reports will be determined by the nature of the loss, but losses that originate from risks contained in the key risk registers must always be elevated to higher levels of management. Variance reports are incorporated into routine management reporting processes.

4.7.2.5. **Risk Appetite Reporting**
On a quarterly basis Risk Appetite reporting will take place. As an interim measure, an excel tool will be developed to process the data and prepare a “Group Risk Report” and a “Risk Dashboard”:

- “Risk Dashboard” to reflect key risk appetite tolerance performances and will be presented at the Board Audit and Risk Committee as well as other tolerance that do not fall in the “Acceptable” management intervention range and warrant reporting at Board Risk Committee.
- The “Group Risk Report” will be discussed at the Risk and Governance Committee and will report on all tolerance performances. Only measurements that do not fall into the “Acceptable” management intervention range will be reported on.
- In addition to reporting the tolerance performances over the previous period, management action and expected resolution time will also be reported for those tolerances outside the “Acceptable” range.
- Should a tolerance fall in the “Tolerable” range, measurement and reporting will be done on a monthly basis, as opposed to a quarterly basis, until the tolerance falls in the Acceptable range.
- Should a tolerance fall in the “Unacceptable” range, measurement and reporting will be done on a weekly basis, as opposed to a quarterly/monthly basis, until the tolerance falls into a range more consistent with company appetite.
4.8. **ERM COMMUNICATION, EMBEDDING, MONITORING, REVIEWING AND IMPROVING**

4.8.1. **Risk Information and Communication**

The various stakeholders both within and external to RBPlat requires different information regarding the enterprise risk management process.

4.8.1.1. **General Risk Governance Communication**

The diagram below reflects the communication channel and method of information distribution across the risk governance structures.

![Diagram of Risk Governance Communication](image)

**Figure 11: Risk Governance Communication**

4.8.1.2. **Internal Communication**

Board, Audit & Risk Committee, Executive Committee and CEO should:

- Know about the most significant risks facing RBPlat
- Know the possible effects on shareholder value of deviations to expected performance ranges
- Ensure appropriate levels of awareness throughout RBPlat
- Know how RBPlat will manage a crisis
- Know the importance of stakeholder confidence in the organisation
- Know how to manage communications with the investment / funding community where applicable
- Be assured that the risk management process is working effectively
- Publish a clear risk management policy covering risk management philosophy and responsibilities
Executives, General Managers and Senior Management should:
- Be aware of risks which fall into their area of responsibility, the possible impacts these may have on other areas and the consequences other areas may have on them
- Have performance indicators which allow them to monitor the key business and financial activities, progress towards objectives and identify developments which require intervention (e.g. forecasts and budgets)
- Have systems which communicate variances in budgets and forecasts at appropriate frequency to allow action to be taken
- Report systematically and promptly to executive management any perceived new risks or failures of existing control measures

All other RBPlat staff should:
- Understand their accountability for individual risks
- Understand how they can enable continuous improvement of risk management response
- Understand that risk management and risk awareness are a key part of RBPlat culture
- Report systematically and promptly to senior management any perceived new risks or failures of existing control measures

4.8.1.3. External Communication
RBPlat is required to report to the other stakeholders, including the Regulator, on a regular basis and would therefore be required to communicate the organisation’s risk management policies and the effectiveness in achieving its objectives.

4.8.2. Scope and Embedding of the Risk Management System
Significant changes to the risk management system will always be documented and subject to approval by the Board and Senior Management should be attentive to the potential need to modify the risk management system in light of changes in internal or external circumstances. The criteria for judging the effectiveness of our risk management systems will include, but is not limited to:
- Has the risk management system been integrated into RBPlat’s culture?
- Are the risk management policies and procedures embedded consistent with our long term strategy, and form an integral part of our risk management system taking into account both business specific risks and enterprise-wide risks, including current and emerging risks?
- Does the risk escalation process contain procedures both for reporting on risk issues within normal reporting cycles and on an ad hoc basis to address matters of particular urgency?
- Has the Board adopted and implemented the various policy contents and is it clear on what is expected from Senior Management and each of the Key Control Functions?
- Are the various risk related policies both accessible and understandable to relevant employees?
4.8.3. Risk Management System Monitoring and Review

The Risk management system is continuously monitored by the Risk Management function to ensure it accurately and appropriately reflects the supports the ERM philosophy and objects.

RBPlat undertakes two formal, detailed reviews of the risk management within the organisation on an annual basis. The first review is of the ERM framework and risk system as a whole. The review encompasses feedback from both internal and external stakeholders, industry trends and best practice as well as regulatory demands in order to ensure the risk management system within RBPlat:

- Is consistent with the organisational strategy
- Working as intended and is embedded and used throughout the business
- Reflects the maturity of RBPlat and our ability to measure and report on risk
- Reflects the level of detail RBPlat wants to measure and report risk on
- Is applying its resources in the right areas

The second review is a detailed annual risk assessment / review (tactical Process) of all our risks within the organisation to ensure that the business is applying its resources in the right areas.

The first part of this assessment is to profile the key building blocks of RBPlat by means of a business dependency model to ensure proper context setting. This will aid in highlighting its dependencies, critical parts of the business and identify vulnerabilities. Second phase of the risk assessment will focus on the detail analysis and quantification of strategic and operational risks that might prevent RBPlat from achieving its objectives.

4.9. People and Culture

One of the key objectives of the ERM framework is to establish an enterprise wide risk awareness culture of identifying, quantifying managing and reporting of risks within all levels of the organisation i.e. strategic, process, operational and level. To this end risk champions should be appointed.

4.9.1. Culture

Due to the nature of RBPlat’s business, we are guided by the Mine Health and Safety Act, which dictates a culture of continuous risk assessment and risk management. RBPlat will use the risk appetite to guide and drive risk management culture and through the aforementioned risk management processes this culture will be embedded.

4.9.2. Training

RBPlat is committed to allocating adequate financial support to develop the Risk knowledge within the organisation. Resources have the responsibility to identify risk-related training and submit the proposal to the relevant Executive/ General Manager, in consultation with the Executive: Risk & Assurance, who will approve the training based on budget available, the position of the resource and the applicability of the training within the RBPlat ERM context.

Periodically the Risk Management function will provide in formal training to the business and in particular to the risk champions. Risk management training will be embedded in other training programmes, be it product or functional related, through strong collaboration between Risk Management, HR and the various functional area or mine.
### 5.0 APPENDIX A: DOCUMENTS REFERENCED IN THIS DOCUMENT

The table below contains details of documents referenced within this ERM Framework:

<table>
<thead>
<tr>
<th>Document Name</th>
<th>Summary of Content</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERM Framework Detailed Executive Summary</td>
<td>The purpose of this document is to provide a detailed executive summary of the Enterprise Risk Management (ERM) Framework within RBPlat. The ERM framework contextualises risk management and describes the components thereof, as a whole, within our business as well as how RBPlat implements these components. Should the reader require more detail regarding the ERM framework, they are instructed to please consult the ERM Framework document, available from the Head of Risk for RBPlat.</td>
<td>Risk Management Shared folder. Document available on request</td>
</tr>
<tr>
<td>RBPlat Group Risk Appetite Statement</td>
<td>The codification of the risk appetite which has, in various degrees, been in use throughout the company although practice is still evolving and embedding. This document attempts to formally draft the RBPlat Group Risk Appetite Statement (&quot;Statement&quot;) with due consideration for establishing a formal approach and methodology for the measurement thereof across all risk types and the Group.</td>
<td>Risk Management Shared folder. Document available on request</td>
</tr>
<tr>
<td>RBPlat Governance Framework document</td>
<td>Describes the approach to Governance within RBPlat as well as the mechanisms in place.</td>
<td>Risk Management Shared folder. Document available on request</td>
</tr>
<tr>
<td>Risk Categorisation Model</td>
<td>Groups and categorises the population of risks RBPlat may be exposed to, down to a level 3 categorisation.</td>
<td>Risk Management Shared folder. Document available on request</td>
</tr>
<tr>
<td>Group Business Strategy</td>
<td>The RBPlat business strategy.</td>
<td>Risk Management Shared folder. Document available on request</td>
</tr>
<tr>
<td>Policy Framework</td>
<td>The RBPlat policy framework</td>
<td>Risk Management Shared folder. Document available on request</td>
</tr>
<tr>
<td>RBPlat Business Continuity Plan</td>
<td>Through BCM, RBPlat recognises what needs to be done before an incident occurs to protect its people, premises, technology, information, supply chain, stakeholders and reputation. With that recognition, the organisation can then take a realistic view on the responses that are likely to be needed as and when a disruption occurs, so that it can be confident that it will be able to manage through any consequences without unacceptable delay in delivering its services.</td>
<td>Risk Management Shared folder. Document available on request</td>
</tr>
</tbody>
</table>