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**AUTHORIZATION**

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**DISTRIBUTION**

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**REVISIONS**

This document has been revised in accordance with the following schedule:

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1.0	See title page	First issue	Initial and Surname

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## 1 PURPOSE AND SCOPE

This procedure prescribes requirements for Enterprise Risk Management (ERM) methodology when escalating or transferring risks from one risk register to the other. The procedure outlines step by step process, the authority required and periods suitable to do such.

This document is applicable to all employees, activities, products or services carried out for and on behalf of the Necsa Group. All risks required to be escalated within the Necsa Group, must comply with this procedure. Failure to comply will constitute a non-conformance on the part of the chairperson of that particular risk committee i.e. Departmental, Divisional, Strategic and Projects.

## 2 REFERENCES, ABBREVIATIONS AND DEFINITIONS

This document is based on the references listed below:

- [1] ISO 31000 Risk Management Principles
- [2] SP-NBD-POL-0001            Necsa Group Enterprise Risk Management Policy
- [3] SP-NBD-STR-0002        Necsa Group Enterprise Risk Management Strategy

This list contains the abbreviations and definitions used in this document:

ABBREVIATION / ACRONYM	DEFINITION
ERM	Enterprise Risk Management
Relevant committee	Project Risk committee /Departmental Risk committee / Divisional Risk committee
IRMC	Necsa Group Internal Risk Management Committee
Manco	Management Meetings
Exco	Executive Committee

## 3 RESPONSIBILITIES

The following are assigned responsibilities within this document:

- Internal Risk Management Committee (IRMC) shall periodically appraise risks captured in registers at all organizational levels
- Chairpersons of risk committees / MD's, DE's, and SM's shall be responsible for the management including escalation and delegation of risks within their areas.
- The CEO shall ensure management of all risks within the organization.
- The Risk Office shall be responsible for the overall guidance of ERM policies and procedures, maintenance of all risk registers at all levels of the organization i.e. Departmental, Divisional, Strategic/ Group and Project. And also highlight areas of concern and risks as necessary.

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#### 4 RISK MANAGEMENT PROCESS

- 4.1 The process of risk escalation will be informed by the level of risk achieved during the risk assessment step, as outlined in the Necsa Group Risk Management Strategy, under Risk Management Process steps. The risk assessment step incorporates: risk identification, risk analysis and risk evaluation.
- 4.2 Once the risk is identified, the risk is analyzed to consider how the potential event might affect the achievement of set objectives. Management assesses risk or event from two perspectives, i.e. impact and likelihood. Impact represents the effect on objectives should the risk occur. A criteria to determine the potential impact on the objectives is set out in the "Impact rating table" below:

Level of impact	Score	Description
Very Low	1	Insignificant impact on the organization's goals and objectives. It is not possible to measure the impact as it is minimal
Low	2	Minor impact on the organization's goals and objectives
Medium	3	Measurable impact on the organization's goals and objectives,
High	4	Significant impact on the organization's goals and objectives
Very High	5	Major impact on the organization's goals and objectives

- 4.3 Thereafter the risk likelihood is considered using the "likelihood rating table" below. The likelihood determines the probability of the risk occurring with the identified consequences above. The determination must be made taking into consideration current "existing controls" in that environment.

Level of likelihood	Score	Description
Very Low	1	Highly unlikely to occur, however, still needs to be monitored as certain circumstances could result in this risk becoming more likely to occur
Low	2	Unlikely to occur, based on current information, as the circumstances likely to trigger the risk are also unlikely to occur
Medium	3	Likely to occur as it is clear that the risk will probably eventuate
High	4	Very likely to occur, based on the circumstances
Very High	5	Highly likely to occur as the circumstances which will cause this risk to eventuate are also very likely to be created

- 4.4 Having assessed the impact and likelihood of risks, a risk level will be determined by multiplying the scores from the two rating tables and plotting the results on the risk matrix. The risk matrix classifies the level of risk as per the “tolerance levels” approved in the strategy.
- 4.5 At this point, the determined risk level is at the “residual level”. This is the level of risk remaining after consideration of existing controls while assessing consequence and likelihood.
- 4.6 Risks which may have a larger consequence and a higher likelihood on business operations will have a higher priority rating than those with a minor consequence and lower likelihood. The purpose of this step is to rank the identified risks so that resources to treat risks are allocated to those of greater priority as depicted in the below heat map:

		Impact				
		Very Low	Low	Medium	High	Very High
L i k e l i h o o d	Very High	5	10	15	20	25 <i>Unacceptable</i>
	High	4	8	12	16	20 <i>Extreme caution</i>
	Medium	3	6	9	12	15 <i>Cautionary</i>
	Low	2	4	6	8	10 <i>Acceptable</i>
	Very Low	1	2	3	4	5

**Necsa Group Risk Matrix**

## 5 CRITERIA FOR ESCALATING RISKS

The following considerations influence the assessment that a risk may require escalation:

- Where risks have been rated 16 or higher at any level of an approved risk register i.e. project, departmental and divisional registers
- Where the risk is have been rated 12 or higher and appears in more than one approved risk register at any level i.e. project, departmental and divisional registers
- Where the risk IRMC deems it proper for the risk to be escalated.

## 6 PROCEDURE FOR ESCALATING RISKS

- 6.1 Further confirming that the risk fits the criteria for escalation, the relevant committee must discuss and agree on the following:
- The impact of the risk does not only affects the level at which the risk is raised but other levels of the organisation as well in achieving the objectives.
  - The inability to implement further mitigation action plans by the project / department/ division responsible for the risk due to financial and/or capabilities constraints
- 6.2 Once there is consensus regarding the above, the chairperson of the committee will then approve the escalation and present the risk to the next level register i.e. departmental, divisional or strategic register through the relevant Manco.

- 6.3 The chairperson will present the risk for escalation at the relevant Manco i.e. Departmental /Divisional. The risks for escalation will be considered monthly at the relevant Manco and upon acceptance forwarded to the Risk office.
- 6.4 The Risk office will be responsible for consolidating the escalated risks from the divisional risk registers to the quarterly IRMC meeting for recommendation into the Strategic register. However risks requiring immediate attention will be tabled at the bi- monthly Exco meetings.
- 6.5 The escalated risk must still be maintained in the original risk register and indicate further action as the escalation to the next level of responsibility/register, until such time the risk is reduced and delegated back or the risk is mitigated.
- 6.6 Where risks are not approved for escalation into the next level, the chairperson presenting the risk must minute and record the decision. The risk must then still be managed to the best plausible manner within the concerned level.

**7 GUIDELINES TO RISK TREATMENT AND RESPONSIBILITY:**

Rating and level of tolerance		Risk Treatment Guidelines	Level of authority required
From 21-25	<b>Unacceptable</b>	Immediate action required to actively manage risk and limit exposure	The CEO, executives and senior managers accountable and responsible
From 16-20	<b>Extreme caution</b>	Analysis required to assess extent to which risk should be treated. Regular monitoring to help ensure risk does not adversely change over time	The executives and senior managers accountable and responsible
From 11-15	<b>Cautionary</b>	Constant / regular monitoring required to help ensure risk exposure is managed effectively, disruptions minimised and outcomes monitored	The senior managers, middle and operational management is accountable and responsible
From 6-10	Acceptable	Effectively manage through routine procedures and appropriate internal controls	Monitor and manage at the middle and operational management level
From 1-5	Acceptable	Lower priority which still require attention	Monitor and manage at the middle and operational management level

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## 8 MONITORING OF RISKS

All risks identified and assessed will be monitored, reviewed and re-assessed at applicable review periods i.e. Quarterly and/or annually, or as and when an event leading to a specific risk changes.

As risks are treated, risk scores may be reduced to a tolerable level or eliminated and this movement should be recorded. Therefore the relevant committee will determine whether the "reduced risk" should remain in the risk register or sent back to the originating risk register i.e. lower level risk register (from strategic to divisional or divisional to departmental).

Quarterly escalated and delegated risks will be reported at the relevant committee levels to ensure risks are managed at the correct levels and that there is an audit trail for all risks.

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