RISK MANAGEMENT POLICY

SMI INT GROUP LTD

2019

ABOUT THIS DOCUMENT

1. This risk management policy forms part of SMI Group's internal control and corporate governance arrangements.
2. The policy explains the Companies underlying approach to risk management and documents the roles and responsibilities of the senior management team, and other key personnel. It also outlines key aspects of the risk management process and identifies the main reporting procedures.
3. It describes the process the company will use to evaluate the effectiveness of the institution's internal control procedures.

UNDERLYING APPROACH TO RISK MANAGEMENT

The following key principles inform the Companies approach to risk management and internal control:

- SMI Group has responsibility for overseeing risk management within the company as a whole.
- an open and receptive approach to solving risk problems is adopted.
- the CEO, Senior Management Team supports, advises and implements the policies
- the company makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.
- Managers are responsible for encouraging good risk management practice within their Departments.
- Supervisors are responsible for encouraging good risk management practice within their areas of the company.
- High-level risks will be identified and closely monitored on a regular basis.

ROLE OF THE BOARD OF DIRECTORS:

The directors have a fundamental role to play in the management of risk. Their role is to:

1. Set the tone and influence the culture of risk management within the company. This includes:
    - determining whether the company is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue
    - determining what types of risk are acceptable and which are not
    - setting the standards and expectations of staff with respect to conduct and probity.

2. Determine the appropriate risk appetite or level of exposure for the company.
3. Approve major decisions affecting the Companies risk profile or exposure;
4. Monitor the management of significant risks to reduce the likelihood of unwelcome surprises;
5. Satisfy themselves that the less significant risks are being actively managed, with the appropriate controls in place and working effectively;

6. Annually review the Companies approach to risk management and approve changes or improvements to key elements of its processes and procedures.

ROLE OF THE SENIOR MANAGEMENT TEAM

Key responsibilities of the senior management team are to:

- Implement policies on risk management and internal control
- Identify and evaluate the significant risks faced by the company
- Provide adequate information in a timely manner to the board of directors on the status of risks and controls.
- Undertake an annual review of effectiveness of the system of internal control and provide a report to the board of directors.

RISK MANAGEMENT AS PART OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the Company to respond to a variety of operational, financial, and commercial risks. These elements include:

Policies and procedures

Attached to significant risks are a series of policies and strategies that underpin the internal control process, which have been approved by the directors and widely disseminated.

Regular reporting

Directors and the Senior Management Team receive regular reports enabling them to monitor key risks and their controls and to initiate corrective action as necessary. Decisions to address problems are made at weekly meetings. Directors will receive regular internal control reports from the CEO during the year.

Planning and budgeting

The planning and budgeting process, as conducted through Directors - the Policy and Strategy team, the Finance and General Purposes team and the Budgets and Resources Committee - is used to set objectives, agree action plans, and allocate resources. Progress towards meeting objectives is monitored regularly.

High-level risk framework

This framework is compiled by Directors, on the advice of the directors and the Senior Management Team, to help facilitate the identification, assessment and ongoing monitoring of risks significant to the Company. The document is appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.

Departmental risk framework

Heads of Departments and Supervisors are required to use the high level risk framework as the basis for identification, assessment and monitoring of significant risks in their department or area. The document is formally appraised annually, but emerging risks are added as required, and improvement actions and risk indicators will be monitored regularly, as part of the annual monitoring process laid down in the Company Code on Practice of Annual Monitoring.

Audit Committee

The Audit Committee is required to report to the Directors on internal controls and alert members to any emerging issues. In addition, the Committee oversees internal audit, external audit and management as required in its review of internal controls. The Committee will receive an annual report from the directors and the Senior Management Team on the effectiveness of the risk management in the institution. The Committee is therefore well-placed to provide advice to the board on the effectiveness of the internal control system, including the Companies system for the management of risk.

Internal audit programme

Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the organisation. The internal auditors will report annually to the Audit Committee on the effectiveness of overall corporate governance procedures.

External audit

External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit.

Third party reports

From time to time, the use of specialist external consultants may be necessary in areas such as health and safety, and human resources. The use of specialist third parties for consulting and reporting has the potential to increase the reliability of the internal control system. Their reports will be made to Directors.

Annual review of effectiveness

The Directors are responsible for reviewing the effectiveness of internal control of the Company, based on information provided by the Audit Committee and the CEO. Its approach is outlined below. For each significant risk identified, Directors will:

- review the previous year and examine the Companies track record on risk management and internal control
- consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective.

In making its decision Directors will consider the following aspects.

***Control environment*:**

- the Companies objectives and its financial and non-financial targets
- funding Directors policy
- organisational structure and calibre of the senior management team
- culture, approach, and resources with respect to the management of risk
- delegation of authority
- public reporting.

On-going identification and evaluation of significant risks:

- timely identification and assessment of significant risks
- prioritisation of risks and the allocation of resources to address areas of high exposure.

Information and communication:

- quality and timeliness of information on significant risks
- time taken for control breakdowns to be recognised or new risks to be identified.

Monitoring and corrective action:

- ability of the Company to learn from its problems
- commitment and speed with which corrective actions are implemented.

IMPLEMENTATION OF RISK MANAGEMENT POLICY

The Risk Management Policy should be delivered through the existing Company structure, as the best means of embedding a risk management culture in the institution. Obviously, a risk management approach already informs many of the management, monitoring, planning and policy making activities routinely undertaken within the Company. However, this approach is not consciously articulated in the manner implied and required by the Risk Management Policy. This will be achieved by the following means:

- The senior management team will be responsible for maintaining and reviewing the register of key risks, for determining how those risks are to be addressed, and how the action to be taken should be monitored. Senior management already routinely receives management information data relating to a number of the key risk areas identified by the company (e.g. undergraduate and postgraduate admissions statistics; research grant and contract income; budget expenditure profiles; management of capital projects etc).
- Senior management team will present an annual report to the directors in June on the effectiveness of the risk management controls which it operates
- The CEO will present regular internal control reports to Directors
- A series of workshop sessions on risk management at departmental level
- Considerations of risk will figure more explicitly in departmental interactions with Company Committees in the areas of academic and financial planning, such as:
    - Consideration of departmental plans by the Budgets and Resources Committee;
    - Monitoring of Departmental Research Strategies by the Research Committee
    - Evaluation of New Course Proposals by Company Course Approval Panels
    - Annual Monitoring Procedures within Departments (Revisions to the Company Code of Practice; scrutiny of departmental practices through the Academic Review process)
- The Audit Committee will continue to receive regular reports from the internal auditors, who will be asked to give particular attention to the management of key risks in the context of their programme of audit reviews.
- Managers will provide termly written reports for the directors on the management of risk within their areas of responsibility.