

| Colleges Ontario – Board Risk Oversight: A self-assessment tool  |                          |                          |                          |         |
|--|--------------------------|--------------------------|--------------------------|---------|
| King III Expectation <sup>1</sup>  | Aligns                   | Somewhat Aligns          | Gap                      | Comment |
| <b>1. The Board is responsible for the governance of risk</b>  |                          |                          |                          |         |
| a. There is a formal approach AND risk management process  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| b. Board should be able to demonstrate comprehensiveness   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| c. Responsibility in board charter   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| d. Risk policy and plan <ul style="list-style-type: none"> <li>o Documented</li> <li>o Widely distributed</li> <li>o Risk Structure</li> <li>o Framework (any one, or combination, of many different ones available)</li> <li>o Regular review</li> </ul>  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| <b>2. The Board should determine the levels of risk tolerance</b>  |                          |                          |                          |         |
| a. Board should set limits annually  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| b. Review limits during times of uncertainty / adverse changes   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| c. Internal and external factors   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| d. Where risk appetite is different from risk tolerance – should be disclosed  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| e. Board should monitor significant risk taken by management   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| f. Board should ensure that it understands risk implications, also on shareholders and other stakeholders  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| <b>3. The risk committee (or audit committee) should assist the board in carrying out its risk responsibilities</b>  |                          |                          |                          |         |
| a. Board should appoint a risk committee to review: <ul style="list-style-type: none"> <li><input type="checkbox"/> Risk management progress and maturity of company</li> <li><input type="checkbox"/> Effectiveness of risk management activities</li> <li><input type="checkbox"/> Key risks</li> <li><input type="checkbox"/> Responses to address risks</li> </ul> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |
| b. Board may assign this to the audit committee: However, must carefully consider audit committee's resources to adequately deal with risk governance in addition to its audit   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |         |

<sup>1</sup> The King Report on Corporate Governance is a ground-breaking code of corporate governance in South Africa issued by the King Committee on Corporate Governance. Three reports were issued in 1994 (King I), 2002 (King II), and 2009 (King III). Compliance with the King Reports is a requirement for companies listed on the Johannesburg Stock Exchange. The King Report on Corporate Governance has been cited as "the most effective summary of the best international practices in corporate governance for any and all organizations worldwide".

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| responsibilities   |   |   |   |         |
| c. Terms of reference and consideration of policy and plan   | <input type="checkbox"/> c.   | <input type="checkbox"/> c.   | <input type="checkbox"/> c.   |         |
| d. Meet 2x per year, be provided with sufficient information   | <input type="checkbox"/> d.   | <input type="checkbox"/> d.   | <input type="checkbox"/> d.   |         |
| e. Should be annually assessed by the Board for effectiveness  | <input type="checkbox"/> e.   | <input type="checkbox"/> e.   | <input type="checkbox"/> e.   |         |
| <b>4. The Board should delegate to management the responsibility to design, implement and monitor the risk management plan</b>   | <input type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/>  |         |
| <b>5. The board should ensure that risk assessments are performed on a continual basis</b>   | <input type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/>  |         |
| <b>6. The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks</b>  | <input type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/>  |         |
| <b>7. The board should ensure that management considers and implements appropriate risk responses</b>  | <input type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/>  |         |
| <b>8. The board should ensure continual risk monitoring by management</b>  | <input type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/>  |         |
| <b>9. The board should receive assurance regarding the effectiveness of the risk management process</b>  |   |   |   |         |
| a. Management is accountable to the board regarding assurance  |   |   |   |         |
| b. Any risk response failings or weaknesses should be disclosed  |   |   |   |         |
| c. Should report on maturity   |   |   |   |         |
| d. Independent provider of assurance – internal audit  |   |   |   |         |
| e. IA does not assume the functions, systems and processes of risk management, but provides independent assurance to the board on the integrity and robustness of the risk management process. | <input type="checkbox"/> a.<br><input type="checkbox"/> b.<br><input type="checkbox"/> c.<br><input type="checkbox"/> d.<br><input type="checkbox"/> e.<br><input type="checkbox"/> f.<br><input type="checkbox"/> g. | <input type="checkbox"/> a.<br><input type="checkbox"/> b.<br><input type="checkbox"/> c.<br><input type="checkbox"/> d.<br><input type="checkbox"/> e.<br><input type="checkbox"/> f.<br><input type="checkbox"/> g. | <input type="checkbox"/> a.<br><input type="checkbox"/> b.<br><input type="checkbox"/> c.<br><input type="checkbox"/> d.<br><input type="checkbox"/> e.<br><input type="checkbox"/> f.<br><input type="checkbox"/> g. |         |
| f. IA should provide an annual written assessment on effectiveness   |   |   |   |         |
| g. External audit may consult with risk committee, CRO and IA for an understanding of the company's risk management activities   |   |   |   |         |