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Sample Strategy and Value Oversight Policy

This document provides a sample Strategy & Value Oversight policy which includes a high level overview of the key roles and responsibilities of the various participants. Details need to be customized to fit the specific culture and circumstances of the organization.

PURPOSE:

The purpose of this policy is to create, enhance and protect shareholder value by designing, implementing and maintaining an effective, structured, and enterprise-wide strategy and risk management approach. We believe that adopting this policy will result in both immediate and long-term benefits to all stakeholders, internal and external. Benefits foreseen are:

- Increase the certainty of achieving the company's business objectives.
- Enhance XYZ's competitive advantage.
- Deal with market instability and business model disruption more effectively.
- Enable XYZ to better meet customers' expectations and contractual requirements.
- Establish a Board level mandate to implement an enterprise wide approach to long term value creation strategy/planning and risk management to meet emerging expectations.
- Enhance shareholder and customer confidence.
- Respond to escalating demands from powerful institutional shareholders for effective long term value strategy, planning and risk management frameworks in companies they invest in.
- Meet emerging regulatory and credit rating agency expectations related to enterprise risk management and culture and board oversight.

SCOPE:

This policy applies to employees, officers and directors of each of XYZ Corp. and its Subsidiaries. References in this policy to the Corporation mean XYZ Corp. and its subsidiaries.

POLICY:

1.1 Risk Management Principles

Formal risk management is a systematic, structured, transparent, inclusive, and timely way to manage uncertainty and create and protect shareholder value. It should be adaptive to XYZ's business needs and a dynamic process. It should evaluate risk/reward/cost trade-offs to ensure the Corporation operates within its risk appetite and tolerance.

It is intended to be an integral part of all organizational processes, including strategic planning and decision making, and is based on best available, "fit for purpose" risk status information. It is dynamic, iterative and facilitates continuous improvement of the organization.

2.1 Corporate Strategy and Value Oversight Methodology

The assessment and oversight methodology the Corporation has selected focuses on key strategic/value creation and preservation business objectives that the Corporation believes it must achieve to be successful over the longer term and drive shareholder value. The key goal is identification and consensus agreement on the acceptability of the Corporation's residual risk position (residual risk status is a composite snapshot the helps decision makers and the board better understand the level of uncertainty that exists that business objectives will be achieved).The risk management methods and tools used by the Corporation are expected to evolve and mature over time with an overriding goal that the amount of formal risk assessment applied (as opposed to informal risk management which happens every day in every part of the Corporation) will be determined by carefully considering the costs and benefits of the rigour/formality and the information produced.

3.1 Strategy and Value Oversight Roles and Responsibilities

The **Board of Directors** is responsible for:

a. Approving and authorizing this policy.
b. Reviewing and approving the Corporation's long term value creation strategy and supporting objectives.
c. Assessing whether the risk appetite and tolerance implicit in the Corporation's business model, strategy, top value creation and preservation objectives, and execution strategy is appropriate.
d. Assessing whether the expected risks to the Corporation's strategic plan and supporting objectives are commensurate with the expected rewards.
e. Evaluating whether management has implemented an effective and fit for purpose process to manage, monitor, and mitigate risk that is appropriate given the Corporation's size, growth aspirations, business model, and strategy.
f. Assessing whether the Corporation's risk management processes are capable of providing reliable information to the board on the status of significant risks that are, or could, impact on the achievement of the Corporation's top strategic value creation and value preservation objectives, including significant risks to the Corporation's reputation.

The **CEO** is responsible for:

a. Appointing the members of the Corporation's Strategy and Value Oversight Committee.
b. Assessing whether the Corporation's current and expected risk status is appropriate given the Corporation's and board of directors' risk appetite and tolerance.

c. Ensuring that there are reliable processes in place to provide senior management and the board of directors with timely information on the effectiveness of the Corporation's risk management processes; and regular reports on the Corporation's consolidated residual risk status, including any remediation actions underway to adjust the Corporation's retained risk position.

The **Strategy and Value Oversight Committee** is responsible for:

a. Determining where and when formal documented risk assessments should be completed, the level of risk assessment rigour warranted, and whether they want independent assurance on the process and reports recognizing that additional risk management rigour and formality should be cost/benefit justified.
b. Ensuring that business units/Owner/Sponsors of specific objectives are identifying and reliably reporting the material risks to the key objectives identified in their annual strategic plans and/or assigned to them by the Committee.
c. Reviewing and assessing whether material risks being accepted across XYZ linked to its top strategy and top value creation and preservation objectives are consistent with the Corporation's risk appetite and tolerance.
d. Developing, implementing, and monitoring overall compliance with this policy.
e. Overseeing development, administration and periodic review of this policy for approval by the Board of Directors.
f. Reviewing and approving the annual external disclosures related to strategy and risk oversight processes required by Canadian security regulators and investors.
g. Reporting periodically to the CEO and the Board on the Corporation's consolidated residual risk position linked to top strategic and value creation and preservation objectives.
h. Ensuring that an appropriate culture of risk-awareness and response exists throughout the organization

Business unit leaders/Owner/Sponsors are responsible for:

a. Managing risks to their business unit's business objectives within the Corporation's risk appetite/tolerance.
b. Identifying in their business unit's annual strategic plan the most significant internal risks and external risks that have the potential to impact on the business unit's key objectives together with their plans to address those risks.
c. Reporting to the Risk Management Support Services unit the current composite residual risk rating on key objectives identified in the business unit's strategic plan and other objectives that may have been assigned to them by the Strategy and Value Oversight Committee and/or the CEO.
d. Completing documented risk assessments when they believe the benefits of formal risk assessment exceed the costs, or when requested to by the CEO or Strategy and Value Oversight Committee.

Strategy and Value Oversight Support Services unit (often called Risk Services or similar) is responsible for:

a. Providing risk assessment training, facilitation, and assessment services to senior management, business units and OWNER/SPONSORS of specific objectives upon request.
b. Periodically not less than annually, preparing a consolidated report on XYZ's most significant residual risks and related residual risk status, and a report on the current effectiveness and maturity of the Corporation's risk management processes for review by the Strategy and Value Oversight Committee, senior management, and the Corporation's board of directors.
c. Completing risk assessments of specific objectives that have not been formally assessed and reported on by business units/OWNER/SPONSORS when asked to by the Strategy and Value Oversight Committee, senior management, or the board of directors; or if the Strategy and Value Oversight Support Services team leader believes that a formal risk assessment is warranted to provide a materially reliable risk status report to senior management and the board of directors.
d. Participating in the drafting and review of the Corporation's public disclosures related to strategy formation, risk management and risk oversight.

Strategy and Value Oversight Assurance Services unit (traditionally called Internal Audit) is responsible for:

a) Conducting independent quality assurance reviews on risk assessments completed by business units/Owner/Sponsors and providing coaching and feedback to enhance the quality and reliability of those assessments and reports and provide information on the overall reliability of the assessment and strategy and value oversight framework for senior management and the board.
b) Communicating objectives that are not currently in the Corporation's Objective Register to the Strategy and Value Oversight Committee as candidates to be included. The primary consideration is costs/benefit of increasing the level of formality used to manage and oversee risks to those objectives.
c) Directly undertaking formal risk assessments on objectives not currently assigned to Owner/Sponsors that the unit believes pose significant risk to the Corporations top strategic and value creation/preservation objectives.

NOTE: The roles defined for "Strategy and Value Oversight Support Services" and "Strategy and Value Oversight Assurance Services" could be merged in smaller companies and simply called "Strategy and Value Oversight Support Services".

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