Finnet

Building a Better Tomorrow, Today







GOVERNANCE AND FINANCIAL AUDIT EXCELLENCE AND INTERGRATED RISK MANAGEMENT

THE ROLE OF TECHNOLOGY & DATA MANAGEMENT IN PENSION GOVERNANCE

DATE 26TH -30TH OCTOBER 2026

ESERIANI RESORT ,NAIVASHA

GOVERNANCE . TRAINING . EMPLOYEE BENEFITS . TECHNOLOGY


Corporate
Governance?


AFFAIRS
PARTICIPANTS
CORPORATE
GOVERNANCE
DIRECTION
CONTROL
MONITORING
SYSTEM
INTEGRITY
RULES
POLICY
MECHANISM
MARKET
STAKEHOLDER
LAW
OBJECTIVES
ENVIRONMENT
CORPORATION
REGULATION
PROCEDURES
INTERESTS
DECISION


Key Elements of Corporate Governance
Accountability
Fairness
Transparency
Responsibility

CASE FOR CORPORATE GOVERNANCE



- Better access to resources
- Raw materials extracted and used in an environmentally friendly manner
- Effective, strategic decision-making
- Anti-corruption tools (ethics)
- If a listed company, commands a premium from investors (service providers demand)

CASE FOR CORPORATE GOVERNANCE

Long term sustainability



Access to Capital



Operational/financial performance



Improved oversight, monitoring & evaluation



Human resource – skilled, healthy employees



Succession planning



GOVERNANCE FAILURE

UCHUMI
home of value!

You need it, We've got it.
NAKUMATT
★ Quality ★ Value ★ Service ★ Variety ★ Lifestyle
REGIONAL

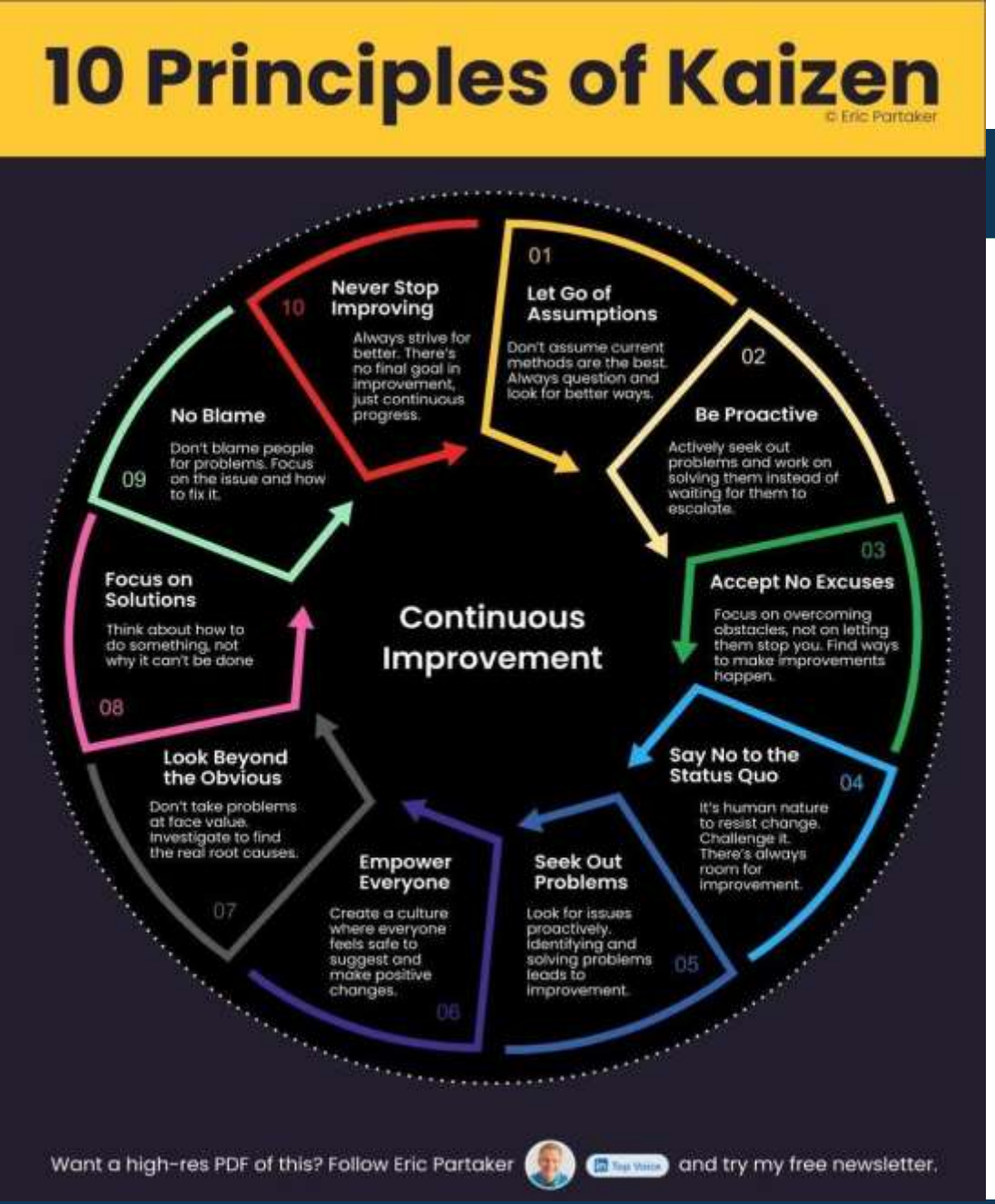
IMPERIAL
BANK
Looking after your interest!

TUSKYS
Pay less, get more, Everyday

CHASE BANK
The Relationship Bank

GOVERNANCE FAILURE





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Building a Better Tomorrow, Today

3. Decision Making

a) **Risk Tolerance** – Be willing to take calculated risks

b) **Data Driven Approach** – Make informed decisions based on evidence

c) **Decisiveness** – Act promptly and confidently

4. Innovation

a) **Creative Thinking** – Generate new ideas and solutions for people, process & systems e.g., "Think Fridays"

b) **Experimentation** – Try out new approaches and learn from the results

c) **Failure Tolerance** – View failures as opportunities for growth



5. Communication

a) **Clear & Concise** – Communicate effectively with all stakeholders

b) **Active Listening** – Pay attention to feedback concerns e.g. "In my shoes"

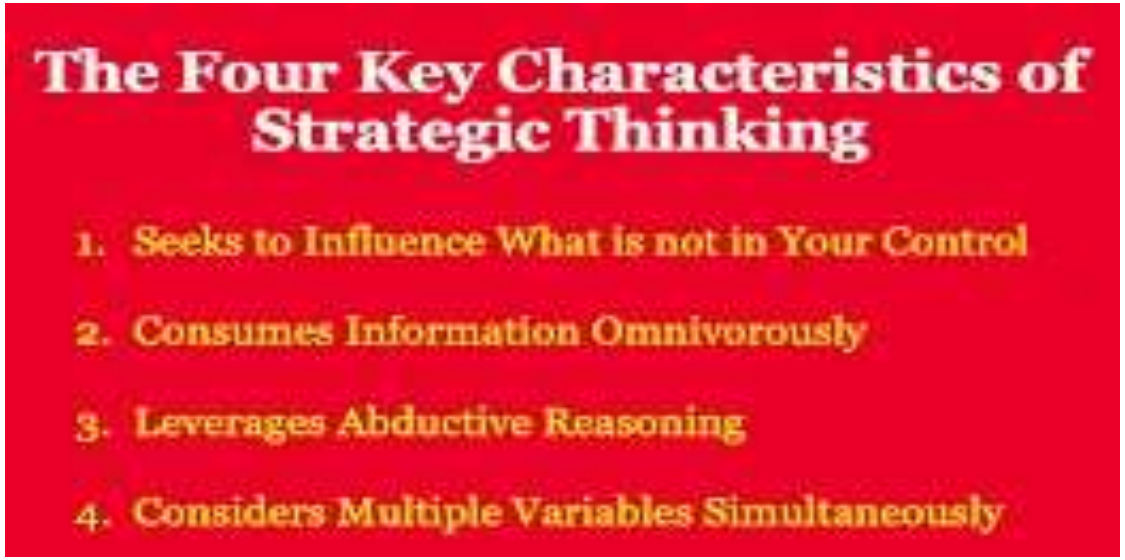
c) **Transparency** – Be honest and open about challenges and success

6. Strategic Thinking

a) **Visionary Leadership** – Develop clear and inspiring vision for the future

b) **Alignment** – Ensure that digital initiatives align with overall organizational goals

c) **Long-term Perspective** – Consider the long-term implications of decisions



Compliance and enforcement of guidelines.

The Regulation:

The Retirement Benefits (Good Governance Practices) Guidelines, Legal Notice No. 193 of 2018 (revised in December 2022)

39. (l) The Authority may require a board of Trustees to conduct a governance audit of the scheme to ensure that the scheme conforms to the highest standards of governance.

Compliance and enforcement of guidelines.

2) A governance audit shall cover the governance practice of the scheme including-

(a) leadership and strategic management;

(b) transparency and disclosure;

(c) Statutory and regulatory compliance:

(d) Communication with stakeholders;

(c) Independence and governance structures of the board of trustees: and

(d) scheme systems and procedures.

Compliance and enforcement of guidelines.

(3) A governance audit shall only be conducted by a person who is certified to do so by the relevant professional body.

Compliance and enforcement of guidelines.

- (3. (1) The purpose of these guidelines shall be :

  - To enable sponsors, members, trustees and service providers to implement and promote proper standards of conduct and sound governance practices; and

  - To ensure that sponsors, members, trustees and service providers exercise their fiduciary duties effectively and diligently.
- 4. (1) These guidelines shall apply to all schemes regulated by Authority.

Compliance and enforcement of guidelines.

- 6. (1) Trustees, administrators and trust secretaries shall be responsible for ensuring compliance with these guidelines and shall report to members in the scheme's audited financial statements on the scheme governance disclosure as provided in these guidelines.

GOVERNANCE AUDITS

Preparation and readiness to Governance and legal Audit – Have these in place:

- Trustees to establish code of conduct. Trustees of a scheme shall establish a code of conduct of the scheme that shall set the values and ethical standards, corporate governance values and standards of integrity to be applied in the management of the scheme.

- Scheme values and code of conduct.

- Compliance with written Laws (the Constitution, Act and any written Laws).

GOVERNANCE AUDITS

Preparation and readiness to Governance and legal Audit – Have these in place:

- Members' rights of representation on and participation in the governance of the scheme- ensure "one member, one vote“ not withstanding balance in the scheme. The scheme rules shall ensure that the board of trustees possesses a mix of skills and competencies among the trustees, and the succession process in the board of trustees.

- Annual General Meeting - Trustees shall convene an annual general meeting by Annual general issuing a reasonable notice of the meeting to all members at which the meeting members shall be given reasonable opportunity to interrogate the scheme's affairs least fourteen days before the date of the annual general meeting.

GOVERNANCE AUDITS

Preparation and readiness to Governance and legal Audit – Have these in place:

- Members Day- 15. (1) Trustees may organize members' days in such frequency as may be required as part of the good governance practices of the schemes.

- Retirement planning Seminar 16. (1) Trustees and administrators shall ensure that members are prepared adequately to cope with the changes associated with retirement.

- Other Members rights – Share net returns, enjoy all that is provided by scheme-mortgage /Medical, right to nominate beneficiary and report any unusual occurrence to RBA or Trustees.

GOVERNANCE AUDITS

Preparation and readiness to Governance and legal Audit – Have these in place:

- ❑ Structure of Board of Trustees.
- ❑ Powers and function of Trustees.
- ❑ Appointment of Trustees – Have a letter of appointment.
- ❑ Trustees Remuneration Policy – approved by members in an AGM.

GOVERNANCE AUDITS

Preparation and readiness to Governance and legal Audit – Have these in place:

- ❑ Trustees Induction and Skills Development – six months after appointment.
- ❑ Board of Trustees Evaluation – once every year.
- ❑ Accountability of Board of Trustees - The board of trustees shall be jointly and severally accountable for the management of the scheme and all trustees shall be equally responsible for the decisions of the board.
- ❑ Define role of Trust Chairperson.

GOVERNANCE AUDITS

Preparation and readiness to Governance and legal Audit – Have these in place:

- Define role of Trust Secretary -It is preferable for a trust secretary to be lawyer, possess a law qualification or be a certified public secretary.

- Conduct Board of Trustees Meeting -Boards of trustees shall convene regular meetings to transact
- the business of the schemes.

- Have Committees of the Board.

GOVERNANCE AUDITS

Preparation and readiness to Governance and legal Audit – Have these in place:

- (5) The following shall be the recommended committees of the board of trustees –

- Investment committee especially for schemes invested in segregated funds;
- Audit and risk-management committee, where schemes are encouraged to separate the two oversight roles; and
- Administration and communications committee, which should be established for each scheme.

GOVERNANCE AUDITS

Preparation and readiness to Governance and legal Audit – Have these in place:

- ❑ Have guidelines of removal of Trustee from office.

- ❑ The board of trustees shall strive to maintain a positive relationship the sponsor, have an effective relationship with internal administrator.

- ❑ Define appointment of Scheme Administrator -The board shall appoint an internal or external scheme administrator to manage the administrative affairs of the scheme on behalf of the board.

GOVERNANCE AUDITS

Preparation and readiness to Governance and legal Audit – Have these in place:

- ❑ Appointment and Management of scheme service provider.

- ❑ Scheme to have effective policies and guidelines.
- ❑ 38. (1) Audit and assurance - The internal audit function shall be an independent and objective assurance and consulting activity intended to add value and improve the organizational operations of the scheme. there is established for the scheme a comprehensive internal audit function that shall cover all the scheme's activities, provide independent and objective assurance, and improve the effectiveness of the scheme's risk management, control and governance processes;
- ❑ Smaller schemes may employ the internal audit services of the sponsor;
- ❑ (3) The board shall appoint an external auditor who shall examine the accounting records of the scheme and provide the board with an opinion on the financial statements of the scheme.

GOVERNANCE AUDITS

Preparation and readiness to Governance and legal Audit – Have these in place:

- ❑ Risk management - The board of trustees shall ensure that the scheme has a written risk management policy and procedures that guide the scheme in risk identification, assessment, mitigation monitoring and reporting. The board shall establish and maintain sound risk management and internal control systems.

- ❑ Use of Information Technology in Governance.

- ❑ Define Communication in the Scheme.

- ❑ Retention and storage of Information.

GOVERNANCE AUDITS

Preparation and readiness to Governance and legal Audit – Have these in place:

- ❑ Transparency, accountability and Disclosure key stakeholders conduct regular reviews of who the scheme's stakeholders are and how their needs should be met.
- ❑ Conflict of Interest Reporting.
- ❑ Schemes Governance Reporting.
- ❑ Responsible Cooperate Citizen - The board of trustees shall oversee and monitor the scheme's workplace and economic behaviour, and environmental, social and governance matters related to the activities of the scheme.

ENTERPRISE RISK MANAGEMENT



What risks were never monitored?

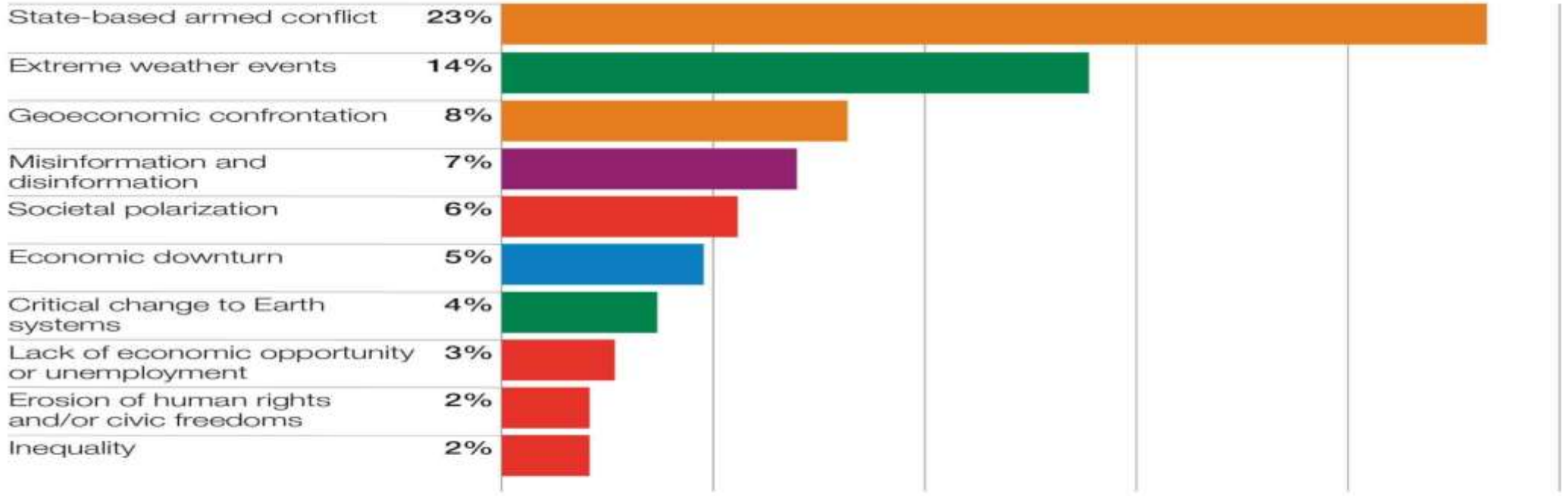
Global Risks Report 2025

Current Risk Landscape

WORLD ECONOMIC FORUM

Please select one risk that you believe is most likely to present a material crisis on a global scale in 2025.

Top 10 risks selected by respondents (Share of respondents %)



Risk categories Economic Environmental Geopolitical Societal Technological

Source: World Economic Forum, Global Risks Perception Survey 2024-2025

025

THE FUTURE IS HERE...

"The best way to predict the future is to create it."

–Abraham Lincoln

A $500bn investment plan says a lot about Trump's AI priorities

It's build, baby, build



Risk Management Practice and Internal Controls to Safeguard Pensions Assets

Risk management is the process of identifying, evaluating, and planning responses to events, both positive and negative, that might occur throughout the course of a project. Through risk management, you increase the probability and impact of opportunities on the project (positive events), while decreasing the probability and impact of threats to the project (negative events).

Risk evaluation is concerned with assessing probability and impact of individual risks, taking into account any interdependencies or other factors outside the immediate scope under

- Probability is the evaluated likelihood of a particular outcome actually happening
- Impact is the evaluated effect or result of a particular outcome actually happening
- Impact should ideally be considered under the elements of:

■time

■quality

■benefit

■people/resources.

Risk Evaluation, Prioritization and Management Strategies

- Some risks, such as financial risk, can be evaluated in numerical terms. Others, such as adverse publicity, can only be evaluated in subjective ways. There is a need for some framework for categorizing risks, for example, high, medium and low.

- When considering a risk's probability, another aspect is when the risk might occur. Some risks will be predicted to be further away in time than others and so attention can be focused on the more immediate ones. This prediction is called the risk's proximity. The proximity of each risk should be included in the Risk Log.

Risk Evaluation, Prioritization and Management Strategies

Risk Factors When assessing risk, it's necessary to determine the following:

- The probability that a risk event will occur (how likely)
- The range of possible outcomes (impact or amount at stake)
- Expected timing for it to occur in the project life cycle (when)
- The anticipated frequency of risk events from that source (how often)

Risk Appetites and Thresholds

These terms refer to the level of risk an individual or group is willing to accept. Risk appetite (which is also referred to as risk tolerance) is a general, high-level description of the level of risk acceptable to an individual or an organization. For example, a sponsor is willing to accept little risk to the schedule on this project. Risk threshold refers to the specific point at which risk becomes unacceptable. For example, the sponsor will not accept a risk of the schedule being delayed 15 days or longer.

The Risk Management Process

- Plan Risk Management
- Identify Risks
- Perform Qualitative Risk Analysis
- Perform Quantitative Risk Analysis
- Plan Risk Responses
- Implement Risk Responses
- Monitor Risks

Plan Risk Management

Define how risk management will be structured and performed : Output-

- Risk strategy
- Methodology
- Roles and responsibilities
- Funding
- Timing
- Risk Categories
- Stakeholder risk appetite/thresholds
- Definitions of probability and impact
- Reporting and tracking of Risk

Risk Evaluation, Prioritization and Management Strategies

Identifying Risk

In this process, risks to the organization are identified. This effort should involve all stakeholders and might even include literature reviews, research, and communicating with non stakeholders.

Tools and Techniques of Identify Risks

- *Checklist Analysis*
- *Interviewing*
- *Root Cause Analysis*
- *Assumption Analysis*
- *Constraint Analysis*
- *Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis*
- *Documentation Reviews*
- *Prompt Lists*
- *Facilitation*

Output- Risk Register(List, Owner ,category, potential response and root cause) and Risk Report

Perform Qualitative Risk Analysis

- Perform Qualitative Risk Analysis process involves doing this analysis and creating a shortened list of the previously identified individual risks.
- Qualitative risk analysis is a subjective analysis of the risks identified in the risk register. Keep in mind that this process is repeated as new risks are uncovered.
- ***To perform this analysis, the following must be determined:***
  - *The probability of each risk occurring, using a standard scale (common subjective analysis scales include Low, Medium, High and 1 to 10)*
  - *The impact (the amount at stake or the positive or negative consequences) of each risk occurring, using a standard scale, such as Low, Medium, High or 1 to 10*

Perform Quantitative Risk Analysis

Involves numerically analyzing the probability and impact (the amount at stake or the consequences) of risks that ranked highest in qualitative risk analysis. Quantitative risk analysis also looks at how risks could affect the objectives of the Organization. The purpose of quantitative risk analysis is to:

- Determine which risk events warrant a response.
- Determine overall project risk (risk exposure).
- Determine cost and schedule reserves.
- Identify risks requiring the most attention.
- Create realistic and achievable cost, schedule, or scope targets.

Tools and Techniques of Quantitative Risk Analysis

- Expert judgment from trained risk specialists and team members
- Data-gathering techniques, such as interviewing.
- Data analysis techniques, such as simulations (like Monte Carlo), sensitivity analysis, decision tree analysis, and influence diagrams
- Interpersonal and team skills
- Representations of uncertainty
- Cost and schedule estimating
- Use of historical records from previous projects/strategies

Simulations

Imagine if you could prove to the sponsor that even if the project were to be done 5,000 times, there is only a low probability that the end date they desire would be met? Would this be valuable? This is what the results of simulation techniques such as Monte Carlo analysis are all about. A Monte Carlo analysis uses the network diagram and schedule or cost estimates to "perform" the project many times and to simulate the cost or schedule results of the project.

Sensitivity Analysis

Sensitivity analysis is a technique to analyze and compare the potential impacts of identified risks. A tornado may be used to graphically depict the results of this analysis. Risks are represented by horizontal bars: the longest and uppermost bar represents the greatest risk, and progressively shorter horizontal bars beneath represent lower-ranked risks. The resulting graphic resembles a funnel cloud, or tornado.

Decision Tree Analysis

If you have to choose between many alternatives, you should analyze how each choice benefits or hurts the project before making the decision. Decision trees can help you in this type of analysis. They are models of real situations and are used to make informed decisions about things like, "Which option should I choose?" or "How will I solve this problem?" by taking into account the associated risks, probabilities, and impacts.

Plan Risk Responses

- Plan Risk Responses process involves figuring out, "What are we going to do about each top risk?" In risk response planning, you find ways to reduce or eliminate threats, and you find ways to make opportunities more likely or increase their impact:

- It involves doing the following:

➢ Do something to eliminate the threats before they happen.

➢ Do something to make sure the opportunities happen.

➢ Decrease the probability and/or impact of threats.

➢ Increase the probability and/or impact of opportunities.

Risk Evaluation, Prioritization and Management Strategies

Management Strategies -threats

- **Prevention Terminate the risk :** by doing things differently and thus removing the risk, where it is feasible to do so. Countermeasures are put in place that either stop the threat or problem from occurring or prevent it having any impact on the project or business
- **Reduction, Treat the risk** – take action to control it in some way where the actions either reduce the likelihood of the risk developing or limit the impact on the project to acceptable levels
- **Transference** :This is a specialist form of risk reduction where the management of the risk is passed to a third party via, for instance, an insurance policy or penalty clause, such that the impact of the risk is no longer an issue for the health of the project. Not all risks can be transferred in this way
- **Acceptance ,**Tolerate the risk – perhaps because nothing can be done at a reasonable cost to mitigate it or the likelihood and impact of the risk occurring are at an acceptable level
- **Contingency** These are actions planned and organized to come into force as and when the risk occurs.

Management Strategies -opportunities

- **Exploit (the reverse of avoid)** Add work or change to the project to make sure the opportunity occurs. This could be on the individual project risk level or on the overall project risk level.
- **Enhance (the reverse of mitigate)** Increase the likelihood (probability) and/or positive impacts of the opportunity occurring. This could be related to the overall approach to scope and schedule, resources used, and project replanning as well as to individual project risks.
- **Share** Allocate ownership or partial ownership of the individual or overall project opportunity to a third party (forming a partnership, team, or joint venture) that is best able to achieve the opportunity.

Monitor Risks

There must be mechanisms in place for monitoring and reporting on the actions selected to address risks.

Some of the actions may have only been to monitor the identified risk for signs of a change in its status. Monitoring, however, may consist of:

- Checking that execution of the planned actions is having the desired effect
- Watching for the early warning signs that a risk is developing
- Modelling trends, predicting potential risks or opportunities
- Checking that the overall management of risk is being applied effectively

Categories of Scheme Risks

Risk Landscape

- Investment risks
- Market risks
- Longevity risks
- Inflation risks
- Regulatory risks
- Operational risks
- Reputation Risk
- Technology Risk
- Political Risks

Categories of Pension Scheme Risks

Specific Risk Categories to Consider in Pensions:

- **Strategic Risk**: Risks related to the overall direction and goals of the organization.
- **Financial Risk**: Risks related to financial stability and performance, such as credit risk, liquidity risk, and market risk.
- **Operational Risk**: Risks related to the day-to-day activities of the organization, such as process failures, human error, technology failures and sponsor covenant *risk-the ability and willingness of the sponsor of a pension scheme to meet the pension promises it has made to its employees. Also note how to handle Member data protection, benefit payment accuracy, actuarial validation and third-party oversight.*
- **Compliance Risk**: Risks related to non-compliance with laws, regulations, and industry standards.
- **Information Security Risk**: Risks related to the confidentiality, integrity, and availability of information.
- **Reputational Risk**: Risks to the organization's reputation.

Categories of Pension Scheme Risks

Investment & Market Risks: Risk That the Value of an Investment Will Decrease Due to Changes in Overall Market Conditions

- **Investment Risk Controls**

Diversification: Investing in a variety of asset classes, sectors and regions, investors can reduce their exposure to risk thus minimizing the potential impact of the risk.

Due diligence: Researching on the financial health of potential parties can reduce their exposure to credit risk.

Hedging Strategies: Involve using financial instruments such as options or futures, to offset potential losses from an investment. By employing hedging strategies, investors can protect their portfolios against specific risks such as currency risk or interest rate risk.

Asset Allocation: Determining the optimal mix of assets within a portfolio based on an investor's risk tolerance, investment objectives, and time horizon and concentration limits

Insurance – outsourcing risk that the scheme does not wish to or cannot bear to a third party

Other Controls: Asset-liability matching, duration management,

Enterprise Risk Management Frameworks

Standards to Consider

When establishing a risk management framework, organizations should consider several key standards and best practices to ensure comprehensive risk identification, assessment, and mitigation. These include frameworks like **ISO 31000, COSO ERM, and NIST's Risk Management Framework (RMF),** along with understanding core components like risk appetite, risk culture, and governance.

1. ISO 31000 (Risk Management - Principles and Guidelines):

This international standard provides a globally recognized framework for risk management. It emphasizes integrating risk management into all organizational processes and activities. Key principles include leadership, integration, customization, and continuous improvement.

Standards to Consider

2. **COSO ERM (Enterprise Risk Management):**

COSO ERM provides a framework for managing risks across an entire organization.

It focuses on aligning risk management with business objectives, strategy, and performance.

The framework includes components like governance and culture, strategy and objective-setting, performance, review and revision, and information, communication, and reporting.

3. **NIST's Risk Management Framework (RMF):**

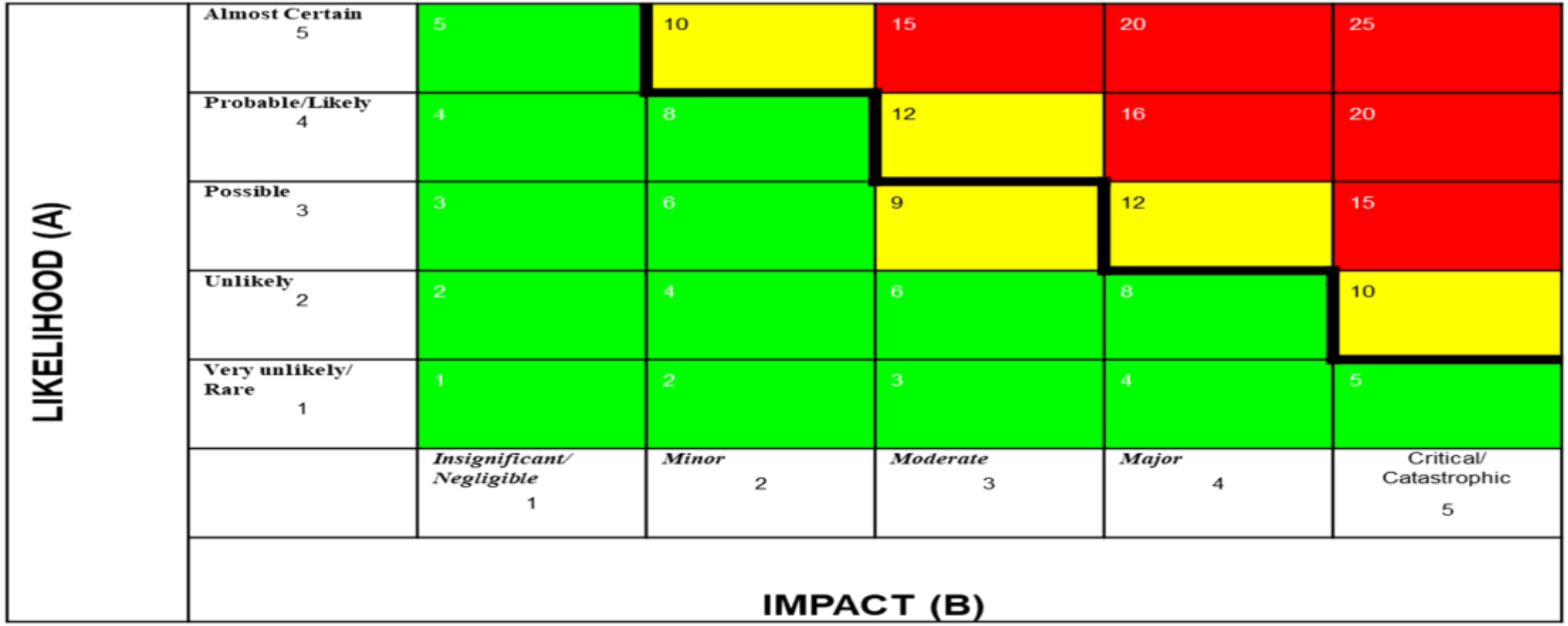
The RMF is a structured approach to managing information security risks.

It's commonly used in the US federal government and is increasingly adopted by other sectors.

The RMF consists of six steps: Categorize, Select, Implement, Assess, Authorize, and Monitor.

Risk Presentation

Risk Heat Maps



Risk Presentation – Risk Register

Sr No	Date Raised	Risk Description	Likelihood of the risk	Impact of the risk occurs	Severity	Owner	Mitigating Action	Contingency Plan	Progress on Action	Status	Resource
1	20 Dec 2021	Project Sprints stories are not well defined	High	High	High	Product Owner	Complete the Project Charter having all the business cases and ensure requirements are gathered properly	Escalate to project Board	Project Charter should be rewritten with full business case and requirements	Open	Project Charter Template
2	22 Dec 2021	Project design and deliverables/milestones are incomplete.	High	High	High	Product Owner	Define the scope and deliverables in detail OR take help from experts	Assumptions and constraints are defined in the document. Remove high-risk items.	Workshops for training on how to create deliverables and milestones scheduled	In Progress	Assumptions Log
3	23 Dec 2021	Non- Competent Resources	Medium	Medium	Medium	Project Manager	Schedule training or coaching from experts	Escalate to the project sponsor	The project sponsor agrees to hold a briefing and make arrangements for new resources	In Progress	Resource Planning Sheet
4	24 Dec 2021	Delays in appointing Expert Consultant or Freelancer	Low	Low	Low	Project Manager	Communicate schedule early and check-in with consultants and contractors regularly.	Escalate to the project sponsor	Lead time to be built on the project schedule for each delay in onboarding	Open	Lead time
5	26 Dec 2021	Unplanned work	High	High	High	Project Manager	Check all the plans and scope of the project. Document all assumptions and communicate clearly to the project manager.	Escalate to the project manager and develop a plan to mitigate cost and schedule	Project manager to attend a meeting with the project sponsor	Open	Project Schedule
6	27 Dec 2021	Lack of communication causes lots of issues	High	High	High	Project Manager	Create a proper communication plan and have it followed seamlessly	Correct misunderstandings immediately by clarifying all doubts. Take help from the project sponsor.	Communication plan in progress	In Progress	Communication plan

Risk Presentation

You can also consider….

- **Risk Matrices:**

These visually represent risks based on their likelihood and potential impact, allowing for quick prioritization.

Visual Aids:

- Charts, graphs, and heatmaps can make complex data more accessible and help stakeholders understand trends.

Storytelling:

- Framing risk scenarios as narratives can make them more engaging and memorable.

Templates:

- Pre-designed PowerPoint templates can help organize and present risk information effectively.

Risk Appetite Statement

Here are the practical steps to build an RAS

- 1. Align with Strategic Goals - Define the organization's main objectives and business strategy. Ask leadership what major risks are necessary to achieve those goals. Identify core values to determine which risks (like ethical or severe reputational damage) are completely unacceptable.

- 2. Engage Key Stakeholders - Involve the board of directors, senior executives, and operational leaders early. Discuss risk capacity—the actual amount of financial, operational, or legal loss the organization can physically absorb. Agree on the trade-offs between chasing rewards and facing potential negative events.

Risk Appetite Statement

Key Compliance Measures

3. Define Categories and Tolerances Group risks into standard categories like financial, operational, technological, and reputational. Set qualitative statements for broad principles (e.g., "We have zero tolerance for regulatory non-compliance").Set quantitative limits or operational tolerances for measurable areas (e.g., "Maximum debt-to-equity ratio of 2:1" or "System downtime cannot exceed 4 hours").

4. Draft and Formalize the Statement Keep the final document short, clear, and easy for all employees to understand. Structure it with an executive summary, clear definitions of threats, and specific metrics. Submit the draft to the risk comm

Risk Appetite Statement

Key Compliance Measures

5. Embed, Monitor, and Review Share the guidelines across departments, so teams use them for daily decisions. Track metrics continuously using Key Risk Indicators (KRIs).Review and update the statement at least annually or when major business changes occur.

Risk Appetite Statement – Example

A **Risk Appetite Statement** is used by governing bodies to communicate to executives and the broader organisation the level of risk the governing body is comfortable with taking and to guide decision making across the organisation. It provides clarity regarding the boundaries in decision-making and what risks need to be escalated back to the governing body for review and consideration.

Note: *The items included in the Risk Appetite Statement below are **examples only**. It is the responsibility of each provider to develop governance tools such as the below based on their own unique circumstances.*

Risk Appetite Statement

Risk appetite can be assigned against broad risk categories or each strategic risk. A benefit of aligning to a category is the risk appetite statement generally remains valid even when strategic risks are added or removed.

Risk Category	Risk Appetite Statement	KRIs	Target	Within Tolerance	Unacceptable
Consumer care	The provision of quality care and positive consumer experiences and outcomes is at the heart of everything we do. We have a **low appetite** for poor quality consumer care and outcomes.	# of preventable clinical incidents (monthly) % consumers highly satisfied with care	0-2 90-100%	3-5 80-90%	>5 <80%
Workforce	Our people are fundamental to the delivery of safe and quality care. We have a **very low appetite** for physical and psychological injuries to our people or those we look after. We recognise there may be difficulties in filling roles and meeting resource demands and have a **medium appetite** for temporary capability or capacity gaps that don't impact service quality.	# of Workcover claims (new) % of care roles that are vacant	0	1-2	>2
Legal compliance	We operate in a complex and dynamic environment with a wide range of legislative obligations across multiple jurisdictions. We have a **very low appetite** for any serious regulatory non-compliance and **zero tolerance** for unlawful activities.	# of high risk compliance breaches # reportable compliance incidents	0 0	1 1	>1 >1
Information confidentiality	Maintaining the integrity and confidentiality of information is paramount to maintaining trust with our stakeholders and ensuring we provide a high standard of care. We have a **low appetite** for any serious breach of confidentiality and, in particular, sensitive health information.	# of information security incidents involving confidentiality breach # reportable privacy incidents	0 0	1 1	>1 >1

Colour coding the KRIs helps with creating a visual representation of risk appetite.

Unacceptable is the KRI result at which the organisation has determined urgent attention and action is required as the risk is outside appetite.

Within tolerance is the KRI result at which the organisation has determined active monitoring of the risk should occur as it is close to exceeding appetite.

Risk appetite statements should clearly outline the context and level of appetite for taking risks. Bolding the risk appetite level helps the reader to identify appetite levels at a glance.

Key Risk Indicators (KRIs) are measures that help identify when risk exposures may be within or outside appetite. Measures should be simple and cost-effective to collect.

Target is the result of the corresponding KRI the organisation should be operating within during normal operations.

Risk Appetite – Qualitative approach

	CAUTIOUS	BALANCED	WILLING
	UQ takes a cautious approach towards risk taking	**UQ takes a balanced approach to risk taking**	**UQ is eager to pursue opportunities**
Protecting value. (Managing risk events)	UQ takes a cautious approach towards risk taking	Measured approaches should be taken that balance the cost of risk mitigation to the outcomes achieved	UQ takes a higher level of risk for increased benefit
Creating value. (Managing uncertainty)	Strategies and plans must be based on sound assumptions and/or have minimal uncertainty	UQ can accept a degree of uncertainty to achieve an intended outcome providing that effective measures are in place to monitor the risk and limit adverse outcomes	Comfortable to pursue strategies and plans with a significant level of uncertainty to gain highly valued reward/s. The possibility of loss is accepted within defined limits
Treating Risk	Those risks that cannot be effectively treated are shared with an outside party or avoided	Risk treatment will be considered depending on the context and benefit to UQ and its stakeholders	Risk is accepted as it is core to UQ's purpose, strategy and desired outcomes

Risk Intelligence -Key Risk Indicators and Early Warning Signs

Key Compliance Measures

- **Trust Deed & Rules Alignment** Ensure trust deeds and scheme rules incorporate all legislative changes, including the Retirement Benefits Act, NSSF Act, and Tax Laws (Amendment Acts). Regular reviews prevent outdated provisions that could trigger tax penalties.
- **Tax Treatment of Benefits** Apply correct tax rules on lump sums, annuities, and withdrawals. For example, contributions within statutory limits are tax-deductible, while benefits exceeding thresholds attract PAYE. Trustees must confirm compliance with KRA guidelines.
- **Compliance Audits** Conduct regular legal and tax compliance audits to identify gaps in reporting, benefit calculations, and remittances. This reduces exposure to fines and litigation.
- **Trustee Training** Trustees must be trained on fiduciary duties, governance obligations, and reporting requirements. Lack of training is a common source of costly operational errors.
- **Regulatory Engagement** Maintain proactive communication with the RBA and KRA to clarify evolving rules, submit timely returns, and resolve disputes before they escalate

Key Risk Indicators and Early Warning Signs

Costly Operations Errors Trustees Must Avoid

- **Incorrect computations & tax remittance**: Misclassifying benefits or failing to deduct PAYE.
- **Poor record-keeping**: Incomplete beneficiary data or contribution records.
- **Delayed reporting and processing of Members Benefits**: Late submission of statutory returns to RBA/KRA.
- **Governance lapses**: Breach of fiduciary duty, conflicts of interest, or failure to act in members' best interests.
- **Non-compliance with amendments**: Ignoring updates in Finance Acts or Tax Laws (e.g., 2020 and 2023 amendments).

Costly Operations Errors Trustees Must Avoid

- **Failure to Enforce and Report Unremitted Contributions**

The Error: Turning a blind eye when the scheme sponsor (employer) delays remitting monthly pension deductions from employees.

The Consequence: Unremitted contributions erode members' retirement savings and prevent scheme investments from compounding. If trustees fail to actively recover these debts, they can be held legally and personally liable by the RBA for a breach of their fiduciary duty.

Action: Trustees are required to establish an internal dispute resolution mechanism and escalate cases of non-remittance directly to the RBA for enforcement.

Costly Operations Errors Trustees Must Avoid

- **Missing Regulatory Filings and Deadlines**

The Error: Failing to submit statutory returns, audited accounts, and levies within the prescribed timeframe.

The Consequence: Trustees risk a KES 100,000 penalty, plus an additional KES 1,000 fine for every day that audited accounts remain unsubmitted. Delayed payment of the annual Retirement Benefits Levy (0.05% - 0.2% of the scheme's fund value) attracts a 5% monthly penalty on the amount due.

Costly Operations Errors Trustees Must Avoid

Untrained or Inactive Trustees

The Error: Board members operating without undergoing mandatory trustee training or failing to attend governance workshops.

The Consequence: The RBA requires all new trustees to complete Retirement Benefits Authority TDPK training within six months of appointment. Failure to do so lowers the scheme's overall governance risk score, and non-compliant trustees face disqualification.

Costly Operations Errors Trustees Must Avoid

Poor Oversight of External Service Providers

The Error: Outsourcing duties to fund managers, custodians, or administrators but failing to perform ongoing performance reviews and audits.

The Consequence: Trustees are ultimately responsible for the fund. Blindly trusting third parties without enforcing Service Level Agreements (SLAs) frequently leads to poor investment returns, underfunded schemes, or the approval of remedial plans that conceal financial holes.

Costly Operations Errors Trustees Must Avoid

Altering Benefit Calculation Formulas

The Error: Arbitrarily changing the pension calculation formula or amending the Trust Deed and Rules in a way that diminishes members accrued or future benefits.

The Consequence: Supreme Court precedence in Kenya dictates that retirement benefits are deferred wages. Altering the rules to decrease the accrued benefits of pensioners without their explicit consent will trigger prolonged and costly litigation against the trustees.

THANK YOU



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