

RISK MITIGATION FOR INCLUSION IN IAR

Risk Category	Mitigation Strategy
<p>Information technology and data security: Inadequate information security measures, business continuity risk and loss of data</p>	<ul style="list-style-type: none"> • Upgrade of IT infrastructure and systems in accordance with findings of internal auditor. • Periodic review of IT systems and services of IT service provider.
<p>People Risk: Key man dependency, inadequate organizational design, and absence of a human resource function.</p>	<ul style="list-style-type: none"> • Proper implementation of the Company’s short-term incentive and long-term incentive schemes to ensure retention of key management staff. • The company engaged the services of an external consultant to develop an organizational design. • Management arranged a Remuneration Committee workshop to enhance the Board’s understanding of the company’s remuneration policy.
<p>Slow growth: Access to capital, high competition for assets, inefficient governance approval processes, prior experience prevents new business</p>	<ul style="list-style-type: none"> • Establishment of an investor relations function to enable effective management of investor engagements • Investor Road shows and earnings announcements to engage investors with the aim of reporting group performance and enabling access to capital • Internal Audit function to ensure effective investment processes.
<p>Asset Management: Insufficient capacity, lack of access to information and appropriate skills and expertise</p>	<ul style="list-style-type: none"> • Hulisani appoints a board representative (and one alternative director) to each investee company board to hold the investee company management to account • Development and implementation of an asset management tool to monitor performance of investee companies with applicable contractual and legislative requirements • Active and periodic monitoring of the performance of the power plants

<p>Rapid Growth: Rapid movement from a small to large entity, increased shareholder uptake, inability to deploy capital secured in the market, change in business model, insufficient resources (Human Capital, Infrastructure, Systems, etc.)</p>	<ul style="list-style-type: none"> • Establishment of Investment Committee • Investment policy to cater for prioritization and shareholder value creation • Evaluation of Investment Policy to cater for incentives and reward
<p>Control environment: Inadequate governance systems, technology not considered in all business areas, ineffective document management systems</p>	<ul style="list-style-type: none"> • Implementation of a digital legal document management system to ensure compliance with contractual obligations and collation and organization of business agreements into a central repository. • Implementation of a process mapping system within the finance function.
<p>Tax Structuring Efficiency: Restructure of the company's investments (past and future) to optimize tax benefits, where possible.</p>	<ul style="list-style-type: none"> • Consideration of an alternative structure and accounting for the group. • Obtaining tax advice to ensure optimal tax structuring.
<p>Climate Change: Equipment and plant designs are designed for areas with different climate conditions; impact of global warming on the reliability of resource studies and weather changes may impact on plant operations</p>	<ul style="list-style-type: none"> • Hulisani appoints a board representative (and one alternative director) to each investee company to monitor environmental impacts on plant operation • Implementation of an asset management tool to monitor the performance of the power plants
<p>Regulatory Uncertainty: Changing regulatory and economic environment; government policy implementation is focused on the short-term</p>	<ul style="list-style-type: none"> • Active and periodic monitoring of changes to the regulatory framework and its impact on Hulisani • Seek opportunities outside of the REIPPP framework

Financial Reporting: Accuracy of the company's financial reporting	<ul style="list-style-type: none">• Implementation of newly mapped and designed processes, to improve controls• Continuous professional development through training and annual updates on relevant IFRS and accounting developments.• Internal audit function to ensure effectiveness of internal controls.
COVID 19: Business continuity and continued liquidity should there be interruptions to business continuity	<ul style="list-style-type: none">• Updated annual budget to make provision for possible business continuity disruptions