THOUGHT LEADERSHIP
Article

GIPF
Government Institutions Pension Fund
To guard, and to grow.

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NAVIGATING RISK MANAGEMENT FOR SUSTAINABILITY

There is no better time than the present for organisations to identify and implement proactive risk management interventions and measures. Enabling a business to develop mitigating strategies, navigate challenges, reduce the impact of risk, maintain resilience, and deliver sustained value in the short, medium, and long term are all critical catalysts. Risk management is necessary to ensure adequate resource allocation, compliance to legal and regulatory requirements, the protection of an organisation's image and reputation and for the effective implementation of strategic objectives. Organisations that prioritise risk management strategies see overall success and growth over the long-term.

The development and implementation of risk management strategies enables organisations to produce results that promote ethical and transparent governance structures, enable stakeholders to receive exceptional service, benefits due and therefore delivering sustained value for all.

Through proactive risk assessment, organisations can identify risks, opportunities and outcomes that materially impact on value creation. This requires an expanded focus beyond the financial reporting boundaries. This broader perspective allows for addressing the material interests of stakeholders and considers the significant risks, opportunities and impacts associated with the activities across the short-term (less than 12 months), medium-term (one to four years), and long-term (beyond four years) horizons.

Sustainable growth should be established and guided on robust risk management legislative frameworks, policies, procedures, risk appetite, strategic intent and tolerance and an Enterprise Risk Management Framework (ERMF). All these should be undergirded by developing a supportive risk culture. This will ensure that risk is considered in every action, decision and interaction with stakeholders.

Organisations should consider emerging risks, uncertainties and other significant factors that could potentially impact the attainment of strategic objectives and financial performance.

It is paramount to acknowledge the link and alignment between organisational success and sound risk management. This enables organisations to be empowered to make well-informed decisions, effectively manage critical risks, bolster stakeholder trust, and enhance future performance.

Identifying and managing material factors that may negatively influence an organisation's capacity to create and sustain medium to long-term value for itself, its stakeholders, and Namibian society requires a comprehensive assessment of its risk environment. This involves a thorough analysis of the macroeconomic landscape specific to industry, along with an examination of the local political, economic, social, technological, environmental, and legal environment.

Additionally, the business risk register serves as a critical internal resource, aiding in the assessment and mitigation of risks while upholding robust internal controls. This strategic approach involves integrating priority areas and material risks into the performance management systems. Thus, resulting in a direct and proactive response to address priority issues and material risks that could potentially impact an organisation's ability to create value.

Taking pride in good corporate governance requires the adoption of an enterprise-wide approach to risk management, encompassing all identified material risks within a structured and systematic process. This requires that risk management oversight is vested in the Board of Directors, specifically through the Audit and Risk Committees, which govern risk through the Enterprise Risk Management Framework (ERMF), therefore, enabling managing business continuity and fraud risks.

Organisations should therefore embark on a comprehensive risk assessment and management process entailing the identification, assessment, mitigation, monitoring, and reporting of enterprise risks, business continuity, and fraud risks. Risk management is therefore crucial for offering reasonable assurance that a value-creation strategy and strategic objectives are achieved. Striking a balance between leveraging opportunities and managing associated risks without compromising the interests of stakeholders.

In the instance of Government Institutions Pension Fund (GIPF), the Fund has implemented various interventions to ensure sustainability, with the most critical being the meeting long-term obligations towards members' benefits, requiring the Fund to consistently assesses its liabilities versus its assets and having adequate contingency reserves to meet such obligations. Long term sustainability requires organisations to incorporate Environmental, Social and Governance (ESG) principles in its various dealings, something the Fund considers through its investment projects.

The Fund has implemented risk appetite and tolerance measures that assists the taking of risks that are optimal for long term sustainability. Business continuity management is incorporated in the Fund's Risk management programme to ensure it can effectively respond to various disruptions caused to its core operations which may impact members.

The Fund employs robust oversight mechanisms such as a Four Lines of Assurance Oversight Model and deploys various committee structures to aid in effective governance. This includes areas such as Management, Risk and Compliance, Internal Audit, External Auditors, Actuarial Reviews and Periodic Regulatory Review by NAMFISA.

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