

GeoEconomica / MACRO RISK MANAGEMENT SCORECARD

The GeoEconomica Macro Risk Management Scorecard is a rating instrument guiding our evaluation of a company's strategic risk management system. The scorecard is informed by the Enterprise Risk Management (ERM) Framework provided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the ISO 31000 Risk Management Guidelines.

The scorecard is built on four pillars and includes 18 criteria. For each criterion one or several metrics have been identified guiding the evaluation process. A score and weighting have been allocated to each

criterion reflecting their relative importance in managing macro risk. The scorecard does not evaluate the real macro risk exposure of the rated company.

We define macro risk as the current or prospective risk to corporate earnings, capital or its overall viability caused by the evolution of a company's operating environment in its social, technological, economic, environmental and political (STEEP) dimensions. A risk management system is built on the structures, policies and practices that an organization relies on to manage risk in creating, preserving and realizing value.

A Governance & Accountability

1 / Board of Directors Awareness & Oversight

The Board of Directors provides oversight over building and / or maintaining the company's strategic macro risk management capacity. Its internal organization and composition ensure its ability locating the company in its wider operating environment and drawing conclusions about the broader trajectory of the company's macro risk exposure.

2 / Executive Management

The Management Board is responsible for the management of macro risks. It is capable translating macro risk awareness into operational risk management capacity.

3 / Dedicated Macro Risk Management Function

The company maintains an adequately resourced macro risk management function. This function can be integrated into the role of the Chief Risk Officer, be embedded within in a Risk Committee, or another dedicated organizational unit.

4 / Accountability & Communication

The company's macro risk management framework establishes an effective division of roles and responsibilities. It ensures the effective flow of information across the entity and its stakeholders.

B Policy

5 / Objectives & Framework

The company has articulated the objectives and scope of its macro risk management system and developed a framework designed to meet such objectives.

6 / Risk Appetite

Based on an internal evaluation of the company's risk management capacity, leadership has set the appetite for the amount of macro risk that the company is willing to seek or accept in the pursuit of its long-term objectives.

7 / Risk Tolerance

The company has set its macro risk tolerance, defining the range of acceptable outcomes corresponding with its risk appetite.

8 / Integration

The company integrates macro risk management into wider ERM structures and decision making.

9 / Risk Capacity

Leadership has a clear understanding of the company's macro risk management capacity and has controls in place ensuring that its risk appetite and material exposure does not exceed such perceived risk capacity.

10 / Performance Review

The company reviews the performance of its macro risk management capabilities on a regular basis and adjusts its structures and policies if necessary.

C Assessment

11 / Risk Identification & Risk Universe

The company conducts a systematic macro risk identification process on a regular basis, accounting for the dynamic evolution of its external environment. The results of this process constitute the macro risk universe as identified by the company.

12 / Analysis & Exposure

The company analyses identified risks, including aspects such as a detailed consideration of uncertainties, risk sources, consequences or likelihoods, and as a result is able to ascertain its macro risk exposure.

13 / Risk Profile & Repository

Based on solid risk analysis, company leadership maintains a comprehensive portfolio view on the entity's macro risk exposure, or risk profile. This risk profile is documented in an up-to-date macro risk repository.

14 / Rating Scale & Escalation Procedures

The company maintains a macro risk rating scale allowing for the interpretation, benchmarking and prioritization of risks. Escalation procedures trigger further action if necessary.

D Response & Strategy

15 / Deployment of Response Instruments

The company has procedures in place that facilitate the targeted and timely deployment of risk response instruments (avoidance, reduction, transfer, retention).

16 / Management of Unknown & Ignored Risks

The company develops a systematic approach to the management of unknown / ignored risks (such as by building liquidity buffers, deploying risk-based inventory management, balancing operational leverage, or diversifying up- and downstream activities).

17 / Adaptive Capacity

The company reviews and, if necessary, revises its strategy, business objectives and macro risk management policies and practices in response to a transforming operating environment.

18 / Competitiveness

The company maintains an up-to-date view of the enabling nature of its superior macro risk management capacity and its contribution to building out competitive advantage.