

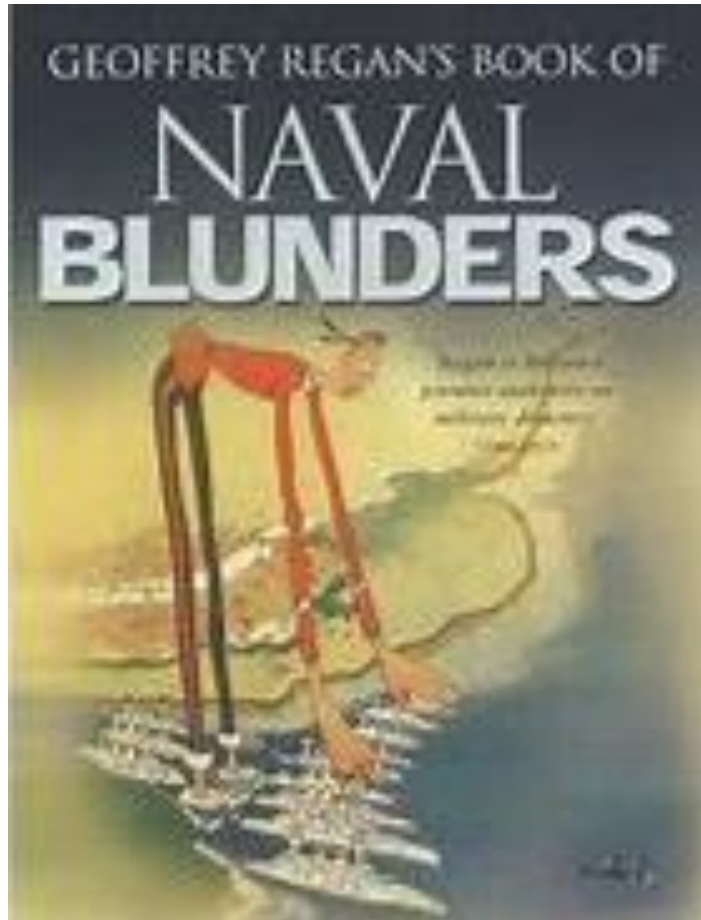
# Transforming Capital Investment Governance For A New Reality?

- Dirk Mostert -



**33rd IPMA World Congress**

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“The history of nautical warfare is littered with disasters, from the lunacy of captains to the bungling Admiralty, and from the misjudgments and oversights of fleet commanders and strategic planners to the incompetence of ship designers. Stories include:

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The Admiral Popov, the circular Russian battleship that span in out-of-control circles, leaving her crew seasick and hanging on for their lives.

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Comodore Anson who set out to circumnavigate the world with a crew of pensioners recruited from Chelsea Hospital.

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The British cruiser Trinidad that malfunctioned in the Arctic and managed to torpedo itself.

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The ‘revolutionary’ new class of submarine, the K boats, that caused more damage to themselves and other British ships than they did to the enemy.”

# "Above Us The Waves"

"As a weapon essentially of the 20th century, the submarine has had an unparalleled effect on naval warfare. In both world wars German U-boat campaigns came near to defeating Great Britain. And in a sense Britain never really came to terms with what was always considered an 'un-English weapon'."

## Governance

## New Reality

### Mindset



"Before 1914 British naval thinkers had rejected the possibility of widespread U-boat action, Churchill even claiming that such warfare was not suitable for civilized powers."



"The submarine can only operate by day and in clear weather, .. cannot stay any length of time under water, because it must frequently come into harbour to replenish its electric batteries."

### Method



"The system of several ships sailing together in a convoy is not recommended in any area where submarine attack is a possibility." An Admiralty Memorandum on Convoys, 1917



"Before the outbreak of the First World War in 1914 Sir Percy Scott predicted the widespread use of submarines by Germany .."





**sasol**



- 2024 TURNOVER R275bn
- Adjusted EBITDA R60bn
- >30 000 employees
- ~500 000 jobs supported in the SA economy

**World's largest  
single point emitter  
of CO<sub>2</sub> emissions**

Proprietary technologies and processes:

- fuel and chemical components » diesel, gasoline, naphtha, jet fuel, illuminating paraffin, fuel oil, LPG, and others
- co-products » olefins, alcohols, polymers, solvents, surfactants, co-monomers, ammonia, methanol, and others

Global supplier to industries:

- Agriculture and Forestry
- Automotive and Transportation
- Aviation
- Chemicals
- Household and Consumer goods, and others

# Governance - An Interesting Topic!

Governance is the structured way to provide control, direction and coordination through people, policies and standards to meet organisational strategic and operational goals

Elements of effective **investment governance** and management oversight:

Governing Bodies, Governance Roles and Authorities

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Governance Framework

Governance Domains - grouping of functions carried out to address a specific governance area of concentration i.e. **Alignment, Risk, Performance and Stakeholders**

Governance Function - grouping of **Oversight, Control, Integration and Decision-making** critical processes, activities, and tasks performed across the governance domains, to provide governance for portfolios, programs and projects

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Portfolios, Programs and Projects

The **constructs** through which investments are executed; create outcomes of unique products, services or results; **deliver business value** and optimise investments

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# Surviving The New Reality

Investment in future business required for Sasol’s survival will cause evolution and transformation, as opposed to conventional Oil & Gas/Chemical sustaining/tactical type investment initiatives

	Sustaining	Tactical	Evolutionary	Transformational
<b>STRATEGIC</b> Case for change and strategic value	<ul style="list-style-type: none"> <li>Enterprise, technology, asset &amp; logistics operations established</li> <li>Focused on Profit impact while balancing People &amp; Planet impacts</li> </ul>		<ul style="list-style-type: none"> <li>New enterprise alternatives &amp; combinations to technology, asset &amp; logistic operations</li> <li>Focused on moving from status quo to balanced People, Profit &amp; Planet impacts</li> </ul>	
<b>ECONOMIC</b> Solution to deliver a viable set of benefits	<ul style="list-style-type: none"> <li>Quantifiable Profit (financial &amp; economic) metrics prove financial viability; People &amp; Planet metrics qualitative</li> <li>Markets, products, prices &amp; volumes established</li> <li>Mature technologies, cost component uncertainty low</li> </ul>		<ul style="list-style-type: none"> <li>People &amp; Planet metrics, as well as Profit metrics quantified to prove financial viability                             <ul style="list-style-type: none"> <li>Markets nascent; products, prices &amp; volumes developing</li> </ul> </li> <li>Critical technologies developing, cost component uncertainty</li> </ul>	
<b>COMMERCIAL</b> Contracting to establish solution	<ul style="list-style-type: none"> <li>Equipment design &amp; supply systems, procurement &amp; construction contracting environment established</li> </ul>		<ul style="list-style-type: none"> <li>Equipment design &amp; supply systems developing/maturing, impacting procurement &amp; construction contracting systems &amp; capability; capital cost &amp; scheduling uncertainty much higher</li> </ul>	
<b>FINANCIAL</b> Viability, affordability and funding	<ul style="list-style-type: none"> <li>Free Cash-Flow proxy for quantifiable Profit metrics</li> <li>Risk vs reward benchmarked as WACC on mature environment</li> <li>Funding mechanisms established</li> <li>Fiscal &amp; regulatory environment mature</li> </ul>		<ul style="list-style-type: none"> <li>People &amp; Planet impact more difficult to quantify                             <ul style="list-style-type: none"> <li>Benchmarking highly uncertain in evolving environment</li> </ul> </li> <li>Fiscal &amp; regulatory, tax, penalty, subsidy regimes developing                             <ul style="list-style-type: none"> <li>Funding mechanisms evolving</li> </ul> </li> </ul>	
<b>MANAGEMENT</b> Capability for delivery	<ul style="list-style-type: none"> <li>Governance approach mature</li> <li>Execution systems &amp; capability proven</li> </ul>		<ul style="list-style-type: none"> <li>Governance approach evolving per situation                             <ul style="list-style-type: none"> <li>Execution systems &amp; capability impacted</li> </ul> </li> </ul>	

# Value-based Investment

An Investment Case based on **value** provides decision makers and stakeholders with the assurance that the investment will maximise strategic impact, is financially viable, affordable and fundable, commercially attractive, and can be delivered successfully

Elements of a Value-based Investment Case:

Strategic dimension - the case for change and the envisaged strategic value through People, Planet and Profit impacts

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Economic dimension – the optimum solution that delivers a viable balance of benefits and disbenefits that makes sustainable People, Planet and Profit impacts

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Commercial dimension - well-structured competitive constructs to establish the required asset capacity to deliver benefits and disbenefits

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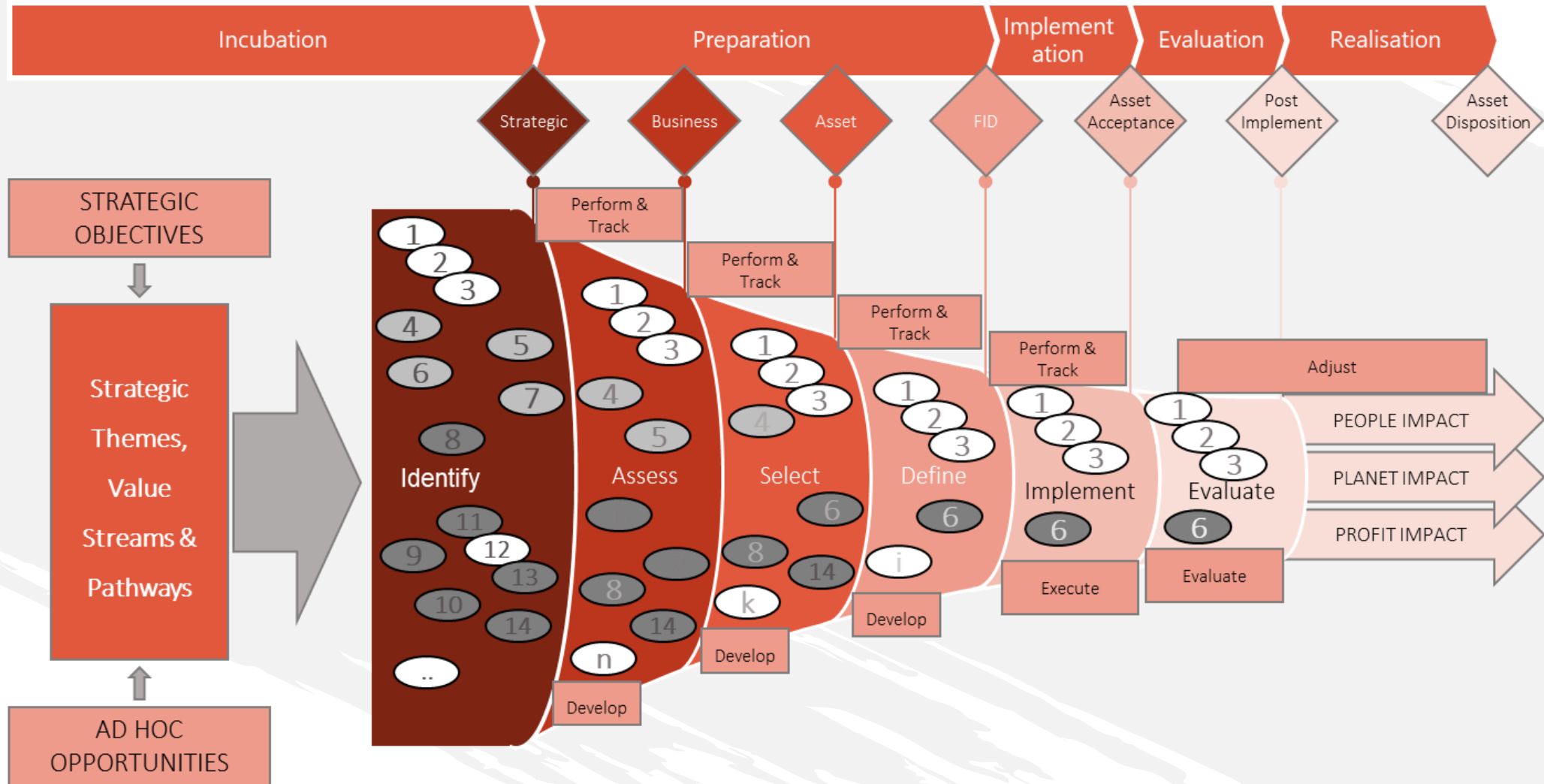
Financial dimension – viability, affordability and funding of the investment, including the support of key stakeholders

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Management dimension - robust arrangements are in place for the delivery, monitoring and evaluation of the investment, including feedback into the strategic portfolio

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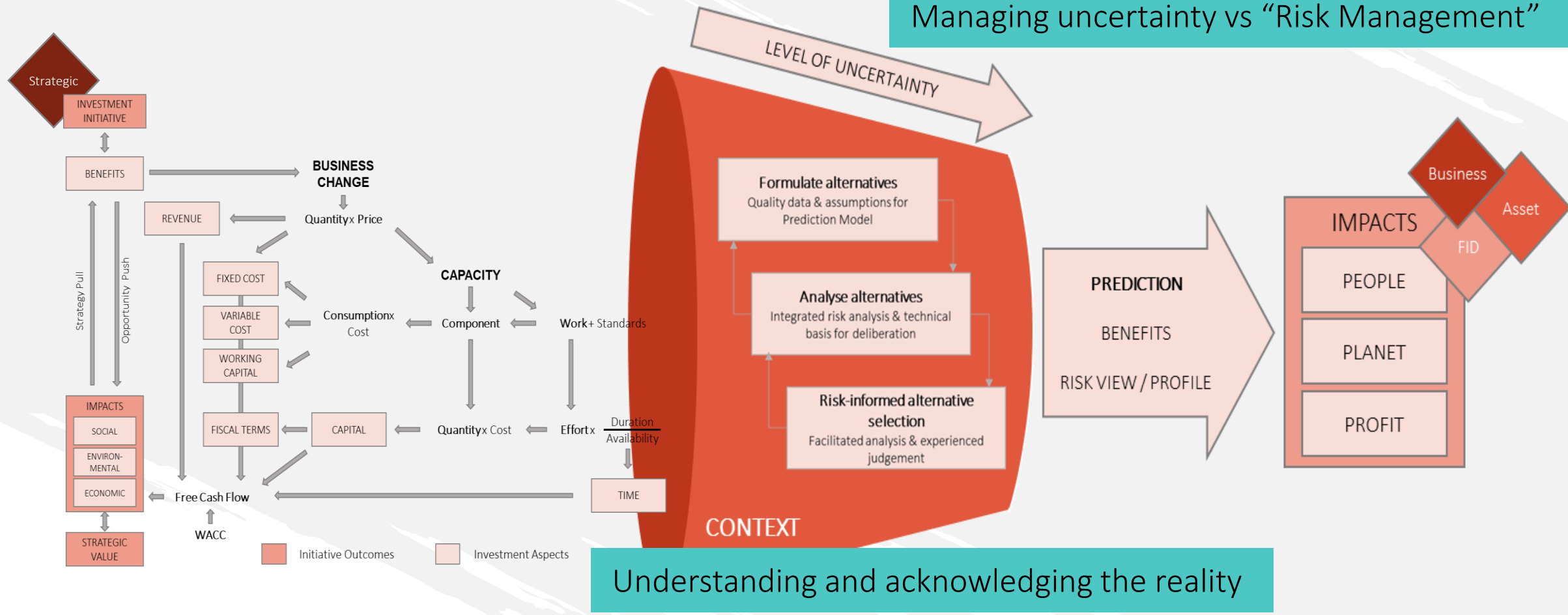
# First Pillar of Value-based Investment – Portfolio Management





# Second Pillar of Value-based Investment – Development Logic

Managing uncertainty vs “Risk Management”



# Third Pillar of Value-based Investment – Decision Making

Making declared investment decisions based on **value** using **risk-assessed** and **assured predictions** at the key development milestones

Elements of Value-based Decision-making:

Decision Quality Framework – Frame, Measure, Analyse, Optimise, Execute

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Decision Role Accountabilities – Recommend, Agree, Perform, Input, Decide (RAPID)

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Deliberation - use of experience and tacit knowledge to inform on other considerations that are not captured in the risk models

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Risk Informed - recognising the existence and understanding the impact of uncertainty, present and over life of decision

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Sufficient Certainty - sufficient evidence and characterisation of uncertainties to determine that the selected alternative best reflects decision-maker requirements, given the state of knowledge at the time of the decision

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# Discussion, Questions & Answers



## Dirk Mostert

Director & Principal Consultant

### PROFILE

Blue-chip-trained Engineering and Project Management professional. Fulfilled senior roles in Research & Development, Production, Technical Support, Projects and Corporate environments.

Extensive expertise in shaping, definition, execution and governance of capital investment projects and programs.

Broad experience in Oil & Gas, Utilities, Pulp & Paper, Mining & Minerals and Defense industries.

Wide contact networks in Petroleum, Metals, Papermaking, Water & Effluent Treatment, Utility, Power Generation and Refinery technologies.

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### ADVISE: Recommend course of action

#### Consulting

- Capital investment portfolio governance and assurance
- Project & program development and execution systems
- Initiative shaping and scoping of business & engineering studies
- Uncertainty, complexity & risk scoping and evaluation
- Production management and plant optimisation

### ENABLE: Support achievement of outcomes

#### Facilitation of Investing-for-Value workshops

- Context-setting, uncertainty, and risk identification and scoping
- Roadmapping and program conceptualization
- Problem identification & definition, root cause analysis

#### Training

- Capital investment portfolio governance and assurance
- Project & program development and execution

### ASSURE: Verify and validate outcomes

#### Verification

- Capital governance and project/program system auditing

#### Validation

- Value assurance
- Quality and peer reviews