



# The PAS Group Limited

## ACN 169 477 463

### Risk Management Policy

#### 1. Introduction

The PAS Group Limited ACN 169 477 463 (**Company** and, together with its controlled entities, the **Group**) views effective risk management as key to achieving and maintaining its operational and strategic objectives.

#### 2. Risk oversight

- 2.1 The directors of the Company are responsible for reviewing and ratifying the risk management structure, processes and guidelines which are to be developed, maintained and implemented by management. The active identification of risks and implementation of mitigation measures is also the responsibility of management.
- 2.2 The audit and risk committee of the Company's board of directors (**Board**) (**Audit & Risk Committee**) or the Company's management (**Management**) may also refer a particular matter or financial risk management issue to the Board or a separate risk committee for consideration and direction.
- 2.3 To assist the Board in discharging its financial responsibility in relation to risk management, the Board has delegated certain activities to the Audit & Risk Committee. The objectives of the Audit & Risk Committee include, among other things:
- (a) promoting a culture of compliance;
  - (b) providing a forum for communication between the Board and Management in relation to audit and compliance matters affecting the Group; and
  - (c) reviewing and commenting on Management's plans for managing the material financial and reporting risks faced by the Group.
- 2.4 To achieve these objectives, the responsibilities of the Audit & Risk Committee in relation to risk management and internal compliance and control systems include among other things:
- (a) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the ongoing efficiency and effectiveness of those systems;
  - (b) reviewing (at least annually) and approving policies and procedures on risk oversight and management to establish an effective and efficient system for:
    - (i) identifying, assessing, monitoring and managing risk; and

- (ii) disclosing any material change to the Group's risk profile; and
- (c) receiving reports from the management of the Company concerning the Group's material risks in order to assess the internal processes for determining, monitoring and managing these risks and to monitor the risk profile of the Group;
- (d) reviewing the Group's financial risk management procedures to ensure that the Group complies with its legal obligations, including to assist the Chief Executive Officer (**CEO**) or Chief Financial Officer (**CFO**) to provide declarations in relation to each of the Group's financial reports required by both section 295A of the *Corporations Act 2001* (Cth) and Recommendation 4.2 of the *ASX Corporate Governance Principles and Recommendations (3rd edition)*.

2.5 Further detail in relation to the responsibilities of the Audit & Risk Committee are contained in the Audit & Risk Committee's charter that is available on the Company's website at [www.thepasgroup.com.au](http://www.thepasgroup.com.au).

### 3. Risk management principles

3.1 The Company follows the AS/NZS ISO 31000:2009 principles for risk management:

(a) *Risk management creates and protects value.*

Risk management contributes to the demonstrable achievement of objectives and improvement of performance in, for example, human health and safety, security, legal and regulatory compliance, public acceptance, environmental protection, product quality, project management, efficiency in operations, governance and reputation.

(b) *Risk management is an integral part of all Company processes.*

Risk management is not a stand-alone activity that is separate from the main activities and processes of the Company. Risk management is part of the responsibilities of management and an integral part of all Company processes, including strategic planning and all project and change management processes.

(c) *Risk management is part of decision making.*

Risk management helps decision makers make informed choices, prioritise actions and distinguish among alternative courses of action.

(d) *Risk management explicitly addresses uncertainty.*

Risk management explicitly takes account of uncertainty, the nature of that uncertainty, and how it can be addressed.

(e) *Risk management is systematic, structured and timely.*

A systematic, timely and structured approach to risk management contributes to efficiency and to consistent, comparable and reliable results.

(f) *Risk management is based on the best available information.*

The inputs to the process of managing risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgement. However, decision makers should inform themselves of, and should take into account, any limitations of the data or modelling used or the possibility of divergence among experts.

(g) *Risk management is tailored.*

Risk management is aligned with the Company's external and internal context and risk profile.

(h) *Risk management takes human and cultural factors into account.*

Risk management recognises the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of the Company's objectives.

(i) *Risk management is transparent and inclusive.*

Appropriate and timely involvement of stakeholders and, in particular, decision makers at all levels of the Company, ensures that risk management remains relevant and up-to-date. Involvement also allows stakeholders to be properly represented and to have their views taken into account in determining risk criteria.

(j) *Risk management is dynamic, iterative and responsive to change.*

Risk management continually senses and responds to change. As external and internal events occur, context and knowledge change, monitoring and review of risks take place, new risks emerge, some change, and others disappear.

(k) *Risk management facilitates continual improvement of the Company.*

The Company will develop and implement strategies to improve their risk management maturity alongside all other aspects of the Company.

## 4. Role of management

4.1 Management is responsible for designing and implementing risk management and internal compliance and control systems which identify the material risks facing the Group. These compliance and control systems are designed to provide advanced warning of material risks before they eventuate.

4.2 Management must regularly monitor and evaluate the effectiveness of these processes and risk plans and the performance of employees implementing them, including through the procedures listed in **Schedule A**. In addition, Management must promote and monitor the culture of risk management within the Group and compliance with internal risk systems and processes by employees.

4.3 All employees are responsible for implementing, managing and monitoring these processes and risk plans with respect to material business risks, as appropriate.

4.4 Management must report at each board meeting on risk management to the directors and Audit & Risk Committee. The reporting must identify the Group's material risks and the extent to which:

(a) the Company's ongoing risk management program effectively identifies all areas of potential risk, including with respect to licensing and regulatory issues;

(b) adequate policies and procedures have been designed and implemented to manage identified risks;

(c) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and

(d) proper remedial action is undertaken to redress areas of weakness.

## 5. Identified risks

There are a number of risks that are inherent to the business activities that the Group undertakes. These risks may change over time as the external environment changes and as the Group expands its operations. The risk management process requires the regular review of the Group's existing risks and the identification of new and emerging risks facing the Group, including financial and non-financial matters. It also requires the management, including mitigation where appropriate, of these risks.

## 6. Review of risk management

- 6.1 The division of responsibility between the directors, the Audit & Risk Committee and management aims to ensure that specific responsibilities for risk management are clearly communicated and understood by all.
- 6.2 The reporting obligations of management ensure that the directors and the Audit & Risk Committee are regularly informed of material risk management issues and actions. This is supplemented by the Audit & Risk Committee:
  - (a) receiving reports from management concerning the Group's material risks in order to assess the internal processes for determining, monitoring and managing these risks and to monitor the risk profile for the Group; and
  - (b) reviewing and ratifying management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and non-financial information.
- 6.3 When considering the Audit & Risk Committee's review of financial statements for a financial period, the directors must request to receive a written statement, signed by the CEO and the Chief Financial Officer, that in their opinion the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and performance and comply in all material respects with relevant accounting standards. If requested, the statement may also confirm that the Company's financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.
- 6.4 Similarly, when reviewing risk management reports, the directors may request a separate written statement from the CEO confirming that the Company's risk management and internal control systems have been operating effectively in relation to all material business risks for the relevant accounting period and that nothing has occurred since the period-end that would materially change this position.
- 6.5 A review will be conducted annually of the Group's entire risk profile. This annual risk review includes a review of the context (including strategic planning and financial health) as well as all the existing risks and the controls/mitigating actions in place against these risks. It will also encompass a review of new or emerging risks across the functional and commercial value chains and external environment of the Group.

## 7. Approved and adopted

This version of the Risk Management Policy was approved and adopted by the Audit and Risk Committee on 22 June 2017.

# Schedule A

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The following are intended to form part of the normal procedures for Management's risk and compliance responsibilities:

- Evaluating the adequacy and effectiveness of Management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for the management of balance sheet risks.
- Evaluating the adequacy and effectiveness of the Group's financial and operational risk management control systems by reviewing risk registers and reports from Management and external auditors.
- Evaluating the structure and adequacy of the Group's business continuity plans.
- Evaluating the structure and adequacy of the Group's own insurances on an annual basis.
- Reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies.
- Overseeing the establishment and maintenance of processes to ensure that there is:
  - an adequate system of internal control, management of business risks and safeguard of assets; and
  - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- Evaluating the Group's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance.
- Disclosing whether the Group has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.
- Reviewing the Group's main corporate governance practices for completeness and accuracy.
- Reviewing the procedures that the Company has in place to ensure compliance with laws and regulations (particularly those which have a major potential impact on the Company in areas such as trade practices and consumer laws, industrial relations, occupational health and safety, and the environment).
- Reviewing the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes (including requirements under the ASX Listing Rules, Corporations Act and AASB requirements).
- Advising the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and reviewing the effectiveness of the Company's internal control framework.
- Reviewing the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards.
- Reviewing and discussing with management and the internal and external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.