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Risk Management Policy



Risk Management Policy Statement

HRL Holdings Limited (HRL) recognises that the effective management of risks is a fundamental component of good corporate governance and is vital for the company's continued growth and success. HRL is committed to enterprise-wide risk management to ensure its corporate governance responsibilities are met and its strategic goals are realised.

Enterprise-risk management enables HRL to identify and manage risks to:

- Improve business performance by optimising growth opportunities.
- Remain innovative and establish competitive advantage.
- Anticipate and communicate uncertainties.
- Reduce operational losses and surprises.
- Protect the company's reputation and brand.

The objectives of the HRL Risk Management Policy are to:

- Provide a consistent and systematic approach to identify, analyse, evaluate, treat, monitor and report on the portfolio of risks.
- Ensure management is presented with the best available information on which to base its decisions.
- Ensure decisions made are aligned with the company's appetite for risk and are undertaken within approved risk tolerances and are executed with sufficient independent oversight.
- Provide assurance that internal controls are in place and are operating effectively and efficiently.

Application

This policy applies to all HRL businesses.

Resources

HRL will provide the necessary resources and support mechanisms to ensure its commitment toward risk management is achieved.

Implementation

Each HRL business is responsible for implementing the requirements of this policy in consultation with their employees. Cooperation is needed, and expected, from all employees. The effective management of risk is vital to the continued growth and success of our Group.

Steve Dabelstein
Chief Executive Officer



Introduction

This Risk Management Policy sets out the risk management strategy and minimum requirements for the management of risk within the Group. This policy is to be applied to the management of risks that arise in relation to the Group conducting its business.

Risk Management Framework

HRL has an established Risk Management Framework (“the Framework”) to support its commitment to effective risk management. One of the primary objectives of the Framework is to provide guidance on how to consistently and comprehensively apply risk management in order to optimise the management of risk. Additional objectives of the Framework include:

- recognising that successful risk management is the responsibility of all employees.
- optimising financial growth opportunities.
- reducing the likelihood of deficient or ineffective, strategic and business planning through embedding risk evaluation in all strategic and business planning.
- reducing the likelihood of failures and cost overruns, by applying effective risk assessment and management in the planning and implementation of projects, and business initiatives and activities.
- reducing the likelihood, and potential impacts including financial cost to the company of fraud, insurance claims and complaints.
- encouraging the identification and reporting of actual or potential risk incidents.
- protecting and promoting the company’s public image and reputation as a professional, responsible and ethical organisation.

Risk Management Process

1. Establish the Context

Before formally assessing risks, each Business Unit should ensure they consider and detail their context in relation to their specific business including:

- Governance/management structure
- Services provided
- Physical environment (property and location details)
- Service dependencies (internal & external)
- Competition



Establishing the context also requires consideration of HRL's agreed risk appetite and tolerances in relation to:

1. Reputation;
2. Finance / Commercial;
3. People;
4. Governance;
5. Information management;
6. Operational; and
7. Environment (including economic, environmental, and social sustainability).

2. Risk Assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation. The process aims to highlight the material risks to, or in, the business to ensure that resource allocation is directed towards mitigating controls around material risks that present as threats; and resource allocation is directed towards actions to optimise material risks presenting as opportunities eventuating

(a) Risk Identification

The risk identification process involves identifying and documenting risks across all areas of the business.

Risks can be identified in a multitude of ways through day-to-day activities, proactively through formal risk management workshops, or reactively as a result of certain events occurring. External, strategic, financial and operational risks are incorporated in the risk identification step, with such risks being identified through a systematic process as per the table below:

Risk Identification Group	Examples
Strategic Workshops	<ul style="list-style-type: none">• Business strategic planning workshops including techniques such as 'strengths, weaknesses, opportunities, threats' (SWOT) analysis; brainstorming; analysis of systems or scenarios
Operational Activities	<ul style="list-style-type: none">• Monthly team meetings• Capital expenditure risk assessments• Routine data collection and business data analysis
Assessment against Standards	<ul style="list-style-type: none">• Financial reviews and external audits• Periodic reviews of compliance against company policy, key risk controls, and legal compliance• Third Party accreditation reviews (NATA, IANZ)• Health Safety and Environment (HSE) and Injury Management (IM) inspections/audits
Incident or Event Logging	<ul style="list-style-type: none">• Internal incident or complaint reporting of health, safety, environment and property incidents



(b) Risk Analysis

The risk analysis step involves the calculation of the risk based on the consequence of the event and likelihood of the identified event happening.

For the majority of risks that take the form of incidents or non-compliances, risk analysis is built into reporting requirements.

Risks are categorised based on their consequence severity and the probability or frequency of occurrence.

To ensure a consistent approach is taken for the assessment of material business risks, HRL has implemented a standard register to record all identified Group-wide risks.

Risk management workshops are held with senior management teams from each Business Unit to identify and record material business risks. The outcomes of the risk workshops are recorded on the HRL Risk Register.

The Register is maintained and managed by the CEO and CFO.

(c) Risk Evaluation

The risk rating calculated from the Risk Management Matrix establishes the priority of the identified risk. HRL has established guidelines for required actions associated with the level of risk and the communication of the risk within the organisation.

3. Risk Treatment/Response

The Risk Response involves identifying and implementing mitigating controls, these can be procedural or system based.

Likelihood	Likelihood rating	Minor	Serious	Severe	Major	Catastrophic
	Almost certain	Medium	High	Critical	Critical	Critical
	Likely	Medium	Significant	High	Critical	Critical
	Possible	Medium	Medium	Significant	High	Critical
	Unlikely	Low	Low	Medium	Significant	Critical
	Rare	Low	Low	Medium	Medium	High
Consequence						

Likelihood, probability & frequency		
Likelihood rating	Description	Probability
Almost Certain	Known to happen often	> 95%
Likely	Could easily happen	50% - 95%
Possible	Could happen & has occurred before	15% - 50%
Unlikely	Hasn't happened yet but could	5% - 15%
Rare	Conceivable, but only in extreme circumstance	> 5%



Risk Consequence Severity					
Consequence Type	Minor	Serious	Severe	Major	Catastrophic
Financial loss	< \$100k	\$100 - 250k	\$250 - 500k	> \$500k	Threatens viability of company

The Risk Register will record identified material business risks and allocate corrective actions and responsibilities for each risk.

4. Controls Effectiveness

When analysing risk, it is important to understand the effectiveness of the existing controls that are in place. Controls effectiveness measures the strength of the current controls to provide an indication of the confidence the business should have in them or whether additional controls are necessary. The outcome of this process is a residual risk rating being determined for the original, or inherent, risk.

Control Effectiveness	
Control Effectiveness	Description
Effective	The control design meets the control objective and the control is operating the majority of the time
Partially Effective	The control design mostly meets the control objective and/or the control is normally operational but occasionally is not applied when it should be, or not as intended
Ineffective	The control design does not meet the control objective and/or the control is not applied or is applied

5. Monitor & Review

The HRL Risk Register is where all material Group-wide risks are documented. It captures both the inherent and residual risk ratings for each risk and is a 'living' document that shows the current risk profile.

The Register is to be reviewed at least annually to determine the currency of the risks relative to the company's structure, business and operational processes, and any material changes to HRL and its operations.

A Risk Heat Map is to be produced summarising the residual risk for each risk on the HRL Risk Register.

6. Risk Reporting

(a) Material Business Risks

All material business risks are to be promptly reported to the CEO or CFO.

(b) Risk Incidents

A risk incident is any materialisation of a risk and breakdown of a risk control. It includes a breach of any statutory obligation and may also include any situation or event that may give rise to an insurance claim.

It is important that all risks incidents are reported promptly upon being discovered. This is to ensure that corrective action to rectify the situation can be taken, data can be collected for insurance claims reporting,



and to ensure that any statutory reporting obligations can be met.

It is the responsibility of every employee to report any potential or actual risk incident as soon as it is identified. Material incidents are to be notified to the General Manager immediately upon discovery.

8. Communication and Consultation

All managers and supervisors are required to escalate risks that could materially affect business operations through to their General Manager. Communication of the company's risk management framework is promoted to internal and external stakeholders to ensure all potential and actual risks are identified and reported as part of the risk management process.

A number of supporting management processes are in place to ensure risk management is integrated into the business operations in a consistent manner in line with Board expectations. These supporting processes are contained in targeted policies, including:

- Code of Conduct
- Delegation of Authority Policy
- Cash Management Policy
- Health and Safety Policy
- Quality Management Policy
- Anti-Bribery and Anti-Corruption Policy
- Data and IT Usage Policy
- Whistleblower Program.

Risk Management Roles and Responsibilities

Role	Responsibilities
Board	The Board is responsible for reviewing and approving the overall risk management strategy, including setting the risk appetite and tolerances of the HRL Group.
Audit and Risk Committee	The Audit and Risk Committee assists the Board to monitor the HRL Group's obligations in relation to financial reporting, internal controls, financial audit, and compliance and risk management systems.
People & Culture Committee	Directors monitor risks and controls through the People & Culture Committee and other Sub-Committees of the Board that may be formed from time to time.
CEO & Executive Management team	<p>The CEO and executive management team are responsible for implementing the risk management strategy and for developing policies, controls and processes to identify and manage risk across the HRL Group.</p> <p>The executive management team provides the Board with regular reports about the Group's financial position and operational results for each controlled entity.</p> <p>The CEO and CFO provide certification to the Board each reporting period that:</p> <ul style="list-style-type: none"> • the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and • the company's risk management and internal compliance system is operating efficiently and effectively in all material respects.

Role	Responsibilities
General Managers	General Managers are responsible to: <ul style="list-style-type: none"> • report on the status of material business risks • notify the CEO or CFO of any material changes to structure or business processes and operations • ensure that they and their management understand their accountability for identifying risks within their areas of responsibility and for ensuring that there are appropriate and effective risk management controls in place to adequately manage risks. • ensure continuous monitoring of their areas of responsibility to identify and report any risk management incidents and to seek assistance from the CEO or CFO to rectify any perceived risk management weaknesses or deficiencies. • provide assistance for the carrying out of any assurance activities as requested by the CEO or CFO.
Managers and Supervisors	Managers and Supervisors are responsible for identifying risks within their areas of accountability and for ensuring that there are appropriate and effective risk management controls in place to adequately manage risks.
Employees	All HRL employees are responsible for ensuring they: <ul style="list-style-type: none"> • are aware of the policies and procedure for managing risk. • undertake their duties with care and diligence and in accordance with approved policies, procedures and processes. • complete all mandatory training within prescribed timelines. • inform management if, for any reason, they are concerned that procedures and processes to perform their duties are inadequate, defective, and or are out of date. • report any potential or actual risk incident to management as soon as it is identified.
External Contractors (including insurance advisors, forensic accountants and corporate risk consultants).	Independent review of the Group-wide Material Business Risks captured in the HRL Risk Register, incorporating an evaluation of the controls in place to manage risks.

The Policy is reviewed annually by the Audit and Risk Committee to keep it up to date and consistent with legislative and other Corporate Governance Requirements.

This Policy was reviewed by the Board of Directors and adopted on 25/06/20.