



1. RISK MANAGEMENT POLICY

This Risk Management Policy forms part of the corporate governance and management philosophy of the Austbrokers' organisation. The Board and senior management takes ownership and responsibility for the setting the Risk Management Policy

1.1 Objective of the Policy

It is the Policy of Austbrokers to ensure that there is a systematic process in place to identify, analyse, assess, manage and monitor risk.

The aim of the Policy is to ensure that Austbrokers can control all the risks to which it is exposed.

1.2 Responsibility for the Policy

Ultimate responsibility for the Policy rests with the Board. Implementation is the responsibility of the Audit and Risk Committee through the CEO.

The Audit and Risk Committee reviews and acts on regular reports from the CEO and senior management who are responsible for regular reviews and the provision of reports on all organisational risks. The aim is to provide the Board with assurance that major business risks are being identified and consistently assessed and that effective management plans are in place to address and manage risk.

1.3 People affected by the Policy

The people affected by the Policy are all key stakeholders including shareholders, the Board, network, employees, clients, supporters and the general public.

2. RISK PROFILE

Austbrokers' fundamental purpose is to generate sustained superior performance for its shareholders through the provision of insurance services through its network of insurance brokers and agencies.

Austbrokers views risk management as integral to its objective of creating and maintaining shareholder value and the successful execution of its strategies.

To achieve its corporate goals, including meeting the economic expectations of shareholders, Austbrokers must pursue opportunities that involve some degree of risk. At the same time, Austbrokers accepts the existence of a range of adverse risks within the context of its operations and which involve the chance of potential damage to the structure, development or operations of its business. Austbrokers policy is to apply a common framework to the management of risk which will necessitate mitigation to an acceptable level and ensure that the effective management of business risk is a core capability.



3. RISK MANAGEMENT APPROACH

Austbrokers' Risk Management Framework is based on the applicable elements of the Australian Risk Management Standard AS/NZ 4360:2004

3.1 Risk Identification

The identification of each risk is a key component of Austbrokers' Risk Management Framework.

Austbrokers' approach to risk identification follows a systematic process of determining what, where, when, why and how something could happen. For convenience, identified risks are grouped within a flexible set of categories:

- Strategic Risk (relating to the outcome of strategic goals, special projects, etc.)
- Finance and Economic Risk (relating to funding, liquidity, interest rates, solvency, changes in market values, major credit default by clients or insurers, etc)
- Legal, Compliance & Governance Risk (relating to legal compliance, breaches, reporting to regulators, corporate governance, etc)
- Operational Risk (relating to business operations, business interruption & crises, HR including OH&S, D&O, PI, other liability, fraud, IT breakdowns, market related risks, reputational risk etc, all other risks)

3.2 Risk Analysis and Evaluation

The analysis and evaluation of risks are key components of Austbrokers' Risk Management Framework. The Standard describes the need for risk analysis and evaluation.

Austbrokers approach to this aspect is based on an assessment of the likelihood of occurrence and the potential consequences of the risk crystallising. Likelihood is measured within the range, minimal to highly likely, while consequences (impacts) are measured in terms of potential dollar losses or gains. These factors are combined to provide an evaluation. Risks evaluated at \$5 million or higher are treated as intolerable, while those evaluated below \$10,000 are regarded minor.

3.3 Risk Treatment and control

Treatment and the control of risks are a key component of Austbrokers' Risk Management Framework.

The approach to this aspect is based on giving each risk an initial evaluation (rating) to establish the level of inherent exposure arising from the particular risk. Immediate action is then initiated to treat the risk in order to reduce the level of exposure to the lowest practical level. All risks are treated in this way although greater attention is paid to higher level risks and treatment is tailored within the context of Austbrokers' business and objectives.

Austbrokers has in place a Risk recording and monitoring programme that is used to ensure that risks are monitored and controlled.

3.4 Roles and responsibilities

The Board is responsible for oversight of the Risk Management Framework, including the consideration and review of this Policy on an annual basis. The Board is also responsible for establishing policies and reviewing the effectiveness of Austbrokers' approach to risk management as well as monitoring the status of major business risks.

The Board Audit and Risk Committee advises the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures. Its functions include annual reviews of the effectiveness of Austbrokers' Risk Management Framework and internal control procedures.

Implementation and review of the Risk Management Framework is the responsibility of the Audit and Risk Committee through the Group Chief Executive Officer (the CEO).

The Audit and Risk Committee reviews and acts on regular reports from the CEO and senior management who are responsible for regular reviews and the provision of reports on all organisational risks. The aim is to provide the Board with assurance that major business risks are being identified and consistently assessed and that effective plans are in place to address and manage risk.

Austbrokers is of the view that not every aspect of risk management can be formalised and therefore places reliance on the skill, experience and judgement of its people to take risk managed decisions within policy guidance.

Training and development combined with appropriate remuneration and incentives align management actions to the attainment of corporate goals including the management of risk. Formal performance appraisals are conducted annually for all managers.

Group Compliance works to a structured programme which includes the monitoring of compliance and risk management. The purpose of this function is to independently look into and report back on operational compliance and risk management. Monitoring of risks identified by the Audit and Risk Committee is built into the programme and feedback is provided to the Committee on new or developing risks identified. Reviews are linked to training in order to eliminate weaknesses and increase understanding across the Group of relevant legislative obligations, risk management responsibilities and applicable Australian Standards.

4. MEASURING THE EFFECTIVENESS OF THE FRAMEWORK

Austbrokers' Risk Management Framework will be evaluated annually by the Board. This evaluation will be based on a report prepared by management. This assessment will include but is not limited to a review of:

- Realistic and appropriate Forecasting
- The timely and efficient management and reporting of key risks, and
- Any events, incidents or trends that have arisen or might arise that were not forecast.

The Board in undertaking its review will consult with management as appropriate and call on any external advice that may be required. The outcomes of this review will be considered by the Board annually.



5. CULTURE AND BEHAVIOUR

Austbrokers' view is, that successful risk management will be achieved through the development and maintenance of a management culture and behaviour where the consideration of risk and reward is instinctive in day-to-day activities.

In developing these capabilities, management are authorised to act in accordance with agreed policies and procedures and clearly defined delegations of authority.

Successful risk management requires the maintenance of a culture that encourages employees and managers to communicate risk management issues, concerns and recommendations without fear of retribution.

6. POLICY REVIEWS

This policy and the underlying strategies/procedures will be review annually by the Board to ensure their continued application and relevance.

Austbrokers is committed to the philosophy of effective business risk management as a core managerial capability.