



Australian Agricultural Company Limited

ABN 15 010 892 270

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## Risk Management Policy

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Approved by the Board of Australian Agricultural Company Limited on 3 October 2018 with amendments made on 8 September 2014 and 1 April 2016. Formatted for consistency on 5 February 2019.

### 1. Purpose

Risk management is an integral part of Australian Agricultural Company Limited's (AACo) operating model. This policy reflects AACo's commitment to robust and transparent management of material business risks recognising that effective understanding and management of risk ensures that AACo can meet sustainability, profitability and stakeholder expectations in the long term.

### 2. Scope

This policy applies to all directors, employees and contractors of AACo and its subsidiaries and operations. All material risks generated by AACo's core and peripheral businesses are captured under this policy which sets out the guiding principles underlying AACo's risk appetite culture and also provides reference points for appropriate risk behaviour.

### 3. Policy

Risk management is about mitigating the impact of uncertainty on achieving business objectives. The risk management discipline involves: identifying, understanding and measuring risk; and implementing strategies to reduce the likelihood and impact of negative events on business objectives, while leaving room for AACo to pursue profitable opportunities. Effective risk management is an integral part of good management practice and an essential element of good corporate governance.

As an agricultural business AACo is exposed to multiple and often inter-related risks. Some of these risks have the potential to impact on AACo's financial and operational stability, while others present value-creating opportunities. It is not management's objective, nor is it feasible, to eliminate risk entirely. Rather, management believes that effective risk management is a strategic strength of the Company, enabling it to avoid or lessen the impact of catastrophes, but also enabling it to take full advantage of the opportunities created by uncertainty. AACo aspires to be a recognised leader in risk management in the agricultural industry.

The Board of Directors is responsible for the overall corporate governance and risk management of AACo. It has responsibility for overseeing AACo's risk profile and for approving and overseeing the Risk Management Framework (RMF) and processes for managing the many risks faced by AACo.

### 4. Board's Risk Management Philosophy

The Board accepts that managing risk within acceptable levels is part of doing business, and supporting this Policy is the Board approved Risk Appetite Statement.

The Risk Appetite Statement outlines the Board's commitment to a risk management programme, providing guidance to the business on the types of risk and the level of risk that is acceptable, taking into account the environment that AACo operates.

In line with these principles, the Board and management is committed to maintaining a strong risk management culture, consistent with AACo's values. The message that "risk management is everybody's business" is persistent and pervasive. All employees should be keenly aware of the role and importance of identifying and managing risks and of the Board and management's commitment to promoting and embedding a strong risk management culture through all elements of the RMF.

The Board provides delegation to the Audit and Risk Management Committee (ARMC) in terms of assisting the Board in discharging its risk management responsibilities. This includes regular updates from management on governance processes for risk management and reporting of key risks impacting or potential on AACo.

The Board places responsibility on delivery of the Strategic Plan on the Managing Director, and as part of this is the implied responsibility to manage risks and opportunities in line with the intent of the Risk Appetite Statement, the RMF and Policies. It is expected risks will be managed within resource allocation (financial, people and assets) and managing risks in accordance with Board accepted limits.

The Board endorses the annual AACo insurance programme where extensive cover is provided to AACo in addressing potential catastrophic and significant operational events. Not all events are insured for, and therefore management must have in place appropriate controls to protect AACo and its assets to reduce the likelihood or impact of loss.

### 5. Risk Management Framework

A key part of the RMF is the methodology for identification, assessment, measuring and reporting of risk. These risk measures provide benchmarks against which the Board can set its tolerances for risk. For these purposes the range of risks to which AACo is exposed have been divided into six broad categories:

- People and Culture Risks (including, Workplace Health & Safety (WHS))
- Strategic Risks
- Financial Risks
- Production Risks
- Commercial and Asset Risks
- Legal and Compliance Risks
- Cyber Risk & IT Risks

The RMF is a detailed document (supported with a separate one page Summary document – both documents are located on the AACo Intranet), that outlines the specific process steps how AACo manages risk, from the initial risk identification process, through to ongoing monitoring and reporting to management.

The key steps outlined in the RMF include:

- Communication
- Establishing the Context
- Identify the Risks
- Analyse the Risks
- Evaluate the Risks
- Treat the Risks
- Monitor and Review

### 6. Enterprise Risk Register

Identified risks are recorded in AACo's online Risk Register. The Risk Register contains the Board's ranking of and tolerance for identified risks by their inherent risk and residual risk, plotting the likelihood and impact of those risks and a summary of each risk and mitigants. The Risk Register is updated as risks are reviewed, reflecting market and business condition changes and is presented to the ARMC and Board for review and endorsement.

### 7. Roles and responsibilities

AACo has adopted a three-tiered structure of risk ownership comprising:

1. Risk Champions – who take ultimate responsibility for a single risk family;
2. Risk Owners – who take responsibility for a single risk factor within a family and/or within a business unit; and
3. Responsible Persons – who take responsibility for managing a risk factor at the operational level.

### 8. Governance of the Risk Management Framework

#### Board

The Board has ultimate responsibility for AACo's risk management including:

- establishing the overall Risk Strategy and owning the Risk Management Policy;
- defining and driving AACo's risk culture;
- approving AACo's Risk Appetite Statement;
- setting overall risk tolerances;
- establishing risk limits and delegating authorities;
- approving the RMF developed by Management; and
- setting the priorities for implementation and endorsing the allocation of capital and resources to the implementation process.

### Audit and Risk Management Committee

The Audit and Risk Management Committee assists the Board in discharging its risk responsibilities including:

- recommending AACo's risk profile and RMF to the Board;
- monitoring AACo's risk profile;
- monitoring the adequacy and effectiveness of the RMF;
- overseeing the scope and depth of risk management activities and their alignment with the Board's risk strategy;
- responding quickly to Management requests for changes in risk delegations where they are needed to cope with emerging or changing risk situations;
- the approval of the Internal Audit programme; and
- Internal Audit have the approval to utilise (where appropriate) Risk Management and Compliance 'reviews', as part of their audit process across AACo.

### Management

Management has responsibility for implementing the Board's approved RMF, including:

- ensuring that business, operational and project risks are effectively identified, measured and managed commensurate within the risk tolerances set by the Board;
- identifying and assessing potential strategic uncertainties and scenarios, and developing robust responses, including exploiting potential opportunities;
- recording in the AACo risk software all identified risks;
- reporting to the Board on risk and risk management activities;
- developing the RMF for assessing risk tolerances; and
- promoting the risk culture defined by the Board.

### Risk & Compliance Manager

The Risk & Compliance Manager has the following responsibilities:

- providing management and the Board with independent assurance that risks are being controlled within Board tolerances;
- leading and supporting management risk forums;
- supporting the ARMC in discharging its risk responsibilities;
- in conjunction with management, identifying new risks and as appropriate ensuring that the respective recording, assessment, overview and reporting process is established;
- preparing clear and comprehensive risk management reports to the Board and management;
- assisting risk champions to identify and understand the risks for which they are responsible and to be a general advisor to those responsible for making risk decisions;
- assisting risk owners to develop appropriate tools, processes and systems for controlling risks;
- developing and supporting risk management training;
- monitoring compliance with risk management objectives;
- initiating and tracking risk events and corrective actions as appropriate; and
- management of the AACo insurance programme.

### RELATED DOCUMENTS

Risk Appetite Statement

AACo Risk Management Framework (full and summary versions)

AACo Compliance Framework (full and summary versions) AACo Risk Management & Compliance System Overview

AACo Risk Register