

PTB GROUP LIMITED

Risk Management Policy and Risk Register

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Part A – Risk Management Policy

1 Commitment to the Policy

The Board and senior management of PTB Group Limited ('PTB') are committed to the establishment and maintenance of adequate risk management systems.

This Risk Management Policy has been adopted by the Board and presents the framework upon which the Company will meet its regulatory risk management obligations under its Corporate Governance Charter.

2 Purpose of this Policy

The purpose of this Policy is to:

- Ensure the Company has explicitly identified its significant risks;
- Ensure the Company has a policy on risk management;
- Ensure the Company has arrangements in place to mitigate the greatest risks to its continued operation; and
- Promote a culture of compliance.

3 What is Risk Management?

Risk management is an iterative process consisting of well-defined steps which, taken in sequence, support better decision-making by contributing a greater insight into risks and their impacts.

PTB's risk management system is designed to ensure that it has explicitly identified the risks it faces and has measures in place to keep those risks to an acceptable minimum.

Risk is measured in terms of likelihood and consequence.

PTB treats its risks by identifying, assessing, documenting and implementing a range of measures and controls. Once implemented the measures and controls will be monitored and reviewed.

Risk Owners have been assigned responsibility for the identified risks and associated controls in the Risk Register. It is their responsibility to ensure the measures and controls to treat the risks are adequate and are being appropriately implemented.

4 Responsibilities

Board

The Board of PTB have responsibility under this Policy for:

- Approval of the risk management system;
- In conjunction with the Managing Director, and Audit and Risk Management Committee review of the Risk Management Policy annually; and
- In conjunction with the Managing Director, monitoring of risk management activities.

Risk Owner

The Risk Owner (as noted in the Risk Register) is responsible for ensuring on a day-to-day basis that the relevant operational procedures and controls implemented to treat each risk area are adequate and effective. If a control or procedure is not adequate and effective in treating the risk, the Risk Owner should report this, with a recommendation for an alternative risk treatment, to the Managing Director for consideration and subsequent referral to the Board for approval.

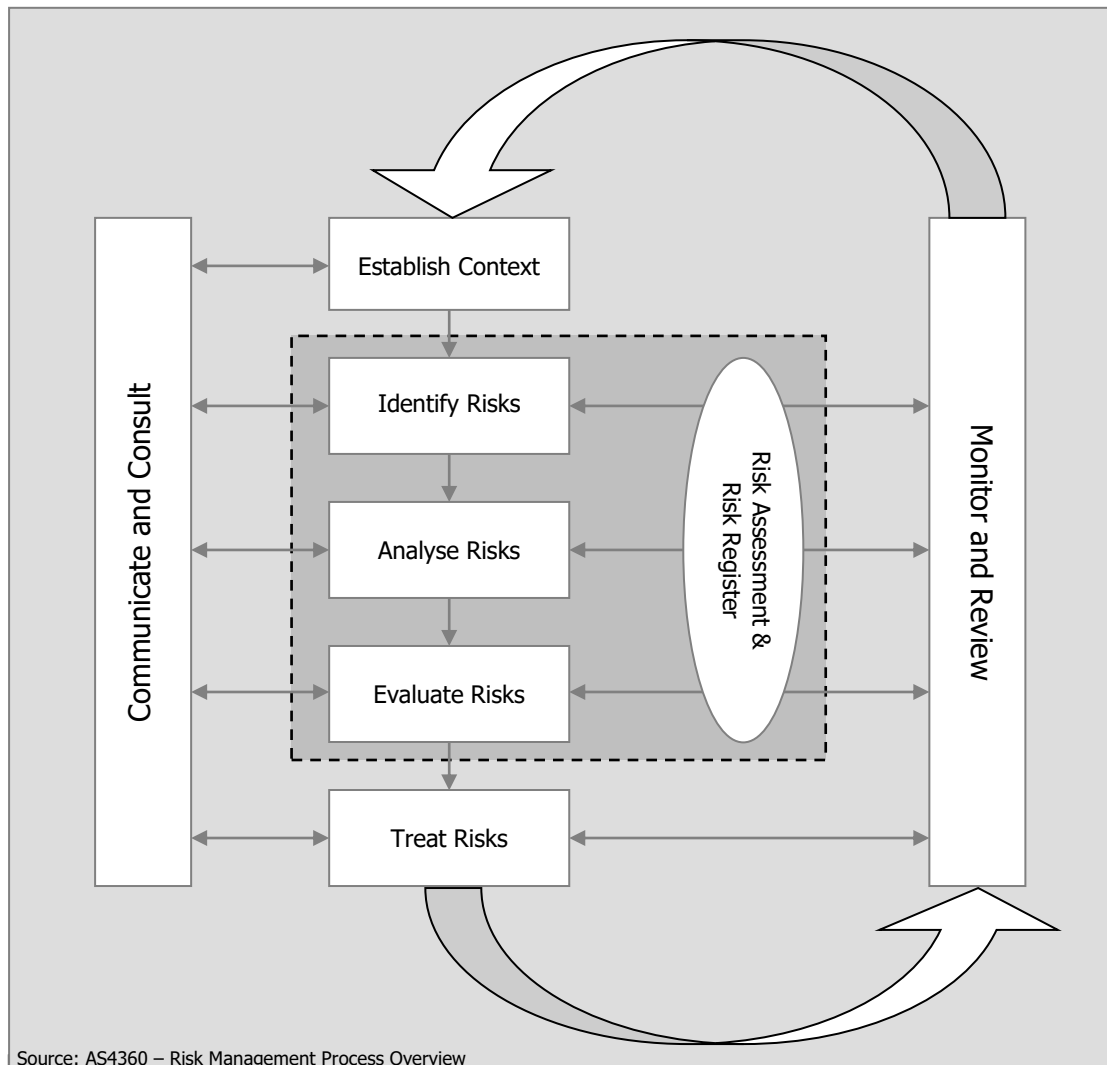
5 **Risks of Non-Compliance**

The risks to the Company of not complying with this Policy include:

- **Regulatory risk**
- **Business risk**
- **Reputational risk**

Part B – Risk Management Procedure

6 **Summary of Procedure**



7

Source: AS4360 – Risk Management Process Overview

The main elements and steps followed in the development of PTB’s risk management system are as follows:

- **Communicate and consult** – with internal and external stakeholders as appropriate at each stage of the risk management system and concerning the process as a whole;
- **Establish the context** – considering internal and external factors which impact on the risks to PTB’s business and setting out clear criteria against which these risks will be identified, analysed, evaluated, assessed and recorded;
- **Identify risks** – identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of PTB’s objectives;

- **Analyse risks** – identify and evaluate existing controls. Determine likelihood and impact (or consequence) hence the level of risk by analysing the range of potential consequences and how these could occur;
- **Evaluate risks** – compare estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities;
- **Treat risks** – develop and implement specific measures and controls to mitigate the potential risks; and
- **Monitor and review** – for continuous improvement, monitor the effectiveness of all steps of the risk management process and the risk management system itself to ensure on an ongoing basis that changing circumstances are reflected in the overall level of risk or risk priorities.

Risks are managed by PTB through the effective implementation of various measures and controls which include:

- Board approved risk management framework;
- Documented policies, procedures, and checklists;
- Ongoing monitoring of regulatory obligations;
- Ongoing supervision of representatives;
- Internal and external reporting.

The effectiveness of the implementation of the various measures and controls to treat the risks is assessed through:

- Regular testing, monitoring and reviews undertaken by the Company Secretary;
- Audit and reviews undertaken by the external auditors; and
- Management supervision and reporting.

8 Risk Management Methodology

The methodology adopted by PTB for managing and treating its risks can be defined as follows:

- Step 1.** Generate Board support;
- Step 2.** Document a risk management framework;
- Step 3.** Identify the general activities involved in running the business (i.e. risk categories) and separate the risk register into the various risk categories;
- Step 4.** Identify the risks involved in each risk category by undertaking the specific business activity by asking the questions:
 - a. What could happen?
 - b. How and why could it happen?
- Step 5.** Rate the likelihood of the business activity not being properly performed or the relevant risk eventuating. Likelihood is assessed on the assumption that there is no existing risk management and compliance processes in place. Likelihood is assessed as either:
 - a. Rare;
 - b. Unlikely;
 - c. Possible;
 - d. Likely; and
 - e. Common;
- Step 6.** Rate the impact (or consequence) of not properly performing the business activity or the relevant risk eventuating. Damage can be quantified in terms of financial loss to customers and PTB itself. Impact is assessed as either:
 - a. Insignificant;
 - b. Minor;

- c. Moderate;
- d. Major; and
- e. Significant;

Step 7. Assign the risk rating (or risk priority) based on the combination of likelihood and impact (or consequence). The level of risk is assessed within the risk analysis matrix as either:

- a. Very Low;
- b. Low;
- c. Medium;
- d. High; and
- e. Very High;

Very high and high risks generally require regular Board monitoring and reporting. It is typically sufficient for medium risks to be managed through ongoing senior management monitoring and supervision. Low and very low risks are normally managed through the implementation of routine procedures;

Step 8. Consider and document all significant measures and controls which treat the relevant risk;

Step 9. Assess whether the existing measures and controls are adequate or whether further ones are required to effectively treat the risks and assess the residual risk after the application of controls. Allocate the responsibility of monitoring the control to treat the risk to the Risk Owner;

Step 10. Raise awareness about managing risks across PTB through communicating the Policy and responsibilities; and

Step 11. Monitor and review ongoing risks and controls to ensure their effective management.

Part C – Operational Procedures

9 Monitoring Compliance with the Policy

The Managing Director in conjunction with the ARM Committee is responsible for monitoring compliance with this Policy on at least an annual basis (or more frequently as required).

10 Review of the Policy

The Managing Director, in conjunction with the ARM Committee, shall review the contents of this Policy at least annually to ensure it remains current and relevant to the operations of PTB.

Appendix A – Risk Definitions and Classification

Qualitative Measures of the Likelihood

Descriptor	Example Description
Common	This risk is almost certain to occur more than once in the next 2 years
Likely	This risk is almost certain to occur once over the next 2 years
Possible	This risk could possibly occur at least once in the next 2 – 5 years
Unlikely	This risk is unlikely to occur in the next 2 – 5 years
Rare	This risk will probably not occur within the next 5 year period

Qualitative Measures of the Consequence or Impact

Descriptor	Business Objectives	Example Description
Significant	Severe impact which threatens the ability of PTB’ to sustain ongoing operations	> \$20 million
Major	High impact on the achievement of PTB’s strategic business objectives or ability to operate	\$5 million to \$20 million
Moderate	Moderate impact on the achievement of PTB’s strategic business objectives or ability to operate	\$1 million to \$5 million
Minor	No material impact on the achievement of PTB’s strategic business objectives or ability to operate	\$100,000 to \$1 million
Insignificant	Negligible impact on PTB	< \$100,000

Qualitative risk analysis matrix – level of risk

Likelihood	Consequences				
	Significant	Major	Moderate	Minor	Insignificant
Common	Very high	Very high	Very high	High	Medium
Likely	Very high	Very high	High	Medium	Medium
Possible	Very high	High	Medium	Medium	Low
Unlikely	High	Medium	Medium	Low	Very Low
Rare	Medium	Medium	Low	Very Low	Very Low

Overall Level of Risk & Risk Priority

- Very High & High Risk – regular Board monitoring and reporting
- Medium Risk – ongoing senior management monitoring and supervision
- Low & Very Low Risk – managed by routine procedures

Residual Risk

- Low – the identified controls reduce risk to an acceptable level
- Medium – additional controls should be identified and implemented as a priority
- High – urgent attention must be allocated to identifying and implementing additional controls