



# RISK MANAGEMENT FRAMEWORK POLICY

## Overview

The SRM develop and implement policies, procedures and practices that are consistent with the vision and overarching policy frameworks.

## Purpose

The purpose of this Risk Management Framework Policy is to define the structure within which SRM will manage the diversity of risks, both within and external to their business, in a manner which is consistent with the SRM's overall approach to Risk Management.

This document is not intended to prescribe how the SRM will manage the various risks that they face in the day to day running of the business. Rather it:

- Sets out the objectives of the SRM Group's approach to Risk Management;
- Details the structure of the risk oversight function, and how the authority for Risk Management decisions is devolved throughout the organisation; and
- Imposes certain responsibilities upon the managers of SRM to develop methods and policies that manage those risks consistent with the SRM risk tolerance.

## Risk Management Objectives

SRM recognises that risk is an inherent part of its business. These risk factors may be generated externally as part of the industry in which it operates, or generated internally through business and investment decisions. SRM does not seek to eliminate these risks; rather it looks to manage these risks where possible to ensure the potential range of outcomes is within acceptable boundaries.

Effective Risk Management requires that risk assessment and decision making is introduced into all functions of the business and through all stages of decision making, whether it be strategy, planning, delivering of projects or operation of assets.

The objective of the SRM Risk Management Framework Policy is to guide and assist Managers to develop effective Risk Management policies, processes and procedures that are consistent with the overarching SRM Risk Management Framework Policy and that are appropriate for the business itself to achieve its commercial goals.

Risk Management at the SRM will be delivered by:

- Providing a consistent and clear framework for the management of risks throughout the SRM. Integral to this is establishing clear channels of responsibility and authority throughout the organisation for the management of specific items or categories of risk;

- Ensuring that the culture of Risk Management is actively promoted by the Board and the Managers. A culture of Risk Management that is sponsored by the Board and the Managers will embed risk assessment and decision making throughout all levels of the business;
- Regularly reviewing and recognising opportunities and threats that are facing the business so that the Managers can be proactive in managing those risks;
- Developing clear and transparent channels of communication between the Board and the Managers; and between the risk takers within the organisation and the Managers that are responsible for managing those risks. These communications should take the form of regular meetings to allow these risks to be discussed, and reported in a manner that is appropriately targeted to the audience; and
- While it is recognised that many risks cannot be distilled to a single parameter or metric, the Board should seek to articulate a set of clear qualitative and quantitative controls and limits on key risk parameters to provide early indicators of risk factors that may be exceeding the defined tolerances of the organisation.

### **Risk Oversight and Governance Structure**

All personnel at SRM should feel responsible for, and be empowered to take ownership of, Risk Management within their function and for their level of responsibility. This organisation wide adoption of Risk Management principles and practices will be encouraged and promoted by the SRM Board and the Executive Team. However final accountability and authority for the Risk Management Framework Policy and decisions will rest with the Board.

#### ***The SRM Board***

The role of the SRM Board is to represent the shareholders and to promote and protect the interests of the company. The Board is specifically responsible for establishing the delegated limits of authority to the Executive Team and attending to matters reserved for board decision-making. These limits are set out in the Delegation of Authority Policy.

The Board has ultimate responsibility for the SRM 's approach to risk oversight, management and internal control systems. The Board is responsible for ensuring that the SRM risk appetite and tolerance is clearly articulated, that there are appropriate policies in place to manage risk and maintain internal controls and that this framework allows businesses managers to operate appropriately within those boundaries.

The Board has constituted the Audit Committee which is entrusted with the responsibility to ensure overall Risk Management and to assist in discharging its Risk Management duties and responsibilities.

#### ***Audit Committee***

The primary function of the Audit Committee (the **Committee**) is as set forth in the Charter, and is fundamentally to assist the Board in fulfilling its responsibilities to provide Shareholders with timely and reliable financial reports, and to protect the interests of Shareholders, customers, employees and the broader community through the effective identification, assessment, monitoring and management of risks.

This document is an approved Policy of the Committee and may only be changed by resolution and adoption by that Committee.

### ***Operational Risk Management***

The Operational Risk Management shall consider various matters relating to the operational risk of the company and its controlled entities including, but not limited to:

- the overall effectiveness and efficiency of the SRM operational and market risk framework;
- the plans, policies, procedures and systems to ensure the effective identification, analysis and treatment of the SRM market and operational risks;
- the monitoring and reporting of standard market and operational risk reports for the SRM and the reporting and investigation of any breaches of policy or compliance;
- the review and recommendation of changes to any of the SRM delegations and risk management policies which are in place.
- the review of any new business cases prior to them being provided to the Board of Directors for approval, to ensure that company, market and operational risks have been appropriately identified and considered;
- the review of the SRM culture towards risk management, compliance and reporting and recommend any actions for improvements; and
- the review of segregation of duties between those that originate risk and those that report and manage risk for reasonableness.

### ***Chief Financial Officer***

The CFO has executive responsibility for market and credit risk management for SRM. His mandate in this regard includes, but is not limited to:

- Develop and propose to the Committee policies that meet the risk objectives of the Committee and that are consistent with the organisational risk tolerance;
- Develop and approve appropriate risk management processes, procedures and systems that implement the risk objectives of the Committee and that are consistent with any Policy approved by that Committee;
- Oversee and co-ordinate all risk positions and reporting of those positions to the Committee and the OR ;
- Ensure that there is appropriate and reasonable segregation of duties between those that originate risk and those that report and manage risk;
- Undertake, at the instruction of the Board, the Committee, any internal or external reviews of risks, events, policies or any other matter;
- Report to the Board, the Committee and the OR whether the material business risks or breaches of policy or law are being managed effectively; and

- Engage external consultants as appropriate to assist in fulfilling the internal audit requirements of the SRM.

### ***Employees and Contractors***

It is the responsibility of all SRM employees and contractors to:

- Comply with all statutory, regulatory and corporate policies and laws. Any breaches of such laws, regulations or policies must be maintained in a breach register within each business and any material breaches reported to the Committee.
- Report any breaches of policies, laws or regulations to their supervisor or the Committee ; and
- Report to their supervisor or the Committee any perceived risks that may not be covered by existing Risk Management practices and policies.

### ***Related Policies and Procedures***

SRM has developed a number of supporting documents that round out its Corporate Governance framework. These documents as a whole ensure that SRM continues to meet its obligations to shareholders, employees, the community and other stakeholders.

### ***Review***

This Policy should be reviewed every two years or earlier if required by a change in circumstances. Changes to the Policy require Board/Committee approval.