



CAPRAL LIMITED
ABN 78 004 213 692

RISK MANAGEMENT POLICY

KEY MESSAGES

- Directors and employees must be aware of the risk management framework of Capral and their responsibilities in relation to it.
- There are serious consequences of breaching this Policy, both at law and under Capral's Code of Conduct.

1. INTRODUCTION

Capral Limited (**Capral**) and its subsidiaries (**Group**) from time to time aim to ensure that by understanding and managing the risks arising from activities within the Group on an enterprise wide basis, Capral's business plans will be delivered and that growth and the creation of shareholder value can be attained with an increased level of confidence.

The Group's risk management process will comply with the Australian/New Zealand Standard AS/NZS 4360:2004 *Risk Management* and satisfy the risk management requirements of the *Corporate Governance Principles and Recommendations* issued by the ASX Corporate Governance Council.

The Group faces a range of risks in its business activities that cannot be eliminated. The Group's policy is to balance the risks and returns in conducting its business activities to optimise the returns to enable it to quickly and confidently act on opportunities, deliver real growth and create further shareholder value.

Risks governed by this Policy include potential risks.

2. PURPOSE

The purpose of this Policy is to:

- i. encourage an appropriate level of risk tolerance throughout the Group;
- ii. establish procedures to analyse risks within agreed parameters across the Group;
- iii. establish appropriate risk delegations and corresponding risk management framework across Capral; and
- iv. ensure Capral has a risk management framework that can measurably react should the risk profile of Capral change.

3. RISK MANAGEMENT FRAMEWORK

Capral believes that risk should be managed and monitored on a continuous basis. Capral has designed a risk management framework to allow Capral to achieve its business objectives whilst assisting management and ideally, providing early warnings of any material change to the Group's risk profile.

Key components of the Policy, that bring together a number of procedures and controls within Capral, are as follows:

- identification and assessment of all risks;
- monitoring and wherever possible, mitigation, of identified risks;
- periodic reporting; and
- assessment of effectiveness of risk management framework.

Each component is considered below.

3.1 Identification and assessment of all risks

Each Manager is responsible for the continual identification and subsequent reporting by all employees of risks within their specific Capral Business Unit.

Risks across all Capral Businesses will be centrally collated by the Executive Management Team.

All identified risks will be assessed by the Executive Management Team in accordance with AS/NZS 4360:2004 and recorded on the Risk Register. The Risk Register will record, among other things:

- a description of the risk;
- the Capral Business Unit(s) owning the risk;
- the 'rating' (considering both the likelihood and consequences) attaching to the risk;
- proposed actions and actions taken to mitigate or lessen any exposure to Capral; and
- details as to when the risk was identified and when it was last reviewed.

3.2 Monitoring and mitigation of identified risks

Risks which have been recorded on the Risk Register should be continually, but as a minimum periodically, reviewed by the Audit Committee, with the assistance of the relevant Manager. Wherever necessary, following a review, the Risk Register will be updated.

Mitigated risks should also be recorded on the Risk Register with appropriate pre-cautions from reoccurrence communicated across the appropriate Capral Business Units.

3.3 Periodic reporting

The Audit Committee assists the Board with a range of governance oversights, having responsibility for among other things, overall risk management.

At each Audit Committee Meeting, the Committee will review the Risk Register (or an extract thereof), as reported by the Audit Committee. All newly identified 'material' business risks are to be considered in turn by the Audit Committee.

In accordance with its Committee Charter, the Audit Committee will regularly report on its activities, issues and related recommendations to the Board.

3.4 Assessment of effectiveness of risk management framework

In accordance with its Charter, the Board are responsible for, among other things, ensuring that effective risk management programs are in place to protect Capral's assets and shareholder value.

Capral's risk management framework promotes a robust structure so that all risks are appropriately identified, assessed, monitored, mitigated and reviewed wherever possible, across all Capral Business Units. Assessment of all aspects of the Capral risk management framework (including the comprehension of all 'material' business risks and a performance review of the Audit Committee) by the Board should take place on an annual basis (at a minimum).

In addition, all Directors and Senior Management, should promote a culture of voluntary and transparent risk reporting and ongoing, regular risk assessment throughout all levels of Capral.

4. SPECIFIC RISK MANAGEMENT FRAMEWORK TOOLS

As part of the Capral risk management framework, the following guidance is given with respect to certain commonly identified risks:

Financial Risks

4.1 Financial Delegations

Capral's processes will include:

- a financial delegations policy, differentiating between budgeted and non-budgeted items and between capital and operational expenditure;
- procedures for approving amounts within and under delegation; and
- procedures for reporting to the Board those amounts (over material thresholds) approved under delegation.

4.2 Insurance

Capral's processes will include:

- an insurance policy;
- procedures with respect to insurance renewals; and
- procedures with respect to assessing the risk profile of the Group's operations, conducting a gap analysis to the Group's existing insurance program and, where considered appropriate, the introduction of new insurances or varying the limits under an existing policy.

4.3 Taxation

Capral's processes will include procedures to ensure it is compliant with the relevant taxation legislation. Attention will be directed towards timely and accurate lodgement of all of Capral's Tax Obligations. Systems are to be configured and aligned with tax reporting requirements

4.4 Treasury

Capral's processes will include procedures, controls and systems to monitor, analyse, assess and act on the impact of:

- interest rates;
- foreign exchange rates;
- any other key economic metric;
- cash management;
- funding,

on Capral's business.

Operating Risks

These risks include:

- ASX, ASIC and legal compliance
- Business development
- Business interruption and IT systems
- Contract review and execution
- Debt and equity funding arrangements
- Human resources
- Acquisitions and disposals
- Environmental and climate change.

The Group is committed to implementing and maintaining:

- a structured and consistent approach to risk management;
- a process that looks at enterprise wide risks, including corporate governance, compliance, human resources, workplace health and safety, environment and community, financial, operational, investment, business development, technology, legal, project, commercial relationships, reputation and external macro risks;

- procedures for identifying, analysing, evaluating and mitigating the key material risks facing the Group;
- a level of risk exposure in respect of each identified risk as approved by the Board;
- procedures for communicating and consultation of risk management with both internal and external stakeholders;
- a process for monitoring and reviewing the Group's risk profile, in particular when any of the Group's business circumstances change; and
- an online workflow engine as a tool to capture, assign, manage and control key compliance and risk management tasks.

Business Integration Risks

As part of Capral's risk management framework, Capral's processes will include post-acquisition procedures and following the integration of a business unit within the Capral Group, periodic assessments are undertaken by the Board to:

- review the assumptions and model promoted at the time of acquiring the individual business; and
- measure the performance of the business to date.

5. QUESTIONS

For questions about the operation and interpretation of this Policy, please contact the Company Secretary.