

## **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 and its subsidiaries (**Capral**) from time to time aim to ensure that by understanding and managing the risks arising from activities within Capral 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.

Capral's risk management process will conform to risk management processes outlined in the International Standard on Risk Management (ISO 31000:2018) and satisfy the risk management requirements of the ASX's Corporate Governance Council's Principles and Recommendations.

Capral faces a range of risks in its business activities that cannot be eliminated. Capral'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.

This Policy relates to all risks including known or identified risks, emerging risks and unknown or unidentified risks.

### **2. PURPOSE**

The purpose of this Policy is to:

- i. encourage an appropriate level of risk appetite and tolerance throughout Capral;
- ii. establish procedures to analyse risks within agreed parameters across Capral;
- 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 a material change to Capral'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 ISO 31000:2009 and recorded on the Risk Register. The Risk Register will record, among other things:

- a description of the risk and the business objective to which it relates;
- the Executive Manager whose area of responsibility owns the risk;
- the risk ranking (considering both the likelihood and consequences) attaching to the risk;
- Capral's risk appetite and tolerance to the risk;
- proposed actions and actions taken to ensure that the identified risk is within Capral's tolerable range; and
- details as to when the risk was identified and when it was last reviewed.

A risk assessment workshop forms part of the annual strategic planning process.

### **3.2 Monitoring and mitigation of identified risks**

Risks which have been recorded on the Risk Register should be continually, but as a minimum annually, reviewed by the Audit & Risk 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 regularity of reporting of a risk will depend on the nature of that risk. Dynamic risks will require more frequent review by Management than static/ stable risks. The expectations around reporting are set out in the Risk Register.

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

The Committee will review the Risk Register (or an extract thereof), at least annually. Newly identified 'material' business risks (including for key projects) are to be considered in turn by the Audit & Risk Committee.

In accordance with its Committee Charter, the Audit & Risk 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 & Risk 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. A reference guide and training is provided to induct new managers about the risk management framework.

### **3.5 Commitment to risk management framework**

Capral 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, economic/ environmental/ social sustainability, 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 Capral;
- 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 Capral's risk profile, in particular when any of Capral's business circumstances change;
- post-acquisition procedures and following the integration of a business unit within Capral, periodic assessments to review the assumptions and model promoted at the time of acquiring the individual business and measure the performance of the business to date.

#### **4. RISK APPETITE AND TOLERANCE**

In order to improve key decision making, the amount of risk that Capral is willing to take to achieve its business objectives (risk appetite) and the amount Capral withstand (risk tolerance) is set out in each identified risk area.

#### **5. REVIEW**

The Board will review this Policy annually to ensure it is meeting its purpose.

#### **6. QUESTIONS**

For questions about this Policy, please contact the Company Secretary.