

Risk Management Policy

Althea Group Holdings Limited
ACN 626 966 943

1 Purpose

- 1.1 Althea Group Holding Limited (**Company**) and its subsidiaries (**Group**) recognise that risk is present in all aspects of its business and that managing risk effectively is essential in meeting the expectations of all shareholders, employees, customers, suppliers and regulators.
- 1.2 The management of risk is an essential and integral part of managing all aspects of a company to increase the likelihood of continued survival and success. This policy sets out the key elements of the Group's risk management framework.
- 1.3 The Group recognises its responsibility to manage risk in an effective and efficient manner as a fundamental component of its business operations. The Group is committed to identifying and analysing risks associated with activities and operations with the objective of maintaining a safe workplace, minimising losses and maximising opportunities, developing appropriate risk treatment options, and informed decision-making.
- 1.4 Risks can be threats or opportunities and a failure to manage them is a significant danger to Group's survival and growth. Accordingly, the purpose of this policy is also to communicate the Group's common and systematic approach to managing risk.

2 Scope

- 2.1 This policy applies to all entities, directors, employees and persons managed by the Group in all areas of operation. It applies to all levels of business including corporate, construction, marketing and operations.
- 2.2 It covers all areas of risk whether of economic or non-economic consequence.

3 General roles and responsibilities

- 3.1 The Board is responsible for overseeing and approving risk management strategy and policies, monitoring risk management, and establishing procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed.
- 3.2 Strategic oversight of the Group's approach to risk management will be delegated to the Audit, Risk and Compliance Management Committee (**Committee**).
- 3.3 The Committee, in consultation with the Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, Chief Marketing Officer, Company Secretary & General Counsel (as applicable from time to time) (**Senior Management**), has the responsibility for developing risk mitigation plans and the implementing risk reduction strategies i.

4 Specific roles and responsibilities

- 4.1 The detailed roles and responsibilities associated with this policy and associated procedures are detailed in the Risk Management Procedure (refer to paragraph 6.1(2)).
- 4.2 The Committee is responsible for:
 - (1) maintaining an up-to-date understanding of areas where the Group is, or may be, exposed to risk and compliance issues and seek to ensure that management is effectively managing those issues, including:

- (a) non-compliance with laws, regulations, standards and best practice guidelines including industrial relation, occupational health and safety, environmental and trade practice laws;
 - (b) importing judgements and accounting estimates;
 - (c) litigation and claims;
 - (d) fraud and theft; and
 - (e) relevant business risks not dealt with by other Board committees;
- (2) receiving reports concerning material and actual incidents within the risk areas above and ensuring that macro risks are reported to the Board at least annually;
 - (3) reviewing the adequacy and effectiveness of the Company's policies and procedures which relate to risk management and compliance and reviewing the completeness and accuracy of the Company's main corporate governance practices as required by ASX Listing Rules;
 - (4) reviewing material documents and reports prepared for lodgement with regulators, assessing their impact on the Company and making recommendations to the Board on their approval or amendment;
 - (5) assessing the management of non-financial information in documents to ensure that conflicts with financial statements and other documents do not occur;
 - (6) making recommendations to the Board on the appropriate risk and risk management reporting requirements to the Board and this Committee;
 - (7) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk;
 - (8) meeting periodically with senior key officers of the Company, internal and external auditors and compliance staff to understand the Company's risk management and internal compliance and control system;
 - (9) providing advice to the Board on relevant corporate level performance indicators and targets for risk management and compliance activities;
 - (10) undertaking an annual review of risk management policy and underlying strategies and procedures to ensure its continued application and relevance;
 - (11) examining and evaluating the effectiveness of the internal control system with management and internal and external auditors;
 - (12) if considered necessary by the Committee, establishing a periodic and independent review of the implementation and effectiveness of the risk management policy to provide objective feedback to the Board as to its effectiveness;
 - (13) receiving and considering reports on risk management and compliance programs and performance against policy and strategic targets;
 - (14) reviewing the adequacy of the Company's insurance coverage; and
 - (15) examining any matters referred to it by the Board.

5 External reference

- 5.1 This policy and the associated procedures have been drafted taking into account current best practice, AS/NZS ISO 31000:2009: Risk Management – Principles and Guidelines and ASX Principle 7: Recognise and Manage Risk.

6 Group risk management framework

- 6.1 This policy, together with the following documents, forms the *Group Risk Management Framework*:
- (1) **Risk Management Register** – this register specifies the approach, the management components (i.e. the procedures, practices, assignment of responsibilities, sequence and timing of activities) and resources to be applied to the management of risk. For the Group, the key focus in the Risk Management Register is on planned activities and the timeframe for delivery of accountabilities.
 - (2) **Risk Management Procedure** – this procedure outlines the processes and controls that are to be in place to ensure that the risks are adequately identified, assessed, documented, measured, mitigated and monitored.

7 Core principles

- 7.1 The Group's risk management is built on a foundation that includes:
- (1) awareness and commitment to a single mission, common objectives, shared values and a Code of Business Ethics that is reviewed and renewed periodically;
 - (2) human resources practices intended to recruit, train and retain people with the required specialist skills;
 - (3) delegation of responsibility throughout the Group and accountability for outcomes;
 - (4) control processes including structured management reporting, links to strategic and business planning processes, a system of independent review and Board oversight; and
 - (5) an operational philosophy that seeks to anticipate and mitigate risks in their relevant context before they occur and that reflects on the lessons learned when problems arise.

8 Commitment

- 8.1 The Group is committed to:
- (1) providing appropriate resources to develop and maintain an effective risk management framework;
 - (2) developing, reviewing and clearly documenting processes and guidelines for the implementation of this policy;
 - (3) establishing and monitoring performance against annual approved strategic KPIs;
 - (4) undertaking risk reviews and internal audits on a periodic basis.

9 Implementation

- 9.1 This policy will be implemented in a way that ensures:
- (1) compliance with relevant legislative requirements, national and international standards, protocols, and prevailing community standards of best practice;
 - (2) activities are both compliant with, and complementary to, any of the policies within the Group;
 - (3) transparency of risks and associated actions and treatments to relevant levels of the Group management, including the Group Audit and Risk Committee; and
 - (4) compliance with a formal risk management process.

10 Risk tolerance

- 10.1 The Board is responsible for determining the nature and extent of the significant risks it is willing to take or accept or tolerate in achieving its strategic objectives and the conduct of its business activities.
- 10.2 The risk appetite is translated into risk tolerances which are determined by establishing target control levels and target residual risk ratings for each identified risk. The decision can then be made to accept/tolerate the resulting residual risk level or implement treatment plans or strategies in addition to those already underway or planned to reduce the risk exposure.

Adopted on 9th August 2018