



# Risk Management Policy

Version 2.1  
Updated: 11 February 2020

**smart  
group**  
corporation

## 1. PURPOSE

### Background

Smartgroup Corporation Ltd (“**Company**”) believes that understanding the risks the Company and its subsidiaries (**the “Group”**) face and managing them effectively improves decision-making and is central to the continued growth of shareholder value. The adoption of a strategic, consistent and structured risk management approach across the Group will result in an appropriate balance between the realisation of business opportunities against the risk of potential threats and losses. For the Group, the management of risk is a continual process and an integral part of the management and corporate governance of the business.

This Risk Management Policy and the Risk Management Framework lay the foundations for the Group’s approach to risk management.

### Policy Objective

The aim of this Policy is to assist the Group to enhance the outcomes and accountability to its clients, customers, shareholders, regulators, and team members, and to allow the Group to meet its responsibilities as a listed company on the Australian Securities Exchange.

## 2. RISK MANAGEMENT PROCESS

Risk is the effect of uncertain events on our strategic priorities and risk management is the coordination of activities to direct and control the Group with regard to risk.

### Principles of Risk Management Policy

The following principles form the basis of the Group’s Risk Management Policy:

- The Group accepts that risk is an essential element of business strategy and that business opportunities should be balanced with a sound process for identification and management of those risks;
- Risks are monitored centrally and managed within each business unit responsible for achieving strategic priorities;
- Material business risks identified within the Group’s Risk Management Framework are analysed, prioritised, treated, monitored and communicated in accordance with this Policy and the Risk Management Framework; and
- Management shall regularly assess compliance with policies and procedures, the overall state of risk management and the effectiveness of associated controls.

## Risk Identification, Analysis, Evaluation and Treatment

The Risk Management Framework outlines the Group's approach to identifying and managing risks, being:

- Risk identification involves the collation of a comprehensive list of risks based on events which may impact the achievement of the Group's strategic priorities;
- Risk analysis then involves the assessment of the cause of the risk, the impact of the risk and likelihood that those impacts will occur;
- Risk evaluation is based on the outcome of the analysis and is designed to determine which risks need treatment and the priority for treatment implementation; and
- Risk treatment is the process of selecting what activities will be undertaken to mitigate the risk.

## Limitations

Due to the limitations that are inherent in any system of risk management and internal control, the Risk Management Framework is designed to manage rather than eliminate the risk of failure to achieve strategic priorities. It can only provide a reasonable but not absolute level of assurance against adverse events or losses, or more volatile outcomes.

## Review of Policy

The Group takes the view that this Policy and the Risk Management Framework should evolve with the business and the various obligations placed on the business and, as a consequence, it will review and update this Policy and the Risk Management Framework annually, or more frequently as necessary.

## 3. RESPONSIBILITIES OF THE BOARD

It is the role of the Board to set the tone and approach to risk management, to set the risk appetite for the Group, to oversee the Risk Management Framework and to satisfy itself that the Framework is sound. The Board determines the Group's appetite for risk and tolerance levels after considering the Group's strategic priorities, regulatory and legal requirements, the interests of stakeholders (including client, customers, shareholders, and team members) and the Group's financial position.

The Board has established an Audit and Risk Committee (ARC); however, risk management remains a direct responsibility of the Board.

#### 4. RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (ARC) has responsibility for overseeing the establishment and implementation of the Risk Management Framework and its resourcing. The ARC is governed by a formal Charter, which outlines its activities, responsibilities and membership.

#### 5. RESPONSIBILITIES OF THE EXECUTIVE MANAGEMENT TEAM

The Executive Management Team (EMT) is responsible for the day-to-day implementation of the Risk Management Framework across the business and to ensure that the Group operates within the risk appetite set by the Board. This includes ensuring that significant risks to the Group's strategic priorities are identified, clearly articulating risk thresholds for key risks, and managing risks inherent in key decisions. The EMT also ensures that the necessary resources are available to assist team members in managing risk effectively.

#### 6. RESPONSIBILITIES OF THE CHIEF RISK OFFICER

The Chief Risk Officer (CRO) is responsible for maintaining an appropriate Risk Management Framework, supporting risk understanding at all levels of the organisation, collating risk reporting to the Board and to the EMT and continually improving the risk management approach. Accountability and responsibility for effective risk identification and management lies with Group's management.

#### 7. RESPONSIBILITIES OF SENIOR & FRONTLINE MANAGEMENT TEAMS

Management is responsible for the identification, management, reporting and ongoing monitoring of risks within their area of responsibility. They are also responsible for implementing the requirements of this Policy and the Risk Management Framework and for providing assurance to the EMT that they have done so.

#### 8. RESPONSIBILITIES OF TEAM MEMBERS

Team members must comply with all relevant policies, frameworks, standards and procedures addressing risk management. They are also responsible for managing risks within their spheres of control in accordance with this Policy and the Risk Management Framework. Team members must attend risk training sessions when requested and seek advice from Group Risk if they have questions on the application of this Policy.

#### 9. DOCUMENT CONTROL

Version	Date	Author	Reason
1.0	24 Aug 2016	Liz Cohen - Head of Risk and Audit	Creation of the new Policy
2.0	08 Feb 2019	Bijal Desai - Chief Risk Officer	Policy update
2.1	11 Feb 2020	Bijal Desai - Chief Risk Officer	Annual review and update