

Melbourne IT

ASX Principle 7: Risk Management Policy

1) Purpose and definition

The Melbourne IT Group (“MLB”) adopts the ASX Principle 7 definition of risk which defines risk as “anything that hinders the sustainable achievement of objectives and results, including the failure to exploit opportunities.”

The purpose of this document is to provide an overview of MLB’s approach to risk management oversight and control and its approach to the development of risk management policies.

2) Scope

MLB’s policies on risk management oversight cover all subsidiaries of MLB and all business units within the MLB Group unless otherwise stated.

3) MLB’s approach to risk management

MLB continually aligns its system of risk management and internal control with the principles outlined in the Australian/New Zealand Standard on Risk Management (AS/NZS 4360:2004) and the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework for evaluating internal controls.

MLB assesses its risk profile and risk registers at least annually. These are also revised periodically for each business and functional unit through the business planning, budgeting, forecasting, reporting and performance management processes.

MLB assesses risk against all relevant areas of material business risk. These may include:

- strategic
- operational
- compliance
- technological
- product or service quality
- reputation or brand
- market-related risks
- financial reporting
- human capital
- environmental
- sustainability
- ethical conduct

Twice a year, each Executive is required to review the effectiveness of the risk oversight and management processes relevant to the material risk issues affecting their business or functional unit.

MLB's formal risk management processes are embedded within day-to-day management of the business, via such means as regular focus groups which meet across the business, monthly meetings between the Group Manager, Risk & Audit and senior executives, and rotational risk and audit reviews which aim to cover all main businesses at least annually.

Through these activities, MLB is focussed on embedding a risk-aware culture in all operations of the MLB Group so that senior staff are aware of both the exposures and opportunities created by risk.

4) Risk Management – roles, responsibilities and reporting

The Board is ultimately responsible for guiding and monitoring MLB on behalf of its shareholders.

One key function of the Board is to ensure that proper risk management systems and internal controls are in place. To fulfil this function, the Board makes use of a sub-committee: the Audit and Risk Management Committee ("ARMC").

Through the ARMC, the Board receives reports whenever an area of material business risk or exposure is identified.

The ARMC also receives regular updates from the Group Manager, Risk & Audit on the progress of risk mitigation actions assigned to Executive management throughout the year.

The Group Manager, Risk & Audit is responsible for:

- the execution of the annual risk oversight program;
- performing risk assessments and reviews of internal controls
- internal audit, and
- continuous risk monitoring.

The Group Manager, Risk & Audit exercises these responsibilities under the direction of the ARMC, and conducts the risk management programme over the areas of material business risk for the MLB Group.

5) Risk oversight policies

The processes adopted by MLB for assessing and reporting on risks, internal controls and internal compliance are regularly enhanced and formalised across the Group in accordance with emerging leading practice guidelines.

Similarly, MLB has formalised (or is in the process of formalising or updating), a number of risk oversight policies. Examples of these include policies on IT security and fraud prevention and control.