

Just Life Group Limited

Risk Management Framework & Policy

1. Statement of Purpose

Just Life Group Limited (JLG) recognises the nature of our activities and the environment in which we operate expose us to risk. Risks occur in many ways and have the potential to impact or harm our people, suppliers, stakeholders, reputation, finances, operation and success of our businesses. We will effectively manage risk to ensure that our objectives, goals and purpose are achieved.

This risk management policy sets out the manner in which JLG will ensure that appropriate consideration will be given to the balance of risk and reward in pursuing the achievement of JLG's strategic and operational objectives.

Just Life Group will establish and maintain a risk management framework which will:

- Delegate responsibility for managing risks;
- Describe JLG's risk appetite to assist management decision making;
- Identify and record material risks arising from JLG's businesses;
- Establish criteria to assess identified risks to determine their likelihood and potential consequences, and develop measures to mitigate the identified risks; and
- Provide assurance that JLG's risks are being:
 - Identified and effectively managed; and
 - Escalated through the line management reporting structure to where they can be either effectively controlled or accepted.

The Board will establish and periodically review JLG's risk management framework.

The Audit & Risk Committee will oversee the implementation of JLG's risk management framework, and periodically report to the Board on its effectiveness.

Management will be responsible for implementing JLG's risk management framework.

2. Risk Management Framework

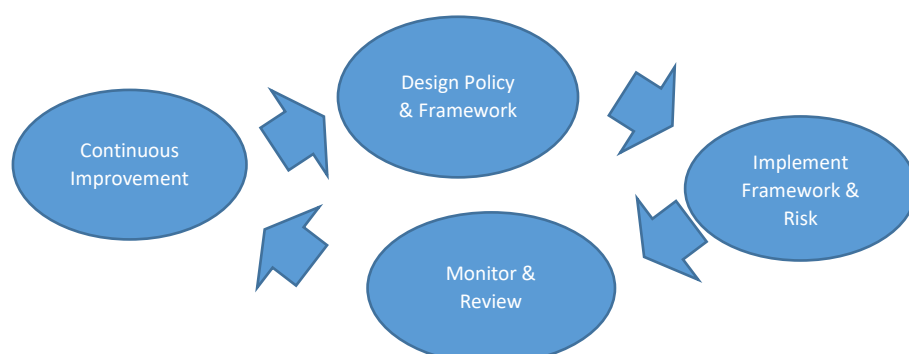
2.1. Introduction

This Risk Management Framework (Framework) applies to Just Life Group Limited (JLG).

The Framework is based on AS/NZS ISO 31000:2009 Risk Management – Principles and guidelines (the Standards) and provides the foundations and organisational arrangements used by JLG in respect to risk management.

The Framework is designed to ensure all employees take all reasonable steps in the identification, assessment, monitoring and management of risk within JLG.

The overall framework is illustrated below:



Continuous improvement of the framework will be affected through an annual review of the Risk Management Policy and Framework and assessment of the operation of the risk management process by the Management and the Board.

This Framework aims to:

- Delegate responsibility for managing risks;
- Describe JLG's risk appetite to assist management decision making;
- Identify and record material risks arising from Just Life Group's businesses;
- Establish criteria to assess identified risks to determine their likelihood and potential consequences, and develop measures to mitigate the identified risks; and
- Provide assurance that JLG's risks are being:
 - Identified and effectively managed; and
 - Escalated through the line management reporting structure to where they can be either effectively controlled or accepted

Sustained commitment to risk management is required from the Board and the management of JLG to ensure effectiveness. As noted in the Standards, the Board and Management should:

- define and endorse the risk management policy;
- ensure that the organisation's culture and risk management policy are aligned;
- align risk management objectives with the objectives of the organisation;
- ensure legal and regulatory compliance;
- assign accountabilities and responsibilities at appropriate levels within the organisation;
- ensure the necessary resources are allocated to risk management;
- communicate the benefits of risk management to all stakeholders; and
- ensure that the framework for managing risk continues to remain appropriate.

2.2. Risk Management Process

Risk is the chance of something happening that has the potential to impact on achieving business objectives as set out in the strategic and operational plans, Risks can be strategic, operational, project, safety, financial or compliance related.

Risk management encapsulates the framework, processes and organisational culture towards managing risks, and assists with achieving the appropriate balance between minimising losses and realising opportunities for gain.

This risk management framework provides assurance to the Board and Management that risks are being identified and effectively controlled where they arise in the organisation or escalated to a level where they can be effectively controlled or accepted.

2.3. Roles and Responsibilities

2.3.1. Board

Approve and monitor the risk management policy and framework and the extent to which its application meets the organisation's needs

Receive and review the risk register annually

Use information derived through application of the risk management framework to:

- Inform planning and decision- making processes;
- Evaluate actual and potential extreme risk events and take appropriate action.

2.3.2. Audit & Risk Committee

Communicate and make recommendations based on internal and external auditor's reports and ensure they are incorporated into the risk register as appropriate.

2.3.3. CEO

Develop and maintain the risk management framework and report to the Board on its effectiveness

Ensure that:

- Risk identification, evaluation and control processes are working as expected
- The organisation has an up to date and comprehensive understanding of its risks
- Risk reporting is effective and timely.

Use information derived through application of the risk management framework to:

- Inform all planning and decision-making processes
- Advise the Board of emerging risks that they need to be aware of.

2.3.4. COO

Administer the risk management framework on behalf of the CEO

2.3.5. All Managers

Identify, analyse, evaluate, mitigate and report risks

Use information derived through application of the Risk Management Process to:

- Inform all planning and decision-making processes
- Advise their manager of emerging risks that they need to be aware of.

2.3.6. Risk Owner

Identify, analyse, evaluate, mitigate and report on assigned risks

2.4. Risk Appetite

Risk appetite is the amount of risk JLG is prepared to assume at any one time in pursuit of meeting its strategic objectives. The risk appetite informs the quantitative and qualitative measures used by management in risk analysis.

In some areas JLG may tolerate higher risk than others. This also provides guidance to management about when to escalate a response to an issue.

There are broadly 3 categories of risks: strategic, compliance and commercial. The examples given below are not exhaustive but intended to provide guidance on the tolerance levels around some key risks:

- **Strategic risks:** these are the long-term risks around anticipating and responding to external changes, as well as internal decision making and execution of significant long-term direction and plans for JLG;
- **Compliance risks:** these are the risks associated with failing to comply with regulations and legislation. The overall view regarding compliance risk is that JLG has zero tolerance for poor process or behaviour that would lead to breaching regulation or legislation.
- **Commercial risks:** these are the risks associated with running the business and delivering on business strategy. The overall approach regarding commercial risk is to identify, understand and balance the risks against the rewards being sought.

| Risk | Category | Risk Averse | Balanced | Risk Tolerant |
|------------|--------------------------------|-------------|----------|---------------|
| Strategic | Business Continuity | x | | |
| | Product Risks | x | | |
| Compliance | Regulatory & Legal Compliance | x | | |
| | Health & Safety Incidents | x | | |
| | Environmental Compliance | | x | |
| Commercial | Financial Risks | | x | |
| | Market Risks | | x | |
| | Reputation | x | | |
| | Competition/Distribution Risks | | x | |
| | Technology/System Risks | | x | |
| | Major Projects or Acquisitions | | x | |

2.5. Risk Assessment

2.5.1. Risk Identification

The aim of risk identification is to generate a comprehensive set of risks which have the potential to compromise the achievement of JLG objectives. Risk reviews should be conducted as follows:

Risk Review Frequency

- **Annually:** Incorporated within strategic and business planning processes, where existing risks are re-assessed and new risks are identified and assessed.
- **Ad hoc:** When there is a proposed or actual significant change to the organisational structure, funding or other key event.

At the development stage of new projects or initiatives, where risks associated with the project can be identified and assessed.

2.5.2. Risk Analysis

Risk analysis determines whether risks need to be treated, and what the appropriate risk treatment strategy is. If existing controls exist – that is, there are existing processes in place to mitigate the risk – those controls must be evaluated in order to assess their effectiveness. This will identify if the controls need to be modified or if additional controls are required:

| Effectiveness | Measurement |
|---------------------|--|
| Strong | Significant attention to the risk exists which is supported by an on-going monitoring system. |
| Moderate | Controls in place provide a reasonable certainty of mitigating the risk although do not fully address the management of all potential risk events. |
| Weak | Controls in place are insufficient to prevent or mitigate the risk. |
| Uncontrolled | Outside the control of the organisation in respect of likelihood, although there may be the ability to manage the consequences. |

2.5.3. Risk Evaluation

Risks are analysed and rated utilising the risk rating matrix below.

| Likelihood | Consequences | | | | |
|----------------|---------------|--------|----------|--------|--------------|
| | Insignificant | Minor | Moderate | Major | Catastrophic |
| Almost Certain | Low | Medium | High | High | Extreme |
| Likely | Low | Medium | Medium | High | Extreme |
| Possible | Low | Low | Medium | Medium | Extreme |
| Unlikely | Low | Low | Low | Medium | Medium |
| Rare | Low | Low | Low | Low | Medium |

2.5.4. Risk Escalation and Actions

The risk evaluation and escalation table below outlines the escalation processes and actions required depending on the level of risk, other than safety risks which are covered in health and safety policy.

| | | | |
|----------------|---|-------|--|
| Extreme | Extreme risks may jeopardise the achievement of one or more strategic objectives and compromise the viability of the business. | Board | Extreme risks are to be reported to the Chair immediately, together with a plan to mitigate the risk, If the activity is in progress, it must cease immediately. The CEO manages the risk and reports progress monthly to the Board. Mitigations for extreme risks to be reported annually. |
| | These risks demand urgent attention at Board level and cannot be accepted as part of routine operation without sanction from the Board. | CEO | |
| High | High risks are those that have a significant impact on JLGT in the short term. | Board | Mitigation for high risks to be reported annually. |
| | These risks demand urgent attention at management level and cannot be accepted as part of routine operation without sanction from CEO | CEO | |
| Medium | Medium risks are those that have a significant impact on the performance of JLG in the medium term. | CEO | Medium risks to be reported to the Board annually. |
| | These risks may be tolerated in the short term however, risk mitigation is required to improve existing controls or introduce additional controls to reduce risk exposure | GM's | |
| Low | Low risks form part of routine operations and may be accepted where controls are effective and reviewed regularly. | GM's | GM's will manage low risks through business as usual processes and monitor for escalation. To be reported to the Board annually. |
| | Consideration of risk treatment may be considered if costs are low and benefits are real. | | |

2.6. Risk Mitigation

When a risk has been analysed and a risk rating assigned (using the JLG risk evaluation matrix), the Risk Owner is responsible for strengthening existing controls in order to make them more effective, and for identifying additional risk treatments to further mitigate the risk to acceptable levels. All risk treatments and control improvements need to have a treatment owner and a planned completion date.

2.7. Risk Monitoring and Reporting

2.7.1. Risk Matrix

Risk matrix's will be maintained and updated for each business unit on an on-going basis including the following for each identified risk:

A description of the risk and the risk category

- The risk owner
- The risk rating following an assessment of the likelihood of the risk occurring and an assessment of the consequences of the risk
- A description of the controls in place to mitigate the risk
- A risk rating following an assessment of the effectiveness of the existing controls
- Any planned risk treatments to further reduce the risk, including target completion dates and personnel responsible

2.7.2. Risk Reporting

Risk reporting is necessary to inform JLG strategic and operational planning processes and all decision making. Risks are reported (together with the status of risk mitigation activities being investigated or implemented) in accordance with the risk evaluation and escalation table in 2.5.4.

New risks, and risks arising as a result of change are to be added or updated in the relevant risk matrix as they are identified and assessed and notified to the appropriate level based on the overall risk rating table in 2.5.3.

3. Policy Approval Date

This policy was approved at the Just Life Group Limited Board Meeting held on the 19th June 2019.



Steve Bootten
Chair
Just Life Group Limited

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| Policy Owner: Audit and Risk Committee | Approved Date: 19 June 2019 | Next Review Date: June 2020 |
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