

# Risk Management Policy

1 June 2011

## 1. Introduction

### 1.1 Overview

This *Ruralco Risk Management Policy* ("the Policy") outlines the strategies and processes employed by Ruralco Holdings Limited ("Ruralco") in implementing an effective risk management system for the businesses that make up the Ruralco Group.

In this Policy, references to:

- **risk or risks** have the meaning given at part 3.1 of this Policy.
- **staff** means employees, directors, contractors and representatives of Ruralco and its related entities (unless specified otherwise).
- **legislation and regulations** refer to sections in the *Corporations Act 2001* (Cth) and *Corporations Regulations 2001* (Cth) (unless specified otherwise).
- **the Standard** refers to the Australian Standard on risk management AS/NZS 4360-2004.
- **Board** means the board of Ruralco.
- **Risk Officer** means the Risk Officer of Ruralco

This Policy forms part of Ruralco's overall risk management framework and contains:

- a flowchart to overview the risk management process;
- a risk hierarchy (as an annexure) to outline the flow of risk responsibilities within Ruralco;
- risk rating guidelines, which outline the measures to be used in rating a risk; and
- the risk register (located in appendices) that identifies each risk, classifies it, outlines the controls in place and gives it a residual risk rating.

It is Ruralco's goal to reduce risk to an acceptable level, taking into account its business objectives and threshold for risk, by ensuring that all risks are identified and managed appropriately.

The Board of Ruralco is responsible for the ongoing maintenance and supervision of this Policy, and has delegated this function to the Audit, Risk and Corporate Governance Committee.

The Policy has been approved by the Audit Risk & Corporate Governance Committee of the Board of Ruralco. The owner of this policy is the Risk Officer of Ruralco.

### 1.2 Background Information

As a company listed on the Australian Securities Exchange (ASX), Ruralco has an obligation to establish and maintain adequate risk management systems that are tailored to its nature, scale and complexity.

At a bare minimum, a risk management system should:

- be based on a structured and systematic process;
- provide emphasis on embedding risk management practices into an organisation's culture and processes;
- set out steps to be taken if there are possible breaches of the law;
- establish and maintain measures, processes and procedures designed to address those risks; and
- be benchmarked against the Standard.

Ruralco's businesses incorporate a broad range of risk requirements, from Rural Supplies, Real Estate to Financial Services. Certain divisions within Ruralco have particular risk requirements, including Ag Concepts Unlimited Pty Ltd (with an Australian Financial Services Licence) and Real Estate (with sale, auction and trust account requirements).

Ruralco companies face new legislative and corporate governance challenges and requires a progressive risk management policy that is able to adapt to the evolution of the businesses and their obligations.

## **2. Compliance: future changes, implementation and monitoring**

This Policy is current as at the last review date (see Version Log) and will be reviewed and updated by the Risk Officer at least annually. Any significant changes will be communicated to staff and representatives where relevant. In addition, any changes to the current business structure will require this Policy to be revisited to ensure it remains relevant and comprehensive for all business risks.

The risk management system will be implemented and maintained on an ongoing basis and will permeate the policies and process of the entire Ruralco Group. Compliance with this Policy will be monitored regularly as part of Ruralco's internal audit process and will be actively monitored and endorsed by senior management.

Any questions or concerns that arise in relation to this Policy should be immediately reported to the Risk Officer. Queries that cannot be answered by the Risk Officer will be escalated in accordance with the reporting structure at Appendix B.

## **3. Risk Management – An Overview**

### **3.1 What is risk management?**

A risk may be defined as *any uncertain future situation or event, which could influence the achievement of Ruralco's objectives or realisation of opportunities, including strategic, operation, financial and compliance objectives.*

Risk management is defined in the Standard as, *"the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects."*

### **3.2 Why risk management?**

All business transactions carry an inherent level of risk to a company's financial position, operational requirements and reputation. These risks can be carried between subsidiaries of a company, to its parent and to its business partners and other stakeholders.

A risk management system should bring all risks to the forefront of any anticipated business transaction for consideration by key stakeholders. A comprehensive risk management process will assist Ruralco to:

- Minimise unexpected financial and operational results;
- Strengthen business partner relations;
- Execute more efficient and effective processes;
- Satisfy the legal and regulatory requirements imposed on it as a Group involved in a diverse range of business activities;
- Improve individual accountability and give greater transparency to decision-making; and
- Exploit business opportunities quickly with full appreciation of risks involved.

### 3.3 Ruralco's approach to risk management

Ruralco adopts the risk management approach outlined in the Standard with sufficient flexibility to ensure it is able to adapt to the changing needs of the business. It is the firm belief of Management, the Committee and the Board that a robust risk strategy, a sound risk identification process and stringent risk reporting provide a solid framework for effectively managing Ruralco's risks.

### 3.4 Risk Threshold

A company's Risk Threshold refers to its ability to absorb risks associated with business; generally speaking, the larger the company the greater the Risk Threshold. The Risk Threshold is linked to the residual risk rating, where the level of exposure is balanced against the potential business opportunity.

It is the responsibility of the Board (on recommendation from the Committee) to set Ruralco's Risk Threshold and review it on an annual basis. The Board has given a delegation to management to conduct business activities within this Risk Threshold and the accepted company business plan and has delegated the review of those functions to the Committee. An acceptable Risk Threshold for Ruralco will be determined by the Committee with respect to each Risk. The acceptable Risk Threshold will be documented and will influence the way controls are selected and applied by management. The Risk Threshold will be regularly reviewed by the Committee.

The following factors will be taken into consideration, and are to continue to be taken into consideration when determining the Risk Threshold:

- Ruralco's position in the agribusiness industry, with particular emphasis on its key business divisions;
- The conditions imposed on Ruralco by the ASX, Corporations Act and regulators (ASIC, ATO);
- The capital that may be required to support expanding the Risk Threshold; and
- The medium-long term strategic goals of Ruralco.

### 3.5 Technology & Resources

Ruralco appreciates the importance of risk management as a means of refining and developing its business practices. The Board has given its approval for appropriate resources (financial and personnel) to be dedicated to the Corporate Services division in the development, implementation and ongoing monitoring of the risk management framework.

#### *Technology*

In order to manage risk effectively and efficiently Ruralco uses the Tickit On Demand system (**TOD**). TOD is a web-based risk management system that allows risks to be captured, assigned, monitored and reported in the one package. All risks have been entered into TOD and tasks in relation to risk treatment plans have been allocated to the relevant Risk Champion.

Using TOD minimises resources required to complete administrative tasks and create reports, allowing resources to be concentrated on more substantive requirements of the risk management framework. Reports have been customised based upon Ruralco's specific business requirements and risk profile and are used for reporting to the Board and Audit, Risk & Corporate Governance Committee.

The Risk Officer is responsible for the overall management and upkeep of TOD and the annual review undertaken evaluates, among other things, the effectiveness of the system.

### ***Financial Resources***

The Board has mandated the allocation of financial resources from Ruralco and its wholly owned subsidiaries and has given a directive to other Ruralco controlled entities to provide financial accommodation for the development of the risk management framework. As an integral part of the business process, it is the Board's firm belief that the business units must provide a proportionate contribution to the risk management framework.

The provision of financial resources by each business unit will be commensurate to their risk profiles. Those businesses that by their very nature require greater attention within the risk framework (whether by number of risks or severity of risk ratings) will be called upon to provide greater financial assistance than those businesses that represent a lower risk to the business.

All businesses and operating divisions within the group are expected to contribute the appropriate financial resources when called upon by the Risk Officer and Senior Management.

### ***Human Resources***

Appropriate human resources have been allocated for the implementation of this Policy and the broader risk management framework. The Risk Officer will work with the relevant business unit leaders to nominate and appoint Risk Champions, who will be responsible for the risk management function within their respective business. Each business will ensure that their nominated Risk Champion or any other staff member required is given reasonable time to complete their risk management duties including risk assessments, treatment control plans, and attendance at internal and external training or information sessions.

## **3.6 External Support**

### ***Risk Consultants***

Ruralco engaged Marsh Risk Consulting to provide it with an external review of its current risks and to provide commentary on how to best approach risk management from an enterprise-wide perspective.

Their review incorporated the first 4 steps of the risk management process. Marsh established the context of Ruralco's business operations through discussions and meetings with both the Board and senior management of Ruralco. This allowed risks to be identified, analysed and to an extent evaluated and a risk matrix to be compiled.

As a result of this review, Ruralco now has a comprehensive platform of risks to further evaluate and respond to. It will be the responsibility of the Risk Officer, in conjunction with the relevant Divisional General Managers to develop and implement a final risk management plan around the core risks identified.

### ***Internal audit***

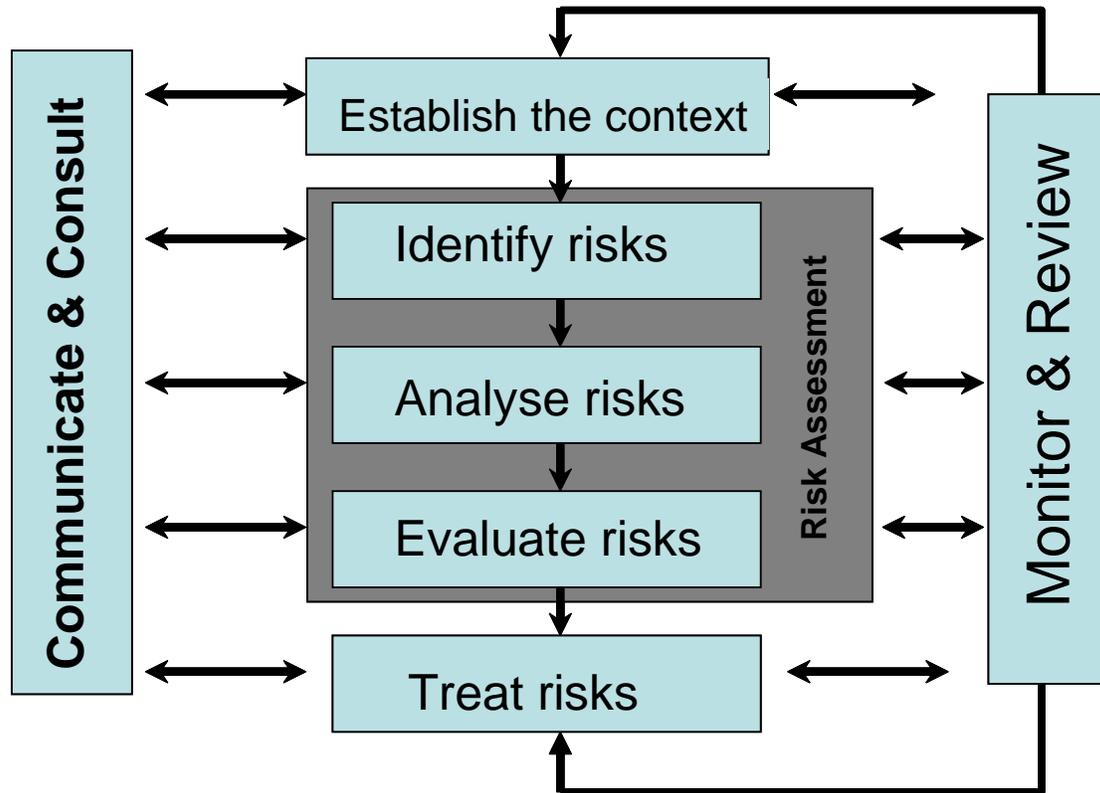
Ruralco has appointed Price Waterhouse Coopers (PWC) to perform the internal audit function of the group. A core component of this function is the review of risks identified as being of particular importance to the company due to:

- industry trends or pressures
- risk rating (likelihood, consequence)
- the inability of the company to otherwise control the risk
- potential or actual events occurring

The Internal Audit Plan has been developed with risk management as a core tenet of its function and Internal Audit will work with the Risk Officer in conducting an annual review of Ruralco's risk operations.

#### 4. Risk Management Process – Overview

Diagrammatically, the risk management process is best depicted as follows:



## 5. Risk Management Process – Detail

### Step 1: Establish the Context

As a precursor to establishing a risk management strategy, it is important to understand the environment within which Ruralco is operating. This requires Ruralco to consider, among other things:

- The internal context – culture, business structure, reporting lines, resources, capabilities (people and systems);
- The external context – business, political, financial, regulatory environments;
- the legal and compliance framework and the scrutiny of the regulators;
- the requirements of its key alliance partners, including CRT members, key suppliers, key customers and other business partners;
- the actions of its representatives (including employees and third party outsourced service providers);
- the industry framework (to align company objectives with industry standards); and
- corporate goals and objectives for the company.

Ruralco will develop on an annual basis a Business Plan that will outline its goals, objectives and visions for the upcoming year and immediate future years.

Ruralco will then determine what risks it faces in following this Business Plan and what its approach will be in handling them (whether managing, avoiding or otherwise dealing with them).

### Step 2: Identify the risk

Identifying a risk involves asking a number of questions within each division/business unit:

- (a) what could happen to the division/business unit?
- (b) how would it happen?
- (c) why would it happen?

Divisional General Managers, with assistance from the Risk Officer, will be responsible for generating and reviewing a list of events that may compromise Ruralco's operation, financial or reputational position now or in the future.

Particular focus is given to risks that compromise Ruralco's ability to provide ongoing services to, or adversely impacts consumers or consumers of Ruralco's key alliance partners. This emphasis is given in light of Ruralco's desire to:

- continue to grow and support the CRT/T&C member network
- strictly comply with its banking covenants
- continue to support its joint venture partners

Risks have been broken down into a number of generic segments being:

- External
- Assets
- Information/Technology
- Market
- Internal
- Operational
- Regulatory/Legal

These risks are listed and then recorded in a Risk Register in the form of Appendix F. The Risk Officer will coordinate an annual review of company processes and business transactions to determine whether any new risks exist and if so, to have them recorded in the Risk Register.

### **Step 3: Analyse the Risk**

The qualitative measures of likelihood and consequences are outlined in the Risk Rating Guidelines at Appendix A.

Once a risk has been rated in terms of likelihood and consequence, a risk matrix is used to rate the risk. Those risks with a high likelihood and an extreme consequence will attract a significant rating, and it will be incumbent upon Ruralco to either place tight controls around the risk or avoid it completely.

Each risk is to be analysed in terms of how likely the event is to occur (this can be given a rank of Rare to Almost Certain) and the consequences of each risk's potential impact on the organisation, ranging from 1 (insignificant) to 5 (catastrophic).

### **Step 4: Evaluate the Risk**

The evaluation process involves the application of risk controls to the risks identified at Step 2. The controls should be agreed upon by a working group on an annual basis to ensure currency and accuracy.

Once the control(s) have been determined for the risk, they should be given a rating. The ratings scale has 5 levels; level 1, being a non-existent control to level 5, being a very strong control that is regularly reviewed and that is likely to lower the inherent risk. This rating is to be applied to the inherent risk to determine the residual risk (ie the risk that remains after all control mechanisms are considered and applied). The residual risk is then reassessed using the residual risk rating, which can be found in the Risk Rating Guidelines.

The residual risk rating should be used to determine future action to be taken for that risk or a group of risks with similar properties.

### **Step 5: Respond to the Risk**

Ruralco must respond to all residual risks, which involves identifying the options available to treat risks, assessing the options and implementing a treatment plan based on the accepted option. The appropriate level of response to a risk will be based on a number of factors, including resources (human and financial), worst case scenario, versus practical likelihood and return on investment.

#### **Positive Outcomes**

Risks identified as having positive outcomes, such as exploiting a business opportunity may be treated in a number of ways:

**Seek out the opportunity** – where practicable, a treatment plan should be adopted that seeks out the opportunity (which may include a new business venture, acquisition or other method of entering a market or activity);

**Change likelihood** – an opportunity is more likely to present itself or be realised where the likelihood of the event occurring is enhanced.

**Change consequence** – all steps should be taken to increase an existing opportunity by way of synergies, increased resources or greater focus on the business activity.

**Sharing the opportunity** – potential barriers to exploiting an opportunity may be removed by the involvement of another party to provide additional resources or capabilities. Adopting alternate organisational structures, entering joint ventures or licensing arrangements may allow for the further exploitation of a current opportunity or development of a new opportunity.

**Retaining the opportunity** – no action being taken, satisfied that the opportunity is being appropriately exploited or put to benefit for the company.

## Negative Outcomes

Risks identified as negative outcomes, such as financial or reputational loss may be treated in a number of ways:

- (a) **Accept the risk** – this should be an informed decision made after careful consideration of the likelihood and consequence of the risk. It should also be made in light of the Risk Threshold set by the Board;
- (b) **Avoid the risk** – all reasonable steps should be taken to avoid a risk, such as ceasing a business activity or terminating contracts;
- (c) **Share/Transfer the risk** – involving another party to spread the risk may be beneficial to allow Ruralco to continue participating in an opportunity presented by that risk. Insurance may be taken to transfer risk inherent in many business operations. Outsourcing functions where the Company's expertise may be lacking, diversifying investments or insurance (PI insurance, D&O insurance); or
- (d) **Treat the risk** – place further control mechanisms and encourage the risk to be reviewed appropriately. This can be as simple as improving the culture of compliance and risk management or restructuring business units.

All legal and regulatory requirements must be followed and no level of control can be implemented to negate this obligation.

## Step 6: Monitor the risk

Risk must be monitored to ensure the risk management process is effective. Risk monitoring is a responsibility of the entire Group, albeit with varying levels of responsibility. Where possible, risk monitoring shall form part of the current framework of policy review, audit and compliance processes and shall maintain a regular review in line with this Policy.

Further detail about monitoring risks within Ruralco is provided at part 7.

## 6. Risk Structure

The Board has determined that in order to have an effective risk management system in place, it must receive advice from, and have risks monitored by, a number of sources. These groups are set below with a reporting hierarchy illustrated at Appendix B.

### 6.1 Board

The Board has overall responsibility for ensuring that management has developed and implemented a robust risk management system. It has delegated the oversight of risk management to the Audit, Risk & Corporate Governance Committee. Nevertheless, the Board remains responsible for:

- Setting company goals and business strategies (with the assistance of executive management);
- Maintaining appropriate corporate governance structures; and
- Ensuring appropriate risk managements systems are in place (including ensuring this Policy is maintained).

The Board is to receive bi-annual reports on risk management, to be prepared by the Risk Officer.

## 6.2 Audit, Risk & Corporate Governance Committee

As stated above, the Audit, Risk and Corporate Governance Committee (**Committee**) has been delegated the oversight of risk management. The Board considers this appointment important in providing focus and oversight on risk management and internal controls on risk management.

It is the Committee's task to:

- Review, recommend and oversee implementation of the risk management process;
- Provide assistance and guidance on risk management;
- Monitor and review the risk management process;
- Review the efficacy of internal controls generally, including the interaction between risk management and internal audit.
- Provide advice to the Board on any non-compliance to the risk management framework; and
- Ensure risk management is promoted within the Group, particularly to executive managers and their direct reports to ensure it is embedded within the overall Group culture.

## 6.3 Internal Audit

Price Waterhouse, Coopers (PWC) have been appointed to perform the internal audit function. It is their role to:

- Assist the Risk Officer and Company Secretary in monitoring risk management;
- Review the risk matrix annually;
- Ensure compliance with this Policy;
- Provide guidance on existing controls and their adequacy to the respective risk; and
- Monitor in particular financial risks within the Group.

## 6.4 Managing Director

With overall responsibility for the operations of the Group, the Managing Director plays an active role in setting the direction of the Group and determining which transactions to enter into (thus impacting on the Risk Threshold). The Managing Director will:

- Drive the establishment of business strategies and objectives;
- Ensure there are appropriate controls in place to manage all risks;
- Ensure all employees are aware of Ruralco's risk management obligations and that risk management is embedded within the Ruralco culture; and
- Use their business knowledge and acumen to determine what activities can be absorbed as part of the Risk Threshold.

## 6.5 Risk Officer

The Corporate Services division is responsible for overseeing the implementation of the risk management function at Ruralco. The National Credit, Compliance and Risk Manager has been appointed by the Board as the Risk Officer and shall have day-to-day responsibility for the implementation of the risk management function.

The Risk Officer has a broad responsibility to:

- Challenge executive management and the Board to demonstrate appropriate risk management systems and controls for all risks;
- Conduct regular reviews of the organisation to identify new risks, remove old risks and re-rate current risks;
- Coordinate the risk management process;
- Provide a report on risk management issues to the Committee at each meeting and to the Board twice annually;
- Maintain the Risk Register;
- Maintain this Policy; and
- Ensure there is adequate coverage of risk management across the entire business.

The Risk Officer is recognised as a senior employee within Ruralco and is to be given the necessary access to people, information, systems and resources to ensure the proper discharge of the risk function. This may require access to past records, research, financial models and expert opinion. The Board supports the role of the Risk Officer and has directed management to provide resources and access commensurate to the proper performance of the risk function.

## 6.6 Executive Management

With assistance from their department managers and staff, executive management have the task of:

- Ensuring risks are managed and considered on a daily basis;
- Conducting annual business reviews to address inherent and residual risks;
- Determining appropriate controls to risks identified relating to their business function; and
- Embedding the culture of risk management within their department.

In order to ensure the appropriate level of commitment to risk management practices, executive KPIs are include adherence to this Policy and to the risk management framework generally. Success will be measured on a number of bases including but not limited to:

- Tasks completed
- Percentage of tasks completed on time
- Compliance with treatment control plans

## 6.7 Risk Champions

Employees from various business units have been nominated and appointed as risk champions to be responsible for risk management within their business. It is the responsibility of a Risk Champion, with the assistance of Executive Management and Risk Officer to:

- Ensure assigned risks are managed in accordance with designated timeframes;
- Implement risk controls as required;
- Support the use of the TOD system to manage and report on the risk management framework;
- Conduct risk reviews of specific tasks;
- Assist the Risk Officer in conducting annual reviews and risk projects as specified; and
- Embed the culture of risk management in their business unit.

Risk Champions will receive additional training and be provided with the necessary time and resources to implement effective risk strategies identified by the company.

## 6.8 Operating staff

Staff performing daily operations have a responsibility to implement the risk management process as it relates to their business function. Generally speaking, all employees must:

- Report on any instances of non-compliance with this Policy or the risk management process in general;
- Inform management of any new risks as the result of a business activity; and
- Ensure controls in place over a risk are operating properly.

## 7. Reviews & Reporting

### 7.1 Annual Review

This Policy and the risk management framework generally will be reviewed on an annual basis. The Board has determined that the relevant 12 month period shall be that ending on 30 June each year.

The Risk Officer is responsible for the coordination of the annual risk review. Internal audit will provide complementary services and oversight to the risk review and will report to the Risk Officer on its findings.

The method of conducting the review and compiling the report are not mandated, but must include the following items:

- Currency and accuracy of the risk matrix, the RMS and this Policy
- The level of risk management being embedded in business processes
- Effectiveness of TOD system in monitoring risk
- Impact of risk management framework on:
  - Seizing business opportunities
  - Avoiding previously accepted risks
  - Transferring risks – impact on insurance premiums v ability to rely on cover
- Compliance with ASX Listing Rules and Corporate Governance Principles
- Compliance and adherence to risk controls and to risk treatment plans
- Any other specific parameter requested by the Board or Committee.

A report is to be compiled on the risk review as a collaborative effort of the Risk Officer and Internal Audit and accordingly, the report must confirm both parties acceptance of the report and the recommendations contained therein.

The risk review must be completed by no later than 31 August each year and a report submitted to the Committee at the next available meeting. The Committee will be responsible for reviewing and overseeing the implementation of any actions that arise from the review. The report will then be tabled at the next Board meeting.

### 7.2 Board

#### *Bi-annual reporting*

Notwithstanding oversight of the risk management function has been delegated to the Committee, the Board considers it crucial that it be kept abreast of developments in risk management within Ruralco. The Quarterly Risk Reports for the September and March quarters will be tabled at the next Board meeting for review and comment. Any actions that arise from a Board meeting will be automatically delegated to the Committee for implementation and reporting.

## ***Management report***

The monthly executive management report template includes a specific section on addressing risk management practices. Executives will be required to report on the top 3 risks of their business unit in accordance with the reporting guidelines attached at Appendix E.

## **Audit, Risk and Corporate Governance Committee**

### ***Quarterly Risk Reporting***

The Audit, Risk & Corporate Governance Committee (**Committee**) meets on a quarterly basis and both it and the Board consider ongoing updates of risk management to be of paramount importance. A risk management update is on the agenda as a standing item.

The quarterly reviewing process will be a truncated report concentrating on the top 20 risks of the Company. At the end of each quarter, the Risk Officer must prepare and submit a Quarterly Risk Report in the form of Appendix C. Any additional information required by the Committee will be handled on an ad hoc basis under a separate report or where part of the Committee's ongoing requirements, by way of amendment to the Quarterly Risk Report template.

In addition to the Quarterly Risk Report, the Risk Officer will prepare and submit a Risk Management Snapshot (Appendix D), which will provide the following information:

- ***Summary of risks:*** categories of risk, uninsured risks, extreme risks, poorly controlled risks.
- ***Risk analysis:*** graphical representation of risks per category.
- ***New risks:*** risks identified in the last quarter.
- ***Retired risks:*** risks that have been removed since the last quarter
- ***Evolving risks:*** risks that have been re-rated positively either by way of additional controls, altered business practices or additional insurance or negatively as a result of error, legislative change, business necessity or lack of insurance cover.

## Appendix A: Risk Rating Guidelines

### Qualitative measures of likelihood

The following table should be used as a guide when trying to rate the likelihood of a risk occurring any given year:

Rating	Description	Likelihood Values	Factor
Almost Certain	The event is expected to occur in most circumstances.	Occurs more than once per year (1 in 3).	90
Likely	The event will probably occur in most circumstances.	Occurs around once a year frequently (1 in 1).	70
Possible	The event should occur at some time.	Occurs around once every 10 years or occasionally (1 in 10).	50
Unlikely	The event could occur at some time.	Occurs around once every 30 years or unusually (1 in 30).	30
Rare	The event may occur in exceptional circumstances.	Occurs once in around 100 years or rarely (1 in 100).	10

### Qualitative measures of consequences

Rating	Impact Description	Description/Examples
90	Catastrophic	<ul style="list-style-type: none"> <li>• <b>[Industry]</b> – Major uncontrollable outbreak of disease affecting 40% of mainland Australia.</li> <li>• <b>[Reputation]</b> – Negative national media coverage for 1 month</li> <li>• <b>[Injury]</b> – Multiple fatalities.</li> <li>• <b>[Compliance]</b> – Imprisonment of Directors or Senior Management or fines &lt;\$10m</li> <li>• <b>[Financial]</b> - \$30m loss</li> <li>• <b>[Systems]</b> – Total systems failure &lt;2 months</li> <li>• <b>[Market]</b> – 30% loss of market share within a State or a particular market</li> </ul>
70	Major	<ul style="list-style-type: none"> <li>• <b>[Industry]</b> – Major controllable outbreak of disease affecting 40% of mainland Australia.</li> <li>• <b>[Reputation]</b> – brand/reputation damage</li> <li>• <b>[Injury]</b> – Single fatality.</li> <li>• <b>[Compliance]</b> – Litigation &gt; \$3m</li> <li>• <b>[Financial]</b> - \$3m loss</li> <li>• <b>[Systems]</b> – major interruption to critical systems</li> <li>• <b>[Market]</b> – serious increase in product prices</li> </ul>
50	Moderate	<ul style="list-style-type: none"> <li>• <b>[Industry]</b> – Minor outbreak of disease</li> <li>• <b>[Reputation]</b> – brand/reputation damage</li> <li>• <b>[Injury]</b> – serious on-site injury</li> <li>• <b>[Compliance]</b> – Litigation &gt; \$1.0m</li> <li>• <b>[Financial]</b> - \$300,000 loss</li> <li>• <b>[Systems]</b> – interruption to critical systems</li> <li>• <b>[Market]</b> – increase in product prices</li> </ul>

30	Minor	<ul style="list-style-type: none"> <li>• <b>[Industry]</b> – localised (singular) outbreak of disease</li> <li>• <b>[Reputation]</b> – brand/reputation damage in local area</li> <li>• <b>[Injury]</b> – minor personal injury</li> <li>• <b>[Compliance]</b> – Litigation &gt;\$10k</li> <li>• <b>[Financial]</b> - \$30,000 loss</li> <li>• <b>[Systems]</b> – Interruption to critical systems &lt; 1 week</li> <li>• <b>[Market]</b> – slight increase in product prices</li> </ul>
10	Insignificant	<ul style="list-style-type: none"> <li>• <b>[Industry]</b> – no outbreak of disease</li> <li>• <b>[Reputation]</b> – no brand/reputation damage</li> <li>• <b>[Injury]</b> – no reported injury</li> <li>• <b>[Compliance]</b> – Litigation &gt; \$1,000</li> <li>• <b>[Financial]</b> - \$3,000 loss</li> <li>• <b>[Systems]</b> – no system failures</li> <li>• <b>[Market]</b> – stable product prices</li> </ul>

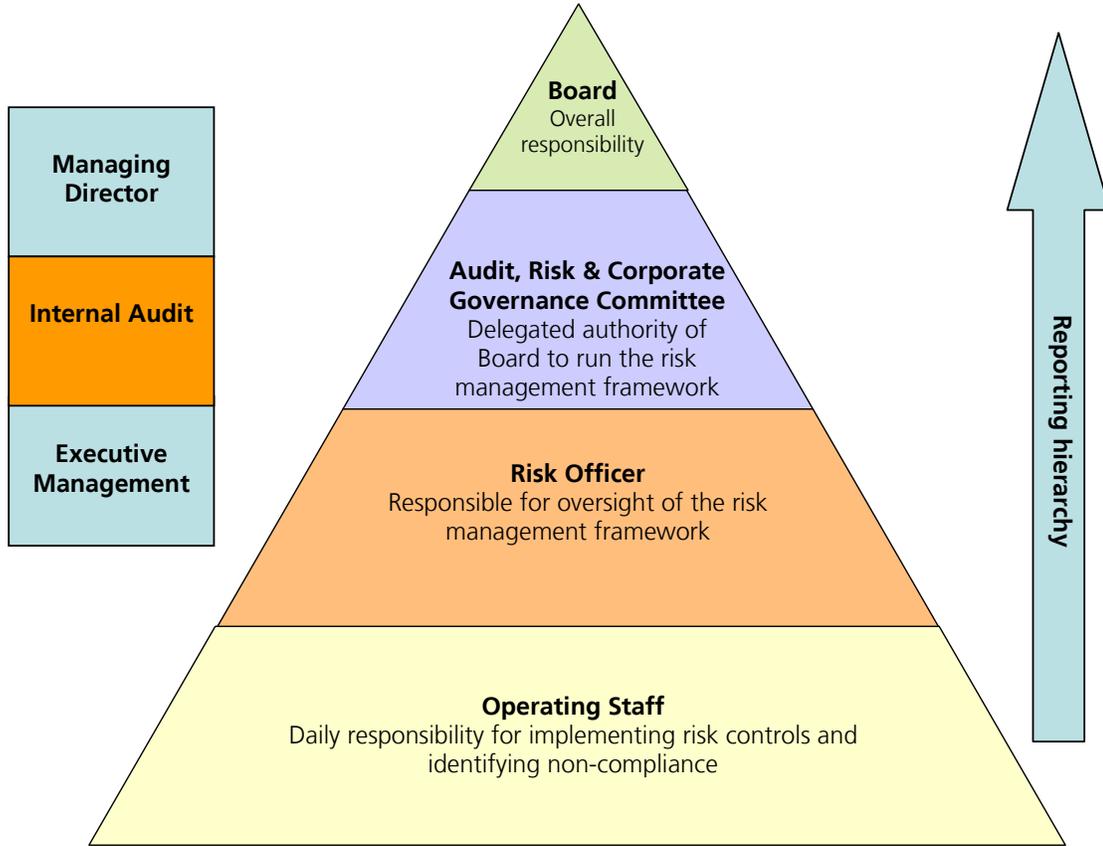
### Control Effectiveness

Descriptor	Description
Very Strong	Signification attention to Risk. All feasible economic controls have been undertaken. Maintaining a monitoring system
Strong	Aware of risk and have taken precautions to limit likelihood and/or consequence
Moderate	Not as prepared for this event as desire
Poor	Basic risk management systems, process controls and procedures in place. No guarantee that risk will be controlled or yet to be assessed
Non-Existent	Controls do not exist or else are not operating effectively. Risk will not be controlled

### Risk Classification Matrix

		Consequence				
		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood	Almost Certain	Low	Moderate	High	Extreme	Extreme
	Likely	Low	Moderate	High	Extreme	Extreme
	Possible	Low	Low	Moderate	High	Extreme
	Unlikely	Low	Low	Moderate	Moderate	High
	Rare	Low	Low	Low	Moderate	High

## Appendix B: Risk Reporting Hierarchy



**Appendix C: Quarterly Risk Report – pro forma**

**Audit Committee Paper**

From: Ian Armstrong, National Manager Credit, Risk and Compliance

Date:

Subject: **RHL Risk Report for period ending .....**

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**1. Summary RHL Risk Register**

<b>Summary Risk Register</b>					
	<b>Low</b>	<b>Moderate</b>	<b>High</b>	<b>Extreme</b>	<b>Total</b>
RHL Group	9	7	10	1	27
CFO	2	4	3		9
General Counsel	1	2	2		5
Financial Services	1		1		2
CRT			1		1
Human Resources	2	1			3
Roberts Limited			1		1
Rural Supplies	1	2			3
	<b>16</b>	<b>16</b>	<b>18</b>	<b>1</b>	<b>51</b>

**1. Current Actions**

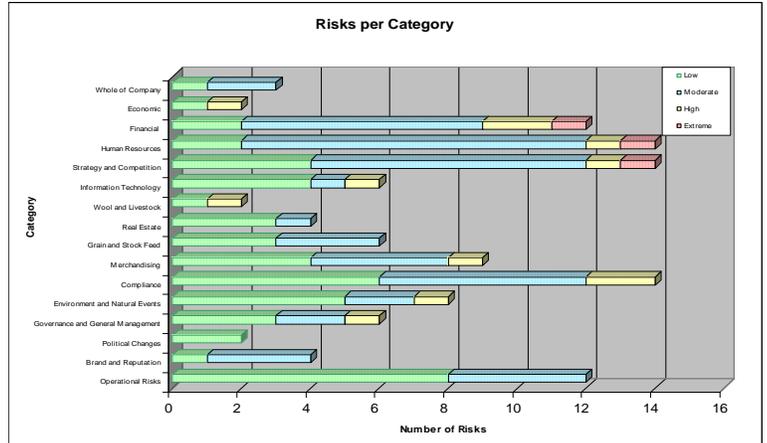
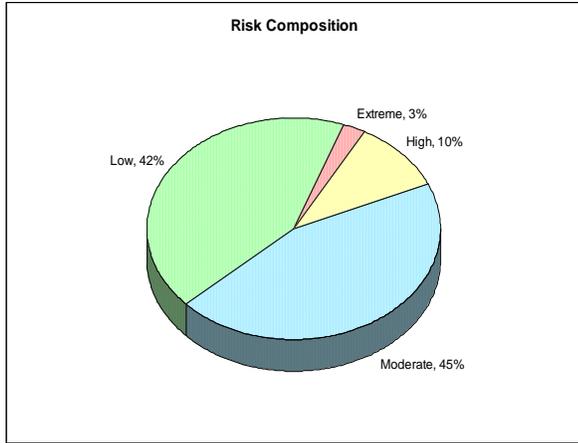
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**2. Future Actions**

- ...
- ...
- ...

## Appendix D: Risk Management Snapshot

For Illustrative Purposes Only



Total number of risks identified and reviewed	
Number of risks rated as Extreme	
Number of risks rated as High	
Number of risks rated as Moderate	
Number of risks rated as Low	
Number of uninsured risks that are insurable	
Number of risks identified as having weak controls	
Number of new risks	
Number of retired risks	
Number of evolved risks	
Categories within which Extreme risks reside	

**NEW RISKS**

(risks that have been added to the matrix since the last report)

Ref	The Risk	Actual Example	Existing Controls	Likelihood	Consequence	Risk Severity	Insurable	Currently Insured	Existing Policies	Comments
<risk category>										

**RETIRED RISKS**

(risks that have been closed as no longer relevant to the business)

Ref	The Risk	Actual Example	Existing Controls	Likelihood	Consequence	Risk Severity	Insurable	Currently Insured	Existing Policies	Comments <i>(insert date retired and reasons why retired)</i>
<risk category>										

**EVOLVING RISKS**

(risks that have had their risk rating amended since the last report)

Ref	The Risk	Actual Example	Existing Controls	Likelihood	Consequence	Risk Severity	Insurable	Currently Insured	Existing Policies	Comments <i>(include reasons for change, such as insurance, new controls, financial markets etc)</i>
<risk category>										

## Appendix E: Management Report – pro forma questions

### Risk Management

- *All 'High' rated risks:*

1. <risk 1>  
<risk control strategy>  
<risk control effectiveness>  
<last action – description>
2. <risk 2>  
<risk control strategy>  
<risk control effectiveness>  
<last action – description>
3. <risk 3>  
<risk control strategy>  
<risk control effectiveness>  
<last action – description>

- *Adherence to treatment/control plans:*

**Note:** Information will come from a report generated by TOD and sent directly to the DGM. By having them report on compliance in their area, they are required to understand risk in their area.

**Appendix F: Risk Register**