

# Risk Management Policy

## Preamble

Risk Management (RM) is the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within Tasmanian Perpetual Trustees Limited's (TPTL) environment.

Risk is inherent in all strategic, operational, administrative and personal activities and every staff member continuously manages risk.

TPTL acknowledges that the adoption of a strategic, comprehensive, systematic and formal approach to RM will improve decision making, enhance performance and increase accountability.

The aim of this policy is not to eliminate risk, rather to manage the risks involved in all TPTL activities to maximise opportunities and minimise negative outcomes. Effective RM requires:

- forward thinking and a proactive approach to management;
- achieving a balance between the costs of managing risk and the anticipated benefits; and
- contingency planning in the event that mission critical threats materialise.

## Key definitions

Risk management definitions can be found in the definitions section of the Standards Australia risk management standard, *AS/NZS 4360:1999 - Risk Management*. The key definitions for this policy follow:

### Risk

The chance of something happening that will have an impact on the achievement of TPTL's objectives. Risk is measured in terms of consequences and likelihood.

### Risk Assessment

The overall process of risk analysis and evaluation. This is the shaded component of the schematic diagram on page 4 of this policy.

## Risk Management

The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within the TPTL environment.

## Risk Management Process

The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

## Stakeholders

Shareholders, private clients, investors, borrowers, directors and employees.

## Policy objective, rationale and deliverables

### Objective

The objective of this policy is to safeguard the interests of TPTL's stakeholders through the implementation of procedures and practices that are consistent with the Standards Australia risk management standard, *AS/NZS 4360:1999 – Risk Management*.

The overall framework for RM in TPTL is designed so that business units will take reasonable steps in the identification, assessment, monitoring and management of risk to enable the organisation to achieve its strategic and business goals.

### Rationale

- To align RM with TPTL's strategic and operational objectives.
- To provide a consistent approach to the identification, assessment, management and reporting of risk.
- To provide a business-wide risk blueprint.
- To raise RM understanding and awareness throughout the business.

## Deliverables

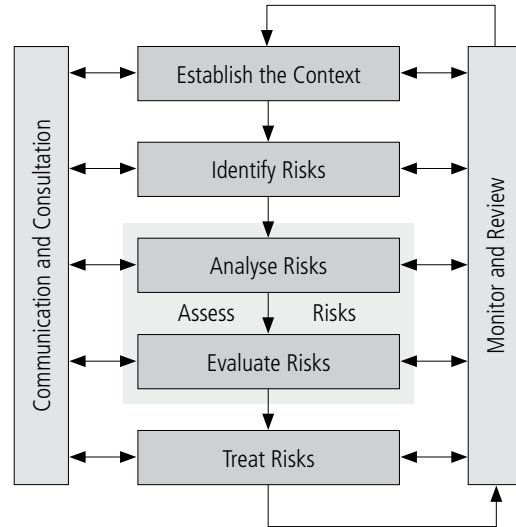
- Divisional risk management plans.
- An integrated RM report.
- Annual risk updates to the Board.
- Event recovery plans.

## Policy statement

The risk management process will require TPTL to:

- **Establish a context.** This is the strategic, organisational and risk management context against which the rest of the risk management process in TPTL will take place. Criteria against which risk will be evaluated should be established and the structure of the risk analysis defined.
- **Identify Risks.** This is the identification of what, why and how events arise as the basis for further analysis.
- **Analyse Risks.** This is the determination of existing controls and the analysis of risks in terms of the consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequence and likelihood are combined to produce an estimated level of risk.
- **Evaluate Risks.** This is a comparison of estimated risk levels against pre-established criteria. This enables risks to be ranked and prioritised.
- **Treat Risks.** For higher priority risks, TPTL is required to develop and implement specific risk management plans including funding considerations. Lower priority risks may be accepted and monitored.
- **Monitor and Review.** This is the oversight and review of the risk management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.
- **Communication and Consultation.** Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

Schematically, the risk management process is depicted in the following diagram:



## Responsibility for risk management

### Role of the Board

- Consider and approve the RM Policy.
- Establish the Business Risk & Compliance Committee (BR&CC) and appoint its Chair.
- Approve specific RM Policies, e.g. Investment and Mortgage Lending.
- Consider and approve specific risk tolerance criteria as recommended by the BR&CC.
- Receive and consider the annual RM report.
- Consider and approve RM strategies as recommended by the BR&CC.
- Initiate risk reviews as and when deemed necessary or appropriate.

### Role of Business Risk & Compliance Committee

- Review the RM Policy and make recommendations to the Board.
- Review and endorse the annual RM report.
- Make recommendations to the Board through the BR&CC Chairman in relation to matters outlined under the Role of the Board.
- On behalf of the Board, monitor TPTL's RM performance and compliance with the RM Policy.
- Review breaches of RM Policy and actions taken.
- Ensure any areas of overlap with the Audit Committee are identified and adequately addressed.

### **Role of the Managing Director (MD)**

- Effectively manage TPTL's risk portfolio across the business.
- Ensure appropriate RM plans are in place for key business strategies.
- Assign responsibilities to ensure the effective management of the identified business risks.
- Allocate roles and responsibilities to treat and monitor high and extreme risks.
- Ensure that all parts of the organisation comply with the RM Policy.
- Promote a culture of RM so that it becomes embedded throughout the organisation.

### **Role of Senior Executives**

- Ensure that the requirements of the RM Policy are incorporated in to Divisional processes.
- Ensure that business risks are adequately identified, analysed, reported and measured.
- Be accountable for delivering the outcome of RM plans in their particular area of responsibility.
- Support the Manager Compliance and Legal in the execution of the responsibilities of that position.

### **Role of the Manager Compliance and Legal**

- Maintain the RM Policy.
- Develop and implement the RM programme.
- Review, at least annually, the performance of the RM programme and provide enhancement recommendations, as appropriate, to the BR&CC.
- Assist with the development of Divisional RM plans.
- Provide a heightened awareness throughout the business of key risk issues and RM techniques.
- Monitor business-wide RM performance.
- Develop and review risk performance indicators.
- Prepare integrated business risk profile reports for the BR&CC.
- Develop and maintain a TPTL business risk register.
- Develop and maintain a register of TPTL's Event Recovery Plans.

### **Role of Staff**

The role of all staff members is to manage risk in their area of activity through adherence to delegated responsibilities, established Compliance Plans, Business Processes and Procedures Manuals, RM Plans and sound business practice; and by bringing to the immediate attention of their superior any factor identified that could place the business of TPTL at risk.

### **Monitor and review**

The Board, through the Business Risk and Compliance Committee, will monitor and review the RM programme.

The MD will facilitate, in accordance with this policy, the development of a common RM approach across areas of the business by:

- Implementing the RM programme
- Reporting on the progress of implementing the RM programme
- Ensuring a mechanism exists for the continual improvement of the RM programme