



Powerhouse Ventures Limited (PVL)

RISK MANAGEMENT POLICY

Risk Management Policy

1. Executive summary

This Policy applies to Powerhouse Ventures Limited (**PVL**).

The aim of this policy is to safeguard the interests of PVL stakeholders through the implementation of procedures and practices that are consistent with AS/NZS ISO 31000:2009 Risk Management – Principles and guidelines (**Standards**).

This Policy sets out PVL's objectives for, and commitment to, risk management. In particular:

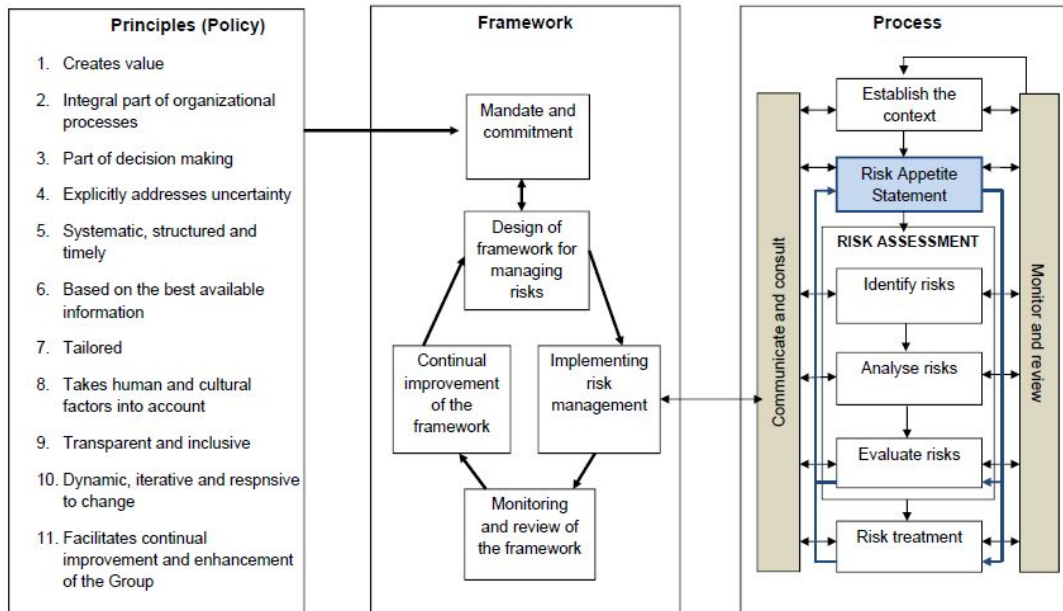
- rationale for managing risk;
- links between objectives and policies and the risk management policy;
- accountabilities and responsibilities for managing risks;
- conflicting interests procedure;
- commitment to making necessary resources available;
- way in which risk management performance will be measured and reported; and
- commitment to review and improve the Risk Management Policy and Risk Management Framework periodically and in response to an event or change in circumstances.

As shown below, this Risk Management Policy must be read in conjunction with the Risk Management Framework, Risk Management Procedures and Risk Appetite Statement.

A. Risk Management Policy

B. Risk Management Framework

C. Risk Management Procedures & D. Risk Appetite Statement



2. Risk Management Policy

2.1 Principles

PVL has adopted the principles detailed in ISO Standards, to ensure risk management is effective within PVL. As such PVL will, at all levels, comply with these principles:

1. Risk management creates and protects value.
2. Risk management is an integral part of all organisational processes.
3. Risk management is part of decision making.
4. Risk management explicitly addresses uncertainty.
5. Risk management is systematic, structured and timely.
6. Risk management is based on the best available information.
7. Risk management is tailored.
8. Risk management takes human and cultural factors into account.
9. Risk management is transparent and inclusive.

10. Risk management is dynamic, iterative and responsive to change.
11. Risk management facilitates continual improvement of the organisation.

2.2 Commitment to risk management

2.2.1 Rationale for managing risk

Shareholder value is driven by PVL taking considered risks.

The Standards define “risk” as being an effect of uncertainty on objectives (other terms are defined in Appendix 1). This effect can be positive or negative. PVL assesses its risks by identifying potential events and evaluating the combination of the consequences of an event and the associated likelihood of occurrence. Risks are then assessed against PVL’s risk appetite to ensure they are within the boundaries of activity that the Board intends for PVL.

Managing risk is an integral part of doing business and the better risk is managed, the more likely it is PVL will achieve or exceed its objectives. Risk management therefore involves coordinated activities that direct and control PVL with regards to risk. It is the responsibility of every employee of PVL to appropriately manage risk. PVL places strong emphasis on developing and maintaining a risk-aware culture in decision-making and all its operations. In this regard PVL recognises that risk culture can become a key business driver and will seek to create a workplace where employees have the confidence to ask questions and to challenge assumptions about the way the business is conducted.

2.2.2 Accountabilities and responsibilities for managing risks

The following table details the different responsibilities for the Risk Management process within PVL, in accordance with the principles of this Policy.

| Risk Management | Board | PVL Audit & Risk Committee | Senior Executive | Corporate Risk Team | Business Units |
|------------------------------|---------|----------------------------|---------------------|---------------------|---------------------|
| Mandate and Commit | Own | Own | Contribute | Understand | Understand |
| Design the risk framework | Oversee | Own | Contribute & direct | Own & action | Understand |
| Implement the risk framework | Oversee | Review | Own & direct | Monitor & action | Implement & operate |
| Monitor and review | Oversee | Own | Implement & direct | Monitor & action | Operate & action |
| Continual improvement | Own | Own & action | Contribute & action | Contribute & action | Contribute |
| Risk management process | Oversee | Direct | Own & action | Monitor & action | Operation |

The Board has affirmed its support to making necessary resources available to support risk management within PVL, as shown by the importance placed on risk management in the Board Governance Framework.

The following policies have been drafted which support PVL's risk management system:

- Portfolio Committee Charter;
- Audit and Risk Committee Charter;
- Code of Conduct - which sets out the principles, values, standards and rules of behaviour that guide PVL in a way that contributes to the welfare of its key stakeholders, and includes guidelines on recognising and disclosing any potential conflicts of interest;
- Fit and Proper Policy - which is designed to assist in managing the risk that individuals who hold positions of responsibility are not fit and proper (thereby mitigating reputational risk and protecting investor interests), and includes a process for identifying, reviewing and assessing potential conflicts of interest; and
- Capital and Liquidity Management Policy - which provides for the orderly and efficient management of working capital, cash and near cash assets.

3. Risk management framework

The overall framework for Risk Management within PVL is designed so that business units must take all reasonable steps in the identification, assessment, monitoring and management of risk to enable the organisation to achieve its strategic and business goals.

The PVL Risk Management Framework has been approved by the Board and will be reviewed on an annual basis, or as required in response to a relevant event or change in circumstances.

4. Risk management process

The risk management process within PVL will be an integral part of management, embedded in PVL's culture and practices and tailored to PVL's business processes.

Measurement and reporting of risk management performance will be as prescribed in the Risk Management Procedures.

The Risk Management Procedures will be reviewed on an annual basis, or as required in response to a relevant event or change in circumstances.

APPENDIX 1 - DEFINITIONS

PVL has adopted the following definitions (some as detailed in AS/NZS ISO 31000:2009):

- **Consequence:** Outcome of an event affecting objectives
- **Event:** Occurrence or change of a particular set of circumstances (Note an event without consequences is referred to as a 'near miss')
- **Likelihood:** Chance of something happening
- **Risk:** Effect of uncertainty on objectives
- **Risk Appetite:** PVL defines risk appetite as the amount of risk PVL is prepared to pursue or take to achieve its strategic objectives. PVL's risk appetite is articulated through a set of risk appetite statements which are measured against key risk indicators and risk tolerance to ensure all risk taking activity is conducted within the boundaries of activities that the Board intend for PVL.
- **Risk Management:** Coordinated activities to direct and control an organisation with regard to risk.
- **Risk Management Framework:** Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.
- **Risk Management Policy:** Statement of the overall intentions and direction of an organization related to risk management.
- **Risk Management Process:** Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analyzing, evaluating, treating, monitoring and reviewing risk.