

# AUB GROUP LIMITED RISK MANAGEMENT FRAMEWORK



Effective 7<sup>th</sup> July 2017

## 1. COMMITMENT TO AND PURPOSE OF THE FRAMEWORK

### 1.1 COMMITMENT TO RISK MANAGEMENT

AUB Group Limited (**AUB Group** or **the Company**), as a publicly listed company and provider of risk management, advice and solutions for clients, operates in a regulated environment and the AUB Group Board (**Board**) has ultimate responsibility for and commitment to effective risk management. The Board's commitment is reflected through the establishment of appropriate governance structures and AUB's Group Risk and Group Compliance functions led by the Chief Financial Officer.

The Board is receptive and embracing of considered risk recognising that in the absence of this, the Company will be unable to meet its strategic objectives.

### 1.2 PURPOSE

The purpose of the Risk Management Framework (**RMF**) is to document AUB's approach to the management of risk across the Group and covers the governance structure, risk appetite statement, risk culture, roles and responsibilities and processes that support risk management at AUB Group.

### 1.3 SCOPE

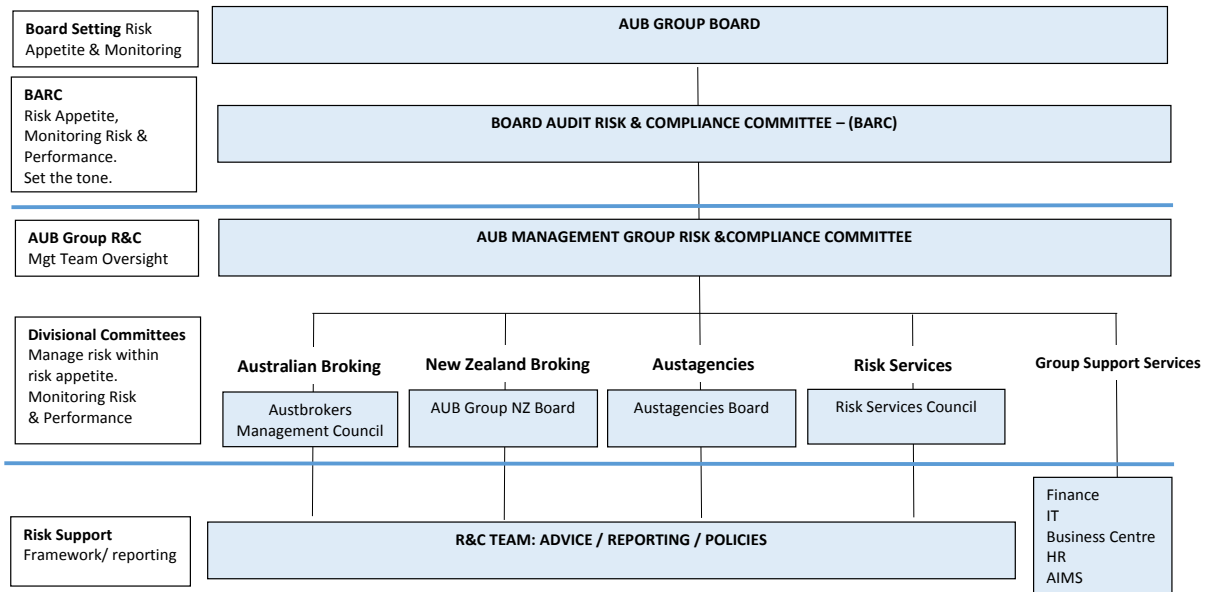
The RMF applies to AUB Group and its wholly owned subsidiaries. AUB Group Partners are required to have a Risk Management Plan in place and AUB Group Risk and Compliance review this annually.

## 2. GOVERNANCE STRUCTURE SUPPORTING RISK MANAGEMENT

AUB Group's Risk Management Framework is supported by an established governance framework. An overview of the Company's Governance structure is shown in the diagram below.



## OVERVIEW OF AUB GROUP GOVERNANCE STRUCTURE



The key components of which are:

**AUB Group Limited Board (the Board):** Responsible among other things, for setting the Risk Appetite, monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of the Group can be met.

**Board Audit, Risk & Compliance (BARC):** The purpose of the Committee is to also assist the Board in fulfilling its responsibilities relating to the risk management and compliance practices of the Company including monitoring and reviewing the effectiveness of internal financial controls policies on risk oversight and management. Ultimate responsibility for risk oversight and risk management rests with the Board.

**The AUB Group Management Risk & Compliance Committee:** The purpose of the committee is for management to fulfil its corporate governance and oversight responsibilities with regards to the AUB Group's risk framework. The Committee reports on a bi-monthly basis any significant findings to the Board Audit Risk & Compliance Committee (BARC).

**AUB Business Divisional Management Committees:** Each business division has a Board or a Council charged with monitoring and managing performance, risk and compliance of the underlying Partner businesses and ensuring they remain within the stated Risk Appetite.

**Risk Support:** The AUB Group Risk & Compliance team co-ordinate the governance function. Including developing and maintaining the risk framework, reporting, and oversight of external monitoring and assurance programs for the business divisions.



### 3. RISK APPETITE STATEMENT (RAS)

AUB Group's RAS sets out the Board's expectations regarding the consideration of risk in pursuit of strategy decision making processes and expected behaviours. The RAS sets out the risk appetite principles, risk appetite statements aligned to the three categories of risk namely strategic, operational and financial.

### 4. RISK CULTURE

One important attribute that influences how risk is managed within a business is its risk culture. The key elements that define an effective risk culture at AUB include:

- Setting the tone at the top
- Level of engagement from senior management in the risk management process
- An understanding of the key risks that face the business
- Understanding the level of risk that the business is prepared to accept
- The integration of risk into the decision making process

AUB is committed to promote an effective risk culture, ensuring employees display the right behaviours in identifying and managing risk. The Group Code of Conduct requires our employees to:

- Act with honesty and integrity in dealing with all stakeholders including shareholders and the community
- Manage conflicts of interest
- Comply with the law and company policies & procedures
- Respect confidentiality & privacy

### 5. ROLES AND RESPONSIBILITIES

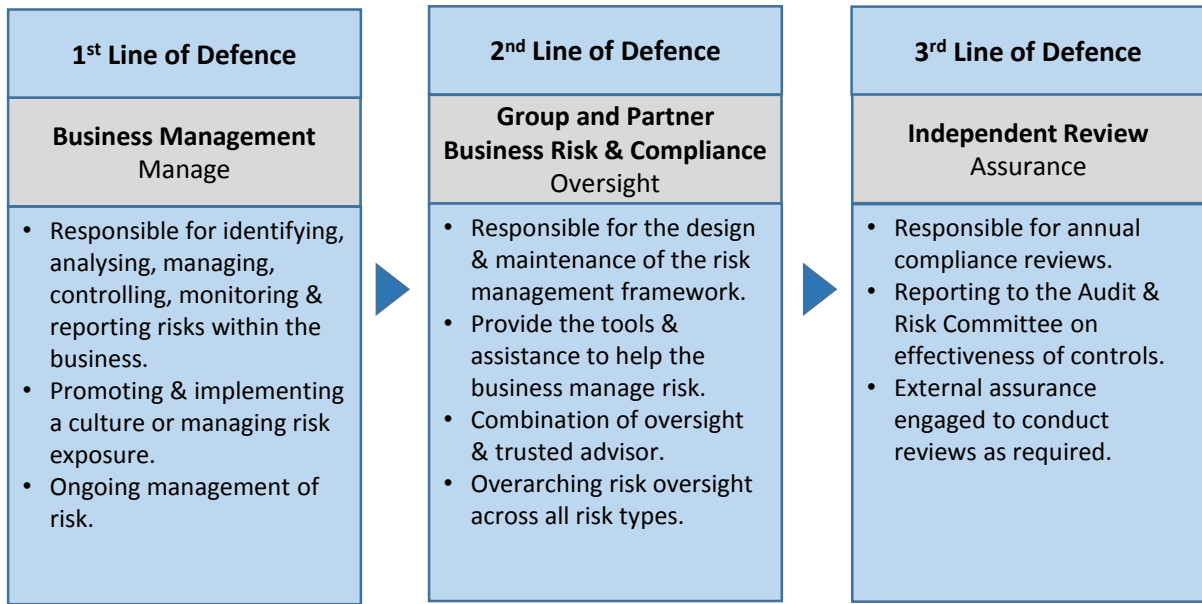
The Group adopts elements of the Three Lines of Defence Model, and continues to evolve this approach on a risk basis, across the AUB Group.

The framework model is designed to provide assurance to the Divisional Management Committees and the Board that risks are being identified, managed and reported effectively.

The Three Lines of Defence model is summarised as follows:

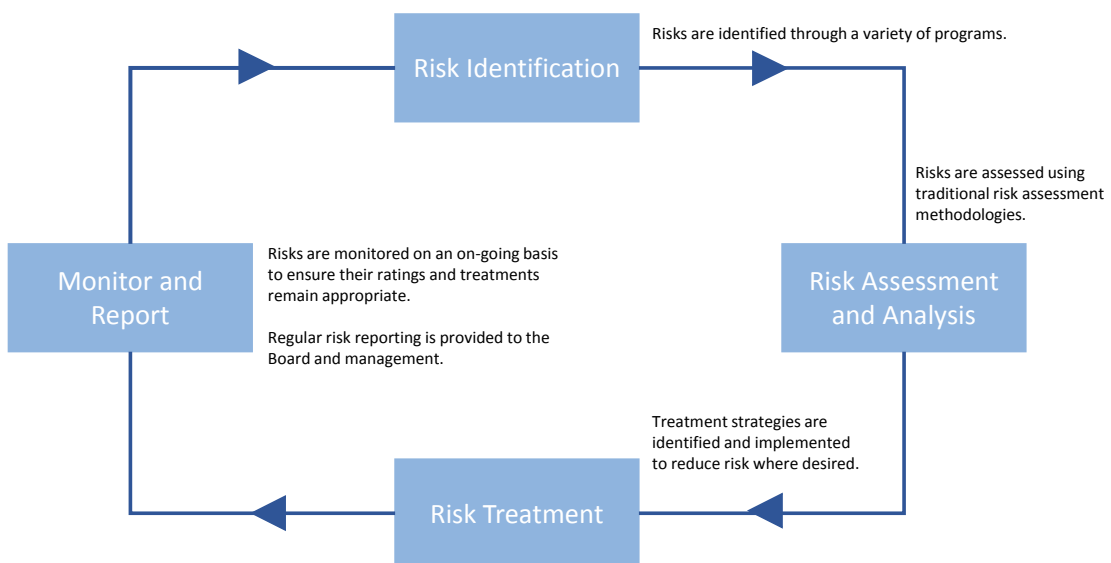


## Coordinated Risk Management Activities



## 6. RISK MANAGEMENT PROCESS

AUB Group’s risk management process is designed to align with the risk management principles defined in the International Standard ISO 31000:2009 “Risk Management Principles and Guidelines”. The risk identification and assessment process applied is set out below.





## 6.1 PROCESSES THAT SUPPORT THE AUB RISK MANAGEMENT PROCESS

### **Annual Risk Management Framework Review**

An annual review of the RMF is conducted to ensure that the Framework is fit for purpose and remains relevant to the changes in the Group which have occurred during the year. Any changes proposed to the framework will be raised with the BARC, which will make a relevant recommendation to the Board.

### **Risk & Control Review Process**

The objective of the risk and control review process is to identify and assess the risks material to the Group that could affect the Group's strategies and business objectives, and identify and assess the controls which are currently in place or need to be implemented to manage risks. The reviews consider the context of the environment in which AUB Group and its Divisions operate.

The process consists of a series of workshops with the Executives of each Division to discuss changes in the risk register for their Division and control assessments and improvements. This is followed by a Risk workshop with the Executive Team at the AUB Management Group Risk & Compliance committee to collectively discuss and review all risks across the Group to produce the register of Top Risks to the Group.

The register of Top Risks to the Group plus executive summaries on mitigation strategies are provided and discussed at the BARC meeting twice a year.

### **Monitoring and Reporting**

Monitoring includes the review of monthly reporting from the underlying Partner businesses and assessment of these results by the Divisional committees and the Risk & Compliance team at the AUB Management Group Risk & Compliance committee.

Monitoring across the Divisions follows the 3 Lines of Defence model described above and reporting of results is by exception to the BARC.

The Risk & Compliance function will in consultation with the BARC determine the frequency and format of risk reporting.

## 6.2 POLICIES AND PROCEDURES THAT SUPPORT THE AUB RISK MANAGEMENT PROCESS

Group policies and procedures that support the RMF are listed in Appendix 1.



## Appendix One

### Supporting Committees, Policies and Procedures

#### **Committees and Subsidiary Boards**

In addition to the BARC, there are a number of other committees and boards that contribute to the oversight of risk management.

Subsidiary Board oversee aspects of risk management relevant to their specific divisions.

The Group has a number of group policies and committees that support the RMF. Committees include: the Executive Leadership Team, Finance Risk Management Committee, Group Risk & Compliance Committee, Due Diligence Committees, and the BT Committee.

All Boards and committees meet regularly and are governed by Terms of Reference and contain appropriately qualified and experienced members.

#### **Policies and Procedures**

The Conflicts of Interest and Related Party Transactions Policy

Delegations of Authority

Business Continuity and Disaster Recover Plans

Whistleblowing policy

Code of Conduct

Securities Trading Policy

M&A Playbook

Annual Insurance Program