

# AUB GROUP LIMITED RISK MANAGEMENT FRAMEWORK

Effective 1<sup>st</sup> July 2020



## 1. COMMITMENT TO AND PURPOSE OF THE FRAMEWORK

### 1.1 COMMITMENT TO RISK MANAGEMENT

AUB Group Limited (**AUB Group**) is a publicly listed company which provides insurance broking, underwriting agency services and health advice and solutions for clients in Australia and New Zealand. AUB Group 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 embraces the principles of effective risk management and recognises that, in their absence, the Company would not be able to meet its strategic objectives.

### 1.2 PURPOSE

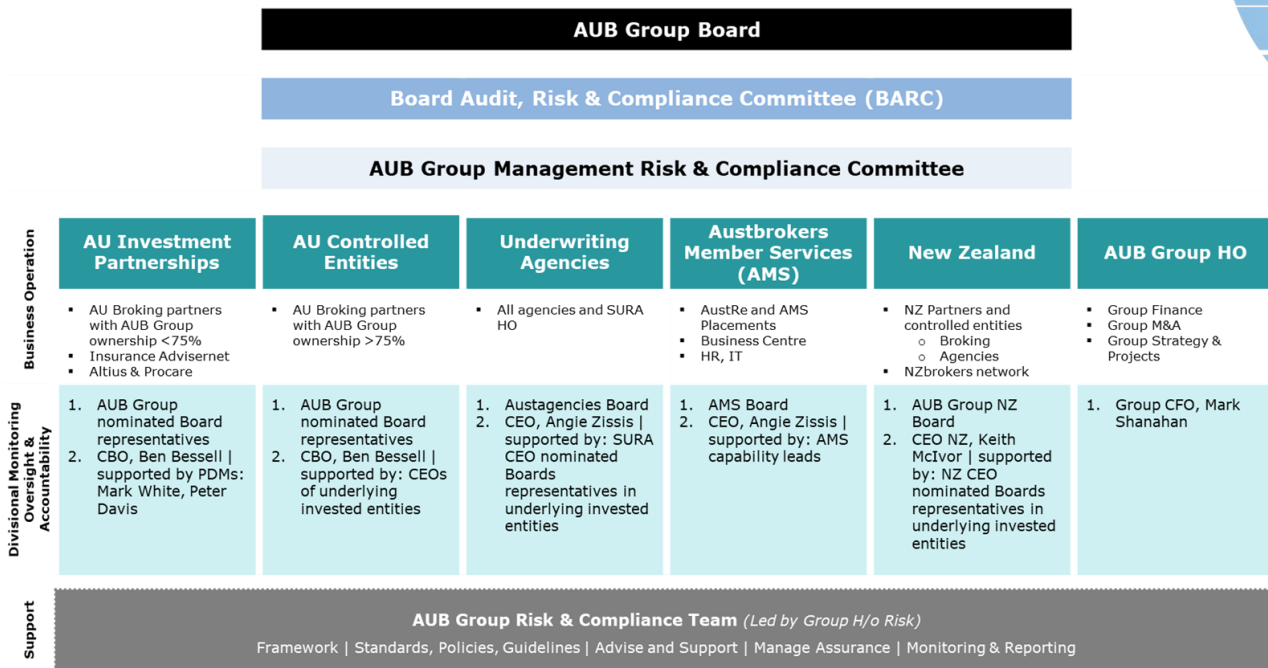
The purpose of the Risk Management Framework (**RMF**) is to document AUB's approach to the management of risk across the Group. It covers the governance structure, risk appetite statement, risk culture, roles and responsibilities and processes that support effective risk management at AUB Group.

### 1.3 SCOPE

The RMF applies to AUB Group and its controlled entities. AUB Group Partners are required to have a Risk Management Plan in place, with AUB Group Risk & Compliance conducting annual reviews.

## 2. GOVERNANCE STRUCTURE SUPPORTING RISK MANAGEMENT

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



The key components of the above Governance structure are:

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

**Board Audit & Risk Committee (BARC):** Assist the Board in fulfilling its responsibilities relating to the risk management and compliance practices of the Company, however ultimate responsibility for risk oversight and risk management rests with the Board.

**The AUB Group Management Risk & Compliance Committee:** Cascade responsibility and accountability to the Executive Management Team to fulfil its corporate governance and oversight responsibilities with regards to the AUB Group’s risk framework and oversee change. The Committee reports any significant findings to the Board Audit Risk & Compliance Committee.

**Business Divisional Accountability:** Augmenting oversight and accountability to key Boards and leaders across the business each of whom are charged with monitoring and managing performance, risk and compliance of the underlying Partner businesses and ensuring they remain within the stated Risk Appetite.

**Support:** The AUB Group Risk & Compliance Team co-ordinate the governance function and execution of risk management practices across the Group, providing support to partners as requested. The team is responsible for developing and maintaining the risk framework (including application of minimum standards, policies and guidelines), providing technical support and advice to partners, managing the Assurance program across the business as well as monitoring and reporting on behalf of BARC and AUB Group Management Risk & Compliance Committee.



### 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 six categories of risk, namely strategic, financial, compliance & legal, operational, partnering & outsourcing and people.

### 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
- 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 promoting 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

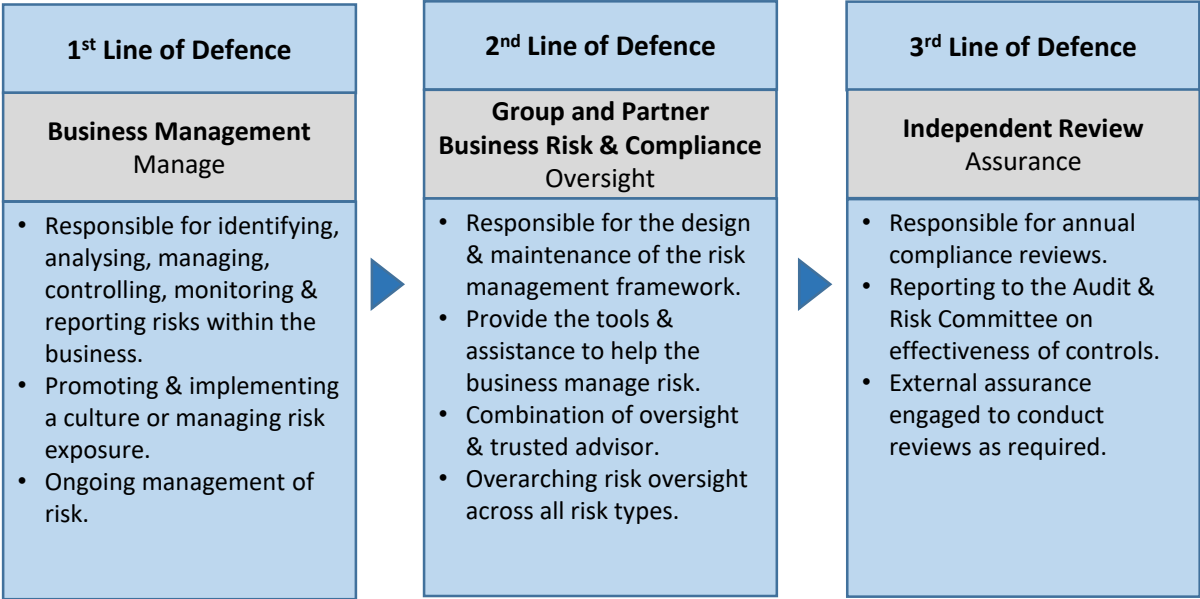
The Group adopts elements of the Three Lines of Defence Model, and continues to evolve this approach on a risk basis, across the AUB Group.

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:

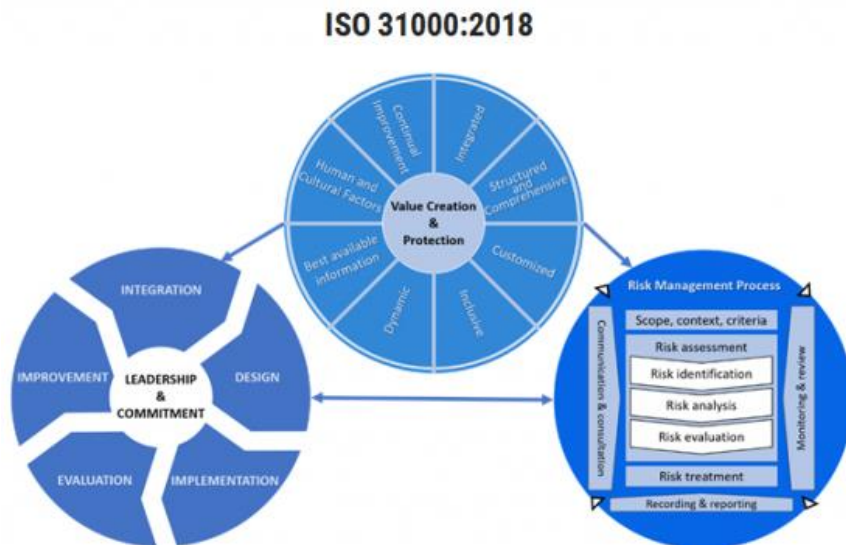


## Coordinated Risk Management Activities



## 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 31000:2018 “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 and deals with contemporary and emerging risks such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability and climate change.

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. Where the AUB Group Management Risk & Compliance committee consider the need to operate outside of, or request a change to, the current risk appetite set by the Board, this must be brought to the Board's attention for consideration prior to implementation of any such change in risk appetite.

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

There are AUB Group policies and procedures that support the RMF.



## 7. MATERIAL REVISIONS

Version	Approval Date	Effective Date	Details
1.0	7 July 2017	7 July 2017	Policy approved by AUB Group Board.
2.0	30 June 2020	1 July 2020	Policy approved by AUB Group Board.