

Melbourne IT Risk Management Policy

1. Purpose

The purpose of this document is to provide an overview of Melbourne IT Group's ("MLB") approach to risk management oversight and control, and its approach to the development of risk management policies, so as to ensure that risk is managed effectively in achievement of strategic and operational objectives.

2. Scope

MLB's policies on risk management oversight apply to all employees of MLB, its subsidiaries and business units within the Group, unless otherwise stated.

3. MLB's approach to risk management

MLB continually aligns its system of risk management and internal control with the principles outlined in the Australian/New Zealand Standard on Risk Management (AS/NZS ISO 31000: 2009 Risk Management – Principles and Guidelines) and the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework for evaluating internal controls.

MLB formally assesses its risk profile and risk registers annually in conjunction with developing strategic and operational plans, and reviews the status of these risks at least every quarter. These registers are also revised periodically for each business and functional unit through the business planning, budgeting, forecasting, reporting and performance management processes.

MLB assesses risk against all relevant areas of material business risk. These may include:

- strategic
- operational
- compliance
- technological
- product or service quality
- reputation or brand
- market-related risks
- financial reporting
- human capital
- environmental
- sustainability, and
- ethical conduct.

MLB's formal risk management processes are embedded within day-to-day management of the business, via such means as regular focus groups which meet across the business, monthly meetings between the Group Manager, Risk & Audit and senior executives, and rotational risk and audit reviews which aim to cover all main businesses at least annually.

Through these activities, MLB is focused on embedding a risk-aware culture in all operations of MLB so that senior staff are aware of both the exposures and opportunities created by risk.

4. Risk Management – roles, responsibilities and reporting

Board

The Board is ultimately responsible for guiding and monitoring MLB on behalf of its shareholders. It sets the company's risk appetite and tolerance to ensure there is an appropriate balance between managing risk and capitalising on opportunity in striving to achieve organisational objectives.

One key function of the Board is to ensure that proper risk management systems and internal controls are in place, and that these systems are operating effectively. To fulfil this function, the Board delegates this responsibility to a sub-committee: the Audit and Risk Management Committee ("ARMC").

Audit & Risk Management Committee (ARMC)

In carrying its delegated responsibilities, the ARMC:

- Reviews the risk management policies together with processes and systems for managing risk and internal control to ensure they remain appropriate and effective;
- Ensures that an up to date risk register is maintained that appropriately describes the risks facing the organization;
- Ensures that an assurance program is in place that monitors the effectiveness of controls and processes managing the key risks facing the organisation; and
- Ensures that the Board receives reports whenever an area of material business risk or exposure is identified.

The ARMC also receives regular updates from the Group Manager, Risk & Audit on the progress of risk mitigation actions assigned to Executive management throughout the year.

Further duties of the ARMC are described in the Audit and Risk Management Charter

Management

Management are responsible for ensuring that risks in their areas of responsibility are identified, managed and reported upon, and for ensuring that a sustainable control environment is maintained and promoted.

Each Executive is required to review the effectiveness of the risk oversight and management processes relevant to the material risk issues affecting their business or functional unit.

Group Manager, Risk and Audit

The Group Manager, Risk & Audit is responsible for:

- the design and implementation of an effective and appropriate risk management framework;
- the execution of the annual risk oversight program;

- managing the annual internal audit program, and continuous risk and control monitoring;
- reporting, as required, the effectiveness of risk and control activities to Management and the ARMC; and
- providing risk management support and expertise across MLB.

The Group Manager, Risk & Audit exercises these responsibilities under the direction of the ARMC, and conducts the risk management program over the areas of material business risk for MLB.

5. Reporting

In accordance with Principle 4 of the ASX Corporate Governance Principles and Recommendations (Third Edition) and the Corporations Act 2001 (Cth), the Chief Executive Officer and the Chief Financial Officer provide a statement to the Board that, in their opinion, the financial records of MLB have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of MLB, in respect of each financial reporting period.

This declaration states that the opinion of the Chief Executive Officer and the Chief Financial Officer has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

6. Review

This policy and risk management framework is reviewed annually and as appropriate by the ARMC to ensure it remains appropriate for the risks facing the MLB business.