



**E M L**  
empowering your payments

# Risk Management Policy

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## INTRODUCTION AND PURPOSE

EML Payments Limited (**Company**) and its subsidiary companies (**Group**) aims to ensure that by understanding and managing the material business risks arising from activities within the Company on an enterprise wide basis, the Company's business plans will be delivered and that growth and the creation of shareholder value can be attained with an increased level of confidence.

This Policy applies to all Directors, senior executives, employees, contractors and consultants (collectively, "Personnel") of the Group.

Risk management is an active process that involves regular review and adjustment.

The Company aims to satisfy the risk management requirements of the *Corporate Governance Principles and Recommendations* issued by the ASX Corporate Governance Council.

The Company faces a range of risks in its business activities which cannot be eliminated. The Company's Policy acknowledges that risks cannot be eliminated but instead aims to balance the risks and returns in conducting its business activities by:

- identifying risk;
- determining an appropriate level of risk tolerance commensurate with suitable rewards; and
- identifying and establishing appropriate mitigation strategies,

in order to achieve sustainable returns and to enable the Company to confidently act on opportunities, deliver real growth and create further shareholder value.

## OBJECTIVE

The objective of this Policy is to:

- encourage an appropriate level of risk tolerance throughout the Group;
- establish procedures to analyse risks within agreed parameters across the Group;
- establish appropriate risk delegations and a corresponding risk management framework across the Group; and
- ensure the Group has a risk management framework which can measurably react should the risk profile of the Group change.

Risks governed by this Policy include potential risks.

## RESPONSIBILITIES

The Board is responsible for:

- satisfying itself that management has developed sound systems of risk management and internal control and ensuring that it reviews the Company's policies on risk oversight and management;
- with the assistance of the Audit and Risk Committee, the integrity of the financial reporting, appointment/removal of the internal and external auditors, assessment of the performance of the internal audit function and the safe guarding of assets;
- oversight and management of material business risks and overseeing management's responsibilities in relation to risk management;
- evaluating the effectiveness of the Company's management of material business risks, and for the day to day identification and management of risks within this Policy's risk management framework.

## RISK MANAGEMENT FRAMEWORK

The Company believes that risk should be managed and monitored on a continual basis. The Company has designed a risk management framework to allow it to achieve its business objectives whilst assisting management and ideally, providing early warnings of any material change to the Group's risk profile.

The risk management framework comprises the policies, guidelines, and tools to provide the information and guidance material needed to integrate risk management into the Group's operations and systems, and individual decision making processes. The risk management framework is reviewed and adjusted as the activities of the Group change.

Key components of this Policy, which bring together procedures and controls within the Group as managed by the Chief Risk Officer, and elements of the risk management framework, are as follows:

- identification and assessment of all risks;
- monitoring and wherever possible, mitigation, of identified risks;
- maintaining internal control systems;
- periodic reporting;
- reporting on any special investigations as required by the Board of the Company;
- maintaining the policy framework; and
- assessment of the effectiveness of the risk management framework. Each component is considered in turn below.

### Identification and assessment of all risks

The Chief Risk Officer is responsible for the continual identification and subsequent reporting by all Personnel of risks within the Group.

Risks across the Group will be centrally collated by the Chief Risk Officer.

All identified risks will be assessed by the Board and recorded on the Company's Risk Register. The Company's Risk Register will record, among other things:

- a description of the risk;
- the owner of the risk;
- current controls;

- effectiveness of current controls;
- the 'rating' (considering both the likelihood and the consequences) attaching to the risk;
- proposed treatment plan or management action required to mitigate or lessen any exposure to the Company;
- status of any risk mitigation actions; and
- details as to when the risk was identified and when it was last reviewed.

In identifying risks the Chief Risk Officer is to consider both internal and external drivers of risk.

The Board assesses the risks of each significant project the Company proposes to undertake. Additionally, the Board will review reports and risk register updates submitted by the Chief Risk Officer.

### **Monitoring and mitigation of identified risks**

Risks which have been recorded on the Risk Register must be periodically reviewed by the Board in accordance with a timetable established by the Board, with the assistance of the Chief Risk Officer. Wherever necessary, following a review, the Risk Register will be updated.

Mitigated risks should also be recorded on the Risk Register with appropriate precautions from reoccurrence communicated across the Group. All changes to the Risk Register are centrally collated by the Chief Risk Officer.

### **Internal Control System**

The internal control system is an element within the risk management framework whereby controls are implemented to mitigate identified risks. The internal control system aims to:

- ensure there is integrity of accounting and financial reporting to internal and external stakeholders;
- ensure the Company's assets are safe guarded; and
- maintain the efficient and effective operation of the Company's business activities.

The internal control system is managed by the Chief Financial Officer and the Chief Risk Officer.

### **Periodic reporting**

The Board has responsibility for overall risk management.

Quarterly, the Board will review the Risk Register (or an extract thereof), as reported by the Chief Risk Officer.

Risk Owners will periodically report to the Chief Risk Officer, at varying frequencies depending on the nature of the risk, on all relevant factors identified in the Risk Register. The Chief Risk Officer will maintain the Risk Register and collate any reports submitted by the Risk Owner in preparedness for the Board's review.

The Board will formally disclose, at least on an annual basis, whether:

- management has reported to it as to the effectiveness of the Company's management of its material business risks;

- it has reviewed the Company's risk management framework to satisfy itself that it continues to be sound;
- the Company has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks; and
- the Company has an internal audit function, how the function is structured and what role it performs, or where there is no internal audit function, the processes employed for evaluating and continually improving the effectiveness of its risk management and internal controls processes.

### **Reporting on special investigations as required by the Board**

From time to time the Board may deem it necessary for the Chief Risk Officer to organise, review and report on special, ad-hoc, investigations in relation to its management of risks. The outcome of any special investigation is to be incorporated into the risk management framework, if required.

### **Maintaining the policy framework**

Where the Company has policies governing individual risks or risk categories, the risk management framework should include a list and due date for regular review and approval of these policies.

### **Assessment of effectiveness of risk management framework**

In accordance with the Board Charter, the Board of Directors are responsible for, among other things, ensuring that effective risk management programs are in place to protect the Company's assets and shareholder value.

The Company's risk management framework promotes a robust structure so that all risks are appropriately identified, assessed, monitored, mitigated and reviewed wherever possible, across the Company. Assessment of all aspects of the risk management framework (including the comprehension of all 'material' business risks and a performance review of the Chief Risk Officer) by the Board of Directors should take place on an annual basis (at a minimum).

In addition, all Directors and senior management, should promote a culture of voluntary and transparent risk reporting and ongoing, regular risk assessment throughout all levels of the Company.

### **WHO TO CONTACT**

If you have any questions regarding this Policy you should contact the Chief Risk Officer.

**Reviewed and approved by the Board of EML Payments Limited on 11 June 2015**