1 Introduction

PWR Holdings Limited and its wholly owned subsidiaries (PWR Group) recognise that embedding risk management principles and practices into strategy development and day-to-day operational processes and decision-making is critical to achieving robust and proactive business outcomes – a balance between mitigating threats and exploiting opportunities.

2 Scope

The Risk Management Policy applies to all directors, executives, employees and contractors of the PWR Group.

3 Risk Management Framework

The Company's Risk Management Framework comprises:

a. **A Risk Management Policy** – adopted by the Board which outlines the PWR Group's risk management philosophy which ensures risk management:

  - is a critical element of the governance and management of the organisation;

  - becomes a way of thinking for everyone engaged in the operations of the PWR Group; and

  - is supported by procedures and systems, the effective implementation of which is monitored and reviewed on an on-going basis.

b. **Risk Management Procedure** – outlining the PWR Group's system of internal processes and procedures for implementing appropriate risk management practices. This includes:

  - Roles and responsibilities of key employees within the PWR Group;

  - Processes and procedures for identifying, communicating and managing risks; and

  - The Procedure for recording and escalating risks.

c. **Risk Registers – The Deliverables**

  The development and maintenance of Risk Registers is a critical step towards an effective risk management system.

  There are 4 levels of key risk registers:

  - <u>Strategic Risk Register</u>
    Strategic risks are those risks that threaten PWR's ability to deliver expected outcomes, which can harm PWR's ability to grow and meet its strategic objectives. Such risks can arise from circumstances such technological change, an evolving competitive landscape, climate change, poor management, or changes in customer demands. PWR's strategy responds to these strategic risks.

    Strategic risks are reviewed annually prior to the Board and Executive strategic planning workshop and are a key contributor to the development of PWR's strategy.

    Strategic risks rated as extreme or high, based on the adopted Risk Matrix (outlined in the Risk Management Procedure), must be incorporated into the Enterprise Risk Register.

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- Site Operational Risk Registers

  Each operating site within the PWR Group will have its own Site Operational Risk Register. To encourage consistent documentation and management of identified risks and relevant control measures each Site Operational Risk Register will be in the format set out in the template in the Risk Management Procedure. Site operational risks rated as extreme or high, based on the adopted Risk Matrix (outlined in the Risk Management Procedure), must be incorporated into the Enterprise Risk Register.

- Project Risk Registers

  Project risks are those risks that have the potential to alter the outcome of a project. Project risks affect deliverables, timelines, and budgets. They can lead to a project's failure if not managed properly. Project risks can be caused by political, environmental, economic, social, technological, or legal factors beyond the scope of the project. Project risks rated as extreme or high, based on the adopted Risk Matrix (outlined in the Risk Management Procedure), must be incorporated into the Enterprise Risk Register.

- Enterprise Risk Register

  Enterprise risks are defined as those risks, at an enterprise level that reflect the PWR Group's material business risks, i.e., those that have a high or extreme rating, identified through both a top-down approach and a bottom-up approach from the strategic, site operational and project risk registers.

  The Audit, Risk and Sustainability Committee (ARSC) will oversee management of the enterprise risks of the PWR Group and will, amongst other things, monitor the establishment and maintenance of the Enterprise Risk Register. The Chief Financial Officer is responsible for the preparation and presentation of the Enterprise Risk Register.

4   Risk Management Policy

4.1 Purpose

This Policy aims to ensure that the activities of the PWR Group are undertaken within Board approved risk appetite and tolerance levels to protect the profitability, balance sheet and reputation of the Company. The Board will establish and review the PWR Group's Risk Appetite Statement at the annual strategic planning workshop.

The purpose of the Risk Management Policy is to:

- ensure the business strategies and plans of the PWR Group are appropriate in light of the economic, social, legal and regulatory environment in which the business operates;

- provide a means of identifying priorities and allocating resources effectively and efficiently; and

- provide a means of identifying, evaluating and maximising opportunities for business growth and diversification where such opportunities involve some level of risk.

4.2 Policy

- We recognise risk management is an integral part of sound management practice and good corporate governance as it improves decision making and enhances outcomes and accountability;

- We will ensure risk management is an integral part of all our decision-making processes;

- We will use a structured risk management program to minimise reasonably foreseeable disruption to operations, harm to people and damage to the environment and property;

- We will identify and take advantage of opportunities as well as minimising adverse effects;

- We will raise the awareness of all directors, managers, employees and contractors concerning risk management within the PWR Group;

- We will train our people to implement risk management effectively; and

- We will strive to continually improve our risk management practices.

4.3 Accountability

The Board has responsibility for risk management and for determining the acceptable level of risk for the PWR Group. The Board will oversee risk management through the Audit, Risk and Sustainability Committee (ARSC).

The ARSC will:

- Advise and assist the Board in assessing risk factors and risk mitigation strategies associated with the execution of projects and the implementation of strategy;

- Monitor the internal and external risk environments of the PWR Group; and

- Review annually, the effectiveness of the implementation of the PWR Group's Risk Management Framework, and report to the Board on its findings.

The CFO is accountable to the ARSC for the implementation of the Risk Management Policy for the PWR Group and the creation and maintenance of the Enterprise Risk Register.

The General Managers of each of the PWR Group's operating sites will ensure their direct reports understand their responsibilities with respect to operational risk, will assist in fostering a risk aware culture within their area of responsibility and will develop and maintain Site Operational Risk Registers for their operating sites.

4.4 Process

Risks will be managed according to the Risk Management Procedure which is set out in a separate document.

5 Monitoring and Review

The ARSC will monitor and review the implementation of the Risk Management Policy.

The CFO will facilitate the development of a common risk management approach across areas of business by:

- Sharing information with broad applicability across all areas; and

- Reporting on the progress of implementing the Risk Management Policy.

6 Implementation & Review

The CFO is accountable for the ensuring this Policy is implemented and ensuring it is reviewed by the ARSC at least every three years.

7 References

- Board Charter

- Audit, Risk and Sustainability Committee Charter

- PWR Group Risk Management Procedure

- Australia and New Zealand ISO 31000:2009 – Risk Management

- ASX Corporate Governance Principles and Recommendations – 4th Edition – Principle 7

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