



# **PROPHECY INTERNATIONAL HOLDINGS** **LIMITED**

## **RISK MANAGEMENT POLICY**

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## INTRODUCTION

Prophecy International Holdings Limited (**Prophecy** or **Company**) seeks to take and manage risk in ways that will generate and protect shareholder value. For Prophecy the management of risk is a continual process and an integral part of the management and corporate governance of the business. The Company acknowledges that it has an obligation to shareholders, customers, employees, contractors and the wider community to:

- oversee the establishment and implementation of a risk management strategy;
- formulate and communicate the Company's approach to the management of risk;
- identify the potential impact of risk on the Company and develop reasonable and practical measures to minimise or eliminate risk or to reduce and address these impacts;
- monitor, review and evaluate the risk management and internal control systems (financial, operational & compliance) and ensure that they are operating effectively and efficiently in all material aspects.

Efficient and effective management of risk is critical to the Company in meeting these obligations and achieving its strategic objectives. This policy reflects the Company's commitment to sound risk management principles and practices.

## POLICY OBJECTIVES AND OUTCOMES

The Board determines the Company's tolerance for risk and is committed to a risk management system that provides for and fosters a culture of innovation. The Company's risk management system is designed to assist the Company to achieve its strategic and operational objectives. It aligns with the vision, strategy, processes, technology and governance of the Company and provides for:

- appropriate levels of risk taking
- an effective system for the management of risk across the Company
- protection against incidents causing personal injury and property damage
- development of risk management and control plans to reduce or minimise foreseen or unexpected costs
- an ability to identify, prioritise and respond to risk in a manner that maximises opportunities
- reliable financial reporting and compliance with laws
- sound insurance management practice
- protection of assets from planned and unplanned events.

The risk management program and its components permit the Board to provide sound oversight of the Company's management of risk.

## RISK MANAGEMENT PROCESS

Prophecy's risk management process is integrated within the day to day management operations of the Company. This process is regularly reviewed by the Board Audit and Risk Committee and is based around the following key activities:

- Risk Identification: Involves the identification of sources of risk, areas of impact, their causes and potential consequences.
- Risk Analysis: This involves the consideration of the causes and sources of any relevant risk, their positive and negative impacts and probability of occurrence.
- Risk Evaluation: Involves the process of decision making based on the outcomes of the risk analysis that has been undertaken to determine which risks require treatment and the priority of the treatment thereof.



- Risk Treatment: Involves the implementation of risk treatment plans.
- Monitoring and Review: Involves the internal review and reporting of risk management updates and incidents.
- Communication: Involves the regular communication and consultation with key internal and external stakeholders to ensure appropriate accountability, treatment, identification and understanding of risk management processes.

The areas of potential risk to the Company include operations, human resources, information technology, intellectual property, OH&S, financial, strategic, reputational, legal, market related and other Company risks.

## **RISK TOLERANCE LEVEL**

The Company is aware that an overly cautious approach to risk management may have a harmful impact on the achievement of strategic and operational objectives. The Company will adopt a risk management strategy that aims to identify and minimise the potential for loss, while also maximising strategic opportunities for growth in enhanced service delivery and profitability.

## **ROLES AND RESPONSIBILITIES**

### **Board responsibility**

The Board is responsible for the oversight of the risk management framework. This includes policies and procedures related to risk management, risk profile, risk management and assessing the effectiveness of risk oversight and management.

### **Audit and Risk Committee**

The Board Audit and Risk Committee is responsible for advising the board on risk management and compliance management and to assist the board in fulfilling its risk management and oversight responsibilities.

### **Executive Management Team**

Management is responsible to ensure that systems, processes and controls are in place to minimise identified risk to an acceptable level.

### **Employee responsibility**

All employees must report any new risks or changes to existing risks to their managers or supervisors as soon as they become aware of the risk.

### **External audit**

The external audit is responsible for providing an independent opinion of the financial results of the Company. In undertaking this role, the auditor also provides comments on the management of risk and assists the Company in the identification of risk.

## **REPORTING**

Executive managers must report new risks or changes to existing risks to the CEO as soon as they become aware of the risk or as soon as practicable.

The intended outcomes of the risk management programme include:

- the establishment of a robust risk management framework and internal control system that enhances the Company's ability to meet its strategic service objectives
- improved operating performance and reliable internal and external reporting
- increased Company awareness and management of risk



- o compliance with policies and procedures and applicable laws and regulations

### **POLICY COMMUNICATION**

This policy has been published on the Company website. It is also reviewed at least bi-annually by the Executive Management Team and the Board Audit and Risk Committee to ensure its effectiveness, continued application and relevance.

### **Document History**

| <b>Version</b> | <b>Date</b> | <b>Approved By</b> |  |
|----------------|-------------|--------------------|--|
| 1.0            | Sep 2016    | Board              | Policy adopted   |
| 1.1            | Aug 2022    | Board              | Reviewed for compliance with 4 <sup>th</sup> Edition of ASX Corporate Governance Principles and Recommendations. No changes required |
| 1.2            | Aug 2023    | Board              | Annual review  |