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**ALPS INDUSTRIES LIMITED**

**RISK MANAGEMENT**

**POLICY**

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As approved by the Board of Directors at their meeting held on 11.11.2014.

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## **Risk Management Policy**

### **1. Risk Management**

ALPS INDUSTRIES LIMITED (“the Company”) recognizes that enterprise risk management is an integral part of good management practice. Risk Management is an essential element in achieving business goals and deriving benefits from market opportunities.

### **2. Policy**

- The Company is committed to managing risk in a manner appropriate to achieve its strategic objectives.
- The Company will keep investors informed of material changes to the Company’s risk profile through its periodic reporting obligations and ad hoc investor presentations.
- The Company reviews and reports annually on its compliance Corporate Governance Principles and Recommendations, which include risk management and the internal control framework.

### **3. Risk Management Philosophy**

The continued successful safeguarding, maintenance and expansion of the Company’s businesses requires a comprehensive approach to risk management.

It is the policy of the Company to identify, assess, control and monitor all risks that the business may incur to ensure that the risks are appropriate in relation to the scale and benefit of the associated project, business or practice and to ensure that no individual risk or combination of risks result in a likely material impact to the financial performance, brand or reputation of the Company.

Fundamental values of the Company are respect for our employees, customers and shareholders and integrity in everything we do. By acknowledging that risk and control are part of everyone’s job, and by incorporating risk management into AIL daily business practices the Company will be better equipped to achieve our strategic objectives, whilst maintaining the highest ethical standards.

All staff are expected to demonstrate the highest ethical standards of behavior in development of strategy and pursuit of objectives.

Individually and collectively the Company’s employees shall:

- Consider all forms of risk in decision-making;
- Create and evaluate group-wide (“corporate”), divisional and business unit risk profiles;
- Continually monitor and seek ways to improve the risk management framework;
- Retain ownership and accountability for risk and risk management at the corporate and divisional level;

- Strive to achieve best practices in ERM; and
- Accept that ERM is mandatory, not optional.

#### 4. **Risk Appetite**

ALPS risk appetite represents the amount of risk the Company is willing to undertake in the achievement of its strategic objectives. It is inextricably linked to ALPS strategic and operating planning processes.

In assessing risk appetite the Board and management consider the needs and expectations of ALPS shareholders, customers and employees and the desire to build a profitable, socially responsible and sustainable organization.

As an organization that provides products and services that are all essentially of a compliance nature, the Board and management acknowledge that stakeholder expectations are likely to be more exacting than could be applied to other organizations. As a consequence ALPS will not accept risks which could expose ALPS to:

- unacceptable levels of financial loss relative to strategic and operational targets
- breaches of legislative or regulatory non-compliance
- damage to its reputation
- unacceptable interruption to the provision of services to customers
- damage to relationships with its customers and key stakeholders
- health and safety metrics below target.

The Board and management acknowledge that ALPS operates in sectors that are growing and consolidating. Opportunities exist to supplement organic growth with selected acquisitions to grow the business, provide enhanced opportunities for our people and improved returns for our shareholders, and reduce the reliance on any one single income stream. The Board and management accept that acquisitions are inherently risky but accept this risk providing the acquisition:

- is consistent with strategic objectives;
- is financially compelling; and
- is subjected to detailed financial and legal due diligence reviews.

#### 5. **Risk Framework**

- Risk identification, assessment and treatment are part of the yearly business planning process. Risk ownership is allocated to management for risk assessment and risk treatment plan determination.

- Regular review, assessment and monitoring of existing risks is to occur quarterly. New risks are to be managed as they arise. All risks must be re-assessed when there is an organisational change to the business structure (i.e. an acquisition, management change or restructure of the business).
- Risk Assessment is conducted using a risk matrix for likelihood and consequence, taking the existing controls into consideration. The consequence assessment covers:
  - Financial;
  - Service delivery;
  - People (including health and safety);
  - Reputation and Brand; and
  - Regulatory and Compliance.
- Risk Treatment options are considered in determining the suitable risk treatment strategy. Planned action plans supporting the strategy are recorded in an on-line risk management database identifying responsibilities and a time line for completion. Risk treatment options include:
  - Avoid the risk;
  - Reduce the likelihood of the occurrence;
  - Reduce the consequences of the occurrence;
  - Transfer the risk (mechanism includes insurance arrangements); or
  - Retain the risk.
- Senior management are required to monitor and review existing risks recorded in the risk management system and to add new identified material risks at least quarterly. It is the responsibility of senior management to ensure that risk records are updated.
- Key risks reports, with progress of risk treatment implementation and the effectiveness of controls, are to be reviewed by the Audit Committee no less than quarterly.
- Reports relating to the risk management framework are reviewed by the Board and Audit Committee, with “risk management” being a standing item on each meeting of the Committee.
- To further help control risks that may arise internally and externally with customers, ALPS INDUSTRIES utilizes Quality Management System as required by the certifying authorities in present and in future.

The Company’s Assurance Services division manages its risks by ensuring compliance with relevant standards.

The Assurance business is subjected to periodic, independent audits by the accreditation bodies, against our registered/approved scope in accordance with the relevant standards.

In addition, the business undertakes its own internal audits, the performing of which is a requirement of the accreditation procedures.

## **6. Risk Management Responsibilities and Authority**

### **a. Board and Audit Committee**

- The Board oversees the establishment and implementation of the Company's enterprise risk management framework and shall review annually the effectiveness of that system.
- The Audit Committee oversees the operation of the enterprise risk management system and ensure its adequacy. The Committee monitors the internal policies for identifying and determining key risks to which the Company is exposed.

### **b. CFO and Audit Committee**

- The Chief Financial Officer and the members of the Audit Committee are responsible for monitoring and reviewing the strategic risk register at least quarterly for completeness, continued relevance of risk assessment, effectiveness of risk treatment plan and timeliness of implementation of risk treatment actions, taking into account changing circumstances.
- The Chief Executive Officer and the Chief Financial Officer provide half-yearly a statement to the Board in writing that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

### **c. All Staff**

- The effective management of risk is the responsibility of all managers, staff and others engaged to act on behalf of the Company.

## **7. Internal Compliance and Controls**

- In addition to the risk management framework, the Company has an internal compliance and control system based on the following:
  - An internal audit program approved by the Audit Committee;
  - A financial reporting control system which aims to ensure that financial reporting is both accurate and timely.
- The Company has a number of control processes in place to help ensure that the information presented to senior management and the Board is both accurate and timely. The control processes include, among other things:
  - Annual audit and half-year review by the Company's external auditor;
  - Planned review by internal auditors reviewing the effectiveness of internal processes, procedures and controls;
  - Monthly review of financial performance compared to budget and forecast.

## **8. Compliance and Control Responsibilities and Authority**

### **a. Board and Audit Committee**

- The Audit Committee is responsible for approving the appointment of the internal auditor and approving the annual internal audit plan.

**b. CFO and Audit Committee**

- The Chief Financial Officer and the Chief Executive Officer provide half-yearly a statement to the Board in writing, that the Company's financial reports present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and that this statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
- The Chief Financial Officer and the members of the Audit Committee shall, in addition to their general and specific responsibilities, be responsible for the co-operation necessary to assist the Internal Auditor in carrying out internal audit.

**c. Group Internal Audit (GIA)**

- The GIA function is independent of the external auditor and has direct access to the Chairman of the Board and the Chairman of the Audit Committee. To ensure the GIA can act independently it is functionally responsible, and reports to the Audit Committee. It is administratively responsible, and reports to the CFO.
- Any deviations the from the Company's policies identified through internal audits are reported to responsible management for action and to the Audit Committee for information or further action.

**9. Assessment Of Effectiveness**

- Group Internal Audit provides the Audit Committee and management with independent and objective assurance and advisory services, and helps the Company accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance functions.
- The Audit Committee is responsible for reviewing and analysing the effectiveness of the risk management framework, the internal compliance and control systems and shall report on the same to the Board, no less than annually or at such intervals as determined by the Board.