Ridley Corporation Limited Risk Oversight and Management Policy

1. Risk Oversight and Management Policy

This Risk Oversight and Management Policy sets out Ridley Corporation Limited's policy in relation to risk management. This policy is subject to annual review by the Board and will be amended (as appropriate) to reflect current best practice and changes in regulatory requirements.

2. Purpose of the Risk Oversight and Management Policy

The Risk Oversight and Management Policy complements the Ridley Corporation's Strategic Risk Management Policy and it applies to Ridley Corporation Limited and its subsidiaries and associates (Ridley).

The purpose of this policy is to ensure that all significant risks across Ridley are identified, managed and reported in a consistent and systematic manner. This requires:

- a process and methodology to ensure that analysis and treatment of risks support key management decisions;
- operating groups to embrace ownership and responsibilities for the management of all risks; and
- a separate process for independently assessing and reporting risks to the Board of Directors.

3. Roles and Accountabilities of participants in the Risk Management Framework

The following describes only the key roles and accountabilities in Ridley's risk management framework. All Ridley personnel have a role to play in the management of risk.

3.1 Board

The Board is responsible for the oversight of the risk management framework and should review the risk management framework at least annually to satisfy itself that it continues to be sound. Ridley is required to disclose in each reporting period whether such a review has taken place.

3.2 Audit and Risk Committee

Part of the Audit and Risk Committee's role is to advise the Ridley Board on risk management and assist the Ridley Board to fulfil its risk management and oversight responsibilities.

3.3 Management

The Chief Executive Officer, Chief Financial Officer and senior management are responsible and accountable for management and oversight of risk. This includes ensuring that systems, procedures and controls are in place so that risks are managed to an acceptable level and that commercial decisions are made with regard to risks and returns and in compliance with delegated authorities. Ridley has implemented a number of arrangements to oversee and manage business risks that could have a material impact on the Company's business, including detailed and regular budgetary, financial and management reporting, organisational structures, procedures, manuals, policies, environmental and safety audits) comprehensive insurance programs and the retention of specialised staff and external advisors. The Company also has in place detailed policies and review processes covering financial and commodity risk management.

3.4 Head of Risk and Internal Audit

The Head of Risk and Internal Audit (HRIA) oversees risk management to help drive a positive risk culture throughout Ridley. Responsibilities include, but are not limited to, providing risk management frameworks, identifying known and emerging issues, assisting management in developing processes and controls to manage risks and issues and monitoring the effectiveness of internal controls. The HRIA reports directly to both the Audit and Risk Committee Chair and the Chief Executive Officer.

4. Reporting Requirements

At half and full year end, the Board receives assurance from the Managing Director and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Ridley has undertaken to manage risks throughout the business in accordance with a Strategic Risk Management Policy which follows Risk Management Standard ISO31000:2009. It involves the following five key steps and also includes feedback through a monitoring and review process and appropriate communication and consultation:

1. **Establish the Context** - examination of the external, organisational and risk management environment in which the risk identification, analysis and treatment options will be considered.

2. **Identify Risks** - potential or existing barriers to achieving specified Ridley objectives. It is the exposure to the possibility of economic loss or gain, any kind of damage, injury or delay, resulting from a course of action.

3. **Analyse Risks** - identified risks are analysed in terms of how likely the risk event is to occur (*likelihood*) and the possible magnitude (*consequence*) of the risk event. The methodology to analyse risks involves 2 parts:

   (i) Likelihood & Consequence Ratings:

   Risks are measured against established criteria for consequence and likelihood using five point rating scales, ***likelihood*** scored from 1 (rare) to 5 (almost certain) and ***consequence*** rated from 1 (insignificant) to 5 (extreme).

   (ii) Risk Score:

   The final risk score for each risk of between 2 and 10 is calculated by adding the likelihood and consequence response scores.

4. **Evaluate Risks** - consider and assess any mitigating activities or management processes that reduce the level of inherent risk. This assessment involves 2 parts:

   (i) Control Ratings:

   Mitigating practices / controls are assessed for ***effectiveness*** on a five point scale from 5 (excellent) down to 1 (unsatisfactory).

   (ii) Residual Risk:

   The assessed risk and mitigating practices / controls are then combined in a risk action matrix, which represents the “residual risk” and which determines the treatment action required.

5. **Treat Risks** - For “active management” residual risk exposures, it is necessary to identify options to treat these risks, evaluate the options and develop and, wherever possible, document a treatment action plan for implementation. Unacceptable residual risk exposures require senior management attention to ensure that Ridley’s underlying risk exposure is reduced to an acceptable level.