

Risk Management Statement

June 2020



Risk Management Statement

1 Purpose

APN has a documented Risk Management Framework (**Framework**) which sets out APN Group's (APN) policy, strategy, process and approach to risk management that will be applied both in respect to the Funds managed by APN and APN's own operations. The Framework documents how APN identifies, assesses, manages, monitors, records and reports key risks.

This Risk Management Statement provides a summary of the Framework.

2 Risk Management Policy and Strategy

Effective risk management is a core component of APN's corporate governance framework. The Framework is designed to ensure APN achieves its strategic and business objectives through competent decision making and the conduct of efficient, effective and robust business processes. It achieves this by allowing APN to take up opportunities while meeting required standards on accountability, compliance and transparency.

APN accepts that in order to achieve its strategic and business objectives it must pursue opportunities that involve risk. Risk encompasses the opportunities to be realised by the organisation, as well as the hazards to be avoided, with recognition of the uncertainties attached to the opportunities and hazards alike. It is APN's policy to give full and due consideration to the balance of risk and reward, as far as practicable, to optimise the rewards gained from its business activities whilst protecting the assets of the Funds that the Group manage, its assets and shareholder value.

APN's Framework for risk management aligns strategy, processes, people, technology and knowledge for the purposes of identifying, analysing, evaluating, managing and monitoring the opportunities and risks APN faces in delivering its objectives. APN aims to manage risk within Board approved risk appetite and risk tolerance limits to provide a prudent risk management culture.

The Framework will allow APN to:

- Provide confidence that risks have been identified and are being effectively managed.
- Provide opportunities to improve risk management by implementing more targeted and effective control processes.
- Provide efficient allocation of resources and management activity aligned to strategic objectives.

APN views risk management as a continuous process and the responsibility of all APN staff within the business. Risk identification is not limited to formal review periods but is embedded by all staff in its day-to-day operations. This Framework does not attempt to capture every potential risk to APN or a Fund, but the key risks that the business and/or Fund(s) face.

3 Roles and Responsibilities

3.1 APN PG Board / Audit and Risk Committee

The APN PG Board has overall responsibility for ensuring that APN has effective and adequate governance and risk management systems in place. The Board, through the Chief Executive Officer (**CEO**) is responsible for overseeing the establishment and implementation of the Framework and for approving and monitoring compliance with APN's appetite and tolerance for risk.

The APN PG Board must satisfy itself that Material Risks faced by the business are being managed appropriately and that the Framework and supporting systems are robust enough to respond to changes within the business.

The APN PG Board is also responsible for reviewing and approving the organisational and reporting structure in place which supports risk management on an ongoing basis.

The APN PG Board has established a Board sub-committee, Audit and Risk Committee to assist with this function and oversight.

3.2 APN FM's Board / Audit, Risk and Compliance (ARC) Committee

The APN FM Board and Board sub-committee, the ARC Committee, is primarily responsible for monitoring the measures APN FM as Responsible Entity (**RE**) must apply in operating Managed Investment Schemes (**MIS**) and Trusts to ensure compliance with the Corporations Act, the Constitutions of each MIS/Trust and their associated Investment Mandates.

3.3 Chief Executive Officer

The CEO has responsibility for the integration of risk management throughout the organisation and is supported by the Board(s), ARC Committee(s) and CFO. The CEO has responsibility for;

- Promoting a strong risk management culture to facilitate sound and prudent decision making and risk management practices into organisational activities and functions.
- Monitoring and compliance with Board approved risk tolerances and appetite limits.
- Overseeing the implementation and on-going monitoring of the Framework including ensuring risk measures and methodologies are consistently applied and effective.
- Ensuring risks are fully considered in the development of strategies and plans for the business and subsequently reviewed, managed and monitored.
- Managing the way in which conflicting objectives are dealt with.
- Ensuring that adequate resources are assigned to manage risk.
- Assigning appropriate authority, responsibility and accountability for risk management at appropriate levels within the organisation.
- Regularly managing and assessing the organisations risks and considering the effectiveness and appropriateness of its risk management strategies.

- Promoting awareness of risks and communicating the management of risks properly.
- Ensuring risk management is regularly reviewed and continually improved (where possible).

3.4 Risk and Compliance team

The Risk and Compliance team is responsible for assisting the CEO develop and implement the Framework by:

- Promoting awareness of risks and controls (i.e. through policies, procedure, communication and training).
- Assisting teams to identify key risks within the business.
- Maintaining a central risk register.
- Coordinating regular reporting of the risk register to the Board and Audit, Risk and Compliance Committee.
- Periodically reviewing the adequacy of systems and processes to manage risks.
- Reviewing and performing ongoing maintenance of the Framework.

3.5 APN Staff

All staff have an important role in risk management and the implementation of this Framework. Through appropriate preventative action, all reasonable care should be taken to prevent loss, to maximise opportunity and to ensure APN's operations, reputation and assets are not adversely affected. All staff:

- Must be aware of and understand the risks associated with their actions and comply with the Framework.
- Identify new risks in their area of accountability and responsibility and manage and/or escalate to management those risks as appropriate in accordance with the Framework.
- Report significant risk matters to management, Risk and Compliance and/or the CEO.

4 Risk Appetite

A certain level of risk is inherent in all business activities. Risk appetite is the amount and type of risk that an organisation is willing to accept in order to meet their strategic objectives, both existing as well as new. The APN Board approves the risk appetite for the business that the organisation will operate within and the management and staff ensure that all activities remain within the risk appetite of the Board. The key risks identified and managed by APN include the following:

- **Strategy** - the risk that decisions are made which have no alignment with APN's strategic direction or business plan.
- **Corporate Governance** - risk associated with the structure and transparency of management processes and practices.

- **Operational** – risk of loss from inadequate processes, people or systems.
- **Investment and Markets** - risk that an investment will not meet its objectives
- **Financial, liquidity and capital management** – risk of inadequate financial resources being available at entity or scheme level to meet financial obligations.
- **Regulatory and Compliance** – risk of loss associated failure to comply with regulatory, contractual and industry requirements.
- **Reputation and Image** – risk associated with loss of reputation, customer confidence or negative perception in the marketplace.
- **Third party** - risk associated with the failure of third parties to effectively meet their obligations and/or perform their duties.

5 Risk Process Overview

APN's Framework for risk management aligns strategy, processes, people, technology and knowledge for the purposes of identifying, analysing, evaluating, managing and monitoring the opportunities and risks APN faces in delivering its objectives. APN aims to manage risk within the Board approved risk appetite and risk tolerance limits and from the top down, encourage proactive participation in the management of risk and a strong risk management culture.

APN's risk process includes;

- Communication and Consultation (including Scope, Context and Criteria)
- Risk Identification
- Risk Analysis
- Risk Evaluation and Treatment
- Monitoring and Review
- Recording and Reporting
- Ongoing Surveillance
- Update Risk Register

6 Legislative and Regulatory Requirements

The Framework incorporates the guidelines described in the Australian Standard on Risk Management – Guidelines (AS ISO 31000:2018), the Corporations Act, Principle 7 of the ASX Corporate Governance Council's Governance Principles and Recommendations, ASIC Regulatory Guide 104 (Licensing: Meeting the general obligations) and ASIC Regulatory Guide 259 (Risk management systems of responsible entities).