

The Centuria Capital Limited (Centuria) Board has established a Risk Management Framework (RMF) for the Group. Risk management is an integral part of the governance of Centuria and is one of the main responsibilities of the Board and Senior Management.

### 1. Objectives

The key objectives of Centuria's Risk Management Framework are to ensure:

- The strategic objectives of Centuria and its managed investment schemes are achieved by providing a framework to minimise undesirable outcomes associated with the delivery against those strategic objectives and goals;
- Material risks are identified and managed to levels and within parameters that are acceptable to the Board;
- The prudent and sound management of the organisation and managed investment schemes;
- Decisions are made with awareness and understanding of risks;
- A sound risk management culture is established and maintained throughout the institution;
- Senior Management take the steps necessary to monitor and manage all material risks consistent with the strategic objectives, risk appetite statement and policies approved by the Board;
- The operational structure of Centuria facilitates effective risk management;
- Policies and processes are developed for risk-taking that are consistent with the risk management strategy and the established risk appetite;
- Uncertainties attached to risk measurement are recognised, and the limitations and assumptions relating to any models used to measure components of risk are well understood; and
- Appropriate controls are established that are consistent with the institution's risk appetite, risk profile and capital strength, and are understood by, and regularly communicated to, relevant staff.

### 2. Overview

Centuria's Risk Management Framework is governed by four key elements. These are:

- **Risk governance structures and people** – the various boards, committees and personnel that oversee and implement the RMF;
- **Risk management governance documents** – the documentation that has been put in place to record and document risk information and to provide the principles, guidance and process for the Board and Management to identify, manage, mitigate or control identified risks applicable to Centuria;
- **A three lines of defence (3LOD) structure** – governance and control structures that rely on 3LOD with Management responsible for day to day risk identification and control functionality, a dedicated risk function overseeing the design and implementation of the RMF and assurance processes conducted by internal and external parties that provide assurance to the Board that key risks are managed and controlled; and
- **Information systems and resources** – the information systems and resources that support the management of risk through control and reporting.

### Key stakeholders in Centuria's risk management process include:

Stakeholder	Responsibilities
Centuria Capital Board	<ul style="list-style-type: none"><li>• Set the strategy for the business.</li><li>• Approve, monitor and review the RMF (including relevant policy documents) and ensure that the framework is designed to support the achievement of strategic and business objectives and the prudent and sound management of the organisation.</li><li>• Set the risk appetite for the organisation and where an entity acts as the responsible entity of managed investment scheme, set the risk appetite for those schemes.</li><li>• Determine and communicate to the Management Team the material risks to the business, the business plan and strategy and set tolerances for those risks.</li></ul>

# Summary of Risk Management Policy

# Centuria

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- Monitor and review the management of the business within the risk appetite and tolerances.
- Set and monitor a risk management culture within the business.

Responsible Entity Boards	<ul style="list-style-type: none"><li>• Set the strategy for the business having regard to the Centuria Capital Group business strategy and risk appetite.</li><li>• Approve, monitor and review the RMF (including relevant policy documents) and ensure that the framework is designed to support the achievement of strategic and business objectives and the prudent and sound management of the organisation.</li><li>• Set the risk appetite for the entity for the managed investment schemes (MIS) of which the entity is responsible entity/trustee.</li><li>• Determine and communicate to the Management Team the material risks to the business and MIS, the business plan and strategy for the entity and each of the MIS and set tolerances for those risks.</li><li>• Monitor and review the management of the business and MIS within the risk appetite and tolerances.</li><li>• Set and monitor a risk management culture within the business.</li></ul>
Management Team	<ul style="list-style-type: none"><li>• Implement the business plan and strategy set by the Board.</li><li>• Manage the business within the risk appetite and tolerances set by the Board.</li><li>• Identify, analyse, evaluate and treat strategic and operational risks.</li><li>• Communicate and implement a risk management culture consistent with the expectations of the Board.</li><li>• Report to the Board or Board Committee on risks (either directly or through the Risk Function).</li><li>• Provide the CRO with access to any information or systems that is required by the CRO in order to identify, measure, monitor and report on risks.</li></ul>
Audit, Risk and Compliance Committee	<ul style="list-style-type: none"><li>• Oversee Centuria's accounting policies and financial reporting requirements.</li><li>• Review the effectiveness of the Centuria's accounting controls and financial risk management.</li><li>• Establish and oversee an internal and external audit function.</li><li>• Review the internal and external audit plans.</li><li>• Establish and maintain policies and procedures.</li><li>• Consider the completeness and quality of financial and operational information being provided to the Board.</li><li>• Advise the Board on the risk appetite and Risk Management Strategy.</li><li>• Establish Centuria's position relative to its risk appetite.</li><li>• Oversee Management's implementation of the Risk Management Strategy.</li><li>• Constructively challenge Management's proposals and decisions on all aspects of risk management.</li><li>• Oversee the CRO.</li><li>• Approve, review and assess the effectiveness of Centuria's RMF and internal control practices and ensure there is a continuous process for the management of material risks.</li><li>• Oversee compliance with regulatory and statutory reporting requirements.</li><li>• Oversee the implementation of compliance policy and procedures for compliance with legislative requirements applicable to the business.</li></ul>
Remuneration Committee	<ul style="list-style-type: none"><li>• Conduct regular reviews of the Remuneration Policy and ensure that the remuneration and performance rewards are aligned with the RMF and support prudent risk taking that is in line with the Board's risk appetite.</li></ul>

Risk Function, including Chief Risk Officer (CRO) responsibilities	<ul style="list-style-type: none"> <li>• Implement the RMF approved by the Board.</li> <li>• Oversee the operation of policy and procedures for the identification, analysis, evaluation and treatment of strategic and operational risks.</li> <li>• Report on material risks and against the risk appetite and tolerances set by the Board.</li> <li>• Conduct risk awareness training.</li> <li>• Consult with the Management Team on the design of risk mitigants and controls.</li> <li>• Approve controls for all risks with an inherent risk rating of High and Significant.</li> <li>• Develop risk management strategies and controls for all material risks for approval by the Risk and Compliance Committee.</li> <li>• Periodically review policy and procedure documents that also form part of the RMF.</li> <li>• The CRO also has the overall responsibility for:             <ul style="list-style-type: none"> <li>– The Risk Function and oversight of the discharge of that function’s responsibilities.</li> <li>– Being involved in, and having the authority to provide effective challenge to, activities and decisions that may materially affect the institution’s risk profile.</li> <li>– In consultation with the Audit, Risk and Compliance Committee, assisting and advising the Board on the establishment of a risk appetite statement and a risk management culture.</li> <li>– Recommending strategies for controlling material risks to the SEC, the Risk and Compliance Committee and the Board, including any stress and scenario analysis that would assist risk aware decision making.</li> </ul> </li> </ul>
Senior Executive Committee (SEC)	<ul style="list-style-type: none"> <li>• Line 1 Management Committee responsible for the identification of new or changed material risks and overseeing the development and implementation of controls to mitigate/manage those risks.</li> </ul>
Compliance Function	<ul style="list-style-type: none"> <li>• Develop and oversee the implementation of compliance policy and procedures for compliance with legislative requirements applicable to the business.</li> <li>• Monitor and report on compliance with legal requirements.</li> </ul>
Risk Owners	<ul style="list-style-type: none"> <li>• Identify, analyse, evaluate and treat risks that the CRO has allocated to them.</li> <li>• Ensure control procedures are implemented and remain effective.</li> <li>• Monitor and report on the risks they are responsible for to the Management Team and the CRO.</li> <li>• Promptly escalate issues, including failures or weaknesses in the Risk Management Strategy, to the Management Team and/or CFO.</li> </ul>
All Employees	<p>Employees are responsible for risk management within their areas of responsibility and must ensure that risk management activities are undertaken as part of the day-to-day business operations.</p> <p>In particular, employees will ensure that:</p> <ul style="list-style-type: none"> <li>• There is ongoing cooperation with and support of the Risk Function and their activities by the business and an understanding that risk is everyone’s responsibility.</li> <li>• They will personally meet all their risk management obligations and responsibilities and be seen to be complying with the requirements of risk management activities.</li> <li>• Risks are proactively identified and communicated within their operational areas and where corrective action is required it is undertaken in a timely and effective manner.</li> <li>• They personally and actively participate in the management, reporting and resolution of material risk issues, errors, incidents and breaches.</li> <li>• They adhere to the risk management requirements that are relevant to their position and duties.</li> <li>• They participate in training in accordance with the risk management processes.</li> <li>• They use available risk management resources.</li> <li>• They report all risk management concerns, issues and failures.</li> </ul>

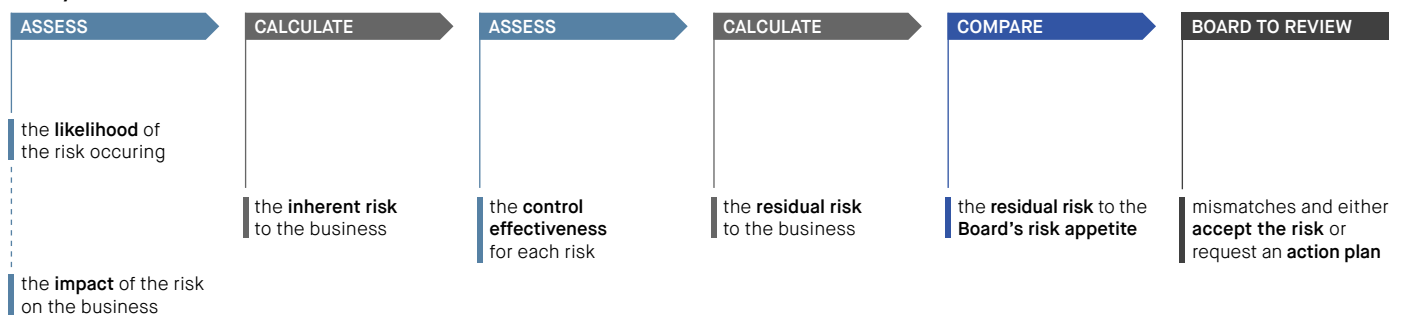
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### Centuria's risk management process

Management of risk is an integral part of good management. The main elements of the risk management process are:

- **Set the risk appetite** – a well-articulated Risk Appetite Statement is essential to an effective RMF. The Risk Appetite Statement (AS) comprises the top-down positioning of risk boundaries the Board is willing to operate within in pursuit of its business objectives
- **Identify material risks** – through workshops, Committee meetings or otherwise as identified by Management or the Risk Team, Centuria identifies sources of risks that may impact its objectives and considers these in more detail to identify those considered to be a Material Risk.

#### Analyse and evaluate the material risks



- **Design controls to mitigate material risks to within the appetite set by the Board** – controls reduce the likelihood of a risk occurring or detect the risk after it has occurred. Controls are designed to be effective in reducing an inherent risk to within the appetite set by the Board. Control design and effectiveness are regularly assessed and tested to ensure that they are effective in mitigating the risk. Where control weaknesses are identified, corrective actions are taken.
- **Monitor and measure material risks against the Board's risk appetite** – a quarterly monitoring and reporting process is maintained for each risk metric to ensure the implementation and adherence to risk tolerances and limits.
- **Review the risk appetite** – the Board's risk appetite is reviewed on an ongoing basis through the quarterly risk review and reporting cycle. Specifically, quarterly reporting to the Audit, Risk and Compliance Committee includes the status of Risk Tolerances established for each Material Risk.
  - Test controls
  - Reporting
  - Training and awareness

### 3. The Three Lines of Defence model

Centuria applies a 3LOD model as follows:

- **The first line of defence** – the business is responsible for the ownership, rating and implementation of controls in respect of identified risks. The first line of defence includes Centuria's SEC, a Line 1 Management Committee tasked with identifying Material Risk and overseeing the implementation of day-to-day controls.
- **The second line of defence**, the Chief Risk Officer – Financial Services oversees the implementation of the RMF and provides advice the business on the identification of risk, design of controls and action to be taken where risk incidents occur or where a risk sits outside of the Board's appetite. The Compliance and Risk Team also performs internal monitoring / testing processes around key risk and compliance controls. Technical specialists will be used in areas requiring specific expertise in order to test controls (e.g. information security and WHS). The CRO – Financial Services has independent reporting lines to the Risk and Compliance Committees.
- **The third line of defence** – functions that provide independent assurance via external and internal audit. Specialist reviews from technical experts may also be sought from time to time to assess the design and effectiveness of controls.