



ALCIDION

Risk Management Policy

Alcidion Group Limited

ACN 143 142 410

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1. Introduction

This Risk Management Policy (Policy) sets out Alcidion Group Limited's (Company) system of risk oversight, management of material business risks and internal control.

The Company recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company.

To the extent practicable, the Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition).

2. Purpose

The purpose of this Policy is to:

1. Encourage an appropriate level of risk tolerance throughout the Company
2. Establish procedures to analyse risks within agreed parameters across the Company
3. Establish appropriate risk delegations and corresponding risk management framework across the Company
4. Ensure the Company has a risk management framework that can measurably react should the risk profile of the Company change

3. Risk Appetite

A critical element of the Company's risk management framework is the risk appetite, which is defined as the extent of willingness to take risks in pursuit of the business objectives.

The key determinants of risk appetite are as follows:

1. Shareholder and investor preferences
2. Expected business performance
3. Capital needed to support risk taking
4. Culture of the organisation
5. Management experience along with risk and control management skills
6. Longer term strategic priorities

4. Risk Management Framework

1. The Company believes that risk should be managed and monitored on a continuous basis. As a result, the Company has designed a risk management framework based on the external and internal context of the organisation, to allow the effective and efficient management of identified risks, and achievement of short-term and longer term strategic and business objectives.

Refer to Appendix 0 for a summary of key risk management activities undertaken to identify, analyse, treat and monitor risks.

2. The Company's approach to risk management comprises the following process activities, which are outlined in the subsequent sections:
 - a) Establish context
 - b) Risk assessment (identification, analysis and evaluation)

- c) Risk treatment
- d) Monitoring and review
- e) Risk reporting

Refer to Appendix 0 for an overview of the risk management process.

4.1. Establish the Context of the Organisation

In designing the risk management framework, the Company has evaluated the external and internal context of the organisation relating to each area where risk management is applied.

4.2. Risk Assessment

Risk assessment comprises three processes:

- 1. Risk identification
- 2. Risk analysis
- 3. Risk evaluation

4.2.1. Identification of Risks

To ensure key risks are identified, the Company:

- 1. Defines risks in the context of the Company's strategy
- 2. Documents risk profiles, including a description of the material risks
- 3. Regularly reviews and updates the risk profiles

The Company's risk profile is summarised in section 0.

4.2.2. Risk Assessment – Analysis

The likelihood and impact of identified risks are analysed using a common methodology.

4.2.3. Risk Assessment – Evaluation

Decisions about which risks need treatment and the priority for treatment implementation are based on the outcome of the risk analysis.

4.3. Risk Treatment

- 1. Following risk assessment, the options for modifying identified risks are selected and agreed. Risk treatment options can include:
 - a) Accept the risk (where it is assessed the risk is acceptable or if avoiding the risk presents a greater risk through lost opportunity)
 - b) Manage the risk (changing the likelihood/consequence through controls and procedures)
 - c) Avoid the risk (stop the activity)
 - d) Transfer the risk (outsourcing arrangements)
 - e) Finance the risk (through insurance)
- 2. The most appropriate risk treatment option is selected based on the costs and efforts of implementation compared to the derived benefits, taking into consideration legal, regulatory and other requirements.
- 3. Risk treatment plans are discussed with appropriate stakeholders and documented to clearly identify how the selected treatment options will be implemented and the priority order.

4.4. Monitoring and Review

1. The Company's risk management framework is periodically reviewed to ensure it remains effective and appropriate for the external and internal context of the business and continues to support organisational performance.
2. Responsibilities for monitoring and review are clearly defined.
3. Records of risk management activities are maintained for traceability and to support continuous improvement of the methods and tools used, as well as the overall process.
4. Progress in implementing risk treatment plans is an input to monitoring and review activities and provides a performance measure for reporting.
5. Results of monitoring and review are recorded and reported as appropriate, and are used as an input to the review of the risk management framework.

Current monitoring activities for business risks are detailed in Appendix 0.

4.5. Reporting

Records of risk management activities and results are maintained for traceability and reported as follows:

1. Reporting of business risks as detailed in Appendix 0
2. Clinical risk reporting per release for products
3. Annual reporting of information security risks as part of management review of the Integrated Management System (IMS)

5. Risk Profile

The identification and effective management of risks is critical to the achievement of the Company's strategic and business objectives. The Company's activities give rise to a broad range of risks, considered but not limited to the following categories, which are outlined in the subsequent sections:

1. Strategic risks
2. Financial risks
3. Product and service delivery risks
4. Operational risks
5. Human resources risks
6. Compliance risks

5.1. Strategic Risks

Strategic risks include:

1. Lack of responsiveness to changing economic or market conditions that impact the Company's competitive position
2. Ineffective or poor strategy developed
3. Ineffective execution of strategy

5.2. Financial Risks

Risks relating to finance include:

1. Financial performance does not meet expectations
2. Capital is not effectively utilised or managed
3. Cash flow is inadequate to meet financial obligations
4. Financial results are incorrectly accounted for or disclosed
5. Credit, market/tax risk is not understood or managed effectively
6. Fraud

5.3. Product and Service Delivery Risks

Operational risks relate to the possibility that a product or service might fail to satisfy or fulfill some reasonable expectation of the customer, user, or stakeholder.

5.4. Operational Risks

Operational risks relate to inadequate or failed internal processes, people and systems, including from external events.

5.5. Human Resource Risks

1. Risks relating to human resources include:
2. Inability to attract and retain quality and appropriate people
3. Inadequate succession planning
4. Inappropriate culture
5. Workplace Health and Safety

5.6. Compliance Risks

Compliance risks relate to non-conformance with or inability to comply with rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

6. Risk Oversight

6.1. Governance Structure

1. Risk management is central to the Company's management processes, and as such, the governance structure is based on the effective management of risk.
2. The Company's risk management framework is supported by the Board of Directors, Management of the Company and the Audit and Risk Committee (ARC).

6.1.1. Board of Directors

The Board is responsible for reviewing and approving the Company's risk management strategy and Policy.

6.1.2. Management

1. To assist the Board in discharging its responsibility in relation to risk management, the Board has delegated certain responsibilities to Management.
2. Management is responsible for monitoring that appropriate processes and controls are in place to manage risk effectively and efficiently, so that the strategic and business objectives of the Company can be met.

3. When considering the Audit and Risk Committee's review of financial reports, the Board receives a written statement, signed by the Managing Director and Chief Financial Officer (or equivalents), that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.
4. Similarly, in a separate written statement the Managing Director and Chief Executive Officer (or equivalents) and the Chair of the Audit and Risk Committee also confirm to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period end that would materially change the position.

6.1.3. Audit and Risk Committee

1. The Audit and Risk Committee is a Committee of the Board, with delegated responsibilities in relation to risk management and the financial reporting requirements of the Company.
2. The Audit and Risk Committee is also responsible for monitoring the overall compliance with laws and regulations.
3. The responsibilities of the Audit and Risk committee are included in the Committee's Charter.

6.2. Assurance

1. There are different levels of assurance in relation to the effectiveness and efficiency of the Company's risk management framework and associated processes and controls.
2. Assurance is provided from Management through reports and process.
3. Assurance also comes from the monitoring, oversight and reporting undertaken by the Audit and Risk Committee, as well as from the independent testing, review and reporting undertaken by external audit. Independent external auditors are engaged by the Company to provide an audit opinion as required by law.
4. Process, surveillance, controls or other reviews are performed as required.
5. Reviews are also performed by regulators.

7. People and Culture

Having the right people and promoting an appropriate risk culture are critical to the future success of the Company. As a result, the Company is committed to forming a culture of risk awareness, transparency and responsiveness.

8. Policy Review

This Policy cannot be amended without approval from the Company's Board. This Policy will be periodically reviewed annually to ensure that it remains effective and meets best practice standards and the needs of the Company.

9. Further Assistance

Any questions regarding this Policy should be referred to the Company Secretary in the first instance.

10. Approved and adopted

This Policy was approved and adopted by the Board on 26 September 2019.

A. Appendix A – Risk Management Process Overview

This section provides an overview of the risk management process, as illustrated in Figure 1.

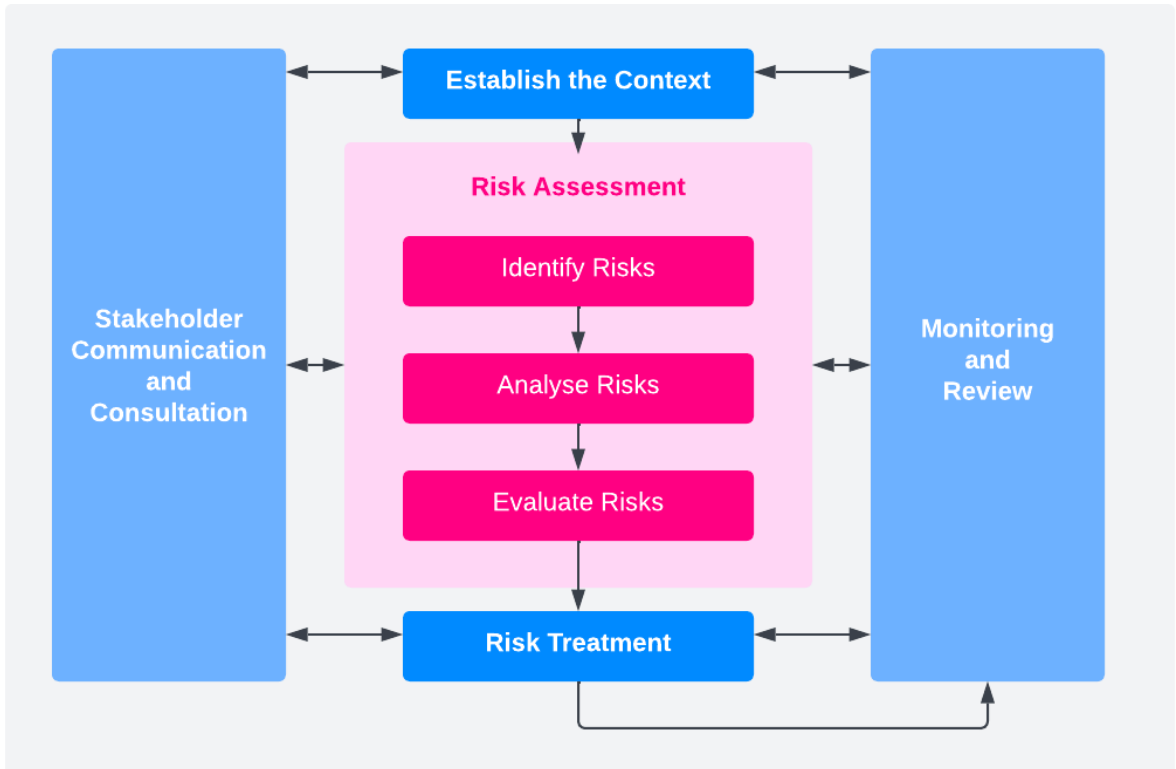


Figure 1 Risk Management Process Overview

A.1 Establish the Context of the Organisation

Purpose: To define the external and internal parameters to be considered when managing risk and set the scope and risk criteria for the remaining process.

1. Consider the external environment in which the Company seeks to meet its objectives, such as:
 - a) Social and cultural, political, legal, regulatory, financial, technological, economic, natural and competitive environment, whether international, national, regional or local
 - b) Key drivers and trends having impact on the objectives of the organisation
 - c) Relationships with, and perceptions and values of, external stakeholders
2. Consider the internal environment in which the Company seeks to meet its objectives, such as:
 - a) Governance, organisational structure, roles and accountabilities
 - b) Policies, objectives, and the strategies in place to achieve them
 - c) Capabilities in terms of resources and knowledge
 - d) Information systems and flows, formal and informal decision-making processes
 - e) Relationships with, and perceptions and values of, internal stakeholders

- f) Culture of the organisation
 - g) Standards, guidelines and models adopted by the organization
 - h) Form and extent of contractual relationships
3. Establish the objectives, strategies, scope and parameters of those parts of the organisation where the risk management process is applied,

A.2 Risk Assessment Process

Risk assessment refers to the overall process of risk identification, risk analysis and risk evaluation.

A.2.1. Risk Identification

Purpose: To generate a comprehensive list of risks based on events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives

1. Consider short- and long-term risks relating to the external and internal context of the organisation:
 - a) External environment – consider events or circumstances in such as, economic, market and industry environment, competitive environment, technology change and country risk
 - b) Internal environment – consider risks across core value generating activities, corporate support function and key decisions
 - c) Financial forecasts and assumptions – consider risk embedded within key assumptions and forecasts and target financial position

A.2.2. Risk Analysis

Purpose: To develop an understanding of the identified risks.

1. Consider key potential causes and sources of risks and their positive and negative consequences.
2. Analyse the likelihood of risks arising.
3. Analyse the potential impact of risks if they were to occur considering adverse, expected and optimistic scenarios.

A.2.3. Risk Evaluation

Purpose: To decide which risks need treatment and the priority for implementation.

1. Refer to the Company's risk assessment criteria to compare the level of risk applied against the established criteria.
2. Consider the need for treatment based on this comparison.
3. Ensure any decisions made consider the wider context of the risk as well as any legal, regulatory, contractual and other requirements

A.3. Risk Treatment

Purpose: Select and implement appropriate options for modifying identified risks.

1. Select the most appropriate risk treatment option.
2. Assess current strategies and controls (preventative, monitoring and responsive) to proactively prevent the risk from occurring or to reduce its impact

3. Identify additional risk treatment strategies and controls considering the assessed likelihood and impact of the risk
4. Document the risk treatment plan
5. Assign accountabilities and track progress

A.4. Risk Monitoring and Review

Purpose: To detect changes in context, ensure controls are effective and efficient and obtain further information for risk assessment improvements.

1. Plan and implement periodic and adhoc reviews and surveillance of risk management activities and outcomes, to include:
 - a) Ensuring that key controls are effective and efficient
 - b) Detecting changes in the external and internal context
 - c) Analysis and lessons learnt from events (including near misses) changes, trends, successes and failures
 - d) Identification of emerging risks
 - e) Progress on the implementation of risk treatment plans
2. Clearly define responsibilities for monitoring and review.
3. Record results of monitoring and review and report as appropriate.

A.5. Communication and Consultation

Ensure communication and consultation with external and internal stakeholders takes place during all stages of the risk management process.

B. Appendix B – Key Risk Management Activities and Reporting

Table 1 lists the key risk management activities recommended to identify, analyse, treat and monitor business risks. These activities will support timely and open communication, monitoring and effective decision making and will underpin the Company’s public disclosures on risk management.

| Planning and Execution Cycle | Key Activities | Reporting | | | |
|--|---|-----------|----------|---------------------|--------------------|
| | | Frequency | Owner | Audience | Forum |
| Annual Strategic and Business Planning | Discuss key business risks, identify new risks, movement in risks and emerging risks. Consider risks implicit in key assumptions (e.g., demand trends, competitor actions etc) underpinning strategic choices and business plan. | Annually | CEO, CFO | Exec Team and Board | Strategy Meetings |
| Monthly Executive Team Review | Monitor the status of the highest risks in the corporate risk register, status of mitigation and | Monthly | CEO, CFO | Exec Team | Exec Team Meetings |

| | | | | | |
|----------------------------------|--|-------------|----------|-------------------------------|----------------------|
| | consideration of new or changing risks. | | | | |
| Bi-monthly Review | Review and report status of risks and mitigation actions identified; include updates as relevant. Discuss progress in managing most significant risks. Ensure at least the 'top 5' risks to delivering performance are discussed. | Bi-monthly | CEO, CFO | ARC | ARC & Board Meetings |
| Key decisions and business cases | Incorporate key risk analysis and mitigation strategies into relevant decision-making discussions. | Ongoing | GM's | Exec Team and Board | ET & Board Meetings |
| Incident review | Report and review learnings from key incidents and near misses. | As required | GM's | Exec Team (Board as required) | ET Meetings |
| Statutory reporting | Support the signing of the statutory accounts for material business risks. | 6 monthly | CEO, CFO | ARC | ARC & Board Meetings |
| Risk management process review | Review the Risk Management Framework and supporting processes to ensure continuous improvement. Capture lessons learnt over the year and share with the Audit and Risk Committee. | Annually | CEO, CFO | ARC | Board Meetings |

Table 1 Key Risk Management Activities and Reporting for business risks

Document Revision History

| Date | Version | Author | Scope |
|-------------------|---------|----------------|------------|
| 26 September 2019 | .01 | Alcidion Board | New Policy |
| 1 March 2023 | 1.0 | Alcidion Board | Reviewed |

