



# **BWX Limited**

**ACN 163 488 631**

## **RISK MANAGEMENT POLICY**

### **1. Introduction**

- 1.1 The Board of BWX Limited (**BWX**) considers ongoing risk management to be a core competency of the management of BWX. This policy outlines the program implemented by BWX to maintain appropriate risk management within its systems, people and culture.
- 1.2 The BWX Board, with support from the Audit and Risk Committee, is responsible for reviewing the Company's policies on risk oversight and management and satisfying itself that a sound system of risk management and internal control exists within the Company. Risk management encompasses the culture, processes, and structures that are directed towards taking advantage of potential opportunities while managing potential adverse effects.
- 1.3 The Risk Management Policy has been developed by BWX and sets out the Company's policies for the oversight and management of material business risks. This policy is designed to make sure material business risks are identified, assessed, addressed, monitored and managed within acceptable levels to enable achievement of the Company's business objectives.
- 1.4 The Board regularly assesses material business risks that may impede meeting business objectives. The Board conducts an annual corporate strategy workshop where the Company's strategic direction is reviewed in detail, with specific focus on the identification of the key business and financial risks which could prevent the Company from achieving its objectives. Management is required to implement appropriate controls to manage those risks effectively; the Board oversees management's processes for monitoring and managing key risks.
- 1.5 BWX places considerable importance on maintaining a strong control environment. Company employees operate within a framework of clearly defined lines of accountability and delegation of authority. Compliance with the Company's Code of Conduct is required at all times and the Board actively promotes a culture of honesty, responsibility and professionalism within the Company.
- 1.6 Detailed control procedures cover accounting and financial reporting, project appraisal, environment, health and safety, information technology security, compliance and other risk management issues.
- 1.7 The Board requires that each major proposal submitted to the Board be accompanied by a comprehensive risk assessment and management's proposed risk mitigation strategies.
- 1.8 Senior management are responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. As part of their S295A declaration, the Chief Executive Officer and Chief Financial Officer are required to confirm to the Board annually that the risk management and internal control systems to manage the Company's material business risks have been assessed and found to be operating effectively.
- 1.9 This policy applies to all employees, contractors and consultants of BWX or its wholly owned subsidiaries.

### **2. Material Business Risk**

- 2.1 The Company defines material business risk as any significant event or action with the potential to interfere or prevent the Company from achieving its objectives. Business risk is broadly defined to make sure that due consideration is given to all issues with the potential to impact upon the Company's business.

Sources of risk are varied and a wide view should be taken when considering business risks. Possible risk areas for the Company include:

- (a) manufacturing and operations;
- (b) product safety and compliance;
- (c) loss of key customers;
- (d) human resource and occupational health and safety;
- (e) asset management (including data);
- (f) environment and sustainability;
- (g) strategic management;
- (h) reputation and ethical conduct in all jurisdictions in which we operate;
- (i) stakeholder communications;
- (j) compliance and legislative;
- (k) financial and business continuity;
- (l) information technology;
- (i) foreign exchange, interest rates, commodity prices; and
- (j) political, climatic.

2.2 The Company uses its best endeavours to identify its material business risks, however due to the nature of business generally, it may not be possible for the Board and senior management to foresee and identify all material business risks that may affect the Company.

### **3. Risk Management Process**

3.1 Successful risk management can maximise the opportunities for the Company to achieve strong returns while meeting its business objectives. Risk management encompasses all areas of the Company's activity.

3.2 In order to properly identify and develop strategies and actions to manage risk, the Company will have a business risk management framework based on the following key elements:

- 1. Identify possible risks to the business.
- 2. Assess the potential consequences and impact on the Company of the identified risks and the likelihood of occurrence.
- 3. Rank the risks based on the assessment of likely impact and likelihood of occurrence in step 2.
- 4. Assess the external environment and the control environment in place to manage the risk.
- 5. Develop an appropriate response to manage the risks. Based on the ranking of the risk in step 3, the response may include strategies aimed at eliminating, mitigating, transferring or accepting the risk.
- 6. Implement the response developed in step 5 and monitor to make sure controls to manage the risk are suitable, are effective and are periodically reviewed.

### **4. Role and Responsibilities of the Board**

4.1 The Board is ultimately accountable for organisational risk management. As such the Board approves the risk policy, sets the risk appetite, and oversees Management's risk management framework and satisfies itself that the framework is sound.

- 4.2 The Board also acknowledges that it is responsible for the overall system of internal control but recognises that no cost-effective internal control system will preclude all errors and irregularities.
- 4.3 The Board has delegated responsibility for reviewing the risk profile including material business risks and reporting on the operation of the internal control system to the Audit and Risk Committee. The People & Culture Committee is expected to have oversight of the material risks and operation of the internal control systems in respect to remuneration.
- 4.4 The Board will review the effectiveness of BWX's risk management framework and internal control system at least annually to satisfy itself that it continues to be sound and that the Company is operating within the risk appetite set by the Board

## **5. Role and Responsibilities of the Audit and Risk Committee**

- 5.1 The day-to-day oversight and management of BWX's risk management program is delegated to management. The Audit and Risk Committee is responsible for oversight of the risk management and internal control systems and processes and provides regular reports to the Board on these matters.

## **6. Role and Responsibilities of Management**

- 6.1 Management is responsible for designing and implementing risk management and internal controls systems which identify material risks for BWX and aim to provide BWX with warnings of risks before they escalate. Management must implement the action plans developed to address material business risks across BWX.
- 6.2 Management should regularly monitor and evaluate the effectiveness of the risk treatment plans. In addition, management should be the stewards, promote and monitor a culture of risk management within BWX and compliance with the internal risk control systems and processes. Management should report regularly to the Audit and Risk Committee and / or Board regarding the status and effectiveness of the risk management program.
- 6.3 The Company continues to review its risk management framework and systems of internal control to verify that its material business risks are being managed effectively.

## **7. Review and Communication**

- 7.1 The content of this Policy may change from time to time as approved by the Board. The policy is available on BWX's website <http://bwxltd.com/>.

## **8. Approved and adopted**

- 8.1 This Policy was approved by the Board on 3 June 2019.