

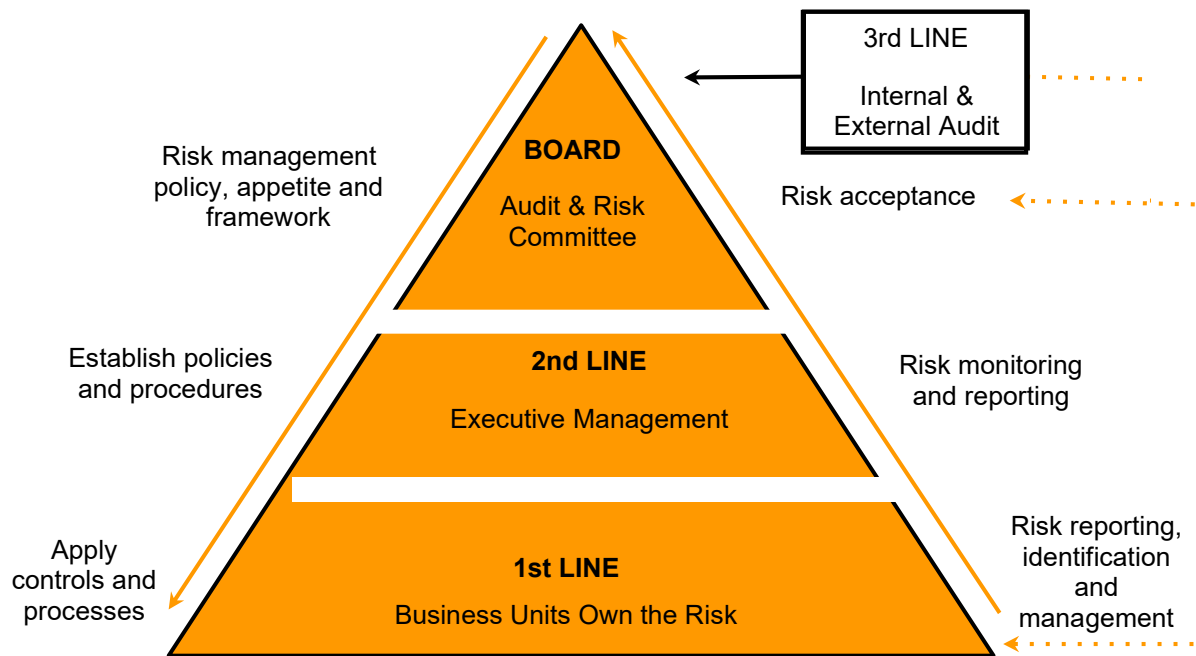


# **Powerhouse Ventures Limited (PVL)**

## **GOVERNANCE & RISK MANAGEMENT FRAMEWORK**

## 1. EXECUTIVE SUMMARY

PVL's overall approach to risk management is based on 'the three lines of defence' model which supports the relationship between the individual business units, the risk management and compliance functions, internal and external audit and the Board.



### 3.1.1 The 1st Line of Defence

Business units are responsible for identifying, evaluating and managing the risks that they originate within approved risk appetite and policies. They are required to establish and maintain appropriate risk management controls, resources and self-assurance processes.

### 3.1.2 The 2nd Line of Defence

The Executive Team are responsible for implementing our risk management strategy and frameworks, and for developing policies, controls, processes and procedures for identifying and managing risk in all of PVL's activities.

It also evaluates and opines on the adequacy and effectiveness of 1st Line controls and application of frameworks and policies and, where necessary, requires improvement and monitors the 1st Line's progress toward remediation of identified deficiencies.

### 3.1.3 The 3rd Line of Defence

Independent assurance is provided by the independent auditors and various external consultants and advisers. External consultants and advisers support management and the Board through ad hoc consulting activities, as required.

## **2. BOARD COMMITTEES**

### **2.1 Overview**

The Board and each Committee has a charter setting out its responsibilities. Where the Board comprises fewer than 4 Directors, the Directors may elect to not convene a Committee and may instead discharge what would otherwise be Committee responsibilities directly by the Board.

The division of responsibility between Board and Management is determined by the Role and Composition of the Board document, where all matters not expressly reserved to the Board are delegated to the Heads of Business Units. In addition, specific Board approved delegations have been established with respect to capital and operating expenditure, investment approvals and operational risk management. The delegations are monitored through Board and Committee reporting arrangements. The delegations are subject to periodic review by the Board or relevant Board Committee.

### **2.2 Audit & Risk Committee**

The Audit & Risk Committee has oversight responsibility for the internal audit function and approves the internal audit strategic plan. The Audit & Risk Committee also has oversight responsibility in relation to the external auditor. It recommends to the Board the policy in relation to auditor independence and approves the annual audit engagement terms.

The Chief Financial Officer and appointed director on the ARC both provide annual signoffs to the Board in relation to financial matters.

The external Auditor attends the Company's Annual General Meetings and is available to answer questions relevant to the audit from shareholders.

Whenever practicable, the Committee will be composed of:

- at least 3 members;
- all Independent Directors; and
- an Independent Chairman, who is not Chairman of the Board.

The role of the Committee is to provide assistance to the Board in relation to the following:

- external audit function;
- internal audit function;
- statutory financial reporting;
- internal control framework (including fraud control).
- establishment of the risk framework;
- risk appetite setting;
- risk identification and assessment;
- risk mitigation processes including insurance risk transfer;
- operational risk including regulatory compliance, business continuity and fraud risk;
- credit, liquidity and market risk;
- balance sheet / off-balance sheet and capital management risk;
- economic environment; and
- regulatory oversight.

## **2.3 Human Resources & Remuneration Committee**

Whenever practicable, the Committee will be composed of:

- at least 3 members.
- a majority of independent directors
- an independent chair.

The role of the Committee is to provide assistance to the Board in relation to the following:

- Board and Executive Remuneration Policy; and
- key human resources policies.

## **2.4 Corporate Governance & Nomination**

Whenever practicable, the Committee will be composed of:

- at least 3 members;
- a majority of independent directors; and
- an independent chairman.

The role of the Committee is to provide assistance to the Board in relation to the following:

- nomination processes;
- selected application of human resources policies as they relate to the Board; and
- corporate governance framework.

### 3. RISK MANAGEMENT PROCEDURES

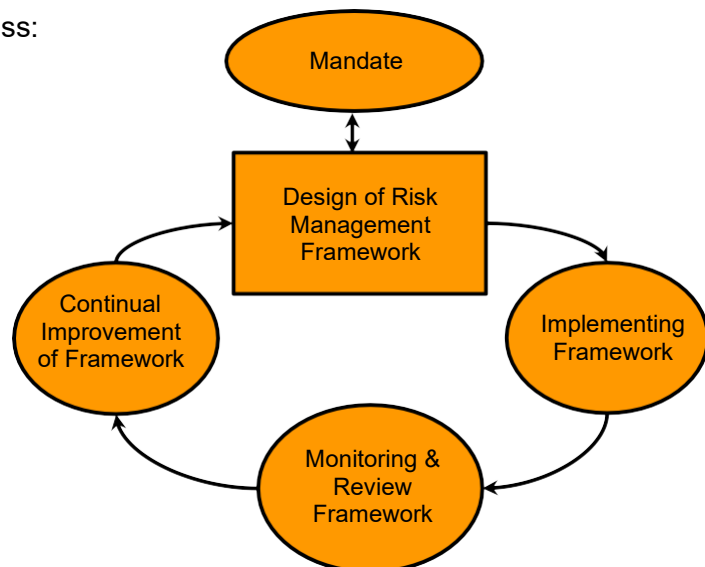
#### 3.1 Framework

The Framework is based on AS/NZS ISO Risk Management - Principles and guidelines (the **Standards**) and provides the foundations and organisational arrangements audited by PVL in respect to risk management.

This Framework aims to:

- provide guidance for the context in which risk management within PVL should be considered;
- ensure appropriate communication and consultation at each stage of the process;
- ensure risk identification is an integral part of the management of PVL;
- ensure risk levels are analysed according to accepted standards;
- establish criteria for the evaluation of risks;
- provide guidance for the appropriate treatment of risks;
- ensure appropriate records of PVL's risks are kept;
- ensure the risk management system is subject to appropriate monitoring and review; and
- approve and continually maintain the risk appetite statements to ensure PVL's strategic initiatives and business activities are within the boundaries of activity that the Board intends for PVL, as set within the risk appetite statements.

The Framework forms an iterative process:



### 3.2 Internal Approach

Our internal risk management processes (which the Board Audit and Risk Committee oversees) are functionally divided into certain risk clusters for effective active management as follows:

1. **Financial Control Quality (Financial Risk Cluster A)** *via CFO, Internal Audit, External Audit*
  - the quality and integrity of the Company's financial statements, accounting policies and financial reporting and disclosure practices;
  - the effectiveness and adequacy of internal control processes;
  - the performance of the Company's external auditors and their appointment and removal;
  - the independence of the external auditor and the rotation of the lead engagement partner;
  - the identification and management of business, economic, environmental and social sustainability risks; and
  - Fraud and Corruption Control
2. **Asset & Liquidity Risk (Financial Risk Cluster B)** *via Asset & Liability Committee*
  - Liquidity Risk
    - the framework for the management of liquidity risk;
    - liquidity position and requirements;
    - appropriate liquidity risk policies; and
    - funding and equity capital plans.
  - Balance Sheet Risk
    - review positions in relation to management of interest rate risk;
    - review positions in relation to management and structure of the balance sheet; and
    - balance sheet management policies.
  - Credit Risk
    - the framework for the management of credit risk;
    - monitoring of the risk profile, performance and management of credit portfolios;
    - appropriate credit risk policies; and
    - appropriate credit limits.
  - To engage in credit approval processes in accordance with investment and lending policy.
3. **Regulatory Compliance (Non-Financial Risk Cluster C)** *via AFSL Compliance Committee*
  - compliance with all applicable laws, regulations and company policy;
  - Documented Compliance Plan
4. **Operational Risk Compliance ((Non-Financial Risk Cluster D)** *via residual Board Approach*
  - Market Disclosure Communications Policy
  - Whistleblower Policy
  - Other - Sustainability, Health & Safety, Diversity

### **3.3 Monitoring, Review and Improvement of Framework**

The Board is responsible for reviewing and approving our overall risk management strategy, including determining our appetite for risk. The Board will be responsible for ensuring that PVL's risk appetite statement includes recognition of the need to spread risks and exposure across all aspects of the business, so that one contract or investment does not put PVL as a whole at risk.

The Board has delegated to the Audit and Risk Committee responsibility for providing recommendations to the Board on PVL's risk-reward strategy, setting risk appetite, approving frameworks, policies and processes for managing risk, and determining whether to accept risks beyond management's approval discretion.

The Audit and Risk Committee conducts an annual review of the risk management strategy.