RISK MANAGEMENT POLICY

POLICY

POLICY STATEMENT

Risk management is an integral part of an organisations management practices and an essential element of operational and corporate risk and governance. It is recognised that in food manufacturing organisations, there is a degree of risk that is inherent in the manufacture of food products and a high expectation of food safety and quality by the community. There are also key risks such as workplace health and safety and supplier and customer risk.

TasFoods Limited's (TasFoods) Risk Management Policy (which extends to its wholly owned subsidiaries) provides high level direction, establishes key principles and allocates responsibilities to ensure TasFoods has an effective and efficient system and process that will facilitate identification, assessment, evaluation and treatment of risks in order to achieve strategic and performance objectives with optimal allocation of resources.

TasFoods approach to risk management is based on the Australian/New Zealand Standard, *Risk management – Principles and guidelines* (AS/NZS ISO 31000:2009). The AS/NZS standard represents the minimum risk management standard for TasFoods and is a generic, internationally accepted process.

The intent of this policy is to provide direction for all staff to deliver quality products and service to its customers and ensure TasFoods leads a continuous, proactive and whole of systems approach to understand, manage, treat and communicate risk from an organisational-wide perspective.

RATIONALE

Risk, identified as an opportunity (positive) and / or a threat (negative) is required to be considered and addressed by everyone, and, must be managed.

This policy provides high level guidance and direction to ensure all TasFoods staff are supported in the identification, decision making and communication of risks, and, can apply with confidence the risk management process in relation to their level of responsibility and accountability.

RISK MANAGEMENT MANDATE

TasFoods is committed to deliver high quality, safe food products to its customers. This includes the management of all types of strategic and operational risks. TasFoods is directed through this policy and application of the AS/NZS 31000:2009 to implement an effective risk management system. The TasFoods Board, Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Operations Officer (COO) endorse the Risk Management Policy, and, are committed to the integration of risk management in our core business and strategic direction.

POLICY PRINCIPLES

TasFoods supports employees and management collaboration in organisation wide processes and promotes a culture of achieving effective risk management and continuous quality improvement.

Risk management will be incorporated into strategic and operational planning processes at all levels within TasFoods. AS/NZS ISO 31000:2009 outlines the following principles for organisations to comply with for effective risk management, which includes:

- Creates and protects value;

- Is an integral part of all organisational processes;

- Is part of decision making;

- Explicitly addresses uncertainty;

- Is systematic, structured and timely;

- Is based on the best available information;

- Is tailored: aligned with the organisations external and internal context and risk profile;

- Takes human and cultural factors into account;

- Is transparent and inclusive;

- Is dynamic, iterative and responsive to change; and

- Facilitates continual improvement of the organisation.

RISK REGISTERS

Risk registers are a component of TasFoods integrated risk management direction. The registers identify the prioritisation of risks, decision-making, risk owners, application of the risk management process and communications. Risk registers are maintained and communicated at the following levels:

- TasFoods High Level Integrated Risk Register is managed and communicated through the TasFoods Executive and Board;

- TasFoods high level strategic risk registers are managed and communicated through to the Executive by the Company Secretary;

- TasFoods high level operational risk registers are managed and communicated through to the Executive by the Workplace Health and Safety (WHS) Manager;

- TasFoods high level food safety risk registers are managed and communicated through to the Executive for the Quality Assurance (QA) Manager;

- TasFoods business units maintain risk registers (both Strategic, Operational and Food Safety) which are communicated through the monthly business unit management meetings and elevated to the Company Secretary (strategic risks), WHS Manager (operational risks) and QA Manager (food safety); and

- Project Management risk registers (as and where required) which are communicated through the business unit management meetings.

TasFoods risk registers are currently maintained in excel spreadsheets. These registers aim to encourage consistency across format and application of the risk management process.

Electronic management of risk registers is currently undergoing consultation and is anticipated to be implemented during early 2017.

RISK TOLERANCE

Risk tolerance is the organisations readiness to 'bear' / accept the risk, after risk treatments in order to achieve its objectives.

According to the risk score, risks must be reviewed in accordance with risk acceptance timeframe for action and treatment as outlined in the risk target remedy table below.

Risk Target Remedy Table

Risk Score	Timeframe for action and treatment to each Risk Target	Severity Assessment	Escalation to
Low (1 – 5)	Not relevant	LEVEL 4	
Medium (6 – 11)	Within 6 months	LEVEL 3	Business Units
High (12 – 15)	Within 3 months	LEVEL 2	Executive
Very High (16 – 22)			Executive (Board for Strategic Risks)
Extreme (23 – 25)	Within 1 month	LEVEL 1	Executive and Board

APPROACH TO RISK MANAGEMENT

TasFoods approach to risk management is the systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring, and reviewing risk/s.

The AS/NZS ISO 31000:2009 outlines the Risk Management Process applied across TasFoods and is reflected in the Integrated Risk Register.
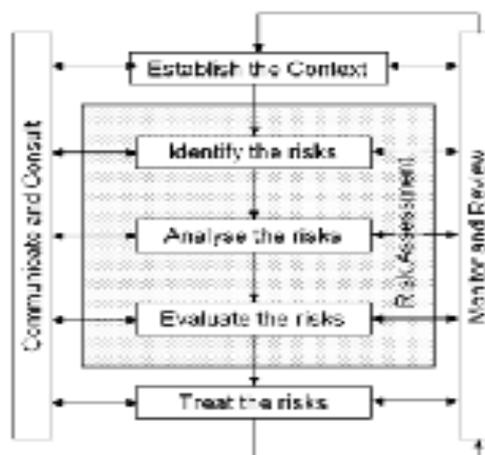
Risk Management
The 3 Key Perspectives
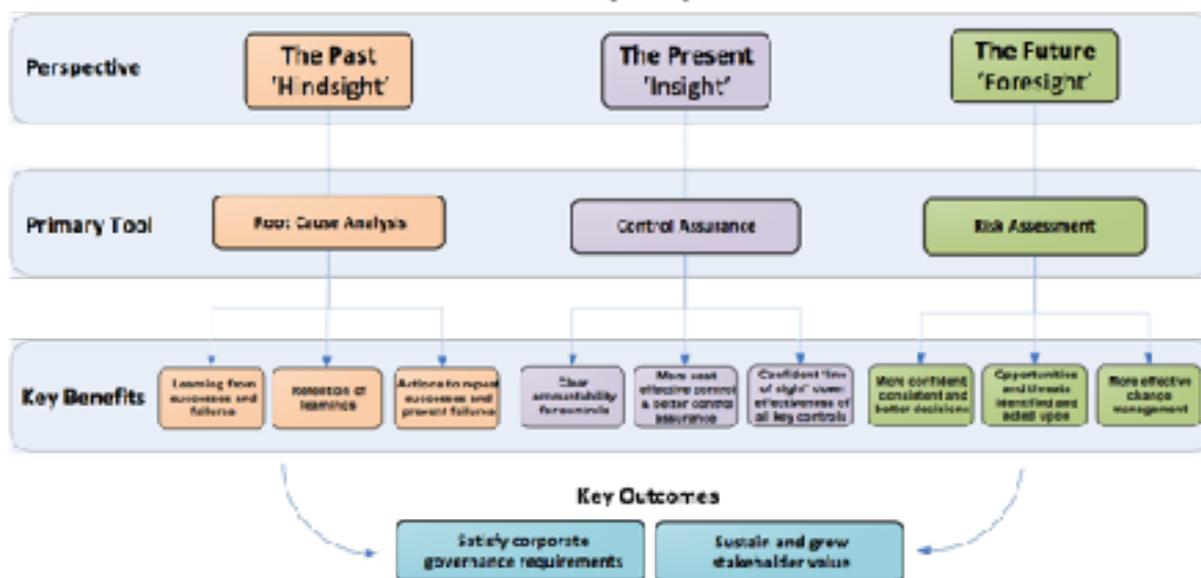
Adapted from Broadleaf Capital International Pty Ltd

DEFINITIONS

- *Risk* is effect of uncertainty on objectives.

- *Risk Management* is coordinated activities to direct and control an organisation with regard to risk.

- *Risk Management Process* is the systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk.

- *Risk Owner* is the person or entity with accountability and authority to manage a risk.

- *Risk Register* is a formal record or 'central' repository of all risks that have been identified.

RESPONSIBILITIES

- **Everyone** at TasFoods is responsible for ensuring effective risk management is carried out. All employees are accountable for adherence to this TasFoods Risk Management Policy and actively participate in the authorised risk management process as far as reasonably practicable.

- **The TasFoods Board and the Audit and Risk Sub-committee are** the key governance body responsible for the oversight of the risk management framework and process across TasFoods. This includes responsibility for establishing the 'risk appetite', that is the amount of risk that the Board is willing to accept, and overseeing the reporting of risks in accordance with the provisions of legislative requirements.

- **TasFoods CEO, CFO and COO** are responsible for ensuring that this policy is implemented and risks are managed within the organisation and business units. **Risk management must be a permanent agenda item for all executive management meetings.** Risks which are relevant to

the organisations strategy must be communicated to the Company Secretary. Risks which are operational will be communicated to the WHS Manager.

- **TasFoods Company Secretary** is responsible for effective risk management at the strategic level. The Company Secretary is responsible for ensuring that this policy is applied to the strategic risks and, recommend appropriate action to the TasFoods Executive arising from reports and data received from risk management activities.

- **TasFoods WHS Manager** is responsible for effective risk management at the operational level. The WHS Manager is responsible to ensure that the policy is applied to the workplace health and safety risks and all other operational risks, and to recommend appropriate action to the TasFoods Executive arising from reports and data received from risk management activities.

- **TasFoods QA Manager** is responsible for effective risk management at the food safety level. The QA Manager is responsible to ensure that the policy is applied to the food safety risks, and to recommend appropriate action to the TasFoods Executive arising from reports and data received from risk management activities.

- **Business Unit Management / Team Leaders** are responsible and accountable for ensuring adherence and application to this policy as issued by the CEO and the development and maintenance of risk registers at the operational level for discussion at monthly business unit management meetings. **Risk management must be a permanent agenda item for all monthly business unit management meetings.**

- **Company Secretary (with assistance of WHS Manager)** is responsible for the development and coordination of the risk management framework and program across TasFoods. Specifically, this role includes:

  - Provide risk management consultation to all TasFoods staff

  - Report to the TasFoods Executive on TasFoods risk management practices, risk status and profile

  - Assist executive management to develop and manage risk registers

  - Provide risk training or coaching sessions to individuals or groups

  - Provide risk presentations to individuals or groups

  - Provide risk workshops across TasFoods where relevant and appropriate.

EXECUTIVE RISK OWNERS

TasFoods CEO and/or the TasFoods Executive will allocate responsibility for the risk that is managed from an organisation perspective or, for a high level strategic risk to the organisation.

The risk owner may delegate responsibility (but not accountability) to an associate in line management to provide support in the development and implementation of risk treatment plans.

Risk Category	Risk Owner/s	Escalation Risk Score =
Strategic	TasFoods Board and CEO	16 - 25
Operational	TasFoods CEO and COO	23 - 25
Corporate	TasFoods CEO and CFO	23 - 25

TASFOODS RISK MANAGEMENT GOVERNANCE

The risk reporting and escalation pathway is to be applied across TasFoods to ensure a consistent approach to the consultation and feedback regarding the identification, receipt, ownership and management of risk.

This pathway also applies to the escalation of risks and / or the de-escalation of risks that cannot be owned due to delegation. All risks that do, or, have the potential for major impact or consequences to TasFoods are to be escalated to the CEO immediately to identify appropriate ownership and action.

Figure 1: Risk Reporting and Escalation Pathways
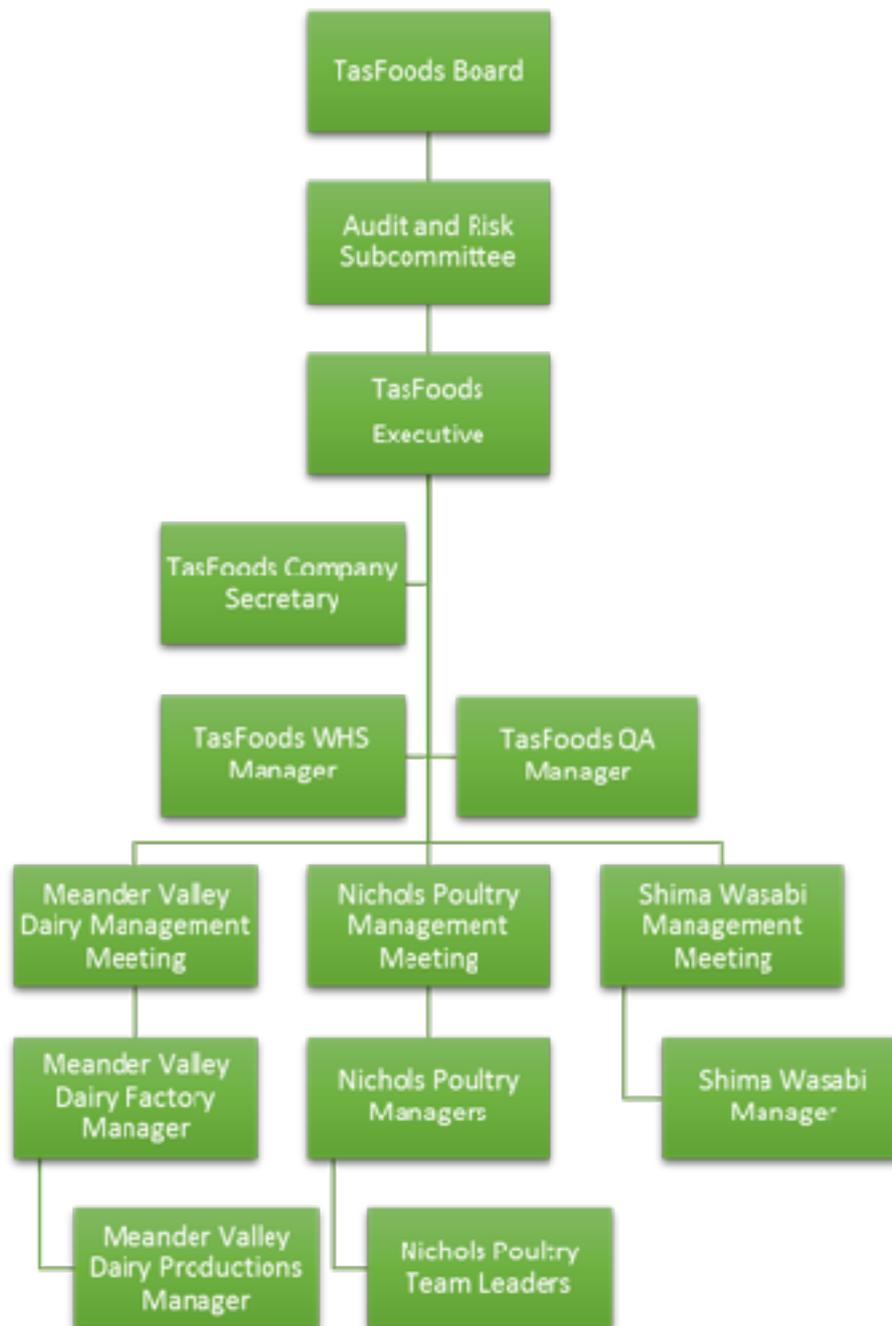
RELATED LEGISLATION AND STANDARDS

- *Australian/New Zealand Standard, Risk management – Principles and guidelines (AS/NZS ISO 31000:2009)*

ATTACHMENTS

1. Appendix 1: Risk Scoring and Reference Matrix

2. Appendix 2: Risk Consequence Category Table

STATUS
New

RESPONSIBILITY FOR IMPLEMENTATION
TasFoods Executive

ENDORSEMENT BODY
TasFoods Limited Board and Executive

EFFECTIVE DATE
25 June 2018 (if approved by Board)

REVIEW DATE
20 June 2020 - this policy will remain current and in effect until the review occurs.

OWNER
Chief Executive Officer

AUTHOR
Chief Financial Officer

CONTENT ENQUIRIES
co.sec@tasfoods.com.au

APPENDIX 1:

Risk Reference Tables
Risk reference tables provide a guide as to how risks are analysed, evaluated, measured and reported.

The tables are used as a scoring and risk status reference in the assessment, evaluation and treatment of risks. These tables are included for completion in the Risk Register.

The risk scoring matrix specifically relates to the TasFoods Risk and Consequence Category Table (Appendix 2).

With risk identification the Risk and Consequence Table assists staff in the identification of the degree of risk severity to TasFoods. This then enables staff to refer to the Risk Scoring Matrix to identify the relevant consequence and likelihood of the risk and determine the risk score.

The risk reference tables (referred to as matrix) include:

- **Risk Scoring Matrix:** Consequence and Likelihood matrix determines the risk score.

- **Controls Adequacy Rating Table:** rates the adequacy of existing controls in place to manage a risk and contain potential consequences.

- **Residual Risk:** risk score remaining after risk treatment.

- **Risk Acceptance:** assists in defining the organisations risk tolerance or appetite and provides guidance (colour coded) as to the acceptability of risk, the level of controls required and the timeframes for actions and treatments to occur within.

Risk Scoring Matrix

Consequence					
Likelihood	**Negligible**	**Minor**	**Moderate**	**Major**	**Extreme**
Rare	Low (1)	Low (4)	Low (5)	Medium (11)	High (15)
Unlikely	Low (2)	Medium (8)	Medium (10)	High (14)	Very High (21)
Possible	Low (3)	Medium (9)	High (13)	Very High (19)	Very High (22)
Likely	Medium (6)	High (12)	Very High (17)	Very High (20)	Extreme (24)
Almost Certain	Medium (7)	Very High (16)	Very High (18)	Extreme (23)	Extreme (25)

Likelihood Descriptor	Example Detail Description
Almost Certain	It is expected to occur in most circumstances (e.g. several times a year)
Likely	Will probably occur in most circumstances (once a year)
Possible	Might occur at some time (every 2 to 3 years)
Unlikely	Could occur at some time (possibly in the next 3 to 5 years)
Rare	May occur only in exceptional circumstances (perhaps every 5 to 30 years)

Controls Adequacy Table

Level	Controls Descriptor	Status Test
E	Excellent	➢ Comprehensive, effective controls fully in place for prevention as well as mitigation of consequences ➢ Control requirements communicated, complied with, maintained, monitored, reviewed and tested regularly ➢ Controls assessed or tested individually and as a system where multiple controls are utilised, to obtain Control Self Assurance or independent assurance ➢ All that can be done is being done
A	Adequate	➢ Sufficient effective controls substantially in place for prevention as well as mitigation of consequences ➢ Control requirements communicated, complied with, with procedures for specific circumstances. Periodic reviews ➢ All that is reasonably practicable to be done is being done
I	Inadequate	➢ Controls are either non-existent, not practically in place or not effective ➢ Not communicated and/or not complied with. No reviews. ➢ Little or nothing is being done.
U	Unknown	➢ Controls and status are unknown

Risk Target Remedy Table

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APPENDIX 2
TASFOODS: Risk Consequence Category Table

Risk Consequence Category	Risk Consequence Sub-category	DEGREE OF SEVERITY				
		Negligible	Minor	Moderate	Major	Extreme
OPERATIONAL	Workplace Health & Safety Human Resources Business Continuity Asset Management (including Buildings and Infrastructure) Accreditation (ie Coles, RSPCA, etc)	First aid or minor medical treatment Short-term, low staffing levels, temporarily reduces production for < 1 day Minimal disruption Negligible unbudgeted asset purchase, repair or replacement required An insignificant impact on accreditation	Significant medical treatment. Lost injury time <2 weeks Low staffing levels that impact production Some disruption to production in an isolated area Minor unbudgeted asset purchase, repair or replacement required An event which would lead to limited adverse exposure/ damage to accreditation	Lost injury time >2 weeks Short term disability to one or more persons Inability to meet customer orders due to lack of staff to meet required production levels Total cessation of a production for a number of weeks Repair/ replacement of major Asset An event leading to significant but intermittent adverse exposure/ damage to accreditation	Extensive injury or impairment to one or more persons Significant uncertainty surrounding meeting customer orders due to lack of staffing Disruption of multiple production areas for a few months Repair/ replacement of significant Asset An event leading to significant and ongoing (shorter-term) adverse exposure/damage to accreditation	One or more fatalities or severe irreversible disability to one or more people Non-delivery of customer orders due to lack of staffing Total cessation of multiple production areas for several months Repair/ replacement of multiple significant Assets An event leading to significant and sustained (longer-term) exposure/ damage and potential loss of accreditation
FOOD SAFETY	Food safety/ quality	A food safety issue arises which is not significant	Customer complaint	Product recall	Serious illness of customer	One or more fatalities to people

CORPORATE		Financial impact of less than $5,000	Financial impact ranging between $5,000 - $49,999	Financial impact ranging between $50,000 - $249,999	Financial impact ranging between $250,000 - $499,999	Financial impact of greater than $500,000
	Financial/ Fraud	Financial impact of less than $5,000	Financial impact ranging between $5,000 - $49,999	Financial impact ranging between $50,000 - $249,999	Financial impact ranging between $250,000 - $499,999	Financial impact of greater than $500,000
	Branding	Reduction in customer demand for branded products up to 10%	Reduction in customer demand for branded products between 10% and 24%	Reduction in customer demand for branded products between 25% and 49%	Reduction in customer demand for branded products by 50%	Impact on customer demand for branded products so severe a re-banding strategy is required to be adopted.
	Information Technology	Negligible impact, brief loss of IT service, no effect on business operations	Localised impact only for a brief period, isolated failure which can be simply addressed, some minor effect on business operations	Critical loss of IT service which results in failure to achieve business operation requirements in one location, which can be corrected.	Critical loss of service for up to one month, which results in failure to achieve business operation requirements and restricts business operations in multiple business locations.	Critical loss of service for greater than one month, which results in major systemic failure of business operations across the entire organisation
	Corporate Governance	Removal of one or more senior managers	Removal of one or more of executive team	Removal of CEO	Removal of one board member	Removal of more than one Board member
	Australian Securities Exchange (ASX)		Request by ASX for further information	Suspension from trading of securities for a period of no longer than 2 days	Suspension from trading of securities for a period greater than 2 days	Referral by ASX or ASIC for investigation or suspension from trading of securities for an indefinite period
	Legal and Compliance	Minor issues or breaches of regulations	Breach of regulations; major fine or legal costs; minor litigation	Breach of regulation with investigation by authority and possible moderate fine and litigation and legal costs up to $200,000	Major breach of regulation with punitive fine, and significant litigation involving many weeks of senior management time and up to $500,000 of legal costs	Major litigation costing >$500,000; investigation by regulatory body resulting in long term interruption of operations

STRATEGIC	Reputation	No media coverage; complaint to employee	Local media coverage; complaint to management	Local media coverage over several days; departure of senior management; noticeable loss of customers for many months	Statewide media coverage; CEO departs; significant loss of customers for many months	National media coverage; long-term loss of customers
	Organisational Strategy	Isolated failure to achieve/ deliver strategic outcomes	Minor failure to achieve/deliver strategic outcomes which can be resolved simply	Failure to achieve/ deliver strategic outcomes resulting in recurring incidents which are able to be resolved with proper management.	Failure to achieve/deliver strategic outcomes which have material enduring adverse outcomes for the organisation.	Systemic failure to achieve/deliver strategic outcomes which has material, widespread and enduring organizational impacts.
MANAGEMENT IMPACT / INVOLVEMENT		Will require some management attention over several days	Will require some senior management time over many days	Disruption that will require senior management time over several weeks	Significant disruption that will require considerable senior management time over several weeks	Restructuring of organisation with loss of many managers