

# Risk Management Policy

## Introduction

This Policy sets out Mustera Property Group Limited's (**Mustera** or the **Company**) system of risk oversight, management of material business risks and internal control.

Mustera 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.

## Purpose

The purpose of this Policy is to:

- (i) encourage an appropriate level of risk tolerance throughout the Company;
- (ii) establish procedures to analyse risks within agreed parameters across the Company;
- (iii) establish appropriate risk delegations and corresponding risk management framework across the Company; and
- (iv) ensure Mustera has a risk management framework that can measurably react should the risk profile of the Company change.

## 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:

- (i) shareholder and investor preferences and expectations;
- (ii) expected business performance (return on capital);
- (iii) the capital needed to support risk taking;
- (iv) the culture of the organisation;
- (v) management experience along with risk and control management skills; and
- (vi) longer term strategic priorities.

Risk appetite is communicated through the Company's strategic plans. The Board and management monitor the risk appetite of the Company relative to Mustera's actual results to ensure an appropriate level of risk tolerance throughout the Company.

## Risk Management Framework

Mustera believes that risk should be managed and monitored on a continuous basis. As a result, the Company has designed a dynamic risk management framework to allow Mustera to manage its risks effectively and efficiently, enabling both short term and long term strategic and business objectives to be met.

The Company's approach to risk management is summarised below:

### *Identification of risks*

To ensure key risks are identified, Mustera:

- defines risks in the context of the Company's strategy;
- documents risk profiles, including a description of the material risks; and
- regularly reviews and updates the risk profiles.

The Company's Risk Profile is summarised below.

### *Assessment of risks*

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

### *Measurement and control*

Identified risks are then analysed and the manner in which the risk is to be managed and controlled is then determined and agreed. The generally accepted options are:

- accept the risk (where it is assessed the risk is acceptable or if avoiding the risk presents a greater risk through lost opportunity)
- manage the risk (through controls and procedures)

- avoid the risk (stop the activity)
- transfer the risk (outsourcing arrangements)
- finance the risk (through insurance)

#### **Continuous assessment**

The Company's Risk Management Framework requires a continuing cycle of implementing, monitoring, reviewing and managing risk management processes.

### **Risk Profile**

The identification and effective management of risks is critical in Mustera achieving strategic and business objectives. The Company's activities give rise to a broad range of risks which are considered under the following key categories of risk:

#### **Strategic Risks**

- Lack of responsiveness to changing economic or market conditions, including property prices and interest rates, that impact the Company's operations;
- Ineffective or poor strategy developed; and
- Ineffective execution of strategy.

#### **Financial Risks**

- Financial performance does not meet expectations;
- Capital is not effectively utilised or managed;
- Cash flow is inadequate to meet financial obligations;
- Gearing levels and debt facility management;
- Financial results are incorrectly accounted for or disclosed; and
- Credit, market and/or tax risk is not understood or managed effectively.

#### **Operational Risks**

- Property re-leasing and vacancy;
- Inability to complete acquisitions or disposals of property;
- Environmental issues and contaminations; and
- Inadequate project management.

#### **Investment Risks**

- Failure to provide expected returns for defined objectives and risk such as under-performing to the stated objectives and/or benchmarks.

#### **People Risks**

- Inability to attract and retain quality and appropriate people;
- Inadequate succession planning; and
- An inappropriate culture.

#### **Legal and Regulatory Risks**

- Legal and commercial rights and obligations are not clearly defined or understood; and
- Commercial interests not adequately protected by legal agreements and/or insurances.

#### **Compliance Risks**

- Non-conformance with or inability to comply with rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

### **Risk Oversight**

#### **Governance Structure**

Mustera's Risk Management Framework is supported by the Board of Directors, management and the Company's corporate governance policies.

#### **Board of Directors**

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The Board is responsible for approving and reviewing Mustera's risk management strategy and policy.

### **Management**

To assist the Board in discharging its responsibility in relation to risk management, the Board has delegated certain responsibilities to management.

Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of the Company can be met.

When considering the 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.

Similarly, in a separate written statement the Managing Director and the Chairman 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.

### **Audit and Risk Committee**

The Audit and Risk Committee (if established) is a committee of the Board, with delegated responsibilities in relation to risk management and the financial reporting process at Mustera.

The Committee is also responsible for monitoring overall compliance with laws and regulations.

The responsibilities of this Committee are contained in the Committee's charter, a copy of which is available on the Company's website: [www.mustera.com.au](http://www.mustera.com.au).

### **Assurance**

There are different levels of assurance in relation to the effectiveness and efficiency of Mustera's Risk Management Framework and associated processes and controls.

At first instance, assurance is provided from management through management reports and process.

Assurance also comes from the monitoring, oversight and reporting undertaken by the Audit and Risk Committee (if established), as well as from the independent testing, review and reporting undertaken by external audit. Independent external auditors are engaged by Mustera to provide an audit opinion as required by law.

Process, surveillance, controls or other reviews are performed as required.

Reviews are also performed by regulators.

### **People and Culture**

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

## **Shareholder Meetings**

Mustera will convene shareholder meetings in accordance with the *Corporations Act* and the ASX Listing Rules.

The Company will prepare notices of meeting and accompanying documents in a clear and concise manner and in compliance with all applicable laws, regulations and rules.

At shareholder meetings, the Company will provide an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company.

## **Review of Policy**

The Board will review this Policy from time to time to ensure it remains consistent with the Board's objectives and responsibilities.

## **Publication of Policy**

This Policy will be available on the Company's website.

## **Approved and adopted**

This policy was approved and adopted by the Board on 28 July 2014.

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