

# Risk Management Policy

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## Purpose

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The purpose of this policy is to establish the roles, responsibilities and protocols to be adhered to regarding risk management, and to ensure a consistent, efficient, and effective assessment of risk in the achievement of corporate goals.

Risk management is the process of systematically identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function, process, or change.

Rather than being a 'stand-alone' process, risk management should be integrated into standard management processes.

The aim of this policy is not to eliminate risk, rather to manage the risks involved in company activities to maximise opportunities and minimise loss exposures.

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## Scope

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This policy applies to Hutchison Telecommunications Australia Ltd ("HTAL"), and its subsidiaries (H3GAH).

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## Policy

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To achieve our corporate goals, including meeting the economic expectations of shareholders, HTAL must pursue opportunities that involve risk. HTAL's approach is to apply a common framework to the management of risk and ensure the effective management of business risk as a core capability. HTAL views risk management as a continuous process, and a fundamental component of effective Corporate Governance.

It is through effective planning that management identify, analyse and document risks and risk management strategies, and it is through this planning process that key risks and risk management strategies are communicated to the Directors.

When establishing and implementing its approach to risk management, HTAL considers all material business risks. These risks may include but are not limited to: operational, strategic, financial, technological, environmental, compliance, reputation/brand, product/service quality, human capital, financial reporting and market-related risks.

In developing these capabilities, management is authorised to act in accordance with agreed policies and procedures and clearly defined delegations of authority.

Where employees of the company are deciding whether they are authorised to make a decision, they are first required to identify the accompanying risk.

The authority to accept risk on behalf of the company is illustrated in the matrix shown below (page 4). The levels of delegation of authority to accept risks on behalf of the company reflects levels of seniority and experience.

In making risk decisions, a key consideration should be the alignment of risk with reward to ensure that the level of risk accepted (retained) by HTAL is commensurate with the expected benefits (eg. a new revenue stream) and/or the cost to mitigate the risk.

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## **Roles and Responsibilities**

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### **All Staff & Management**

All staff and line managers are responsible for managing risk associated with the activities and functions under their control. Risk management processes should be integrated with normal planning processes and management activities.

The acceptance of risk must be escalated in accordance with the Risk Delegation levels as mandated by this policy. This is necessary to ensure that the person who may “accept” the risk on behalf of the organisation has sufficient experience and authority commensurate with the level of risk.

### **HTAL Board of Directors**

The Directors are responsible for ensuring that significant business risks facing HTAL are identified and managed appropriately.

The Audit Committee has been delegated primary responsibility for the oversight of risk management and for ensuring that appropriate risk management policies, systems and resources are in place. This includes monitoring the adequacy and effectiveness of internal controls and the integrity of reporting systems.

The Audit Committee relies on the work undertaken by the internal audit and risk management functions.

### **Executive Management team**

Executives are accountable for risk management within their areas of control. They are responsible for:

- Ensuring managers are identifying and managing risks appropriately
- Ensuring that “Risk Delegation levels” are adhered to (refer to page 4)
- Allocation of priorities and resources in addressing risks

## **CFO**

In addition to the above, the CFO is accountable to the Directors, through the Audit Committee, for ensuring that the risk management system is implemented and maintained in accordance with the Risk Management Policy.

## **CEO**

The CEO is accountable to the Directors, for ensuring that the company's major risks are identified and managed appropriately.

## **Group Risk Manager**

The Group Risk Manager ("GRM") is accountable through the Chief Financial Officer for the implementation of the Risk Management Policy and for maintaining a programme of risk assessment. The GRM also provides advice to Senior Executives on risk management matters relevant to their responsibilities. This includes areas such as Business Continuity Management, Operational risk and Insurance.

The GRM shall also maintain a Corporate Risk Register ("CRR") and update the Audit Committee on changes to HTAL's risk profile and progress against the CRR accordingly. The GRM shall work closely with Internal Audit to ensure alignment of the risk programme with internal controls functions.

## **Internal Audit Manager**

The Internal Audit group is accountable to management and the Audit Committee in reviewing the effectiveness of the HTAL control environment, the efficiency of Company processes, and identifying opportunities to improve operating performance.

At appropriate intervals, Internal Audit will determine the adequacy and effectiveness of the company's system of internal control, determine if the business unit/function is managing risks, in accordance with management instruction, policies and procedures, and in a manner consistent with the company objectives.

The Internal Audit Manager reports administratively to the CFO and functionally to the Audit Committee.

## Risk Delegation levels

Risk must be escalated in accordance with the Risk Delegation levels illustrated below. This is necessary to ensure that the person who may “accept” the risk on behalf of the company has sufficient experience and authority commensurate with the level of risk.

Risk Level:	Extreme	High	Medium	Low
Board of Directors	Can “accept” Extreme risks			
Executive Mgt team	Escalate Extreme risks	Can “accept” High risks		
GM / Project Steering Committees		Escalate High risks	Can “accept” Medium risks	
Supervisors / staff			Escalate Medium risks	Can “accept” Low risks

“Escalate” refers to a higher level of authority being informed of the nature and quantum of the risk, options and costs to mitigate the risk and the commercial benefits associated with the risk. The higher level of authority is therefore responsible for “accepting” the risk on behalf of the company.

For example, a General Manager (GM) has the delegated authority to “accept” a “Medium” risk, which may have been escalated by a supervisor. However a GM must escalate a “High” risk to the Executive Management team (EMT) for “acceptance” if the GM believes there are no commercially viable options to treat the risk (ie. risk reduction benefits outweigh the cost of reducing or transferring the risk).

Neither the EMT or a GM are authorised to make a decision that involves the acceptance of “Extreme” risk without referring it to a higher level that has that authority.” Only the Board of Directors has the authority to accept “Extreme” risks.

In certain circumstances the Board may accept that a risk, even though “Extreme”, is worth accepting as a consequence of the commercial benefits flowing from the decision that gives rise to such risk and having regard to the likelihood of adverse consequences happening.

The responsibility of identifying, assessing and managing (or escalating) risks lies with management and staff.

The level of risk is based on combined Impact and Likelihood ratings as per the table below.

### Level of risk

	IMPACT				
LIKELIHOOD	Insignifi- cant	Minor	Moderate	Major	Catastro- phic
Almost Certain	Medium	Medium	High	Extreme	Extreme
Likely	Medium	Medium	High	High	Extreme
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	High	High
Rare	Low	Low	Medium	High	High

The level of risk is based on Impact and Likelihood ratings (refer Risk Management Framework).

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### Revision

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The CFO must approve any and all changes to this Policy.

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### References

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- Australian/New Zealand Standard AS/NZS 4360:2003 'Risk Management'
- ASX "Corporate Governance Principles and Recommendations" - Principle 7 - Recognise and Manage Risk