

---

# Risk Management Policy\*

Alta Zinc Limited ABN 63 078 510 988 (Company)

---

## 1 Purpose

Recognising and managing risk is fundamental to the Company achieving its strategic objectives, and a crucial part of the role of the Board and management. Sound risk management practices can not only help to protect established value, but also can assist in identifying and capitalising on opportunities to create value.

The Company recognises that a failure by it to recognise or manage risk can adversely impact not only on the Company and its shareholders, but also other stakeholders which may include employees, customers, suppliers, creditors, consumers, taxpayers and the broader community in which the Company operates.

The Board is ultimately responsible for deciding the nature and extent of the risks it is prepared to take to meet its strategic objectives. To enable the Board to do this, the Company must have an appropriate risk management framework to identify and manage risk on an ongoing basis.

This policy sets out the Company's approach to risk management, including its approach to identifying and managing risk, the responsibilities of the Board, management and others within the Company in relation to risk management, and the resources and processes dedicated to risk management. Managing risk is the responsibility of everyone in the Company.

In this policy:

**management** refers to the senior management team as distinct from the Board, comprising the Company's senior executives, being those who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance.

**managing director** refers to a person employed by the Company to fulfil the duties of the managing director under the Constitution of Alta Zinc Limited.

**chief financial officer** refers to a person employed by the Company who is primarily responsible for financial matters of the Company and directly responsible for those matters to the Board.

**risk** means effect of uncertainty on objectives<sup>1</sup>;

**risk management** means co-ordinated activities to direct and control the Company with regard to risk<sup>2</sup>;

**risk management framework** is the set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Company<sup>3</sup>.

---

## 2 Who does this policy apply to?

All directors, officers and employees of the Company must comply with this policy.

---

<sup>1</sup> As defined in Australian/New Zealand Standard AS/NZS ISO 31000:2009 *Risk management – Principles and guidelines*

<sup>2</sup> As defined in Australian/New Zealand Standard AS/NZS ISO 31000:2009 *Risk management – Principles and guidelines*

<sup>3</sup> As defined in Australian/New Zealand Standard AS/NZS ISO 31000:2009 *Risk management – Principles and guidelines*

---

### 3 Risk appetite

The Board is responsible for deciding the nature and extent of the risks it is prepared to take to meet its objectives (**risk appetite**).

### 4 Risk management framework

The framework adopted references the Australian/New Zealand Standard AS/NZS ISO 31000:2009 *Risk management – Principles and guidelines* and involves:

#### 4.1 Risk identification

The risks faced by the Company will be identified and documented in a risk register, as per the example in Appendix A, or equivalent. Risk identification will be undertaken as part of the Company's strategic planning and budgeting process, and may be carried out through a workshop with management and potentially the board, facilitated by an external service provider or by a member of management.

The Company's risks will be classified under the following broad categories:

- A. Financial
  - Legal
  - Commercial
  - Management Activities & Control
  - Political Circumstances
- B. Health and safety
- C. Environment
- D. Community
- E. Reputation
- F. Compliance; and
- G. Cyber Security and Data Protection.

The individual risks which fall within these categories will be included in the Company's risk register.

#### 4.2 Risk analysis

Once the list of risks is agreed on by management and the Board, the risks will be analysed by determining consequences of the risks eventuating and their likelihood. Existing risk controls and their effectiveness (as perceived by management) should be taken into account when considering how likely the risk event is to occur and the impact/consequences it will have on the business.

Risk prioritisation will be undertaken at the same time as risk identification and will be considered in light of a 7x7 risk matrix, as the per the example in Appendix B, or equivalent.

#### 4.3 Risk evaluation

Prioritised risk should be compared with the risk appetite established by the Board. The output of this process will be a prioritised list of risks for further action.

#### 4.4 Risk treatment

Where the level of risk is above the desired level, management will develop and execute an action plan to address the risk by either: transferring the risk; reducing the risk or accepting the risk or a

combination of these approaches. When selecting the way a risk will be treated, the Company will consider the values and perceptions of stakeholders and the most appropriate ways to communicate with them.

#### **4.5 Monitoring and review**

The risk register will be reviewed, and if required updated, on at least a half-yearly basis, or more often if required.

Risk is a standing agenda item at each Board meeting.

The risk management framework will be monitored and reviewed through the risk activities outlined in section 5. However, the Board may request independent verification in relation to all or some of the risk management framework or individual controls, via internal or external means.

#### **4.6 Documentation**

The risk management framework and processes will be documented.

---

## **5 Risk management activities**

The Company's annual risk management activities are divided into quarters as follows:

### **5.1 Quarter One commencing 1 July**

Management:

- (a) reviews and updates the risk register and/or completes an individual risk report for critical material business risks and presents the register and/or the report to the Board;
- (b) the Managing Director and Chief Financial Officer provide the Board with a declaration in accordance with Recommendation 4.2 and section 295A of the Corporations Act 2001 (Cth) (Corporations Act);
- (c) the Managing Director provides a summary of the Company's annual risk management effort, including a report to the Board on whether the Company's material business risks are being managed effectively; and
- (d) prepares the disclosure for inclusion in the Company's corporate governance statement in relation to Recommendations 7.1 to 7.4.

The Board:

- (a) notes the updated risk register and/or individual risk reports and questions management if required;
- (b) notes the Managing Director and Chief Financial Officer declaration for the purposes of Recommendation 4.2 and section 295A of the Corporations Act;
- (c) notes the Managing Director summary regarding the Company's annual risk management effort (including the effectiveness report); and
- (d) approves the disclosure for inclusion in the Company's corporate governance statement in relation to Recommendations 7.1 to 7.4.

## 5.2 Quarter Two commencing 1 October and Three commencing 1 January

Management:

- (a) the Managing Director and Chief Financial Officer provide the Board with a declaration in accordance with Recommendation 4.2 and section 295A of the Corporations Act (in Quarter 3 only);
- (b) reviews the status of risk management strategies and reviews and updates the risk register and/or complete an individual risk report for critical material business risks and provide the register and/or the report to the Board.

The Board:

- (a) notes the Managing Director and Chief Financial Officer declaration for the purposes of Recommendation 4.2 and section 295A of the Corporations Act (in Quarter 3 only); and
- (b) notes the updated risk register/individual risk reports and questions management if required.

## 5.3 Quarter Four commencing 1 April

Management:

- (a) reviews this Risk Management Policy and make recommendations to the Board about any proposed changes;
- (b) unless reviewed by a specific committee of the Board, reviews the Company's risk management framework to satisfy itself that it continues to be sound;
- (c) reviews the Company's Board Charter and Audit and Risk Committee Charter and role descriptions for management to ensure accountability for all risk management is included; and
- (d) reviews and updates the risk register and/or completes an individual risk report for critical material business risks and presents the register and/or the report to the Board.

The Board:

- (a) determines the Company's overall risk appetite;
- (b) approves the Risk Management Policy and provides input into the Company's risk profile; and
- (c) notes the updated risk register/individual risk reports and questions management if required.

---

# 6 Risk management roles and responsibilities

## 6.1 Board

The Board is responsible for setting the Company's risk appetite, for overseeing the risk management framework designed and implemented by management and to satisfy itself that the risk management framework is sound. The Board is also responsible for monitoring and reviewing the Company's risk profile.

## 6.2 Audit and Risk Committee

The full Board performs the role of an Audit and Risk Committee which is responsible for, among other things, the adequacy of the Company's corporate reporting processes and the appropriateness

of managements accounting judgements or choices. It also reviews the Company's internal financial control system and oversees the company's risk management framework. The role of the Audit and Risk Committee is set out in the Company's *Audit and Risk Committee Charter*.

Ultimate responsibility for the Company's risk management framework rests with the Board.

### **6.3 Managing Director**

The Managing Director has responsibility for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for identifying any material changes to the Company's risk profile and ensuring, with approval of the Board, the risk profile of the Company is updated to reflect any material change.

The Managing Director is required to report on the progress of, and on all matters associated with, risk management as a standing item at each Board meeting. The Managing Director is to report to the Board as to the effectiveness of the Company's management of its material business risks, at least annually.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

### **6.4 Management**

Senior executives are responsible for assisting the Managing Director identify, assess, monitor and manage risks.

### **6.5 Managers and supervisors**

Managers and supervisors must:

- (a) monitor material business risks for their areas of responsibilities;
- (b) provide adequate information on implemented risk treatment strategies to management to support ongoing reporting to the Board; and
- (c) ensure staff are adopting the Company's risk management framework as developed and intended.

### **6.6 Individual staff**

All staff within the Company should:

- (a) recognise, communicate and respond to expected, emerging or changing material business risks;
- (b) contribute to the process of developing the Company's risk profile; and
- (c) implement risk management strategies within their area of responsibility.

---

## **7 Review**

The Company's risk management framework is evolving. It is an on-going process and it is recognised that the level and extent of the risk management framework will evolve commensurate with the development and growth of the Company's activities. This will include an annual review of this policy by the full Board in its capacity as the Audit and Risk Committee.

\*This Policy incorporates some material from "Principle 7: Recognise and Manage Risk – Guide for Small-Mid Market Capitalised Companies" produced by ASX Markets Supervision Pty Ltd, Deloitte Touche Tohmatsu and Blakiston & Crabb\*.

"Principle 7: Recognise and Manage Risk Guide for small – mid market capitalised companies" was provided as general information only and does not consider specific objectives, situations or needs. The Guide was not intended to be relied upon or disclosed or referred to in any document. ASXMS accepts no duty of care or liability to you or anyone else regarding the application of the Guide in the document and we are not responsible to you or anyone else for any loss suffered in connection with the use of the Guide in this document or any of the content contained in this document.

\* Blakiston & Crabb became Gilbert + Tobin with effect from 1 July 2011.

## Appendix A — Template Risk Register

1. Identify material business risks			2. Prioritise the risks		3. Manage material business risks			4. Report	
#	Risk description	Current controls	Effectiveness of current controls	Likelihood	Consequences	Risk level	Further management action required	Responsibility / timeframe	Status
1	Describe each risk including potential consequences that may impact on the company if it eventuate.	List management controls currently in place to prevent or minimise the effect of risk occurring.	Consider the effectiveness of current controls in addressing the risk.	Determine the likelihood of risk occurring.	Determine the impact on company if it does occur.	Determine the overall risk level. The arrows may be used to track change in risk level since last report.	If risk level is too high or above company's risk tolerance, document additional management action required to reduce the risk level.	Allocate responsibility for each risk and specify timeframe.	Track the status of risk mitigation actions and report to the board.
						↑			
						↔			
						↓			

### Legend

↑ Risk level increased from last review

↔ Risk level unchanged from last review

↓ Risk level decreased from last review

## Appendix B – Template Risk Matrix

LIKELIHOOD RATING	7	14	21	28	35	42	49
	6	12	18	24	30	36	42
	5	10	15	20	25	30	35
	4	8	12	16	20	24	28
	3	6	9	12	15	18	21
	2	4	6	8	10	12	14
	1	2	3	4	5	6	7
CONSEQUENCES RATING							

### Consequence rating:

- 1 Insignificant
- 2 Minor
- 3 Moderate
- 4 Significant
- 5 Major
- 6 Critical
- 7 Catastrophic

### Likelihood rating:

- 1 Extremely remote
- 2 Remote
- 3 Rare
- 4 Unlikely
- 5 Possible
- 6 Likely
- 7 Almost certain