



PACIFICENERGY

Risk Management Policy



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1.0 Identification of Risk

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Chief Executive Officer (CEO) and Company Secretary having ultimate responsibility to the Board for the risk management and control framework.

Management details the risk exposure of the Group to the Board on a regular basis outlining the material business risks to the Group. Risk reporting includes the status of risks through an integrated risk exposure template aimed at ensuring risks are identified, assessed and appropriately allocated and managed.

Material business risks for the Group may arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements, technical solutions installed, environment, occupational health and safety, property, financial reporting, and the purchase, development and use of information systems.

2.0 Risk management and Compliance and Control

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The Board's policy on internal control comprises the Group's internal control compliance and control systems, including:

- Operating unit controls – Operating units confirm compliance with financial controls and procedures including information systems controls.
- Investing appraisal – Guidelines of capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- Capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled, including the use of derivatives where appropriate;
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- Business transactions are properly authorised and executed;
- The quality, integrity and retention of personnel (see below);
- Reliable and efficient service delivery to customers to meet their requirements; and
- Financial reporting accuracy and compliance with the financial reporting regulatory framework (see below).

Arrangements put in place by the Board to monitor risk management include periodic management and Board review, with the frequency dependent on the severity of residual risk.

2.1 Quality, Integrity and retention of Personnel

Training, development, job diversity and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation, learning, interest and constructive dialogue with employees and senior management.

2.1 Environmental Regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

3.0 Integrity of Financial Reporting

The Group's CEO and Chief Financial Officer report in writing to the Board that:

- the consolidated financial statements of the Group and its controlled entities for the full year present a true and fair view, in all material aspects, of the Group's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Group's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

4.0 Review

The CEO will monitor the effectiveness and review the implementation of this policy, considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible.



Jamie Cullen
Group CEO
16 July 2020