



Risk Management Policy

Adacel Technologies Limited

ACN 079 672 281

Adopted by the Board on 21 November 2022

Risk Management Policy

Adacel Technologies Limited and subsidiaries (the Group)

1. Introduction

1.1 Background

Risk recognition and management are viewed by the Group as integral to its objectives of creating and maintaining shareholder value, and to the successful execution of the Group's strategies.

1.2 Purpose

The purpose of the Risk Management Policy (the **Policy**) is to ensure that:

- (a) appropriate systems are in place to identify to the extent reasonably practicable all material risks that may impact on the Group's business;
- (b) the financial impact of identified risks is understood, and appropriate internal control systems are in place to limit the Group's exposure to such risks;
- (c) appropriate responsibilities are delegated to control the identified risks effectively; and
- (d) any material changes to the Group's risks which are disclosed within the Company's Annual Report and Corporate Governance Statement.

For the purpose of this Policy, "risk" is defined as possible outcomes that could materially adversely impact on the Group's financial performance, assets, reputation, people or the environment.

1.3 Board responsibility

The Board is responsible for risk oversight and the management and internal control of the processes by which risk is considered for both ongoing operations and prospective actions. As a minimum, the Board is required to:

- (a) oversee the establishment and implementation of the risk management system; and
- (b) review the effectiveness of the Group's risk management system,

in relation to the processes, structures and culture established to identify, assess, treat and monitor risk to support the achievement of the Group's objectives.

In specific areas, the Board is assisted by the Audit & Risk Management Committee. The Audit & Risk Management Committee is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

The Group places considerable reliance on the skill, experience and judgment of its people to take risk managed decisions within the framework of this Policy and to communicate openly on all risk related matters.

2. Key principles and concepts

2.1 Identified Business Risks

There are a number of risks which are inherent to the business activities which the Group undertakes.

These risks may change over time as the external environment changes and as the Group expands its operations. The risk management process requires the Board to conduct regular reviews of the Group's existing risks and the identification of any new and emerging risks facing the Group, including financial and non-financial matters. It also requires the management of these risks, including risk mitigation where appropriate.

2.2 Business Risk Management Policies and Practices

In order to properly identify and develop strategies and actions to manage business risks, the Group has put in place a business risk management framework based on the following key elements:

- (a) an Audit & Risk Management Committee which meets periodically to identify and assess specific risks. The Audit & Risk Management Committee should have a thorough understanding of the Group's activities and should be conversant with the Company's business plans, objectives and values;
- (b) an assessment of the potential impact of identified business risks and the likelihood of occurrence;
- (c) a ranking of the business risk in accordance with the likely impact on the Group;
- (d) an assessment of the acceptability of each identified risk;
- (e) a consideration and decision on the proposed actions to eliminate, reduce or manage each material risk; and
- (f) an assignment of the responsibilities for the management of each risk.

Risk management encompasses all areas of the Group's activities. Once a business risk is identified, the risk management processes and systems implemented by the Group are aimed at providing the necessary framework to enable the business risk to be managed.

The overall results of this assessment are presented to the Board by the Chair of the Audit and Risk Management Committee, in oral and/or written form, subsequent to a review by the Audit & Risk Management Committee meeting, and updated as needed.

The Board regularly reviews the Group's risk management framework, and where required, makes improvements to its risk management and internal compliance and control systems.

2.3 Additional Risk Management Policies and Practices

In addition to the specific risk management process described in this Policy, the Group has the following procedures and practices which are designed to manage specific business risks:

- (a) an insurance program which is reviewed by the Audit & Risk Management Committee and by the Board;
- (b) regular budgeting, forecasting and financial reporting;
- (c) the Company's business plan;
- (d) legally binding commitments and expenditure exceeding certain levels must be submitted to the Chief Executive Officer for approval
- (e) legally binding commitments and expenditure exceeding certain levels must be submitted to the Board for approval;
- (f) non-legally binding estimates or rough-order-of-magnitude "ROM" proposals exceeding certain levels must be submitted to the Board for approval;
- (g)
- (h) procedures/controls to manage material financial exposures and operational risks;
- (i) oversight of the Group's financial affairs by the Audit & Risk Management Committee;
- (j) regular performance reporting enabling the identification of performance against targets and evaluation of trends;
- (k) a health and safety policy and management standards to ensure that the Company complies with its obligations and responsibilities in relation to occupational health and safety, environmental issues, and the communities in which it operates; and
- (l) ongoing training and development programs.

Additionally, all other significant areas of the Group's operations are subject to regular reporting to the Board by Group personnel, including development, finance, legal, safety, environment, government and investor relations.

3. Other matters

3.1 Amendment of policy

This Policy can only be amended with the approval of the Board.

3.2 Adoption of Policy and Board review

This Policy was last reviewed and amended by the Board on 21 November 2022 and takes effect from that date and replaces any previous charter in this regard.

The Audit & Risk Management Committee must review and reassess this Policy periodically. Any amendments to this Policy must be approved by the Board. The Company Secretary will communicate any amendments to officers/senior management of the Group and the Chief Executive Officer shall communicate these to other employees as appropriate.