



Risk Management Policy

ACN 629 010 484

Version 1
October 2022

Table of Content

1.	INTRODUCTION.....	3
2.	WHAT IS RISK?.....	3
3.	PURPOSE OF THIS POLICY	3
4.	SCOPE.....	3
5.	RISK APPETITE	3
6.	RISK GOVERNANCE	4
6.1.	Overview	4
6.2.	Board of Directors	4
6.3.	Audit and Risk Committee.....	4
6.4.	Senior Management.....	5
6.5.	Risk Manager	5
6.6.	Three Lines of Defence.....	5
7.	RISK MANAGEMENT FRAMEWORK.....	6
7.1.	Risk Management Process	6
7.2.	Risk Identification	6
7.3.	Risk Assessment.....	6
7.4.	Risk Treatment.....	7
7.5.	Risk Mitigation Strategy	7
7.6.	Risk Monitoring and Reporting.....	7
7.7.	Internal operating event escalation procedure.....	8
8.	COMPONENTS OF RISK MANAGEMENT FRAMEWORK	8
9.	REVIEW AND AMENDMENTS.....	9
10.	APPENDIX 1 – RISK ASSESSMENT METHODOLOGY	10
11.	APPENDIX 2 – RISK REGISTER	14

Document History

Version	Summary of Amendments	Approved by	Approval date
1	Introduction of this Risk Management Policy	Board of Directors	24 October 2022

Other Policy Details

Key Information	Details
Approval Body	Minemet Recycling Group Limited Board of Directors
Key Stakeholders	Minemet Recycling Group Limited Board of Directors Audit and Risk Committee Executive Leadership Team
Responsibility for Implementation	Chief Executive Officer Chief Financial Officer
Policy Custodian	Chief Executive Officer
Next Review Date	24 October 2023

Used Acronyms/Defined Terms

Acronym	Defined term
Board	Board of Directors
Policy	Risk Management Policy
Senior Management	Senior Executive Officer and any other individual appointed as member of the Senior Management

Legislative and Regulatory Framework

Authority	Law, Resolution or Regulation
Australian/New Zealand Standard	AS/NZS 4360:2004, Risk management
ASX Corporate Governance Council	Corporate Governance Principles and Recommendation

1. INTRODUCTION

Minemet Recycling Group Limited (hereafter referred to as “**we**”, “**us**” or “**our**”) is company limited by shares, incorporated and domiciled in Australia. We are a vertically integrated metal recycling operator with capabilities across the scrap metal collection, sorting, processing, marketing, and shipping components of the metal recycling value chain.

2. WHAT IS RISK?

Our definition of risk includes any event, action/ inaction or cause leading to uncertainty and impacting our ability to achieve our business objectives. The impact can be positive, negative or both and can address, create or result in opportunities and threats.

These risks may be strategic, operational, financial, investment, reputational, legal and regulatory, and can affect us or any persons associated with ourselves.

3. PURPOSE OF THIS POLICY

The purpose of this Policy is to provide an overview of our consistent approach to risk management and includes setting our risk appetite, establishing the framework for risk identification, assessment, mitigation, control, monitoring and reporting of all our risks.

We must implement a robust risk management framework which enables us to be aware of, anticipate and mitigate any possible risks associated with the nature and scale of the industry in which we operate and to reduce the likelihood and impact of these risks occurring.

Risk management is a dynamic process which involves periodic review and use of these reviews to establish the appropriate processes to align with the levels of risk. The Policy is prepared and reviewed at least once annually by our Senior Management and approved by our Board.

The benefits of effective risk management include fewer surprises, enhanced planning, improved management information for decision making and improved risk management. It also helps us promote a risk aware culture across the company.

4. SCOPE

This Policy applies to our Board (and where applicable, its committees), Senior Management and employees associated, and all such personnel are required to adhere to the policy and procedures prescribed in this Policy.

5. RISK APPETITE

A critical element of our risk management framework is our risk appetite, which is the extent of willingness we take risks in pursuit of our business objectives.

Our Board and Senior Management monitor our risk appetite relative to our actual results to ensure an appropriate level of risk tolerance throughout the Company.

Our risk appetite statement is reviewed and approved by our Board on an annual basis, and it highlights our position for each risk categories.

6. RISK GOVERNANCE

6.1. Overview

The ultimate responsibility for risk management and oversight of regulatory compliance rests with our Board.

The responsibility for day-to-day risk management has been delegated by our Board to our Senior Management.

In addition to this Policy, we have in place various compliance and operating procedures (including OHS Policy, HSE Policy, etc.) that are designed to ensure that business risk exposures remain at all times within our risk appetite and that compliance with these limits is monitored and reported.

The roles and responsibilities of the Board, Audit and Risk Committee, and the Senior Management are described in the sections below.

6.2. Board of Directors

In developing, implementing, and maintaining an effective risk management framework, our Board is responsible for:

- ▶ Approving our risk management framework, including this Policy and our Risk Register, after considering the recommendations provided by the Senior Management. This is to ensure that we have identified and are managing the risks arising from external market changes and other environmental factors, as well as those risks associated with new strategies, products, activities, or systems, including changes in risk profiles and priorities
- ▶ Monitoring adherence to our risk appetite and ensuring the mechanism for timely detection and remediation of breaches is in place
- ▶ Ensuring clear lines of management responsibility and accountability for implementing a strong control environment and ensuring compliance, risk and audit functions have appropriate independence and segregation of duties from business and support functions.
- ▶ Promoting an internal risk awareness culture by way of ongoing communication and training to develop supporting processes and understanding by relevant employees of the nature and scope of the risk inherent in our strategies, business operations activities.
- ▶ Ensuring that our risk management framework is subject to effective independent review by internal audit
- ▶ Our compliance with legal and regulatory requirements.

6.3. Audit and Risk Committee

To increase efficiency and allow deeper focus in risk related areas, our Board has established an Audit and Risk Committee. We maintain appropriate records (e.g., meeting minutes or summary of matters reviewed, and decisions taken) of the committee's deliberations and decisions. These records document the committee's fulfilment of its responsibilities and help in the assessment by those responsible for the independent control functions or the ASX of the effectiveness of this committee.

Our Audit and Risk Committee is responsible for advising our Board on our overall current and future risk tolerance/appetite and strategy, and for overseeing Senior Management's implementation of that strategy. This includes strategies for capital and liquidity management, as well as for our market, operational, compliance, reputational and other risks.

To enhance the effectiveness of the Audit and Risk Committee, it receives formal and informal communication from our Senior Management, and, where appropriate, has access to external expert advice.

6.4. Senior Management

In developing, implementing, and maintaining an effective risk management framework our Senior Management is responsible for:

- ▶ Translating the risk management framework established/ approved by our Board into specific policies and procedures that can be implemented and verified within the different business units/functions
- ▶ Periodically advising our Board of the risks to which we might be exposed and recommending mitigation strategies and controls
- ▶ Periodically reviewing and providing recommendation to our Board on our risk management framework, including this Policy and our Risk Register considering all relevant risks to which we are exposed, our level of risk appetite, our current financial condition, and our strategic direction
- ▶ Clearly assigning authority, responsibility, and reporting relationships to encourage and maintain accountability, and to ensure that the necessary resources are available to manage risk in line within our risk appetite
- ▶ Ensuring our compliance, risk and audit functions have appropriate independence and segregation of duties from business and support functions
- ▶ Coordinating risk reporting from risk owners
- ▶ Informing and providing training to relevant personnel to ensure risk culture is practiced within our organization.

6.5. Risk Manager

- ▶ Advising the Board and Senior Management of risks to which we or our clients and businesses might be exposed
- ▶ Maintaining our Risk Management policy and register
- ▶ Tracking risk events and any financial impact associated with such events
- ▶ Coordinating the risk reporting from risk owners
- ▶ Undertaking risk monitoring on a periodic basis (depending on the nature and frequency)
- ▶ Providing training to relevant employees where required

6.6. Three Lines of Defence

To ensure the effectiveness of our risk management framework, our Board relies on adequate line functions – including our risk monitoring and independent assurance functions. We therefore consider the ‘**Three Lines of Defence**’ as an approach to effective risk management:

- ▶ Our **1st line of defence** are the risk owners that own and manage specific risks. Risk owners are the managers/ employees involved in our day-to-day business activities and management. Risk owners are responsible for managing the risks inherent in the business units for which they are responsible.
- ▶ Our **2nd line of defence** is the risk manager whose purpose is to oversee risk management function and specialises in compliance and management of risk.
- ▶ Our **3rd line of defence** is our internal audit function that provides independent assurance and reviews our risk management processes and controls.

7. RISK MANAGEMENT FRAMEWORK

7.1. Risk Management Process

Our risk management process includes the following elements:



7.2. Risk Identification

Identification of risks can be undertaken by any one of us; however, it is the ultimate responsibility of our Senior Management to identify and bring the identified risks to the attention of the Board.

A comprehensive list of short and long term risks (and often opportunities as well), are identified and organised by category (i.e., financial, operational, strategic, regulatory & legal). While each risk identified may be important us, we prioritize our key risks which allows our Senior Management and Board to focus on these key risks.

7.3. Risk Assessment

Assessment of risks is undertaken by our Senior Management along with our risk management function. We accomplish this by maintaining a risk register to record our identified risks. Any risk which may or can occur, although unlikely, is recorded on our Risk Register.

At this point the inherent risk exposure is measured by assessing the likelihood and impact of each risk and assigning values to each risk and opportunity using the defined criteria.

Then the residual risk exposure is measured according to the strength of the mitigating controls against the inherent risk exposure.

We are able to allocate and prioritize our resources and money by knowing the frequency and severity of our risks. Our risk assessment scale is defined under **Risk Assessment Methodology** in our Risk Register

7.4. [Risk Treatment](#)

Controls to mitigate or eliminate the risk are established by our Senior Management and are approved by our Board.

A risk treatment plan can consist of one or more treatment methods. We will consider selecting the most appropriate risk treatment mix which strikes the best balance between being affordable and effective.

We consider the following methods to treat our risks:

Tolerate	Retaining the existing risk by informed decision
Treat	Take cost effective actions to reduce the risk
Transfer	Sharing the risk with another party/s (i.e., insurance or outsourcing)
Terminate	Avoid the risk by deciding not to proceed with the activity that gives rise to the risk

7.5. [Risk Mitigation Strategy](#)

We evaluate the progress and impact of the risk management options and determine whether adaptive action is required, with responsibility for the management of those actions being assigned. This is to ensure that the risk response strategy and the risk treatment action plan are implemented and progressed effectively.

7.6. [Risk Monitoring and Reporting](#)

We, our environment, and our risks are constantly changing so the risks identified in our risk register is reviewed annually. Periodic tests (depending on their nature) and reviews are also be carried out in the identified risk areas to ensure that mitigating strategies and controls are effective and efficient in managing our risks.

The effectiveness of the risk controls detailed in our risk register relies on the Board and Senior Management being provided with timely and accurate information on the performance of these controls and as a part of risk monitoring. Here are some key activities which are shared with the Board and Senior Management.

Frequency	Key Activities	Forum
Annually	▶ Review of our annual Strategic and Business Plan (including our financial projection/ budget)	Strategy Meetings
	▶ Review of our Risk Management processes	Board Meetings
	▶ Review findings issued by internal and financial auditors	ET/ Board Meetings
6 Monthly	▶ Statutory Reporting - signing of the statutory accounts for material business risks.	ARC & Board Meetings

Frequency	Key Activities	Forum
Monthly	▶ Review of our statuses of the “Top 5” risks in the risk register, the mitigation strategies and controls and consideration of new or changing risks (if any).	ET Meetings
	▶ Report the progress in managing most significant risks. Ensure at least the “Top 5” risks to delivering performance are discussed	ARC & Board Meetings
	▶ Report on safety statistics (safety data)	ET Meetings / Board Meetings
Immediate/ On need basis	▶ Reporting and review of learning from key incidents and “near misses”	ET Meetings
	▶ Review of business strategy and performance	ET Meetings / Board Meetings
	▶ Review and escalate breach, customer complaint or incident reports	Board Meetings

7.7. [Internal operating event escalation procedure](#)

An operating event occurs where there is an error, or an event occurs that may result or has resulted in a financial or reputational exposure to us or our customers.

An operating event may result in a compensation loss, gain, or have no financial impact.

Where an operating event occurs or is identified, our employees are required to:

- ▶ Inform our Senior Management before any corrective action is taken. Our employees are not authorized to negotiate or agree on compensation with any external party without the consultation, guidance and pre-approval of our Senior Management and legal function
- ▶ Our Senior Management will facilitate discussion to ensure the right stakeholders are involved in determining the best course of action, which may include investigation, resolution, and communication to relevant parties; and

8. COMPONENTS OF RISK MANAGEMENT FRAMEWORK

We consider the following 8 components in our risk management framework.

Risk Category	Nature of Risk
Strategic risk	<ul style="list-style-type: none"> ▶ Unrealistic or poorly defined business strategies, ▶ Unable to recognize changing market conditions or new technology ▶ Regulatory/ tax challenges
Financial/ Investment risk	<ul style="list-style-type: none"> ▶ Inability to control costs and profitability ▶ Market risk ▶ Insufficient liquid assets to meet our financial obligations
Corporate governance risk	<ul style="list-style-type: none"> ▶ Lack of governance and oversight by our Board ▶ Lack of clear organisational structure.

Risk Category	Nature of Risk
Operational risk	<ul style="list-style-type: none"> ▶ Loss resulting from inadequate or failed internal processes and systems ▶ Loss of data, cyber attacks ▶ Trading risk ▶ Theft and possession of stolen materials.
Reputation risk	<ul style="list-style-type: none"> ▶ Loss resulting from damages to our reputation, in lost revenue, destruction of shareholders value ▶ Adverse or potential health and safety event ▶ Misconduct and corrupt practices, ▶ Insider dealing ▶ Market abuse conducted by our employees, or external parties
Legal and regulatory risk	<ul style="list-style-type: none"> ▶ Conducting business outside the scope of our license ▶ Ambiguous legal contractual relationships not protecting our commercial interests
People Risk	<ul style="list-style-type: none"> ▶ Inability to attract and retain quality and appropriate people ▶ Loss of key executives ▶ Inadequate succession planning ▶ Inappropriate culture
Health and Safety Risk	<ul style="list-style-type: none"> ▶ Non-conformance with or inability to comply with rules, regulations, prescribed practices, internal policies and procedures or ethical standards with respect to WHS and quality.

9. REVIEW AND AMENDMENTS

This Policy will be reviewed by our Board on an annual basis. This Policy must reflect our current practice and will be updated from time to time to ensure that it remains effective and meets the best practice standards and our needs.

The Policy cannot be amended without approval from our Board.

10. APPENDIX 1 – RISK ASSESSMENT METHODOLOGY

			IMPACT/ SEVERITY				
			1	2	3	4	5
			Insignificant	Minor	Major	Severe	Catastrophic
LIKELIHOOD	5	Almost Certain	Medium	High	Critical	Critical	Critical
	4	Likely	Medium	Medium	High	Critical	Critical
	3	Possible	Low	Medium	Medium	High	Critical
	2	Unlikely	Low	Low	Medium	Medium	High
	1	Rare	Low	Low	Low	Medium	High

Risk Likelihood Ratings	
Risk Likelihood	Definition
Almost Certain	<ul style="list-style-type: none"> ▶ one or more occurrence of the identified risk event within the next 12 months under given circumstances ▶ 90% chance of occurrence or higher ▶ no defined preventive or detective controls
Likely	<ul style="list-style-type: none"> ▶ an occurrence is likely to materialize within the next 2 years under given circumstances ▶ 60% - 90% chance of occurrence ▶ minimal preventive controls defined, or preventive controls are not effective
Possible	<ul style="list-style-type: none"> ▶ an occurrence is possible at least once within the next the next 3 years under given circumstances ▶ 40% - 60% chance of occurrence ▶ preventive controls are in place, however potential control failure under certain circumstances exists

Risk Likelihood Ratings	
Risk Likelihood	Definition
Unlikely	<ul style="list-style-type: none"> ▶ an occurrence is unlikely within the next 4 years under given circumstances. ▶ 10-40% chance of occurrence e.g., fraud by senior management is unlikely but nevertheless cannot be ruled out entirely ▶ preventive controls are in place and effective
Rare	<ul style="list-style-type: none"> ▶ occurrence of the identified risk event is expected to be rare in more than 4 years under given circumstances ▶ < 10% or less chance e.g., accounting documents destroyed by fire is rare but not impossible ▶ preventive controls are in place and effective

Risk Impact Ratings <i>(one of more condition may be applicable)</i>						
Risk Impact	Definitions					
	Financial	Business Interruption	Reputation	Compliance	Strategy	People
Catastrophic	Single uninsured event which could lead to; - ≥ \$20M financial impact - >30% of EBITDA - >70% reduction in share price Inability to cover 100% of liabilities	Systems and or equipment to be down for >3 months weeks for multiple sites. Severe destruction (e.g., fire) to multiple sites. Catastrophic irreversible environmental damage	Permanent damage to our reputation or image Sustain negative/prolonged headlines in mass international and national media. Public dissatisfaction with Minemet policies or actions Several major incidents of executive misconduct.	Cancellation/withdrawal of ASX/environmental license Restricting conduct of business Significant level of complaints/incidents and high threat of legal action Severe penalties for Directors/Officers and company.	Threatens our corporate survival or affects long-term (>1 year) strategic direction or our growth.	Unexpected/unplanned loss/departure of large no. of key management or more than half the no. of staff at an individual site. Multiple deaths.

Risk Impact Ratings (<i>one of more condition may be applicable</i>)						
Risk Impact	Definitions					
	Financial	Business Interruption	Reputation	Compliance	Strategy	People
Severe	Single event which could lead to; - > \$9M financial impact - >15% of EBITDA - >50% reduction in share price Inability to cover 70% of liabilities	Systems and or equipment down for > 2 months. Significant damage (e.g. fire) to a site. Severe environmental hazard caused long term recovery or potential relocation.	Medium term damage to our reputation or image. Negative headlines in mass national media	Penalties/ warning for Directors/Officers and company Regulatory breach requiring significant attention/corrective action.	Affects medium-term (between years) strategic direction or our growth.	Unexpected/unplanned loss of half the no. of staff at an individual site or more than 5 key management staff. Single death/ Permanent injury/ long term hospitalization of staff members (≥ 1)
Major	Single event which could lead to; - > \$3M financial impact - > 5% of EBITDA - > 20% reduction in share price Inability to cover 50% of liabilities	Systems and or equipment to be down for 4 weeks. Notable damage to the site. Environmental hazard with long term recovery with no relocation. Expiry of site leases	Minor adverse media coverage or minor reversible injury.	Possible enforcement action for Directors/Officers and company resulting in private warning.	Affects short-term (within next 12 months) strategic plan or our growth.	Unexpected/unplanned loss/departure of a few staff members at an individual site or 1-2 key management staff Major injuries/ hospitalization

Risk Impact Ratings (<i>one of more condition may be applicable</i>)						
Risk Impact	Definitions					
	Financial	Business Interruption	Reputation	Compliance	Strategy	People
Minor	Single event which could lead to; <ul style="list-style-type: none"> - > \$600K financial impact - >1% of EBITDA - >10% reduction in share price Inability to cover 10% of liabilities	Systems and or equipment down for 1 week. Minor damage to facility. Measurable environmental hazard with short term recovery.	Minor adverse media coverage or minor reversible injury	Isolated complaint/incident, resulting in fine/prosecution.	-	Injury requiring treatment by medical practitioner
Insignificant	Single event which could lead to: <ul style="list-style-type: none"> - ≤ \$600K financial impact - Recurring: ≤1 % of EBITDA - ≤ 10% reduction in share price 	Impact can be absorbed by daily business running costs	Neither adverse publicity nor reversible injury.	Isolated complaint/incident, no legal outcome. Regulatory breach requires corrective action. Non-compliance with internal policy.	-	Minor injury or first aid treatment

11. APPENDIX 2 – RISK REGISTER

(Disclaimer: This is an example only and does not reflect any relationship to actual circumstances)

S/N	Risk Category	Nature of Risk	Likelihood	Impact	Inherent Risk	Mitigating Controls or Strategies	Likelihood	Impact	Residual Risk	Risk Appetite
1	Corporate Governance Risk	Controlling Interest Risk (major shareholder)	Almost Certain	Major	Critical	The Board will remain responsible for the management of the Group. The Board comprises qualified members to ensure decisions taken are in the best interest of the Group and all the shareholders.	Unlikely	Minor	Low	Low
2	Corporate Governance Risk	Lack of clear organizational structure and ambiguous roles and responsibilities and independence	Likely	Major	High	<p>Organization chart sets out clear lines of accountability, supervision, independence and is reinforced by comprehensive job descriptions.</p> <p>The Board ensures that the essential roles (MD, FO, H&S, Financial Audit) are always filled with the suitable experienced and competent individuals and the required independence is maintained for the relevant roles (i.e. auditors, Co Sec). The organization chart is approved by the Board as and when it is revised.</p> <p>The Group will look into updating the organisation chart depicting reporting lines to the Board which will demonstrate independent reporting to the Board (i.e. the Financial Auditor).</p>	Unlikely	Minor	Low	Low