

## **ACCORDANT GROUP RISK MANAGEMENT FRAMEWORK (Policy)**

### **Introduction**

Operationally, ACCORDANT GROUP comprises four distinct businesses: AWF, Madison Recruitment, JacksonStone & Partners and Absolute IT; but for the purposes of this framework they are referred to as one (“ACCORDANT”); and the business recognizes that it operates in a complex risk environment. The business will actively manage all material risks, balancing the risks inherent in the nature of its business with the need to conduct the usual operations of a successful company (also New Zealand’s largest recruitment company) and will accept an appropriate level of financial risk consistent with maintaining the business’ commercial performance.

### **Definition**

Risk is defined within the AS/NZS ISO 31000:2009 Risk Management Standard as the effect of uncertainty on objectives. For ACCORDANT this means the volatility around activities undertaken to achieve ACCORDANT’s strategic and operational objectives.

### **Purpose**

The risk management framework provides guidance to ACCORDANT employees on the systematic risk process they should apply as they perform their work activities and make decisions. Compliance with this process assists the ACCORDANT Board, ELT, SLT and management to have confidence that the risks ACCORDANT faces now, and in the future, are identified and well-managed, with a focus on realising potential opportunities whilst managing adverse effects.

### **Principles**

Risk management in ACCORDANT is effective when it:

- creates and protects value;
- is an integral part of all ACCORDANT’s processes;
- is part of the decision-making process;
- explicitly addresses uncertainty;
- is systematic, structured and timely;
- is based on the best available information; and encourages open communication;
- is tailored to ACCORDANT;
- takes human, cultural factors and diversity into account;
- is transparent and inclusive;
- is dynamic, iterative and responsive to change; and
- facilitates continual improvement.

## Benefits

Effective risk management will enable ACCORDANT to:

- achieve its strategy within agreed risk parameters;
- proactively manage volatility in activities related to ACCORDANT's operations;
- identify and treat risk throughout ACCORDANT;
- improve identification of opportunities and threats
- establish a reliable basis for decision-making and planning
- improve stakeholder confidence and trust
- effectively allocate and use resources for risk treatment; and
- improve ACCORDANT's resilience.

## Authority and Responsibility

**CEO** - The CEO has overall authority and accountability for risk management at ACCORDANT, through the Executive Leadership Team (ELT).

**Group CFO/Commercial Director** - The Group CFO/Commercial Director and the GM's are collectively responsible for the risk management program.

**GM's and Senior Management** – The GM and his/her/their Senior Management Team (GM's direct reports ("SLT")); and area operations managers – where these managers are not direct reports to the GM ("Management"), have day-to-day operational responsibility for risk management.

**All** – All employees have a responsibility to comply with this policy and be alert for and report new and changed risks, and situations where the mitigation activities are no longer effective.

## Specific Responsibilities

### Audit, Finance and Risk Committee

In its Charter the Audit, Finance and Risk Committee is required, on behalf of the Board, to "Ensure that management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of the Company's exposure to financial and business risks,....". The Committee accomplishes this by:

- confirming policy, and defining risk appetite and tolerance for risk
- assessing and monitoring strategic and highly ranked risks
- reviewing the effectiveness of the risk management framework and processes
- receiving regular reporting on risks.

### CEO

The CEO has overall accountability for risk management, and ACCORDANT's business recovery plans.

## **Group CFO/Commercial Director**

The Group CFO/Commercial Director will maintain the overall risk management programme on behalf of the CEO and, in particular:

- provide and maintain the risk management framework and processes
- facilitate the risk management process
- monitor and review progress under that framework
- report on risk to the CEO, ELT; and Audit, Finance and Risk Committee.

## **Programme**

- The CFO/Commercial Director will report on risk related matters to the CEO; and provide the CEO and the Audit and Risk Committee with an up-to-date Risk Register every six months.

## **Access**

- In carrying out his/her duties, CFO/Commercial Director shall have direct access to members of the ELT, the Chairman of the Board, and the Chair of the Audit, Finance & Risk Committee.

## **GMs**

The GMs will ensure the provision and maintenance of alternate platforms for disaster recovery to ensure:

- Legislative/Regulatory Compliance (e.g. Health and Safety of employees and Contractors; and Privacy obligations etc);

enable:

- Operational continuity;
- IT and communication functionality;
- access to information; and
- protection of confidential and personal information

## **Management**

Management has prime responsibility for maintaining a strong risk awareness culture and focus in all their activities, for identifying and managing risk in the areas under their control, and being aware of external risk factors faced by ACCORDANT. They undertake this by:

- following Company Policies, Protocols and Guidelines
- ensuring risks are identified and evaluated
- developing effective responses to these risks
- owning, managing and reporting identified risks
- operating within an appropriate level of risk, but always within DoA parameters;
- reporting changes in the business environment which impact the existing risk strategies.

Each SMT member and each business manager will have in place adequate and effective Policies and Protocols, and agreed Recovery processes, documented and tested for their business areas.

Responsibilities within the risk management framework and processes are explained in the following table.

Management will	The CFO/Commercial Director will
Participate in the identification of all risks facing ACCORDANT and actively identify their own risks	Maintain the framework and programme for risk management consistent with AS/NZS ISO 31000:2009 Risk Management Standards, to enable management to identify all risks facing their business units and the Company; and do assurance.
Own and evaluate all of the risks in their area of responsibility	Ensure that identified risks are owned and evaluated appropriately
Identify existing and potential mitigation actions and trigger points for each of the risks that they own	Ensure that owners are applying appropriate mitigation strategies for each of the risks identified
Monitor trigger points and application of mitigation strategies	Assist management in the on-going monitoring of the effectiveness of the mitigations employed
Report on the on-going effectiveness of those mitigation strategies, and stay alert to any new risks which could arise in their areas as well as new mitigations which might apply	Maintain appropriate risk reporting mechanisms, and report to the Audit & Risk Committee on any significant development in the risk environment, at each scheduled meeting
Review and report changes in risk ranking following occurrence of an event	Ensure that management re-considers risk rankings after an event to ensure that appropriate mitigation is in place
Maintain adequate and effective business recovery plans	Monitor that appropriate insurance cover is in place.
	Work with Human Resources to develop risk management competencies across ACCORDANT to enable management and employees to fully participate in the risk management process

### GM Corporate Services

The GM Corporate Services core role with regard to risk is to provide objective assessment on the effectiveness of the risk management processes. GM Corporate Services undertakes a number of activities in this regard including:

- ensure appropriate insurance cover is in place
- facilitating the annual update of the ACCORDANT Risk Register
- confirming the major business risks are being identified
- verifying mitigation activities operated by management are effective

The scope of work of GM Corporate Services is to determine whether ACCORDANT’s network of risk management, control and governance processes, as designed and represented by management is adequate and functioning to ensure:

- the risks facing the company are identified by management and their potential impact on the objectives of the company assessed;
- the risks have been identified and managed and with the CFO/Commercial Director and GMs, ensure the controls necessary for compliance with policy are built into the business process.

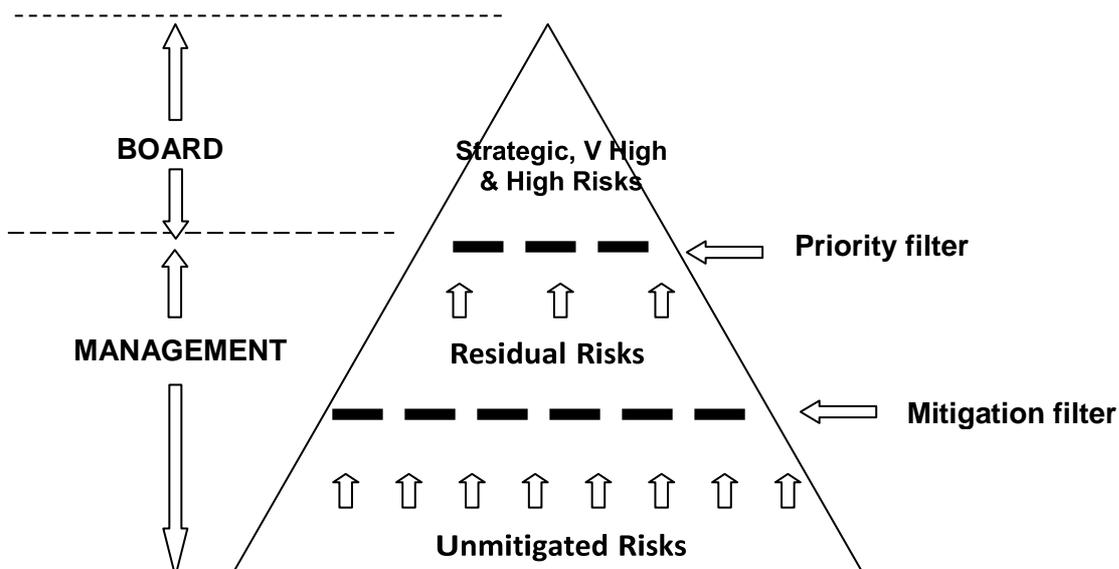
This is accomplished by:

- understanding, assessing and anticipating risk;
- being an advocate for the identification of risk in all of ACCORDANT’s activities;
- evaluating the adequacy of techniques to manage risk and monitoring key projects;
- working with management to ensure that control and governance processes are complied with and operating efficiently and effectively;
- identifying and recommending changes that add value.

**RISK MANAGEMENT FRAMEWORK**

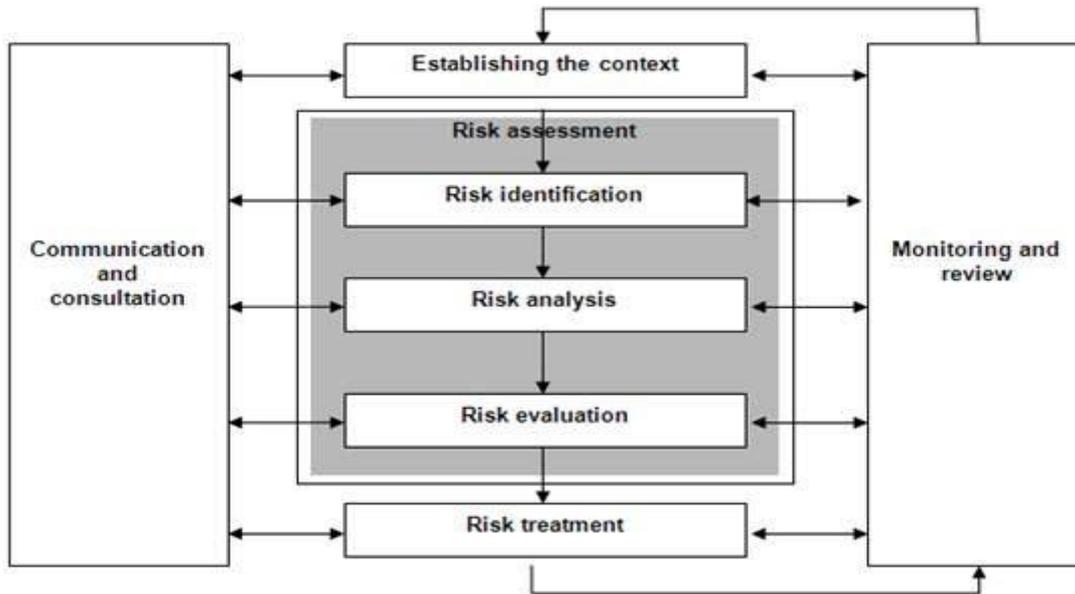
**Risk Responsibilities**

The following diagram illustrates how responsibility for risk will be allocated between management and the Board of ACCORDANT. The Board, via the Audit, Finance and Risk Committee, will be regularly notified of changes to the Risk Register, and specific risks that the Board has identified as being of interest will be reported on. All risks ranked as “Very High” and “High” after the mitigation actions have been applied (see Risk Scoring below) will also be reported to the Board.



## Risk Management Process

Risks identified as affecting ACCORDANT's business will be managed using the following process drawn from the AS/NZS ISO 31000:2009 Risk Management Standard. This process will be applied throughout ACCORDANT and will be used to identify, assess, treat and monitor all areas of the business.



## Risk Categories

All risks identified will be grouped into one of the following types of risk. These will be regularly reviewed to ensure they remain relevant to ACCORDANT's operating environment and business.

### Types:

- Strategic – the current or prospective risk to earnings from changes in the business environment and/or adverse business decisions, improper implementation of decisions, or lack of responsiveness to changes in the business environment.
- Operational – the risk of loss resulting from inadequate or failed internal processes, people and systems.

## Risk Register

All risks identified will be recorded in a central Risk Register maintained by the GM Corporate Services. Ownership of the risk will be assigned and the owner(s) will be responsible for defining and implementing appropriate mitigation strategies. The residual risk will be assessed following the application of the mitigation and will form the basis for ranking the risks.

Raw Risk Scoring				Residual Risk Scoring							
Identifier #	Likelihood	Consequence	Ranking	Risk	Risk Owner	Mitigation	Mitigation Owner	Likelihood	Consequence	Ranking	Risk Type

### Risk Scoring

All risks will be rated based on two 1 – 5 scales, one for the **Consequence** should it occur and the second for the **Likelihood** of the risk occurring. The timeframe considered when determining the likelihood score for operational risks is the upcoming six (6) months, and for strategic risks is the upcoming five (5) years.

The scales and descriptions are contained in Attachment 1 **Consequence Descriptors** and Attachment 2 **Likelihood Descriptors**.

### Risk Ranking

The following table enables the risks to be ranked once their likelihood and consequence rankings have been determined. The rankings will reflect the risk scores after application of mitigation actions has occurred.

Likelihood	Consequence				
	1	2	3	4	5
<b>5 Almost certain</b>	Medium 5	High 10	High 15	V High 20	V High 25
<b>4 Likely</b>	Medium 4	Medium 8	High 12	High 16	V High 20
<b>3 Possible</b>	Low 3	Medium 6	Medium 9	High 12	High 15
<b>2 Unlikely</b>	Low 2	Low 4	Medium 6	Medium 8	High 10
<b>1 Rare</b>	Low 1	Low 2	Low 3	Medium 4	Medium 5

### Risk Treatment

The timing of executing the mitigation action required for each ranking is detailed below:

Risk Ranking	Action
<b>Very High</b>	Immediate action by Executive is required
<b>High</b>	Prompt attention by senior management needed
<b>Medium</b>	Planning mitigation action is management responsibility
<b>Low</b>	To be managed through routine procedures

## Risk Reviews

The frequency of specific risk reviews will be in accordance with the ranking of the risks as below. This will be in addition to the regular cycle of business area risk reviews which will be decided upon based on the scale of risk that each department exhibits.

Risk Ranking	Assessment Frequency
Very High	Monthly (Operational risks)
High	Half yearly
Medium	As part of annual business planning
Low	Handled within normal business practices

Where possible the review of risks facing ACCORDANT will be aligned with the business planning cycle so the mitigation outcomes can be incorporated in to the business plans for each business area.

All risks listed in the Risk Register falling within the Very High and High categories, above, will be reviewed on a quarterly basis, whilst those risks in the Medium and Low categories will be reviewed by the Executive Leadership Team and nominated managers on a twelve-monthly cycle.

## Risk Reporting

Risks will be reported on the following schedule:

Recipient	Frequency	What
<b>Board</b>	Each scheduled meeting	<ul style="list-style-type: none"> <li>Risks deemed by the CEO as requiring prompt reporting</li> <li>Operational risks ranked Very High</li> </ul>
<b>Audit, Finance &amp; Risk Committee</b>	Six monthly	<ul style="list-style-type: none"> <li>All risks identified as strategic by the Board and those with a ranking of "Very High" and "High"</li> <li>Outstanding risk-related actions</li> <li>Significant risk movements</li> </ul>
<b>CFO/Commercial Director and GM Corporate Services</b>	Six monthly risk reviews	<ul style="list-style-type: none"> <li>Updated Risk Register – six monthly</li> </ul>
<b>Executive Leadership Team</b>	Prior to Audit, Finance & Risk Committee meetings	<ul style="list-style-type: none"> <li>All risks ranked as "Very High" or "High"</li> <li>Updated Risk Register – six monthly</li> <li>Outstanding risk-related actions applicable to these risks</li> <li>Other significant movements in risk rankings</li> </ul>
<b>Management</b>	Quarterly risk reviews	<ul style="list-style-type: none"> <li>All changes to risk rankings</li> <li>All additional risks identified</li> <li>All outstanding risk-related mitigation actions</li> </ul>

## Risk Scoring Methodology - Attachment 1

All risks will be rated based on two 1 – 5 scales, one for the Consequence should it occur and the second for the Likelihood of the risk occurring.

### Consequence Descriptors – **EXAMPLE ONLY**

Level	Operations	Technology	Reputation / Other	Health & Safety	Financial Earnings & Legal
1	Unable to supply to customer requirements in short term (1-5 days)	Corporate business systems unavailable for up to 2 ours	Attracts external media enquiries	Safety, health and welfare of staff threatened	Minimal financial / operational implications. From \$15K - \$75K
2	Unable to supply to customer requirements 5-10 days	IT support system not available for up to 2 hours. Corporate business systems unavailable for up to 4 hours	Incident reported in news media	Staff recovering away from work for <4 weeks. Would expose to standard WorkSafe review	Low financial impact (\$75K-\$250K) Breaches financial guidelines; Low level Compliance breach; NZX takes notice
3	Unable to supply to customer requirements in medium term. Removal of work force from customer due to breach of contract	IT support system not available for up to 12 hours. Corporate business systems unavailable for upto... .. 12 hours	Minor news coverage (limited reach & impact). Embarrassing to suppliers, contractors and other stakeholders	Moderate injury to individuals, not permanent disability. Could expose to WorkSafe accident investigation	Moderate financial impact (\$250K-\$500K) Breach of banking covenants, possible legal; and NZX action
4	Loss of minor customer, due to AWF failure to supply	Significant IT support systems unavailable for up to 2 days	Major news coverage (broad reach & low impact). Major stakeholder impact. Results in loss of contractors, customers, etc	Serious injury/ permanent disability. subject to WorkSafe accident investigation	Major financial loss (from \$500K to \$1.5m+)
5	Loss of major customer	Significant IT support systems unavailable for more than 2 days.	Lead item in news coverage (broad reach & high impact). Serious damage to relationships with stakeholders	Loss of life. subject to WorkSafe prosecution; and personal liability of directors and employees	Huge financial loss. 1.5m) Serious compliance breach having significant financial consequences for company and/or liability for directors

## Likelihood Descriptors - Attachment 2

The timeframe considered when determining the likelihood score for **operational** risks is the upcoming six (6) months, and for **strategic** risks is the upcoming five (5) years.

Level	Descriptor	Definition	Frequency (INDICATIVE)
5	Almost Certain	The event will occur	Once in 6 months or more frequently
4	Likely	Has already occurred several times in or other broadcasters	Once every 12 months
3	Possible	Might occur at some time in the next 12 – 24 months	Once every 12 to 24 months
2	Unlikely	Does occur somewhere from time to time	Once every 2 to 5 years
1	Rare	Not expected to happen in foreseeable future, but has happened elsewhere	Beyond 5 years

## Risk Ranking

The following table enables the risks to be ranked once their likelihood and consequence rankings have been multiplied, the one with the other. The rankings will reflect the risk scores after application of mitigation actions has occurred.

Likelihood	Consequence				
	1	2	3	4	5
5 Almost certain	Medium 5	High 10	High 15	V High 20	V High 25
4 Likely	Medium 4	Medium 8	High 12	High 16	V High 20
3 Possible	Low 3	Medium 6	Medium 9	High 12	High 15
2 Unlikely	Low 2	Low 4	Medium 6	Medium 8	High 10
1 Rare	Low 1	Low 2	Low 3	Medium 4	Medium 5