

# BG&E Resources Risk Appetite Statement

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# 1. Introduction

Risk management begins with understanding risk appetite<sup>1</sup>, which is the amount and type of risk that BG&E Resources is willing to pursue or retain<sup>2</sup> in pursuit of its objectives<sup>3</sup>.

This document sets out BG&E Resources' risk appetite<sup>4</sup> which should be considered prior to entering tenders, approving management actions, modifying business structure or resourcing, pursuing objectives, and formulating business strategy.

The Board should consider risk appetite especially prior to approving submission of tenders, reviewing the delegation of authority, reviewing budgets and strategic plans and entry into new markets.

# 2. Objectives

The objectives of this Risk Appetite Statement include:

- Setting clear boundaries for risk when making decisions;
- More effective allocation and use of resources;
- Gearing BG&E Resources to being proactive rather than reactive;
- Bolstering shareholder confidence;
- Guide staff in decision-making and reporting of abnormal events or exposures;
- Improved planning;
- Improved ethics and integrity;
- Enhanced reputation; and
- Reduced insurance costs.

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<sup>1</sup> Australian Institute of Company Directors, Role of the Board – Risk Management, (2016).

<sup>2</sup> ISO/IEC Guide 73:2009 Risk management.

<sup>3</sup> <<<https://www.finance.gov.au/sites/default/files/2019-11/comcover-information-sheet-defining-risk-appetite-and-tolerance.pdf> >>.

<sup>4</sup> ASX Corporate Governance Council, Corporate Governance Principles and Recommendations (4<sup>th</sup> ed 2019).

### 3. Responsibilities

<b>The Board</b>	Set the risk appetite for BG&E Resources, and review BG&E Resources' risk management framework annually, to ensure BG&E Resources is operating within the risk appetite, internal compliance, and control mechanisms.
<b>Managing Director and Head of Finance</b>	Provide assurance to the Board that in accordance with s295A of the <i>Corporations Act</i> the Company's financial statements are founded on a sound system of risk management and internal controls.
<b>Audit &amp; Risk Committee (ARC)</b>	<p>Established by the Managing Director as a sub-committee to assist the Board to fulfil its oversight responsibilities in areas such as the integrity of financial statements and reporting.</p> <p>Oversee internal controls, assurance, policies, risk management systems and the internal and external audit functions<sup>5</sup> including:</p> <ul style="list-style-type: none"> <li>• Advising the Board on the effectiveness of the risk management framework;</li> <li>• Supporting provision of accurate, relevant and timely information about risk;</li> <li>• Examining previous decisions to see how risk was managed as part of making those decisions;</li> <li>• Monitoring and reviewing safety systems throughout the organisation;</li> <li>• Oversight of insurance programs to maintain appropriate coverage;</li> <li>• Monitoring the organisation's business continuity processes; and</li> <li>• Developing and maintaining an appropriate risk culture that is embedded through the organisation<sup>6</sup>.</li> </ul>
<b>Head Of Commercial</b>	<ul style="list-style-type: none"> <li>• Chairperson of the ARC</li> <li>• Developing and maintaining the Risk Management framework, compliance monitoring, support and training and associated tools;</li> <li>• Reporting to the ARC on all salient aspects of both the risk and compliance;</li> <li>• Compiling a risk report to including material, strategic, and operational risks and compliance obligations for executive and ARC review and reports;</li> <li>• Identify new and amended compliance obligations and advise on actions; and</li> <li>• Assist the ARC in the annual review of the risk management framework.</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>• Maintain risk management tools and control systems;</li> <li>• Attend and contribute to risk management meetings;</li> <li>• Prepare risk reports monthly;</li> <li>• Promptly reporting to the ARC any risks, opportunities, compliance breaches; and</li> <li>• Actioning any assigned risk control or mitigation measures.</li> </ul>
<b>All staff</b>	<ul style="list-style-type: none"> <li>• Promptly reporting any risks, opportunities, compliance breaches to management;</li> <li>• Actioning any assigned risk control or mitigation measures.</li> </ul>

<sup>5</sup> << [https://aicd.companydirectors.com.au/-/media/cd2/resources/director-resources/director-tools/pdf/05446-5-13-mem-director-rob-role-of-theauditcommittee\\_a4-web.ashx](https://aicd.companydirectors.com.au/-/media/cd2/resources/director-resources/director-tools/pdf/05446-5-13-mem-director-rob-role-of-theauditcommittee_a4-web.ashx) >>.

<sup>6</sup> << <https://aicd.companydirectors.com.au/resources/not-for-profit-resources/not-for-profit-governance-principles/principle-5-risk-management> >>.

## 4. Scope

This Risk Appetite Statement applies at all times to all BG&E Resources staff.

# 5. Risk Appetite and Tolerance

In this section BG&E Resources sets its **risk appetite** (high level indication of acceptable risk levels), and **risk tolerance** (the more detailed statement on the risk appetite that BG&E Resources is willing to tolerate).

Risk Category	Risk Appetite	Risk Tolerance
<b>HEALTH &amp; SAFETY</b>	<p>Low High</p>	<p>BG&amp;E Resources has a very <b>LOW</b> tolerance for risks that potentially cause harm to a person/s.</p> <p>BG&amp;E Resources views a fatality, permanent disability, or serious chronic life shortening illness as an unacceptable outcome.</p>
<b>FINANCIAL</b>	<p>Low High</p>	<p>BG&amp;E Resources has <b>MODERATE</b> tolerance for financial risks in excess of \$5M (or a Loss Order) without excellent controls in place, and a good risk/reward ratio or business case and endorsement from the Board in line with the Board Authority Matrix.</p>
<b>REGULATORY AND COMPLIANCE</b>	<p>Low High</p>	<p>BG&amp;E Resources is subject to regulatory and legal requirements. BG&amp;E Resources has a <b>LOW</b> appetite for breaches of mandatory legal requirements, Fraud, corruption, facilitation payments.</p>
<b>REPUTATIONAL RISK</b>	<p>Low High</p>	<p>Although the nature of BG&amp;E Resources work unavoidably involves contractual claims and disputes and potential media exposure, BG&amp;E Resources has a <b>LOW</b> appetite for long lasting damage to its reputation.</p>
<b>CONTRACT RISK</b>	<p>Low High</p>	<p>BG&amp;E Resources has a <b>MODERATE</b> tolerance for contracts that fall outside of the Commercial Guidelines in particular liability for: consequential loss, unlimited liability, or tenders with a negative cashflow of more than \$500k over a 2-month period.</p>
<b>INTELLECTUAL PROPERTY</b>	<p>Low High</p>	<p>BG&amp;E Resources' intellectual property and know-how is a valuable asset and should be protected.</p> <p>While BG&amp;E Resources has no tolerance for giving away sensitive background intellectual property whether through cyberattacks or vulnerabilities, or under contract, under certain circumstances BG&amp;E Resources has a <b>MODERATE</b> tolerance for permitting others to use parts of its Intellectual Property with restrictions.</p>

## 6. Definitions

Expression	Definition
<b>Board</b>	The group of individuals in whom the governance, control, direction, and management of BG&E Resources is vested in accordance with its constituent documents and DOA, or by legislation.
<b>Fraud</b>	Dishonestly obtaining an advantage through the intentional misrepresentation, deception, or concealment of information including: <ul style="list-style-type: none"> <li>• financial theft or misappropriation of cash or securities</li> <li>• improper or unauthorised expenditure</li> <li>• unauthorised or inappropriate access to or release of information</li> <li>• forgery and alteration of documents</li> <li>• inappropriate use of insider knowledge</li> <li>• misappropriation or misallocation of organisational resources, such as computer or telecoms equipment</li> <li>• inappropriate or favourable treatment of associated parties for personal benefit</li> <li>• falsification of records and data, such as payment or payroll records, and</li> <li>• fraudulent financial reporting<sup>7</sup></li> </ul>
<b>Loss Order</b>	Tendering on a project intentionally (often for a strategic purpose) with a negative net margin.
<b>Risk</b>	The 'effect of uncertainty on objectives', as defined by AS/NZS ISO 31000:2009.
<b>Risk appetite</b>	The amount of risk an organisation is willing to take or accept in pursuit of its objectives
<b>Risk management</b>	Co-ordinated activities to identify and control an organisation regarding risk
<b>Risk tolerance</b>	Boundaries for risk taking, commonly expressed as a range of upper and lower limit. Exposures outside the upper risk limit are unacceptable and outside the risk appetite

## 7. Review of this Risk Appetite Statement

As part of its continuous improvement activities, and in line with the philosophy of Risk Management Principles (ISO 31000:2009), this Risk Appetite Statement will be reviewed annually.

<sup>7</sup> << <https://www.asx.com.au/documents/about/asx-fraud-control-policy.pdf> >>.

From mining and metals, to ports and marine, and beyond to industrial and renewable projects, particularly hydrogen, waste-to-energy, solar and onshore wind – BG&E Resources delivers world-class engineering to help clients optimise the performance of assets, improve productivity and safety, design new world-class facilities and connect facilities to transport infrastructure, while providing robust shareholder returns, local employment opportunities and sustainable outcomes for communities.

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