Group Risk Management Policy

CountPlus Limited (ACN 126 990 832)
As adopted by the Board

1. Introduction

1.1 This Group Risk Management Policy describes the Countplus (**Company**) risk management framework with respect to the operation of the Company, comprised of the head entity Countplus Limited; and its subsidiary companies (within the meaning of section 46 of the Corporations Act) (each a **Member Firm**).

1.2 Countplus recognises that proper risk management is an integral part of good management practice. Risk management will be integrated into the Countplus' philosophy, practices and business plan and a culture of compliance will be promoted.

1.3 This Policy is based upon AS/NZS ISO 31000:2009 Risk management – Principles and guidelines and relates to all risk management activities conducted by Countplus.

2. Policy Statement

2.1 The Board of Directors of the Company (**Board**) is committed to ensuring the adequacy of the risk management framework and that risks are adequately and appropriately addressed in a timely manner. To meet this commitment, risk is to be every employee's business. All employees are required to be responsible and accountable for managing risk in so far as is reasonably practicable within their area of responsibility.

2.2 This Policy must be adhered to at all times.

3. Policy Principles

3.1 Countplus is committed to the following risk management principles as detailed in AS/NZS ISO 31000:2009:

3.2 Risk management:

(a) Creates and protects value;

(b) Is an integral part of all organisational processes;

(c) Is part of decision making;

(d) Explicitly addresses uncertainty;

(e) Is systematic, structured and timely;

(f) Is based on the best available information;

(g) Is tailored;

(h) Takes human and cultural factors into account;

(i) Is transparent and inclusive;

(j) Is dynamic, iterative and responsive to change; and

(k) Facilitates continual improvement of the organisation.

4. Risk Management Framework

4.1 Essential elements of the Risk Management Framework are:

(a) Group Risk Management Policy;

(b) Risk Management Methodology;

(c) Risk Management Plan and Risk Registers;

(d) Clear Roles and Responsibilities for:

i. Chief Executive Officer;

ii. The Board;

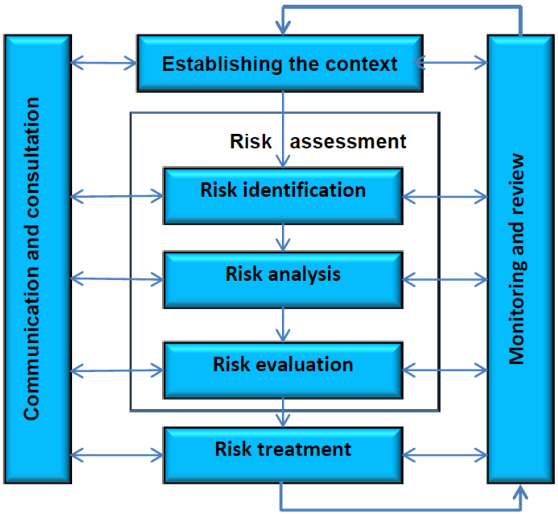
iii. Member Firms;

iv. Audit and Risk Committee; and

v. All Employees.

5. Risk Management Methodology

5.1 The key elements of the Risk Management Methodology are based on AS/NZS ISO 31000:2009 and are summarised below.



6. Organisational Context

6.1 Countplus is an aggregation of 20 Member Firms and their subsidiaries across Australia; 17 accounting/business advisory firms, one financial planning specialist, a property services group, a financial planning dealer group, and 2 new business initiatives ADVICE389 & BLUE789.

6.2 Risk to Countplus is mitigated by the fact that its Member Firms operate independently and most Firms are of a similar size. As such, a risk event faced by one Member Firm is expected to have a limited impact on the Countplus Group as a whole.

7. Legislative Context

7.1 In addition to Countplus meeting high standards in the management of risks, there are legal and regulatory obligations regarding risk management including:

(a) *Corporations Act 2001 section 912A(1)(h)* which requires all holders of an Australian Financial Services Licence to have adequate risk management systems in place

(b) *ASX Corporate Governance Principles and Recommendations* require listed entities to establish a sound risk management framework and periodically review the effectiveness of that framework.

(c) *ASIC Regulatory Guide 104* which provides guidance on how AFSL licensees should meet their general obligations as set out in section 912A(1) of the Corporations Act.

(d) *APES 325 Risk Management for Firms* which requires members who are principals in firms to implement, document and monitor a risk management framework.

8. Risk Categories

8.1 The Board have identified the following risk categories as being applicable to the Company and Member Firms:

8.1.1 **Financial Risk**

(a) Financial risk refers to the Company's ability to maintain solvency at all times and to meet the financial requirements of the Australian Financial Services Licence. It also addresses the risks faced by the Company in failing to adequately plan its business operations resulting in revenue loss.

8.1.2 **Operational Risk**

(a) Operational risk covers, but is not limited to, issues such as technology risk (including processing risks), reputational risk, fraud, compliance, outsourcing, business continuity planning, legal risk and key person risk.

8.1.3 **Investment Risk**

(a) Investment risk derives from a number of sources, including market risk (e.g. equity, interest rate and foreign exchange risk), credit risk, counterparty risk and investment concentration risk.

(b) Credit exposures can increase the risk profile of a Member Firm and adversely affect its financial viability. Credit exposure in this context includes both on-balance sheet and off-balance sheet exposures (including guarantees, derivative financial instruments and performance related obligations) to single and related counterparties.

8.1.4 **Market Integrity Risk**

(a) Market integrity risk arises where the integrity of the Company is compromised in the market place. As a listed entity, the Company has continuous disclosure and reporting obligations that must be met to maintain strong market integrity.

8.1.5 **Strategic Risk**

(a) Strategic risk arises where the current and future direction of the Company or any of the Member Firm is not well planned, leading to loss of competitive advantage and market share. Risk of loss of earnings and/or capital could arise from poor business decisions or improper strategic implementations. Strategic risk may be high when there is misalignment of organisational goals, decisions, deployment of resources and strategic implementation.

(b) Resources needed to implement business strategies are both tangible and intangible, including communication channels, operating systems, delivery networks and managerial capacities and capabilities. The definition of strategic risk focuses on more than an analysis of the strategic plan. Its focus is on how plans, systems and implementation affect the Company value. It also incorporates how management analyses external factors that impact the strategic direction of the company.

9. Risk Management Plan and Risk Registers

9.1 The Company and each Member Firm will maintain Risk Management Plans and Risk Registers which will enable the effective identification, assessment, treating, monitoring and communication of risks.

9.2 Templates and tools will be provided to Member Firms to assist with this process where they do not have any existing systems in place.

9.3 Key elements of the Risk Management Plans and Risk Registers include:

(a) Risk Identification

(b) Risk Analysis (Attachment 1& 2)

(c) Risk Evaluation (Attachment 3 & 4)

(d) Risk Treatment (Attachment 5)

10. Monitor and Review

10.1 The CEO must review this Policy annually to ensure it provides an adequate framework to monitor the operating circumstances, which may change from time to time, that may impact on the risk profile of the Company.

10.2 The Company and Member Firms will review their Risk Management Plans and Risk Registers on a regular basis (at least annually) and report to the Board and the Audit and Risk Committee the results of these reviews.

11. Communication and Reporting

11.1 Risk Management will be a standing agenda item for Boards of Management for Member Firms.

11.2 Any significant risks identified will be reported to the next meeting of the Board and the Audit and Risk Committee.

12. Roles and Responsibilities

12.1 **Chief Executive Officer**

The Chief Executive Officer is responsible for maintaining the risk management procedures that will assure the Board that major business risks are managed appropriately which includes:

(a) Develop and implement a Group Risk Management Policy and Framework to manage the Company's business risks

(b) Undertaking annually (as a minimum) a formal risk assessment which includes reviewing and updating the Company's Risk Management Plan and Risk Register

(c) Regular reporting to the Board and the Audit and Risk Committee on how effectively the organisation is managing its business risks

12.2 **Board**

The Board is responsible for the oversight of Risk Management within the Countplus Group and includes:

(a) Reviewing and approving the Group Risk Management Policy and Framework

(b) Understanding and monitoring the status of the significant risks facing the Company and Member Firms

12.3 **Member Firms**

12.3.1 Member Firms are responsible for implementing and monitoring the risk management systems and processes required for the day to day operation of their business including:

(a) Ensuring that systems and processes to manage risk are operating effectively in accordance with the Group Risk Management Policy

(b) Regular reporting to the Board and the Audit and Risk Committee on how effectively the Member Firm is managing its business risks

(c) Undertaking annually (as a minimum) a formal risk assessment which includes reviewing and updating the Member Firm Risk Management Plan and Risk Register

12.4 **Audit and Risk Committee**

12.4.1 The Audit and Risk Committee assists the Board in discharging its responsibilities (as detailed in the Audit and Risk Committee Charter) by:

(a) Reviewing and reporting on the efficiency, effectiveness and appropriateness of the Company's Risk Management Policy and Framework

(b) Monitoring and advising to the Board on matters as they relate to risk management

12.5 **All Employees**

12.5.1 All employees are responsible for the effective identification, management, reporting and control of risk within their area of responsibility, and for developing and fostering a risk aware culture.

Attachment 1 – Assessment Criteria Risk Consequence

Attachment 2 – Assessment Criteria Risk Likelihood

Attachment 3 – Risk Matrix

Attachment 4 – Assessment Criteria Control Activity

Attachment 5 – Risk Treatment Options

Document control

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Assessment Criteria – Consequence

RATING	IMPACT	FINANCIAL			OPERATIONAL	COMPLIANCE	STRATEGIC		
		EBIT	**Loss of market value**	**Disclosure**	**Scope**	**Legal/Regulatory**	**Reputational**	**Market Share**	**Strategy**
CATASTROPHIC	Could shut down Practice/part of Firm. Business objectives not achieved.	>50%	>50%	Fiscal Year Restatement	Enterprise wide Inability to continue normal business operations across all business units	Management Indictments Large Scale Class Actions Regulatory Sanctions	Loss of confidence in all stakeholder groups	Potentially irrecoverable (i.e. 24-36 months)	Potential acquisition or bankruptcy
MAJOR	Material impact on Practice/Firm. Key business objectives not achieved.	30%-50%	<50%	Fiscal Quarter Restatement	3 Business Units Significant interruptions to business operations with 3 or more business units	Management challenges Large legal liability Regulatory fines	Loss of confidence by 3 or more stakeholder groups	Long term recovery (i.e. 12-24 months)	2 or more changes in senior leadership Financial restructuring Significant changes to strategic plan
MODERATE	Noticeable impact on Practice/Firm. Some business objectives not achieved.	15%-30%	<25%	Significant deficiency	2 Business Units Significant interruptions to business operations with 2 or more business units	Regulatory fines Legal reserve established Regulatory investigation	Loss of confidence by 2 or more stakeholder groups	Mid term recovery (i.e. 6-12 months)	1 or more changes in senior leadership Financial restructuring Significant changes to strategic plan
MINOR	Some impact that is easily remedied.	5%-15%	<10%	Control weakness	1 Business Units Significant interruptions to business operations with 1 or more business units	Management unaffected Minimal liabilities Regulatory attention	Loss of confidence by 1 or more stakeholder groups	Short term recovery (i.e. <6 months)	Refinements or adjustments to operating plans and execution
INSIGNIFICANT	Impact not visible.	<5%	<5%	Additional risk disclosure	Limited interruptions within 1 business unit	Limited liabilities or regulatory impact	Limited impact to 1 stakeholder group	Limited recovery (i.e. <3 months)	Limited adjustment necessary

Assessment Criteria – Likelihood

RATING	POTENTIAL FOR RISK TO OCCUR	PROBABILITY
ALMOST CERTAIN	Likely to occur several times a year	>90%
LIKELY	Likely to occur once a year	50%-90%
POSSIBLE	Possibly occur once every few years	10%-50%
UNLIKELY	Maybe occur once in 5 years	5%-10%
RARE	Might occur once in 10 years	<5%

Risk Matrix

Likelihood						
	5 ALMOST CERTAIN	5	10	15	20	25
	4 LIKELY	4	8	12	16	20
	3 POSSIBLE	3	6	9	12	15
	2 UNLIKELY	2	4	6	8	10
	1 RARE	1	2	3	4	5
		1 INSIGNIFICANT	2 MINOR	3 MODERATE	4 MAJOR	5 CATASTROPHIC
		Consequence				

Assessment Criteria – Control Activity

RATING	ACTION	DESCRIPTION
NONE	Critical improvement opportunity	Controls and/or management activities are non-existent or have major deficiencies and don't operate as intended.
NEEDS IMPROVEMENT	Significant improvement opportunity	Limited controls and/or management activities are in place, high level of risk remains.
ADEQUATE	Moderate improvement opportunity	Controls and/or management activities are in place, with opportunities for improvement identified.
STRONG	Limited improvement opportunity	Controls and/or management activities are properly designed and operating, with limited opportunities for improvement identified.
EFFECTIVE	Effective	Controls and/or management activities are properly designed and operating as intended.

Risk Treatment Options

Depending on the type and nature of the risk, the following options are available:

OPTION	TREATMENT
AVOID	Deciding not to proceed with the activity that introduced the unacceptable risk, choosing an alternative more acceptable activity that meets business objectives, or choosing an alternative less risky approach or process.
REDUCE	Implementing a strategy that is designed to reduce the likelihood or consequence of the risk to an acceptable level, where elimination is considered to be excessive in terms of time or expense.
SHARE TRANSFER	Implementing a strategy that shares or transfers the risk to another party or parties, such as outsourcing the management of physical assets, developing contracts with service providers or insuring against the risk. The third-party accepting the risk should be aware of and agree to accept this obligation.
ACCEPT	Making an informed decision that the risk rating is at an acceptable level or that the cost of the treatment outweighs the benefit. This option may also be relevant in situations where a residual risk remains after other treatment options have been put in place. No further action is taken to treat the risk, however, ongoing monitoring is recommended.