



Risk Management Policy

Introduction

The presence of risk is a commercial reality for every organisation and taking sensible, calculated risks is a key ingredient of any successful business. However to ensure the risks we take are appropriate, we need to understand and manage risks on a daily basis. At each level of management we should always have a current and accurate picture of our risk exposure.

FKP recognises the importance of managing risk and controlling its business activities in a manner which enables it to maximise profitable opportunities, avoid or reduce risks which may cause injury or loss, ensures compliance with applicable laws and regulations, and enhances resilience to external events. Risk management is the process of continuously identifying, evaluating, treating and monitoring exposures. Risks may be controlled through the introduction of policies, procedures or altered work practices however the most effective long-term method is through the creation of a risk aware culture.

Risk Management Strategy

To assist management in performing its oversight role in this area, information regarding the status of a range of risks is regularly reviewed by FKP's Executive Managers. Appropriate policies, procedures, work practices and reporting measures are implemented to manage material risks.

The Board will receive regular updates from FKP's Executive Managers and where relevant, external parties, on material risks faced by FKP and the management of those risks.

Responsibilities for Risk Management

It is the duty and responsibility of every FKP staff member to monitor and manage risks within their area. Employees who knowingly and recklessly operate outside FKP's risk management policy will be subject to disciplinary action.

FKP's Compliance Officer facilitates the identification and monitoring of risks, assists each Executive Manager to establish sound risk management policies and provides feedback to the Executive Managers on the effectiveness of existing practices and make recommendations for improvement.

Supporting the Compliance Officer is an external audit and compliance function that regularly reviews the effectiveness of existing risk management practices and recommends improvements when necessary.

The Compliance Committees oversee and report to the Board on the operation of FKP's Managed Investment Schemes (**Schemes**). The Compliance Committees meet on a quarterly basis in order to monitor compliance and risk management systems with the Schemes' compliance plans and to report on their findings to FKP Funds Management Limited (**Responsible Entity**).

The Responsible Entity also has a Risk Management Policy in place which sets out the procedures required to be followed to ensure compliance with its risk management obligations under the *Corporations Act 2001* and its Australian Financial Services Licence.

The Executive Managers have primary responsibility for risk identification. Each Manager ensures that they have sufficient processes in place in their business unit to ensure that risks identified by staff are escalated to the Manager as required. The Executive Managers are responsible for identifying, evaluating and managing risks and reporting to the Board on material risks.

Types of Risks

Operational Risks

FKP operates within an integrated business model, drawing on expertise in development, construction, land subdivision, retirement village ownership and management, investment, property and asset management with each of these divisions facing differing risks. FKP has established a detailed risk register which identifies the material risks facing FKP's business, provides a risk rating, the controls that are in place to manage the risk and the person(s) responsible for implementing and reviewing those controls. The Compliance Officer meets with each Executive Manager on a quarterly basis to discuss whether changes need to be made to the risk profile and whether new risks have been identified.

If an extreme risk is identified, it will promptly be referred to the Managing Director and Chairman for consideration. Where considered necessary, the Chairman will convene a meeting of the Board to collectively consider how the risk will be managed.

Financial Risks

The Audit Committee reviews and reports to the Board in relation to the integrity of FKP's financial reporting, the internal control structure, risk management systems and the internal and external audit functions.

Regular Reviews and Board Commitment

FKP's Risk Management Policy and underlying procedures and practices will be reviewed annually by the Board to ensure their continued application and relevance. The Compliance Officer also meets with the Executive Managers to review the implementation and effectiveness of this policy on an annual basis.

FKP is committed to effective risk management and recognises it as a core managerial capability.