

Global Risk Management Policy

REFERENCE

1.3

EFFECTIVE DATE

November - 2020

OWNER

Finance



1. POLICY STATEMENT

Aristocrat recognises the need for risk management as a key input to strategic and operational planning, day-to-day management and decision making at all levels in the organisation.

Aristocrat is committed to managing and minimising risk by identifying, analysing, evaluating, and treating exposures that may impact achievement of its objectives and/or the continued efficiency and effectiveness of its operations. The Aristocrat Group (“the Group”) will incorporate risk management into its institutional planning and decision-making processes. Risk management must also be included as a consideration in business unit and operational planning as a delegated line management responsibility. All staff must implement risk management according to this Policy that aligns to appropriate risk management standards.

2. PURPOSE

This document sets out the Group’s policy on risk management. The purpose of this Policy is to establish and communicate a sound and prudent risk management framework (“the framework”) to support the identification, assessment, monitoring and reporting, control, and mitigation of risks. The Policy is also intended to ensure that material risks are appropriately managed across the organisation and that exposures are aligned with the business objectives, and approved risk appetite. This Policy is consistent with the International Risk Management Standard ISO 31000.

3. APPLICABILITY

This Policy applies to all businesses and activities of the Group operating globally (including all subsidiaries) and to all directors, employees or other persons or organisations who act for or represent Aristocrat (including contractors).

Where necessary, more detailed risk management policies and procedures may be developed to cover specific areas of the Group’s operations, such as business continuity and crisis management. Where this occurs, such policies and regulations should comply with the broad directions described in this Risk Management Policy.

4. INTENT FOR RISK MANAGEMENT

At Aristocrat we manage risk when we make decisions and act. Risk management at Aristocrat will:

- be proactive
- identify opportunities to create and protect value to our strategic advantage
- ensure our decisions are risk aware and informed by our understanding of risk and the potential impact, positive and negative, on our purpose and objectives
- manage uncertainties to our benefit
- provide early warning so pre-emptive action can be taken
- facilitate learning from success and failure.

5. RESPONSIBILITY AND ACCOUNTABILITY

Risk is the responsibility of everyone at Aristocrat. Below are key actions for each level of the Group (also see Appendix 2 - Aristocrat Risk Management Framework: Group Wide Responsibility Matrix):

The Board

- Review and approve (at least annually) the risk appetite within which the Board expects the Group to operate.
- Ensure the Group has an appropriate risk management framework and internal control systems which are in compliance with the Group’s risk management policy.

- Monitor the effectiveness and adequacy of the Group's risk management systems, including reviewing of processes for identifying areas of significant business risk and oversight of internal controls.
- Review and approve the Framework including this Policy, Risk and Opportunity Management Support Guide and Risk Appetite Metrics at least annually.
- Assist Management to identify principal financial and non-financial risks (including strategic, operational and macro risks and opportunities, and including both current and emerging risks) and to oversee and monitor these risks.
- Comparing the material risk assessment and the risk profile with Aristocrat's policies and risk appetite and ensuring that identified material risks are reduced to or managed at levels determined to be acceptable by the Board.
- Review and challenge the Enterprise Risk Profile and monitor Management's progress towards mitigation of material risks.
- Ensure risk is appropriately considered during strategy development and the strategic planning process.
- Monitor the effectiveness and adequacy of Aristocrat's risk management framework, systems, and culture including review of processes to identify areas of significant business risk and oversight of internal controls.
- Ensure Aristocrat maintains an appropriate Business Resilience Program that supports organisation wide response and recovery.

Chief Executive Officer and Managing Director (CEO)

- Set the tone, culture and objectives of risk management including reinforcing risk appetite and tolerances.
- Establish and implement a sound system of risk management for the Group including ensuring adequate resources are in place.
- Review organisational performance against established risk metrics.
- Ensure processes are in place to enable complete, accurate and timely disclosure of incidents to key stakeholders.
- Ensure risks at the enterprise level are identified and assessed and are appropriately managed, mitigated and/or controlled, and escalated to the Board in a timely manner.
- Make risk aware decisions to deliver on Aristocrat's purpose and objectives in accordance with risk appetite.
- Establish an appropriate Business Resilience Program that supports business response and recovery in the event of disruption.

Executive Steering Committee (ESC)

- Ensure the organisation's commitment to good risk management is upheld within their respective business unit or function and reinforce the CEO's tone and objectives for risk management.
- Promote a risk culture across the organisation and within their individual business unit or function.
- Set Aristocrat's risk appetite and tolerance for formal approval by the Board.
- Communicate the organisation's risk appetite and tolerances within their business unit or function.
- Support the implementation of Aristocrat's risk management framework by embedding the Framework within their business unit or function.
- Ensure all material Enterprise and business unit level risks are identified, monitored, managed and reported on regularly to Group Risk and Audit.
- Ensure Group Risk and Audit are engaged on all material business decisions requiring Board approval.
- Make risk and opportunity aware decisions in accordance with Aristocrat's risk appetite.
- Support the implementation of Aristocrat's Business Resilience Program by ensuring business continuity and crisis management plans remain current and are regularly tested.

Risk Champions

- Assist the ESC and their functional business unit in fulfilling their risk management role, including the implementation of Aristocrat's risk management framework.
- Conduct quarterly risk update meetings and ensure risk is an agenda item on team meetings. This includes ownership of updates to business unit risk register.
- Understand and educate business unit on Aristocrat's risk management framework.
- Recognise changes in the internal and external context and challenge their colleagues to review and update their knowledge, understanding and priorities to manage risk.

All Employees

- Understand Aristocrat's risk management framework and their role in managing the risks of the organisation.
- Make risk aware decisions that align with Risk Appetite Statements by proactively seeking to discover risks and opportunities and understand their potential impact, positive and negative, on Aristocrat's purpose and objectives.
- Identify, manage and escalate risks within functional business unit, including performing risk assessment on key business activities (e.g., mergers, acquisitions, new products or markets, entering new geographies, debt facility management decisions and major company projects/programs) with support from Group Risk and Audit.
- Engage with and support activities (such as risk assessments, audits, and investigations or simulations when requested) to support Aristocrat to make risk aware decisions.
- Understand their role in the activation of business continuity or crisis management plans.

Group Risk and Audit

- Support the CEO to establish and implement a sound system for risk management;
- Maintain the enterprise risk management framework including policies, plans, risk appetite statements and enterprise risk reports;
- Promote a risk aware culture, and support the business to implement the risk management framework and build risk management capability through training and awareness;
- Support the business to identify, assess and mitigate material business risks;
- Report on material risks and risk appetite to the Board and the ESC; and
- Maintain and manage the business resilience program.

6. FRAMEWORK FOR MANAGING RISK

Aristocrat's risk management framework is designed to support the timely identification, evaluation, reporting and treatment of material risks, so that risks remain within acceptable thresholds as set by the Board of Directors. It is also designed to highlight emerging risks that are expected to evolve over time, that could materially impact our business should they materialise in the future.

In addition, Aristocrat's risk management framework and associated processes support the management of risk at both an enterprise and business unit/functional level. This ensures a 'top down', 'bottom up' approach to risk management and addresses both financial and non-financial risk (legal and regulatory, reputation, environmental, people, health and safety, operational, information security and product and technology).

Aristocrat's risk management framework consists of this Policy, our Risk and Opportunity Management Guide, our Board approved Risk Appetite Statements and metrics, our enterprise and business unit risk registers and our Business Resilience Program. (Refer to Appendix 1 – Aristocrat Risk Management Framework Documents

and Appendix 2 – Aristocrat Risk Management Framework: Group Wide Responsibility Matrix of this Policy for further details supporting these documents).

Importantly, the Framework aligns with the International Risk Management Standard ISO 31000, and encompasses the following key steps:

Discover

- Identifying and analysing the main risks and opportunities facing Aristocrat.

Understand

- Evaluating those risks and opportunities and making judgements about whether they are acceptable or not. This will include identifying the things we are doing now to manage the risk or opportunity including existing controls.

Act

- Treating unacceptable risks by developing responses following the identification of unacceptable risks, including actions to mitigate further, or response plans should the risk event materialise.
- Documenting these risks, controls and mitigating actions in risk registers and escalating material risks as appropriate.

Manage

- Performing ongoing monitoring, communication and review of material risks and opportunities.
- Implementing additional controls to manage these risks and opportunities in a way which is consistent with Aristocrat's Risk Appetite Statement.

APPENDIX 1 – ARISTOCRAT RISK MANAGEMENT FRAMEWORK DOCUMENTS

The table below outlines the hierarchy of the risk and opportunity management framework documents within Aristocrat, in addition to the document purpose, owner and frequency of review and/or update.

Document Title	Purpose	Owner	Frequency of Review and/or Update
Risk Policy	Sets out Aristocrat's policy on risk management. This includes the intent of Risk Management as well as the roles and responsibilities of all key Stakeholder groups.	Group Risk and Audit	Annual
Risk and Opportunity Management Guide	Documents Aristocrat's process to make risk and opportunity aware decisions and take action. This includes our Risk Rating Methodology and escalation process for identified risks.	Group Risk and Audit	Annual
Risk Appetite Statements (RAS)	Defines and approves the level of risk and opportunity taking the company is willing to pursue to achieve its strategic and operational objectives whilst meeting its legal requirements.	The Board and ESC Maintained by Group Risk and Audit	Annual & Ad-hoc
Risk Appetite Metrics Reporting	Reports on metrics specific to each risk appetite statement that indicate whether or not we are operating within the desired risk appetite range.	Group Risk and Audit	Quarterly (currently on hold pending metric refresh)
Enterprise Risk Report (ERR)	This Enterprise Risk Report presents the residual risk profile for Aristocrat in the context of the Aristocrat Group strategy.	ESC Maintained by Group Risk and Audit	Quarterly
Business Unit Risk Registers	Documents business unit risks to ensure they are appropriately managed, mitigated and/or controlled and gives visibility to the ESC and the Board of Business Unit Risk profile.	Business Units	Quarterly
Crisis Management Plans	Define the crisis management team, process and procedures to be applied during a crisis.	Crisis Management Teams	Annual
Business Continuity Plans (BCP)	Documents the plan to respond, recover and resume operations during a serious adverse event. The BCP covers the key personnel, resources, services and actions required to effectively continue critical business processes and operations.	Business Continuity Teams	Annual

Appendix 2 – Aristocrat Risk Management Framework: Group Wide Responsibility Matrix

The following table identifies the Group wide responsibilities for maintenance and adherence to the Aristocrat Risk Management Framework.

	Risk Policy	Risk and Opportunity Management Guide	Risk Appetite Statements	Risk Appetite Metrics	Enterprise Risk Report (ERR)	Business Unit Risk Registers	Crisis Management Plans	Business Continuity Plans
Board	Review and approve annually		Annually endorsed and approved	Review quarterly	Review quarterly			
ESC	Drive adoption		At least annual (and adhoc if a material change) refresh of Risk Appetite statements. Drive adoption	Review quarterly	Quarterly review and update of Enterprise wide risks	Review overview of Business Units risks on a quarterly basis	Drive engagement of Business Continuity and Crisis Management Teams to ensure currency and annual review of plans	
Risk Champions	Business education on policy, risk management process and application of risk appetite statements			Provide metric updates quarterly		Quarterly Business Unit Risk Register refresh		
Business	Understand and adhere to the requirements of the Risk Policy and Risk and Opportunity Management Guide		Ongoing consultation of RAS as part of decision making process			Ongoing duty to identify, escalate and manage risks	Crisis Management Plans maintained by the Crisis Management teams and updated annually	Business Continuity Plans maintained by the Business Continuity teams and updated annually
Group Risk and Audit	Annual update of Risk Management Policy and Guide		At least annual update of Risk Appetite Statements	Prepare report against provided metrics quarterly	Refresh ERR quarterly using updates from the quarterly Business Unit Risk reviews and engagement with ESC	Support quarterly Business Unit Risk reviews	Maintain Business Resilience Framework including policies Maintain Crisis Communications Platform Support Business Continuity and Crisis Management teams	