

## EVOLVE EDUCATION GROUP LIMITED – RISK MANAGEMENT POLICY

This policy was approved by the Board of Directors (**Board**) of Evolve Education Group Limited (**Company**) on 13 November 2014.

### 1. Introduction

- 1.1 Evolve Education Group Limited views effective risk management as key to achieving and maintaining its operational and strategic objectives.

### 2. Risk oversight

- 2.1 The directors of the Company are responsible for reviewing and ratifying the risk management structure, processes and guidelines which are to be developed, maintained and implemented by management. The active identification of risks and implementation of mitigation measures is also the responsibility of management.

- 2.2 The audit and risk committee of the Company's Board (**Audit and Risk Committee**) or the Company's senior management (**Senior Management**) may also refer a particular matter or financial risk management issue to the Board or a separate risk committee for consideration and direction.

- 2.3 To assist the Board in discharging its financial responsibility in relation to risk management, the Board has delegated certain activities to the Audit and Risk Committee. The objectives of the Audit and Risk Committee include, among other things:

- (a) promoting a culture of compliance;
- (b) providing a forum for communication between the Board and Senior Management in relation to audit and compliance matters affecting the Company; and
- (c) reviewing and commenting on Senior Management's plans for managing the material financial and reporting risks faced by the Company.

- 2.4 To achieve these objectives, the responsibilities of the Audit and Risk Committee in relation to risk management and internal compliance and control systems include among other things:

- (a) ensuring that Senior Management has appropriate processes for identifying, assessing and responding to risks in a manner that is in accordance with the organisation's risk appetite, and that those processes are operating effectively;
- (b) reviewing (at least annually) the effectiveness of the Company's risk management and internal control processes, and the Company's risk management plan framework, and seeing that the Company discloses that the review has taken place, and any insights gained and changes made to the risk management framework as a result;
- (c) receiving reports from the Senior Management concerning the Company's material risks in order to assess the internal processes for determining, monitoring and managing these risks and to monitor the risk profile of the Company;

- (d) reviewing the Company's financial risk management procedures with the objective of seeing that the Company complies with its legal obligations, including to assist the Chief Executive Officer (**CEO**) or Chief Financial Officer (**CFO**) to provide declarations in relation to each of the Company's financial reports required by Recommendation 4.2 of the *ASX Corporate Governance Principles and Recommendations (3rd edition)*.

2.5 Further detail in relation to the responsibilities of the Audit and Risk Committee are contained in the Audit and Risk Committee's charter that is available on the Company's website at [www.evolveeducation.co.nz](http://www.evolveeducation.co.nz).

### 3. **Role of Senior Management**

3.1 Senior Management is responsible for designing and implementing risk management and internal compliance and control systems which identify the material risks facing the Company. These compliance and control systems are designed to provide advanced warning of material risks before they eventuate.

3.2 Senior Management must regularly monitor and evaluate the effectiveness of these processes and risk plans and the performance of employees implementing them, including through the procedures listed in **Schedule A**. In addition, Senior Management must promote and monitor the culture of risk management within the Company and compliance with internal risk systems and processes by employees.

3.3 All employees are responsible for implementing, managing and monitoring these processes and risk plans with respect to material business risks, as appropriate.

3.4 Senior Management must report at each board meeting on risk management to the Board and the Audit and Risk Committee. The reporting must identify the Company's material risks and the extent to which:

- (a) the Company's ongoing risk management program effectively identifies all areas of potential risk, including with respect to licensing and regulatory issues;
- (b) adequate policies and procedures have been designed and implemented to manage identified risks;
- (c) a regular program of audits is undertaken to test the adequacy of, and compliance with, prescribed policies; and
- (d) proper remedial action is undertaken to redress areas of weakness.

### 4. **Identified risks**

4.1 There are a number of risks that are inherent to the business activities that the Company undertakes. These risks may change over time as the external environment changes and as the Company expands its operations. The risk management process requires the regular review of the Company's existing risks and the identification of new and emerging risks facing the Company, including financial and non-financial matters. It also requires the management, including mitigation where appropriate, of these risks.

## 5. **Review of risk management**

- 5.1 The division of responsibility between the Board, the Audit and Risk Committee and Senior Management aims to ensure that specific responsibilities for risk management are clearly communicated and understood by all.
- 5.2 The reporting obligations of Senior Management ensure that the Board and the Audit and Risk Committee are regularly informed of material risk management issues and actions. This is supplemented by the Audit and Risk Committee:
  - (a) receiving reports from Senior Management concerning the Company's material risks in order to assess the internal processes for determining, monitoring and managing these risks and to monitor the risk profile for the Company; and
  - (b) reviewing and ratifying Senior Management's processes for achieving and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and non-financial information.
- 5.3 When considering the Audit and Risk Committee's review of financial statements for a financial period, the directors must consider the written statement signed by the CEO and CFO referred to in clause 5.4(h).
- 5.4 Similarly, when reviewing risk management reports, the Board may request a separate written statement from the CEO confirming that the Company's risk management and internal control systems have been operating effectively in relation to all material business risks for the relevant accounting period and that nothing has occurred since the period-end that would materially change this position.

Last Updated 13 November 2014

## Schedule A

The following are intended to form part of the normal procedures for Senior Management's risk and compliance responsibilities:

- Evaluating the adequacy and effectiveness of Senior Management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for the management of balance sheet risks.
- Evaluating the adequacy and effectiveness of the Company's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors.
- Evaluating the structure and adequacy of the Company's business continuity plans.
- Evaluating the structure and adequacy of the Company's own insurance on an annual basis.
- Reviewing and making recommendations regarding the strategic direction, objectives and effectiveness of the Company's financial and operational risk management policies.
- Overseeing the establishment and maintenance of processes to ensure that there is:
  - an adequate system of internal control, management of business risks and safeguard of assets; and
  - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- Evaluating the Company's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance.
- Disclosing whether the Company has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.
- Reviewing the Company's main corporate governance practices for completeness and accuracy.
- Reviewing the procedures that the Company has in place to ensure compliance with laws and regulations (particularly those which have a major potential impact on the Company in areas such as childcare, industrial relations, occupational health and safety).
- Reviewing the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes (including requirements under the ASX Listing Rules, Corporations Act and Australian Accounting Standards Board requirements).
- Advising the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and reviewing the effectiveness of the Company's internal control framework.
- Reviewing the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards.
- Reviewing and discussing with management and the internal and external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.