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## Risk Management Policy

**Prescient Therapeutics Limited**

**ACN 006 569 106**

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<b>Latest Date of Approval</b>	<b>18 June 2020</b>
Previous Review Date	-
Next Review Date	June 2021

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## **1. Introduction**

- 1.1 This Risk Management Policy (**Policy**) sets out Prescient Therapeutics Limited's (**Company**) system of risk oversight, management of material business risks and internal control.
- 1.2 The Company recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company.
- 1.3 To the extent practicable, the Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
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## **2. Purpose**

- 2.1 The purpose of this Policy is to:
- (i) encourage an appropriate level of risk tolerance throughout the Company;
  - (ii) establish procedures to analyse risks within agreed parameters across the Company;
  - (iii) establish appropriate risk delegations and corresponding risk management framework across the Company; and,
  - (iv) ensure the Company has a risk management framework that can measurably react should the risk profile of the Company change.
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## **3. Risk Appetite**

- 3.1 A critical element of the Company's risk management framework is the risk appetite, which is defined as the extent of willingness to take risks in pursuit of the business objectives.
- 3.2 The key determinants of risk appetite are as follows:
- (i) shareholder and investor preferences;
  - (ii) expected business performance;
  - (iii) the capital needed to support risk taking;
  - (iv) the culture of the organisation;
  - (v) management experience along with risk and control management skills; and,
  - (vi) longer term strategic priorities.
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## **4. Risk Management Framework**

- 4.1 The Company believe that risk should be managed and monitored on a continuous basis. As a result, the Company has designed a risk management framework to allow the Company to manage its risks effectively and efficiently, enabling both short term and longer term strategic and business objectives to be met.
- 4.2 The Company's approach to risk management is summarised below:

#### 4.2.1 Identification of Risks

To ensure key risks are identified, the Company:

- defines risks in the context of the Company's strategy;
- documents risk profiles, including a description of the material risks; and,
- regularly reviews and updates the risk profiles.

The Company's risk profile is summarised below.

#### 4.2.2 Assessment of Risks

The likelihood and impact of identified risks are assessed using a common methodology.

#### 4.2.3 Measurement and Control

Identified risks are analysed and the way the risk is to be managed and controlled is then determined and agreed. The generally accepted options are:

- accept the risk (where it is assessed the risk is acceptable or if avoiding the risk presents a greater risk through lost opportunity);
- manage the risk (through controls and procedures);
- avoid the risk (stop the activity);
- transfer the risk (outsourcing arrangements); and,
- finance the risk (through insurance).

#### 4.2.4 Continuous Assessment

The Company's risk management framework requires a continuing cycle of implementing, monitoring, reviewing and managing risk management processes.

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## 5. Risk Profile

5.1 The identification and effective management of risks is critical to the achievement of the Company's strategic and business objectives. The Company's activities give rise to a broad range of risks, considered but not limited to the following categories:

#### 5.1.1 Strategic Risks

- lack of responsiveness to changing economic or market conditions that impact the Company's competitive position;
- ineffective or poor strategy developed; and,
- ineffective execution of strategy.

#### 5.1.2 Financial Risks

- financial performance does not meet expectations;
- capital is not effectively utilised or managed;
- cash flow is inadequate to meet financial obligations;
- financial results are incorrectly accounted for or disclosed; and,
- credit, market and/or tax risk is not understood or managed effectively.

### 5.1.3 Product and Service Delivery Risks

- possibility that a product or service might fail to satisfy or fulfill some reasonable expectation of the customer, user, or stakeholder.

### 5.1.4 Operational Risks

- inadequate or failed internal processes, people and systems, including from external events.

### 5.1.5 Human Resource Risks

- inability to attract and retain quality and appropriate people;
- inadequate succession planning; and,
- an inappropriate culture.

### 5.1.6 Compliance Risks

- non-conformance with or inability to comply with rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

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## **6. Risk Oversight**

### 6.1 Governance Structure

The Company's risk management framework is supported by the Board, Audit and Risk Committee and Management of the Company.

### 6.2 Board of Directors

The Board is responsible for reviewing and approving the Company's risk management strategy and Policy.

### 6.3 Management

6.3.1 To assist the Board in discharging its responsibility in relation to risk management, the Board has delegated certain responsibilities to Management.

6.3.2 Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of the Company can be met.

6.3.3 When considering the Audit and Risk Committee's review of financial reports, the Board receives a written statement, signed by the Managing Director and Chief Financial Officer (or equivalents), that the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

6.3.4 Similarly, in a separate written statement the Managing Director/CEO (or equivalents) and the Chair of the Audit and Risk Committee also confirm to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period end that would materially change the position.

#### 6.4 Audit and Risk Committee

6.4.1 The Audit and Risk Committee is a Committee of the Board, with delegated responsibilities in relation to risk management and the financial reporting requirements of the Company.

6.4.2 The Audit and Risk Committee is also responsible for monitoring the overall compliance with laws and regulations.

6.4.3 The responsibilities of the Audit and Risk committee are included in the Committee's Charter.

#### 6.5 Assurance

6.5.1 There are different levels of assurance in relation to the effectiveness and efficiency of the Company's risk management framework and associated processes and controls.

6.5.2 Assurance is provided from Management through reports and process.

6.5.3 Assurance also comes from the monitoring, oversight and reporting undertaken by the Audit and Risk Committee, as well as from the independent testing, review and reporting undertaken by external audit. Independent external auditors are engaged by the Company to provide an audit opinion as required by law.

6.5.4 Process, surveillance, controls or other reviews are performed as required.

6.5.5 Reviews are also performed by regulators.

#### 6.6 People and Culture

Having the right people and promoting an appropriate risk culture are critical to the future success of the Company. As a result, the Company is committed to forming a culture of risk awareness, transparency and responsiveness.

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## 7. **Policy Review**

This Policy cannot be amended without approval from the Company's Board. This Policy will be reviewed from time to time to ensure that it remains effective and meets best practice standards and the needs of the Company.

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## 8. **Further Assistance**

Any questions regarding this Policy should be referred to the Company Secretary in the first instance.

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## **9. Approved and Adopted**

This policy was approved and adopted by the Board on 18 June 2020.