

# Risk Management Policy

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June 2020

## Risk Management Policy<sup>1</sup>

### Cogstate Limited (ABN 80 090 972 723) (the Company) and its subsidiaries

## 1. Introduction

### 1.1 Background

Risk recognition and management are viewed by the Company as integral to its objectives of creating and maintaining shareholder value, and to the successful execution of the Company's strategies.

### 1.2 Purpose

The purpose of the Risk Management Policy (the **Policy**) is to ensure that:

- (a) appropriate systems are in place to identify to the extent reasonably practicable all material risks that may impact on the Company's business;
- (b) the financial and non-financial impact of identified risks is understood, and appropriate internal control systems are in place to limit the Company's exposure to such risks;
- (c) appropriate responsibilities are delegated to control the identified risks effectively; and
- (d) any material changes to the Company's risk profile are disclosed in accordance with the Company's Continuous Disclosure Policy.

For the purpose of this Policy, "risk" is defined as possible outcomes that could materially adversely impact on the Company's financial performance, assets, reputation, people or the environment.

### 1.3 Board responsibility

The Board is responsible for risk oversight and the management and internal control of the processes by which risk is considered for both ongoing operations and prospective actions. As a minimum, the Board is required to:

- (a) establish the acceptable levels of risk within which the Board expects the management of the Company to operate and analyse whether the Company is operating with due regard to the risk appetite set by the Board;
- (b) oversee the establishment and implementation of the risk management system; and
- (c) review the effectiveness of the Company's risk management system least once each reporting period,

in relation to the processes, structures and culture established to identify, assess, treat and monitor risk to support the achievement of the Company's objectives, such review to be conducted by one or both of the Board or the Audit, Risk & Compliance Committee.

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<sup>1</sup> A link to the Company's corporate governance policies can be found here:  
<https://www.cogstate.com/investors/corporate-governance/>.

The Board and the Audit, Risk & Compliance Committee will consider whether the Company's risk management system continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board. This includes being satisfied that the risk management framework deals adequately with financial and non-financial risk and contemporary and emerging risks such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability and climate change.

In specific areas, the Board is assisted by the Audit, Risk & Compliance Committee. The Audit, Risk & Compliance Committee is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed and mitigated.

Not all aspects of risk management can be formalised, and the Company places considerable reliance on the skill, experience and judgment of its people to take risk managed decisions within the framework of this Policy and to communicate openly on all risk related matters.

## **2. Key principles and concepts**

### **2.1 Identified Business Risks**

There are a number of risks which are inherent to the business activities which 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 Board to conduct regular reviews of the Company's existing risks and the identification of any 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.

### **2.2 Business Risk Management Policies and Practices**

In order to properly identify and develop strategies and actions to manage business risks, the Company has put in place a business risk management framework based on the following key elements:

- (a) an Audit, Risk & Compliance Committee which meets periodically to identify and assess specific risks. The Audit, Risk & Compliance Committee should have a thorough understanding of the Company's activities and should be conversant with the Company's business plans, objectives and values;
- (b) an assessment of the potential impact of identified business risks and the likelihood of occurrence;
- (c) a ranking of the business risk in accordance with the likely impact on the Company;
- (d) an assessment of the acceptability of each identified risk;
- (e) a consideration and decision on the proposed actions to eliminate, reduce or manage each material risk; and
- (f) an assignment of the responsibilities for the management of each risk.

Risk management encompasses all areas of the Company's activities. Once a business risk is identified, the risk management processes and systems implemented by the Company are designed to provide the necessary framework to enable the management of business risk.

Following assessment by the Audit, Risk & Compliance Committee, the overall results of this assessment are presented to the Board, in oral and written form, at the next Board meeting, by the Chair of the Audit, Risk & Compliance Committee, and updated as needed.

The Board reviews the Company's risk management periodically, and where required, makes improvements to its risk management and internal compliance and control systems.

## **2.3 Additional Risk Management Policies and Practices**

In addition to the specific risk management process described in this Policy, the Company has implemented the following procedures and practices which are designed to manage specific business risks:

- (a) an insurance program which is reviewed by the Audit, Risk & Compliance Committee and by the Board;
- (b) regular budgeting and financial reporting;
- (c) the Company's business plan;
- (d) corporate strategy guidelines and procedures to review and approve the Company's strategic plans;
- (e) legally binding commitments and expenditure exceeding certain levels must be submitted to the Board for approval;
- (f) procedures / controls to manage financial exposures and operational risks;
- (g) procedures / controls / policies and management standards to ensure that the Company complies with its obligations and responsibilities in relation to occupational health and safety matters, and the communities in which it operates;
- (h) oversight of the Company's internal audit function (if such function exists) by the Audit, Risk & Compliance Committee to provide assurance regarding the effectiveness of key controls;
- (i) oversight of the Company's financial affairs by the Audit, Risk & Compliance Committee;
- (j) regular performance reporting enabling the identification of performance against targets and evaluation of trends; and
- (k) an Audit, Risk & Compliance Committee, and Remuneration & Nomination Committee which assist the Board in implementing this Risk Management Policy by focusing the Company and management on risk oversight and internal controls. These Committees also report to the Board on the status of the Company's material business risks through integrated risk management programs, covering areas such as occupational health & safety, financial reporting and internal controls; and ongoing training and development programs.

Additionally, all other significant areas of the Company's operations are subject to regular reporting to the Board, including development, finance, legal and investor relations.

### **3. Other matters**

#### **3.1 Amendment of policy**

This Policy can only be amended with the approval of the Board.

#### **3.2 Adoption of Policy and Board review**

This Policy was adopted by the Board on the date on the front page of this Policy and takes effect from that date and replaces any previous policy in this regard.

One of the Board and the Audit, Risk & Compliance Committee must review and reassess this Policy at least once each reporting period to enable the Board or the Audit, Risk & Compliance Committee (as applicable) to satisfy itself that this Risk Management Policy and the Charter of the Audit, Risk & Compliance Committee continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board. Any amendments to this Policy must be approved by the Board. The Company Secretary will communicate any amendments to employees as appropriate.