

## **RISK MANAGEMENT POLICY**

### **Policy Statement**

Tissue Therapies is committed to managing business risks, which will assist in achieving its Business Plan objectives. A business risk is anything that hinders the sustainable achievement of Tissue Therapies' objectives and results, including failure to exploit opportunities. Risk is inherent in business operations and the Tissue Therapies Board and senior management decide on the levels of risk tolerance.

### **Objectives**

The objectives of this policy include:

- the promotion of a positive attitude to the management of business risk;
- ensuring that effective risk management processes are in place;
- ensuring that there are processes in place to monitor risk and to take appropriate action when a risk event occurs;
- ensuring that there are regular reviews of the management of business risk.

### **Risk Management Program**

Tissue Therapies' Risk Management Program is a process of identifying, analysing, evaluating, treating and monitoring business risk. It is an integral part of the planning process, helping to ensure that key business objectives are achieved. The Risk Management Program involves:

- The establishment of the strategic and organisational context for the Risk Management Program. The strategic context is set out in the Tissue Therapies' Business Plan. The organisational context is the organisation structure of Tissue Therapies. All Senior Managers in Tissue Therapies have a Risk Profile in which the risks for which they have responsibility are identified.
- The process of identifying the risks which Tissue Therapies faces has involved a detailed review by the senior management team of all potential risks faced by Tissue Therapies. The risks identified cover all facets of the business such as legislative obligations including those under the Corporations Act, and the identification of risks to market integrity.
- An analysis of each of the risks includes an estimate of the impact if the risk occurred and the probability of the event occurring. The comparison of estimated levels of risk results in a ranking of risks using numerical categories of \$500,000 to \$10,000,000. This enables the senior management team to prioritise risks in order of importance.
- The counter measures formulated to treat each risk have been evaluated for effectiveness by the management team. The residual risk is what remains after the counter measure has been applied.

- All risks are "owned" by a particular member of Tissue Therapies' senior management team and are detailed in their Risk Profiles. The counter measures designed to treat the risks "owned" by a particular manager form a part of that manager's performance evaluation criteria.
- Risk management responsibilities are effectively delegated and monitored through Tissue Therapies' organisational structure.

The Board of Tissue Therapies Limited has approved the Risk Management Programme

### **Risk Management Review Process**

- Review of the Risk Management Program is part of the annual planning process.
- Half-yearly performance reviews of all Senior Managers include risk management responsibilities. Risk management forms part of all Senior Managers' key performance indicators.
- Half-yearly reviews of training requirements in respect of risk management and compliance and training updates where necessary.

### **Reporting**

The effectiveness of the Risk Management Program is to be assessed each meeting of Audit and Risk Management Committee. Where there has been a breach in the control environment, then this must be reported to the Board. Action Plans are to be put in place to address the breach and to amend the control environment, if required.

### **Risk Management Team**

The Chief Executive Officer is responsible for the effective operation of Tissue Therapies' Risk Management Program. All senior managers are part of the Risk Management Team.