



Risk Management Policy



Risk Management Policy Statement

ALS recognises that the effective management of risks is a fundamental component of good corporate governance and is vital for the company's continued growth and success. ALS is committed to enterprise-wide risk management to ensure its corporate governance responsibilities are met and its strategic goals are realised.

Enterprise-risk management enables ALS to identify and manage risks to:

- Create and sustain a safe and healthy work environment.
- Improve business performance by optimising growth opportunities.
- Remain innovative and establish competitive advantage.
- Anticipate and communicate uncertainties.
- Reduce operational losses and surprises.
- Protect the company's reputation and brand.

The objectives of the ALS Limited Risk Management Policy and Framework are to:

- Provide a consistent and systematic approach to identify, analyse, evaluate, treat, monitor and report on the portfolio of risks.
- Ensure management is presented with the best available information on which to base its decisions.
- Ensure decisions made are aligned with the company's appetite for risk and are undertaken within approved risk tolerances and are executed with sufficient independent oversight.
- Provide assurance through internal audit activities that internal controls are in place and are operating effectively and efficiently.

Application

This policy applies to all ALS businesses.

Resources

ALS will provide the necessary resources and support mechanisms to ensure its commitment toward risk management is achieved.

Implementation

Each ALS business is responsible for implementing the requirements of this policy in consultation with their employees. Cooperation is needed, and expected, from all employees. The effective management of risk is vital to the continued growth and success of our Group.

Raj Naran
Chief Executive Officer



Introduction

This Risk Management Policy sets out the risk management strategy and minimum requirements for the management of risk within the Group. This policy is to be applied to the management of risks that arise in relation to the Group conducting its business.

ALS's strategy for the management of risk substantially follows the guidelines of *ISO 31000:2018 - Risk Management - Guidelines*.

Definition of Risk

ALS defines risk as either a threat or an opportunity. A risk in the form of a threat is defined *as the chance of something happening that will negatively impact on the company's ability to meet its objectives*. A risk in the form of an opportunity is defined *as the chance of something happening that will enhance, or positively impact on, the company's ability to meet its objectives*. Both threats and opportunities are measured in terms of consequences and likelihood.

Risk Management Framework

ALS has an established Risk Management Framework ("the Framework") to support its commitment to effective risk management. One of the primary objectives of the Framework is to provide guidance on how to consistently and comprehensively apply risk management in order to optimise the management of risk. Additional objectives of the Framework include:

- recognising that successful risk management is the responsibility of all employees.
- optimising financial growth opportunities.
- reducing the likelihood of deficient or ineffective strategic and business planning through embedding risk evaluation in all strategic and business planning.
- reducing the likelihood of failures and cost overruns by applying effective risk assessment and management in the planning and implementation of projects, and business initiatives and activities.
- reducing the likelihood, and potential impacts including financial cost to the company of fraud, insurance claims and complaints.
- encouraging the identification and reporting of actual or potential risk incidents.
- protecting and promoting the company's public image and reputation as a professional, responsible and ethical organisation.

Risk Management Process

The Framework includes the application of the company's interpretation of the risk management process contained in *ISO 31000:2018 Risk Management - Guidelines*, as it is set out below.

1. Establish the Context

Before formally assessing risks, each Business Stream should ensure they consider and detail the context in relation to their specific business including:

- Governance/management structure
- Services provided
- Physical environment (property and location details)
- Service dependencies (internal & external)
- Competition



Establishing the context also requires consideration of ALS’s agreed risk appetite and tolerances in relation to:

1. Reputation;
2. Finance / Commercial;
3. People and Culture;
4. Governance;
5. Information and Systems management;
6. Operational; and
7. Environment (including economic, environmental, and social sustainability).

Refer to the ALS Risk Appetite and Tolerance Policy for more information.

2. Risk Assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation. The process aims to highlight the material risks to, or in, the business to ensure that resource allocation is directed towards mitigating controls around material risks that present as threats; and resource allocation is directed towards actions to optimise material risks presenting as opportunities eventuating.

(a) *Risk Identification*

The risk identification process involves identifying and documenting risks across all areas of the business.

Risks can be identified in a multitude of ways through day-to-day activities, proactively through formal risk management workshops, or reactively as a result of certain events occurring. External, strategic, financial and operational risks are incorporated in the risk identification step, with such risks being identified through a systematic process as per the table below:

Risk Identification Group	Examples
Strategic Workshops	<ul style="list-style-type: none"> • Business strategic planning reviews • Material Business Risk workshops incorporating techniques such as ‘strengths, weaknesses, opportunities, threats’ (SWOT) analysis; brainstorming; analysis of systems or scenarios
Operational Activities	<ul style="list-style-type: none"> • Monthly team meetings • Business and operations managers forums • Capital expenditure risk assessments • Routine data collection and business data analysis
Assessment against Standards	<ul style="list-style-type: none"> • Financial reviews and external audits • Six monthly compliance process reviewing compliance against company policy, key risk controls, and legal compliance • Internal audit and peer reviews • Third Party accreditation reviews (ISO, NATA, TIC Council) • Corporate Compliance and Risk audits • Health Safety and Environment (HSE) and Injury Management (IM) inspections/audits
Incident or Event Logging	<ul style="list-style-type: none"> • Internal incident or complaint reporting via the ALS Compliance Portal incorporating health, safety, environment and property incidents • ALS Integrity + Compliance Helpline
Exception Reporting	<ul style="list-style-type: none"> • Monthly exception reporting incorporating legal, information technology, employment practices, insurance, trade practices, environmental, HSE, tax and corporations law risks.



(b) Risk Analysis

The risk analysis step involves the calculation of the risk based on the consequence of the event and likelihood of the identified event happening. For the majority of risks that take the form of incidents or non-compliances, risk analysis is built into reporting requirements i.e. ALS Group standard incident report forms require investigation and corrective actions. A risk assessment matrix has been developed to be used across ALS for Group-wide risks. Business Streams may adopt more specific Business Stream operational risk matrices, provided those matrices are not misaligned with the matrix used for Group-wide risks. . Consequences are grouped under the areas of Financial, Legal, Reputation, HSE, and Operational. An ALS tailored five by five consequence and likelihood risk matrix is used to apply a rating to each identified risk. **Table 1** below provides an example of a consequence matrix; and **Table 2** provides an example of a risk matrix.

Table 1 Consequence matrix

Consequence	Financial	Legal	Reputation	HSE	Operational
Negligible	Low level loss or cost to Business, Stream, or Group. <1% budgeted revenue or EBIT.	Event unlikely to attract regulatory response or claim. Notification of authorities unlikely to result in action.	Isolated complaint / event. No media inquiry.	Employee / contractor or environmental incident with limited harm, i.e. first aid.	No material damage to property or disruption to continuity of services. Negligible effect on projects.
Minor	Minor level loss or cost to Business, Stream, or Group. 1% - 5% budgeted revenue or EBIT.	A minor breach, which may incur a non-compliance or improvement notice. Notification necessary and visit likely.	Number of complaints and / or clients affected. Receiving local adverse publicity.	Medical treatment required. Localised environmental clean-up or remediation.	Minor damage to property. Services / business disrupted for less than 12 hours. Project impact minor.
Moderate	Moderate level loss or cost to Business, Stream, or Group. 5% - 10% budgeted revenue or EBIT.	A breach of regulations, or negligence. Notices/ claim issued with the likelihood of limited prosecution or civil action.	Multiple widespread complaints and / or clients affected. Adverse media interest / exposure is likely to be limited in duration.	Serious compensable injury. Extended time off >4 days. Moderate local environmental impact, contained to site but clean up required.	Damage or disruption to services / or a business for 24 hours. e.g. minor fire, disruption to utilities, IT system down. Project delayed or compromised impacting on objectives.
Major	Major level loss or cost to Business, Stream, or Group. 10% - 5% budgeted revenue or EBIT.	A major breach of regulations, or negligent act. Investigation by authorities. Likelihood of prosecution or civil actions.	Complaints across country. Significant or sustained adverse publicity effecting client confidence.	Permanent impairment due to injury. Off-site environmental impact. Requiring significant clean-up and ongoing remediation.	Major damage or closure of a business or service for more than 14 days. Inability to achieve project objectives.
Catastrophic	Extreme level loss or cost to Business, Stream, or Group. >15% budgeted revenue or EBIT.	A serious willful breach of regulations, or negligence. Likelihood of suspension of business. Directors / officers likely to be prosecuted or named in civil action.	Sustained nation-wide media exposure with significant and lasting public / client outrage / dissatisfaction. ASX notification necessary.	Fatality or numerous serious injuries. Serious environmental impact, off site impact. Extensive clean-up and on-going remediation necessary.	Major damage or closure of a hub lab or major site. Resulting in inability to service customers. Project failure with broader impact to business.

Table 2 Risk Array Matrix

-5	Likely	Extreme -25	Very High -20	Very High -15	High -10	High -5		High 5	High 10	Very High 15	Very High 20	Extreme 25	Likely	5
-4	Occasional	Very High -20	Very High -16	High -12	High -8	Low -4		Low 4	High 8	High 12	Very High 16	Very High 20	Occasional	4
-3	Possible	Very High -15	High -12	High -9	Low -6	Low -3		Low 3	Low 6	High 9	High 12	Very High 15	Possible	3
-2	Unlikely	High -10	High -8	Low -6	Low -4	Very Low -2		Very Low 2	Low 4	Low 6	High 8	High 10	Unlikely	2
-1	Rare	High -5	Low -4	Low -3	Very Low -2	Very Low -1		Very Low 1	Very Low 2	Low 3	Low 4	High 5	Rare	1
		Catastrophic	Major	Moderate	Minor	Negligible		Negligible	Minor	Moderate	Major	Significant		
		-5	-4	-3	-2	-1	0	1	2	3	4	5		
		Detrimental Impact					Neutral	Beneficial Impact						

Risk velocity adds a third dimension to the risk analysis process. Velocity considers the following factors associated with a risk:

Speed of onset – requires the consideration of how quickly a risk might occur and how much warning will the organisation have to prepare.

Speed of impact – relates to how quickly and in what manner an organisation will be impacted by the onset.



Speed of reaction – relates to an organisations ability to see the risk coming and agility to react in a timely manner.

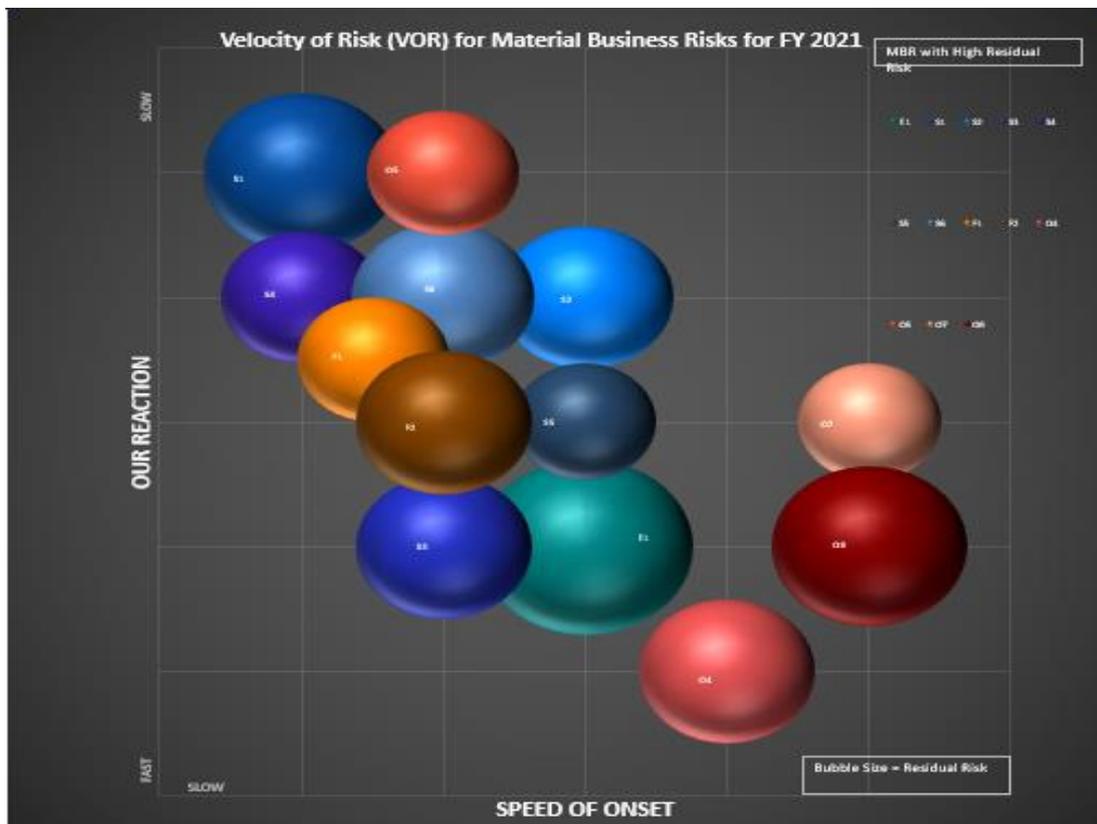
Table 3 provides examples of a Likelihood Guide and a Velocity of Risk Scale.

Table 3 Likelihood guide and Velocity of risk (VOR) scale

Likelihood classification	Description
5 Likely	Expected to occur again either immediately or within a short period of time (likely to occur most weeks or months)
4 Occasional	Will probably occur in most circumstances (several times a year)
3 Possible	Possibly will occur, might occur at some time (may happen every one to two years)
2 Unlikely	Possibly will recur, could occur at some time (may happen every two to five years)
1 Rare	Unlikely to recur, may occur only in exceptional circumstances (may happen every five to thirty years)

Velocity of Risk	Description
5 Extreme	Very rapid onset and impact. Little or no warning, instantaneous. Very slow speed of reaction.
4 Very high	Onset / impact in a matter of days to a few weeks. Reaction is slow.
3 High	Onset / impact occur in a matter of a couple months. Reaction is moderate.
2 Low	Onset / impact occur in a matter of several months. Reaction is quick.
1 Very low	Onset / impact occur over a year or more. Reaction is very quick.

Chart 1 illustrates the velocity of risk from a threat perspective of Group-wide risks with an extreme, very high or high residual risk rating. This bubble chart helps prioritise each risk e.g. a risk with a high speed of onset and or impact may require a fast speed of reaction to implement the required risk treatments.





To ensure a consistent approach is taken for the assessment of material business risks, ALS has implemented a standard register to record all identified Group-wide risks. Risk management workshops are held by the Corporate Compliance and Risk team with senior management teams from each Business Stream to identify and record material business risks. The outcomes of the risk workshops are recorded on the ALS Risk Register. The Register is maintained and managed by the Chief Risk Officer. It captures the inherent, residual and target risk ratings and is a 'living document'. It includes details of risk treatments in place and further risk treatments to be implemented, if applicable. An **example** of the template of the ALS Risk Register appears below.

ALS RISK REGISTER FOR FY2021										
E1 EXTERNAL RISK										
ANALYSE	Cause			Possible Effect of Risk on Objectives			Responsibility			
		•			THREAT • OPPORTUNITY •					
ASSESS AND TREAT	Inherent Risk - Threat			RISK TREATMENTS IN PLACE			Residual Risk			Target Rating
	Likelihood	Consequence	Rating	•			Likelihood	Consequence	Rating	Nil - Existing risk treatment effective. Residual risk meets target rating.
	-5	-4	-20				5	4	20	
	Inherent Risk - Opportunity									
Likelihood	Consequence	Rating								
	5	4	20							
RISK TREATMENT ACTION PLAN								By Who	Due	
MONITOR	Key Risk Indicators		Reported to	Person Responsible	Target	Result				
	1.		Management:		1.					
	2.		Board:		2.					

(c) Risk Evaluation

The risk rating calculated from the Risk Array Matrix establishes the priority of the identified risk. ALS has established guidelines for required actions associated with the level of risk and the communication of the risk within the organisation.

3. Risk Treatment/Response

The Risk Response involves identifying and implementing mitigating controls, these can be procedural or system based.

All Extreme, Very High and High material business risks identified require controls to be implemented to treat the risk to an acceptable level. Existing and planned risk treatments are summarized in the register and those responsible for the risk treatment assigned as “risk owners”.

The ALS Compliance Portal will record identified operational business risks and allocate corrective actions and responsibilities for each risk.

Table 4 below illustrates actions and reporting requirements associated with risk scores and risk ratings.



Table 4 Risk actions

Risk Score	Risk Rating	Actions	Reporting Requirements
-25	Extreme	Immediate action is required by Senior Executive. Detailed investigation / analysis and response to be undertaken. CEO to be notified.	<ul style="list-style-type: none"> The risk must be reported to the Executive GM, and Chief Risk Officer within 24 hours. Business to provide Chief Risk Officer with a risk report within 48 hours. Summary of incident / risks and controls / outcomes reported to the Board and Audit and Risk Committee.
-20 to -15	Very High	Senior Management attention needed. Investigation / analysis and response to be undertaken at the discretion of Business senior management and / or Stream GM. Chief Risk Officer to be notified.	<ul style="list-style-type: none"> The incident / risk must be reported to the Business Stream GM and Chief Risk Officer within 48 hours. Business management to consider need for regulatory reporting requirements; i.e. Environmental authorities, Workcover, ASX, or other regulatory body if required. Business to provide Chief Risk Officer with a risk report within 5 days. Summary of incident / risks and controls / outcomes reported to the Board and Audit and Risk Committee.
-12 to -5	High	Senior Management responsibility and actions must be specified. Data should be aggregated and provide opportunity for business improvement, addressed at Business / local level.	<ul style="list-style-type: none"> The Business Manager to notify Business Stream GM, if required, after consideration of the circumstances of the incident / risk. Business management to consider the need for regulatory reporting requirements, i.e. Environmental authorities, Workcover, ASX, or other regulatory body, if required. Aggregated data reported and analysed via ALS Limited Compliance Portal and reported to the Business Stream GMs and Audit and Risk Committee
-6 to -3	Low	Managed by routine procedures aggregate data, then undertake business improvement project.	<ul style="list-style-type: none"> Business to enter information on Compliance Portal – incident report / compliance reporting / exception reports / monthly sign off, etc. Data collected in Compliance Portal and information extracted as needed by businesses or ALS Limited Corporate.
-2 to -1	Very Low	No action required.	

ALS Lines of Defence

ALS adopts a three lines of defence approach to managing its risks namely:

First line: The first level of control is the business operations which perform day-to-day risk management activity under documented policies and procedures.

Second Line: Oversight functions in the company such as Finance, Human Resources, and Compliance and Risk verify and provide assurance that relevant policies are working.

Third Line: Internal and external audits are the third line of defence offering independent challenge to the levels of assurance provided by business operations and oversight functions. Internal Audit includes external auditors/contractors, including insurance advisors, forensic accountants and corporate risk consultants.

4. Controls Effectiveness

When analysing risk, it is important to understand the effectiveness of the existing controls that are in place. Controls effectiveness measures the strength of the current controls to provide an indication of the confidence the business should have in them or whether additional controls are necessary. The outcome of this process is a residual risk rating being determined for the original, or inherent, risk.

In addition to the evaluation of controls effectiveness, ALS undertakes “assurance mapping” of all material Group-wide risks against organisational internal control processes. In this way ALS gains greater insight into the existing business control processes addressing each material risk.

The **image** below includes an example of controls assurance mapping.



CEO & Executive Risk Review

On a quarterly basis, at executive managers’ meetings, the Chief Executive Officer will choose at least one Group-wide risk to be discussed and reviewed as a formal agenda item for the management meeting. The status of the selected risk should be evaluated examining any changes to the risk and the effectiveness of the controls in place.

A monthly review is undertaken by the Chief Risk Officer of all risks reported on the ALS Compliance Portal.

6. Internal Audit

ALS has implemented an internal audit plan designed to provide a suitable level of assurance to the Chief Executive Officer and the Audit and Risk Committee that internal controls are operating effectively and efficiently around each of its identified Group-wide material business risks. The emphasis is on those risk areas where:

- High inherent risks are mitigated to low residual risk and therefore there is a high degree of reliance on the mitigating controls,
- There are no, or few, compensating controls. These are typically risks that have a residual risk above the target risk or risk appetite.
- A high velocity of risk exists and would require a rapid reaction or implementation of controls.

7. Risk Reporting

(a) Material Business Risks

All material business risks (threats and opportunities) are to be promptly reported to the Chief Risk Officer.

(b) Risk Incidents

It is important that all adverse risks incidents are reported promptly upon being discovered. This is to ensure that corrective action to rectify the situation can be taken, data can be collected for insurance claims reporting, and to ensure that any statutory reporting obligations can be met.

A risk incident is any materialisation of a risk and breakdown or absence of a risk control. It includes a breach of any statutory obligation and may also include any situation or event that may give rise to an insurance claim.

It is the responsibility of every employee to report any potential or actual risk incident as soon as it is identified. Material incidents are to be notified to the Business Stream General Manager and Chief Risk Officer immediately upon discovery.

The following reporting schedule is in place to monitor and report on the company’s risks, including material business risks and risk incidents:

Report	To Who	Schedule
Enterprise-wide Material Business Risk Review - Update on the material business risks (MBRs) in the ALS Risk Register and the controls in place to manage MBRs.	Audit and Risk Committee	March Audit and Risk Committee meeting
Compliance and Risk Reports - Summary of material operational compliance and risk issues that are reported from each business.	Board (via monthly Board Report)	Each Board Meeting
Compliance, Risk and Internal Audit Reports - Update reports of material compliance and risks affecting business operations. -	Audit and Risk Committee	Quarterly
Material Risk Briefings/Reports - Management reports provided to the Audit and Risk Committee on material risks, including health, safety, environment and	Audit and Risk Committee	Annually (as scheduled by the Audit and Risk Committee Program)



security; information technology governance; finance and tax; human resources; and sustainability risks.		
Review of Corporate Policies – Policies including Securities Trading, Code of Conduct, Continuous Disclosure, Risk Management Policy, etc.	Audit and Risk Committee	Annually (as scheduled by the Audit and Risk Committee Program)
Annual Sign-Offs reporting on: <ul style="list-style-type: none"> • Compliance to internal accounting controls • Performance of businesses against material operational and statutory compliance requirements • Compliance to Code of Conduct • Compliance with corporate governance requirements for statutory filings, corporate registers, and minutes of board meetings. 	Audit and Risk Committee	Audit and Risk Committee meeting (May and November)

8. Communication and Consultation

All managers and supervisors are required to escalate risks that could materially affect business operations through to their business executive management and the ALS Corporate Office in line with this policy. Communication of the company’s risk management framework is promoted to internal and external stakeholders to ensure all potential and actual risks are identified and reported as part of the risk management process.

A number of supporting management processes are in place to ensure risk management is integrated into the business operations in a consistent manner in line with Board expectations. These supporting processes are contained in targeted policies, including:

- Risk Appetite and Tolerance Policy
- Code of Conduct
- Delegation of Authority Policies
- Group Cash Management Policy
- Financial Risk Management Policy
- Capital Expenditure Risk Assessment Guidelines
- HSE Foundation Standards
- Business Continuity and Disaster Recovery Guidelines
- Anti-Bribery and Anti-Corruption Policy
- Sanctions Policy
- Privacy Policy
- Data and IT Usage Policy
- Information Management Policy
- ALS Integrity + Compliance Helpline, and Whistleblower Program.



Risk Management Roles and Responsibilities

Specific roles and responsibilities as to risk management are set out below.

Role	Responsibilities
Board	The Board is responsible for reviewing and approving the overall risk management strategy, including setting the risk appetite and tolerances of the ALS Group.
Audit and Risk Committee	The Audit and Risk Committee assists the Board to monitor the ALS Group's obligations in relation to financial reporting, internal control and audit, and compliance and risk management systems.
People Committee	Directors monitor risks and controls through the People Committee and other Sub-Committees of the Board that may be formed from time to time.
CEO & Executive Management team	<p>The CEO and executive management team are responsible for implementing the risk management strategy and for developing policies, controls and processes to identify and manage risk across the ALS Group.</p> <p>The executive management team provides the Board with regular reports about the Group's financial position and operational results for each controlled entity.</p> <p>The CEO and CFO provide certification to the Board each reporting period that:</p> <ul style="list-style-type: none"> • the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and • the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
Chief Risk Officer	<p>The Chief Risk Officer is independent from the Business Streams and reports to the CEO. The Chief Risk Officer is responsible for assisting the businesses in meeting their obligations under this Policy, and to report to the Audit and Risk Committee on the effectiveness of the controls in place for the effective management of risk.</p> <p>The Compliance and Risk team provide the following support:</p> <ul style="list-style-type: none"> • Infrastructure to facilitate compliance and risk reporting (the ALS Compliance Portal). • Specialist advice to businesses in implementing policies, procedures and processes to meet statutory obligations and to establish compliance programs. • Analytical tools and advice for areas of operational risk (including health, safety and environment). • Management of Global insurances to adequately protect key business assets.



Executive Risk Management Committee	<p>The Executive Risk Management Committee is comprised of the CEO, Business Stream General Managers, and the Chief Risk Officer. The Committee is responsible for:</p> <ul style="list-style-type: none"> • reviewing and confirming the enterprise-wide Material Business Risks captured in the ALS Risk Register in the context of the Company’s 5-year strategic plan. • reviewing the adequacy of risk treatment plans for enterprise-wide Material Business Risks. • identifying emerging enterprise-wide risks having a potential material impact on the Company achieving its 5-year strategic plan (for inclusion in the ALS Risk Register). • agreeing the Group-wide response to material risk events or contemporary risks having an enterprise-wide impact or effect.
Business Stream General Managers	<p>Business Stream General Managers are responsible to:</p> <ul style="list-style-type: none"> • report on the status of material business risks within their Business Stream. • notify the Chief Risk Officer of any material changes to structure or business processes and operations so that the Chief Risk Officer can make an assessment of the impact on existing risks or the need to document new risks. • ensure that they and their management understand their accountability for identifying risks within their areas of responsibility and for ensuring that there are appropriate and effective risk management controls in place to adequately manage risks. • ensure continuous monitoring of their areas of responsibility to identify and report any risk management incidents and to seek assistance from the Chief Risk Officer to rectify any perceived risk management weaknesses or deficiencies. • provide assistance for the carrying out of any assurance activities as requested by the Chief Risk Officer.
Managers and Supervisors	<p>Managers and Supervisors are responsible for identifying risks within their areas of accountability and for ensuring that there are appropriate and effective risk management controls in place to adequately manage risks.</p>
Employees	<p>All ALS employees are responsible for ensuring they:</p> <ul style="list-style-type: none"> • are aware of the policies and procedure for managing risk. • undertake their duties with care and diligence and in accordance with approved policies, procedures and processes. • complete all mandatory training within prescribed timelines. • inform management if, for any reason, they are concerned that procedures and processes to perform their duties are inadequate, defective, and or are out of date. • report any potential or actual risk incident to management as soon as it is identified. <p>All employees are to have confidential and unfettered access to the Chief Risk Officer for the reporting of any suspected adverse risk activity.</p>
External Contractors (including insurance advisors, forensic accountants and corporate risk consultants).	<p>Independent review of the Group-wide Material Business Risks captured in the ALS Risk Register, incorporating an evaluation of the controls in place to manage risks.</p>