



Risk Management Policy and Procedures – Aspen Group Limited 17 April 2020

Background

Consistent with existing Corporate Governance Principles, Aspen Group Limited has a Risk Management structure that identifies and addresses risks that could have a material impact on the business. Evolution Trustees Limited (ETL) as Responsible Entity (RE) of the Aspen Property Trust operates under its own risk management framework which has consistent approaches and methodologies to those established by Aspen Group Limited and set out in this document.

This document provides the overall policy framework for risk management together with procedural matters to be followed.

Risk Management Policy

The Board has adopted a Risk Management Policy designed to:

- identify, assess, monitor and manage risk
- identify material changes to Aspen's risk profile

To this end a risk management structure has been established (which will accord with AS/NZS 4360 Risk Management). This structure includes a responsible manager, being the Company Secretary, liaising with working parties from each business area in a series of forums.

Risks are identified and analysed for each area, and suitable reporting created to address the risks. The reports are then endorsed by executive management and Extreme and High risks presented to the Board at least annually (refer to risk management procedures for further details). A standardised approach to risk assessment is used across the Group to ensure that risks are consistently assessed and rated across the business.

Risks and their treatment are included in the Compliance Committee's report to the Board.

1. Board and Management Responsibility

The Board as a whole is ultimately responsible for establishing and reviewing the Group's policies on risk oversight and management and satisfying itself that there is a sound system of risk management and internal control.

The Board is required to constantly monitor the financial aspects of the Group's activities and, through the Audit Committee, the Board considers the recommendations and advice of the Investment Manager and external auditors the financial risks that face the Group.

The Board is required to ensure that recommendations made by the Investment Manager, external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Group has an appropriate internal control environment in place to manage the key risks identified.

In addition, senior management is required to investigate ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

The Investment Manager shall report to the Board at least annually that the Group has a sound system of risk management in place and that those systems are operating efficiently and effectively in all material respects.

The Board is required to record in its minutes of meeting that the Investment Manager has reported to it as to the effectiveness of the Group's management of its material business risks.

2. Resources

The Investment Manager is required to identify resource requirements and provide adequate resources, including the assignment of trained personnel for management, performance of work, and verification activities including internal review.

3. The risk management process

The main features of the process are:

- i) Establish the context and scope**

The strategic, organisational and risk management context should be established for the business to identify and scope the risk management program. The criteria against which risks will be evaluated should be established and the structure of the analysis defined.
- ii) Identify risks**

Meetings will be held with key parties to identify what, why and how things can arise (both at a Group level and at a fund level) as the basis for further analysis. It should also identify risks in consideration of strategic matters, and feed such information into the risk management structure.
- iii) Analyse risks**

Determination of the existing controls in place and analysis of risks in terms of likelihood and impact in the context of those controls should be made. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Likelihood and impact are combined to produce an estimated level of risk.
- iv) Evaluate risks**

Compare estimated levels of risk against the pre-established criteria to enable risks to be ranked so as to identify management priorities. If the levels of risk established are low, then risks may fall into an acceptable category and treatment may not be required.
- v) Treat risks**

Accept and monitor low-priority risks. For other risks, develop and implement a specific management plan.
- vi) Monitor and review**

Monitor and review the performance of the risk management system and changes that might affect it. Each division or business area is to review risks annually to ensure that they are still relevant and adequate controls are still in place.
- vii) Reporting**

Report material risks to the Board of Directors at least annually, or immediately as outlined in the Procedures. Such reporting is to include details of the controls management have in place

to mitigate such risks.

4. Verification of financial reports

The Investment Manager is required by the Group to state the following in writing prior to the Board making a solvency declaration pursuant to section 295(A) of the Corporations Act:

- that the Group's financial reports contain a true and fair view, in all material respects, of the financial condition and operating performance of the Group and comply with relevant accounting standards; and
- that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

5. Reporting

Aspen Group will include in the corporate governance statement in its Annual Report and on its website the recommended information set out in the ASX Corporate Governance Principles with respect to risk management policy and procedures.

Risk Management Procedures

The risk management structure includes the Company Secretary working with the Client Services Manager (together the compliance team), to liaise with working parties across the business in a series of forums.

Within these forums, risks are identified and analysed for each business area and suitable reporting created to address the risks. The risks are documented in a Master Risk Register.

Within the forum of these meetings the risks are documented and the risk rated by the compliance team using the following parameters:

- What is the impact of the Risk? (levels are rated from insignificant to catastrophic)
The consensus of the working forums are used to produce the assessment in **Table 1**, having regard to impact on:
 - cash flows
 - reputation
 - management effort
 - regulator response
 - directors liability
- What is the likelihood of the Risk occurring? (levels are rated from rare to almost certain based on the parameters in **Table 2**)
The working forums produce a judgment of the likelihood of these adverse events, based on the groups' experiences.
- For each risk identified these parameters are then assessed using the Impact/Likelihood table in **Table 3** - The results are entered into the Master Risk Register as the inherent risks.
- Consideration is then given to controlling the risk. Various measures including compliance functions, special controls, reporting and specific procedures may be employed to minimise the impact or likelihood of the risk. After considering these measures a revised impact and likelihood may be applied, resulting in a new risk rating. This is the residual risk.

Findings

The Master Risk Register documents all significant risks to Aspen Group Limited. Based on the rating of risks by the working groups, management summarise all identified risks as:

Low Risks are reported to the Investment Manager
Moderate Risks are reported to the Investment Manager
High Risks are reported to the Board
Extreme Risks are reported to the Board

These are represented graphically in the [Summary of Master Risk Register](#).

Reporting

The Investment Manager should report at least annually to the Board on Risk Management providing the Summary of Master Risk Register. In addition, changes in the residual risk rating of items that are rated up to HIGH or EXTREME are reported immediately.

All risks are mitigated by the actions specified in the Risk Register, and that process is documented in the Compliance Reports prepared by Responsible Managers for consideration by the Compliance Committee, who then reports to the Board.

Table 1. Potential Impact

	Insignificant	Minor	Moderate	Major	Catastrophic
Cash flow Impact	< AU\$100k	AU\$100k-AU\$250k	AU\$250k-AU\$1m	AU\$1m-AU\$10m	> AU\$10m
Reputation		Slight impact	Adverse publicity leading to a heightened level of attention.	Consistent adverse publicity.	Consistent adverse publicity resulting in regulator intervention.
Management Effort	An event where the impact is absorbed through normal activity.	An event the consequences which can be absorbed, but requires management effort.	A significant event that can be managed.	A critical event that can be endured.	A disaster that requires significant attention, with the potential to lead to the collapse of the business.
Regulator	Low	Limited impact	Additional cost which can be managed.	Significant additional costs.	Removal of licence to operate.
Directors' liability	Low claim levels	Low claim levels	Medium claim levels	Significant claim levels	High claim levels

Table 2. Likelihood

Rating	Description	Frequency
Almost Certain	Is expected in most circumstances	Will occur >1 per year.
Likely	Will probably occur in most circumstances	Will occur once per year
Moderate	May occur at some time	May occur within 3 years
Unlikely	Could occur at some time	May occur once in 10 years
Rare	May occur in exceptional circumstances	More than 10 years

Table 3. Combined likelihood / impact table

Likelihood	Impact	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain		High	High	Extreme	Extreme	Extreme
Likely		Moderate	High	High	Extreme	Extreme
Moderate		Low	Moderate	High	Extreme	Extreme
Unlikely		Low	Low	Moderate	High	Extreme
Rare		Low	Low	Low	Moderate	High