

Paragon Care Limited

ACN 064 551 426

Risk Management Policy

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1. Introduction

- 1.1 This Risk Management Policy (**Policy**) sets out the Company's 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 Principle 7 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition).

2. Purpose

- 2.1. The purpose of this Policy is to:
 - (a) encourage an appropriate level of risk throughout the Company to support business performance;
 - (b) establish procedures to analyse risks within agreed parameters across the Company;
 - (c) establish appropriate risk delegations and corresponding risk management framework across the Company; and,
 - (d) ensure the Company has a risk management framework that can react in a timely fashion should the risk profile of the Company change.

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:
 - (a) shareholder and investor preferences and expectations;
 - (b) expected business performance (return on capital);
 - (c) the capital needed to support risk taking;
 - (d) the culture of the organisation;
 - (e) management experience along with risk and control management skills; and
 - (f) longer term strategic priorities.
- 3.3. Risk appetite is communicated through the Company's strategic plans. The Board and management monitor the risk appetite of the Company relative to the Company's actual results to ensure an appropriate level of risk tolerance throughout the Company.

4. Risk Management Framework

4.1. The Company believes that risk should be managed and monitored on a continuous basis. As a result, the Company is developing 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*

4.2.2. *Assessment of Risks*

4.2.3. *Risk Treatment*

4.2.4. *Risk Mitigation Strategy*

4.2.5. *Risk Monitoring and Reporting*

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 under the following categories:

5.1.1. *Strategic and Reputational Risks*

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

5.1.2. *Financial and Investment 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;
- credit, market and/or tax risk is not understood or managed effectively; and
- failure to provide expected returns for defined objectives and risk such as under-performing to the stated objectives and/or benchmarks.

5.1.3. *Operational Risks*

- inadequate or failed internal processes, people and systems, which impact business operations, including from external events.
- failure in identifying or meeting the market pricing, service provision or perception.

5.1.4. *Information and Communication Technology Risks including Cyber security*

- inability to use or rely on information and communications technology by the Company or external stakeholders; and

- failure to ensure data integrity, accuracy, completeness and accessibility; and
- inadequate DRP in place.

5.1.5. *People Risks*

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

5.1.6. *Legal and Regulatory Risks*

- legal and commercial rights and obligations are not clearly defined or understood; and
- commercial interests not adequately protected by legal agreements.

5.1.7. *Health and Safety Risks*

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

5.1.8. *Regulatory and Quality*

- non compliance with regulatory and quality standards and associated accreditation requirements.

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 Chief Executive Officer 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 internal control systems are operating effectively in relation to financial reporting risks for the period, and that nothing has occurred since period end that would materially change the position.

6.4. Responsibilities of all Employees

6.4.1. Team members are responsible for the effective identification, management, reporting and control of risk within their areas of responsibility, and for developing a risk conscious culture.

6.5. Audit and Risk Committee

6.5.1. 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.

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

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

6.6. Assurance

6.6.1. 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.

6.6.2. Assurance is provided from management through reports and process.

6.6.3. 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.

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

6.6.5. Reviews are also performed by regulators.

6.7. People and Culture

6.7.1. 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 fostering a culture of risk awareness, transparency and responsiveness.

7. Policy Review

7.1. 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.

8. Publication of policy

8.1. This policy will be available on the Company's website and the key features may be published in the Company's Annual Report.

9. Further assistance

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

10. Approved and Adopted

10.1. This Policy was approved and adopted by the Board on 28 March 2023.