PPG Compliance & Risk Management Charter

(Subsidiaries & Assigns)

2018 - 2019

PPG GROUP

Compliance & Risk Management Charter

Date: 17/08/2018

Revision: August 2018

Scope:
This Charter documents the company's Risk Appetite and provides a framework for the company to evaluate its risk and implement controls that are aligned with the company's ambitions.

References:

Responsibilities:
Board of Directors, Executive Compliance and Risk Team Manager

Contents

1. Purpose

The purpose of the PPG Compliance and Risk Management Charter is to establish a consistent approach to managing risk at Pro-Pac Packaging (Aust) and its subsidiaries. The Charter sets the requirements and responsibilities for all staff and emphasises that the management of risk and reporting on risk is everyone's responsibility.

This approach is referred to as Enterprise Risk Management – the management of all aspects of risk while pursuing opportunities across the enterprise. Its aim is to ensure a greater consistency of informed management decision making and the subsequent alignment of management and operational resources.

---

2. Scope

This policy and framework is applicable to all staff and management processes at Pro-Pac Packaging (Aust) and its subsidiaries, including:

- Strategic and Business Planning
- Business Development
- Corporate Services
- Facilities Management
- Financial Management
- Insurance and Reinsurance Strategies
- Outsourcing
- Project Management, and
- Any other area of management decision making

In applying the Charter across management disciplines, it is intended that all material business risks are captured including operational, environmental, sustainability, compliance, strategic, ethical conduct, reputation or brand, technological, product or service quality, human capital, financial reporting and market-related risks.

3. Policy

Pro-Pac Packaging (Aust) and its subsidiaries recognises the value a more formal approach to risk management brings to an organisation. We recognise each staff member, contractor and volunteer manages risk every day and is supported by a range of processes and systems to do so. However, we also recognise managing the complexity of organisations in modern day life has become increasingly challenging and that a more formal approach to management of risk brings immediate benefits in the form of:

- increased likelihood of achieving our corporate objectives
- increased stakeholder confidence and trust
- improved operational effectiveness and efficiency
- improved resource planning
- more confident financial management
- greater ease of regulatory compliance, and
- 'less surprises' for staff, management and the Board

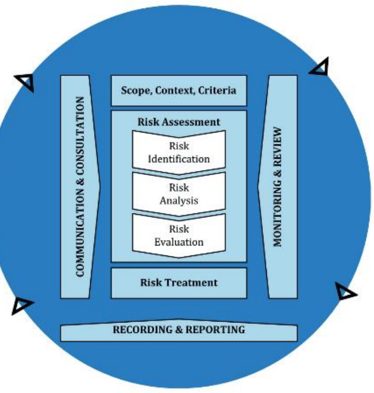
The reason that these important core benefits are realised through improved management of risk is because our risk processes enhance all of our ability to make decisions under varying levels of uncertainty. The greater the uncertainty and the more important the decision the greater the benefit of a risk-based approach to decision making.

In the framework that follows our formal processes, roles and responsibilities are articulated so all of us can gain the benefit of enhanced insight into our decision making.

---

4. The Risk Management Process

This policy and framework is designed in keeping with the principles and guidelines outlined in the Australian Standard on risk management, AS/NZS ISO 31000: Risk Management. The core process is shown here. The same process is applicable for strategic, operational and compliance planning and implementation activities.

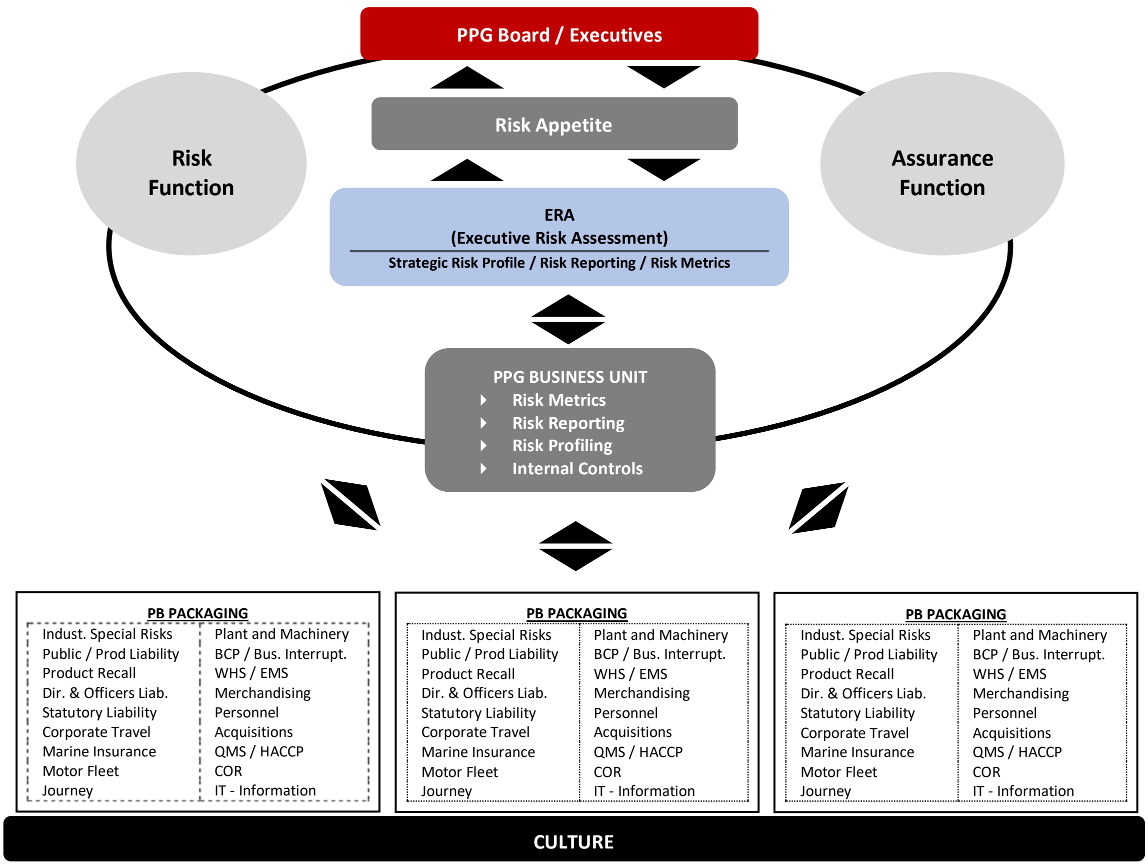


5. Framework Overview

The core elements of the Risk Framework include:

- Risk Appetite – A statement formed by management and agreed with the Board.
- Risk Metrics – Key Risk Indicators associated with our core objectives.
- Risk Reporting – The requirements for business unit and Executive risk reporting.
- Risk Assessment – The requirements for business unit and Executive risk assessment.
- Risk Controls – The core set of internal controls established to manage material risks.

The diagram below shows the two-way flow of information up and down the organisation and the role the Executive plays in consolidating information at the enterprise level for Board reporting and endorsement. The diagram also shows the Board has the ultimate responsibility for approving the Risk Appetite within which we pursue our strategic objectives. The diagram depicts the role the risk function plays in supporting the Board and management in the identification and management of the material risks of the business and the role of Internal Audit in providing assurance to the Board that material risks are within our defined Risk Appetite.



6. Risk Appetite and Risk Assessment Criteria

Pro-Pac Packaging (Aust) and its subsidiaries "appetite" for risk is documented via a Risk Appetite Statement (RAS) *(refer Appendix 1)*. The RAS is prepared by management and approved by the Board and its intent is to communicate to all staff the Board's expectations of acceptable risk-taking by staff in their day-to-day roles. It covers the extent of risk we should take in pursuing our objectives as well as documents risk tolerances for other areas of material risk such as safety, reputation and compliance.

Pro-Pac Packaging (Aust) and its subsidiaries risk appetite is translated into a Risk Matrix *(refer Appendix 2)* which contains risk assessment criteria defining consequence and likelihood levels for use in company-wide risk assessments and forms the basis for risk reporting of business unit risk profiles. Any risk identified as High or Extreme should be reported to the Executive for further analysis and, if warranted, development of risk treatments in conjunction with Business Unit managers.

The key consequence categories for measuring risk at PPG are:

- Safety – Physical and psychological impacts on CompanyName staff and contractors and visitors to PPG's operations.
- Reputation – The effect on PPG's reputation with its key stakeholders that could subsequently impact PPG's ability to outperform against business objectives.
- Financial – Any impacts whether to revenue, costs, loss of capital or loss of opportunity.
- Organisational Objectives – Constraints, restrictions and blockages to achieving business objectives.

The likelihood criteria are designed to provide granularity to the risk criteria so that Strategic and Business Unit operational risks can be prioritised based on risk level and that only rarely occurring incidents that may have a catastrophic impact are acceptable and only if appropriately monitored with contingency plans in place. An example is the risk of a pandemic which, although a rare event, has the potential to have a catastrophic impact on the organisation. This risk is managed via monitoring of Australian and international health organisations and via a regularly updated Pandemic Plan.

7. Risk Metrics

Risk Metrics are Key Risk Indicators (KRIs) derived from Strategic and Business Unit risk profiles that are used to measure whether risks to our corporate objectives or areas of material risk are tracking within risk tolerances outlined in the Risk Appetite Statement *(Appendix 1)* approved by the Board.

Management shall be responsible for putting into place processes and systems for developing, measuring and reporting on KRIs.

---

8. Risk Reporting

Risk reporting is required to keep management informed as to whether risks to our corporate objectives or areas of material risk are tracking within risk tolerances as well as the progress on risk treatments agreed for managing material risks to the business.

Business Unit Reporting to the Executive and from the Executive to the Board is required.

In addition, all Extreme and High Risks are to be reported on in Risk Management Meetings to be held as determined by the Group Compliance and Risk Manager, and shall be no less than 3 times per year.

The review shall include, but not always limited to:

- The Tracking of Objectives
- Risks and opportunities
    - Including update on Extreme and High Risks
- New risks or opportunities arising

---

9. Risk Assessment

Risk assessment is the process of identifying, analysing and evaluating risks. Risk assessments shall be conducted utilising The PPG Risk Assessment Template *(refer Appendix 3)*.

Who is responsible for risk assessments?

Business Unit managers are responsible for ensuring risk assessments are completed in keeping with this policy.

The Executive is responsible for assessing Business Unit risk profiles and developing a strategic risk profile for discussion and approval by the Board.

When is a risk assessment required?

1. Business Planning - As part of the annual business planning process, Business Unit managers are required to submit risk profiles with their business plans. The intention is to communicate to the Executive the risks and opportunities around the business plan.

2. Project Planning – Any project with a value in excess of **$250,000**, or any project not included in the budget requiring expenditure in excess of **$50,000** should have a risk assessment conducted. Examples of projects that may be included are:

    - Mergers and acquisitions.
    - Product development.
    - Research & Development investments.

Who should conduct a risk assessment?

Business Unit and Project risk assessments should not be conducted by individuals, they should be conducted in small teams and can be facilitated by managers or other staff as available. External assistance can also be sought for facilitation. For larger or more complex risk assessments, these shall involve a broad cross-section of staff and include staff not specifically involved in the area of business/project to further stimulate thinking around risks and opportunities.

---

10. Risk Controls

Risk controls are internal controls put into place to manage material risks to the business. Examples include procurement processes, administration policies and procedures, recruitment processes and codes of conduct. Management is responsible for the design, implementation and maintenance of internal controls and the Executive is responsible for ensuring appropriate assurance processes are in place to provide assurance to the Board the internal control framework is appropriate for the business and is effective.

The table below depicts the core elements of the internal control framework.

Governance	▪ Board Committees ▪ Management Committees ▪ Strategic Planning Process	▪ Management Reporting ▪ Code of Conduct ▪ Whistle-blower Policy
Workplace Health & Safety	▪ WHS System ▪ Safety Training	▪ Safety Audits ▪ Safety Leadership KPIs
Financial Management	▪ Budget Approval Process ▪ Monthly Reporting ▪ Credit Control	▪ Accounts Payable ▪ Fraud Control Plan ▪ Financial Audits
People and Capability	▪ Employment Manual ▪ Performance Management System	▪ Code of Conduct ▪ Outsourcing Policy
Contract Management	▪ Estimating Procedure ▪ Limits of Authority	▪ Standard Contracts ▪ Quality Accreditation
Business Disruption	▪ Emergency Response Plan ▪ IT Disaster Response Plan	▪ Business Continuity Plan ▪ Insurance Program

11. Resources, Roles and Responsibilities

The PPG Board and Management recognise risk management is everyone's business, however, it is also recognised that responsibility for driving a strong risk management culture throughout an organisation requires management focus.

The PPG Board is responsible for the oversight of the organisation's approach to risk management. This includes the need for the Board to satisfy itself that:

- Management have a framework in place for managing risk that is suitable for the size, business objectives and overall complexity of The PPG Group's operations.
- The risk appetite of the organisation has been appropriately set and has been communicated to all levels of management responsible for assessment of material risks.
- Appropriate disclosures regarding material risks to the organisation are being made to stakeholders including under Principle 7 of the ASX guidelines.

The PPG **Audit and Risk Committee (ARC)** is responsible for coordinating the Board's approach to risk oversight and ensuring management's assumptions, assertions and regular reporting are sufficiently challenged and verified including via:

- Regular review of the Board Charter and the charters of Board sub-committees to ensure all key categories of risk are being addressed.
- Engaging management on the extent and format of risk information to be provided to the ARC and the Board.
- ARC and Board processes to allow access to management for the purposes of challenging and verifying key assumptions and assertions.

The **Chief Executive Officer (CEO)** has ultimate responsibility for the implementation of the Risk Management Policy and Framework and is accountable to the **Board**. The CEO is also responsible for actively pursuing a risk management culture where staff appreciate that the management of risk is not about compliance and that risks are proactively assessed and reported and effective risk treatment strategies implemented.

The **Chief Financial Officer (CFO)** is responsible for the maintenance of the Risk Management Policy and Framework and for ensuring staff are provided with access to risk management resources to provide advice and expertise as required.

Senior Managers and **Managers** are responsible for identifying and prioritising material business risks and reporting on those risks to the CEO and Board. Senior Managers and Managers are also responsible for implementation of the Risk Management Policy and Framework within their business units.

The **Group Compliance and Risk Manager** is responsible for ensuring the Risk Management Policy and Framework is fit for purpose and for supporting management and staff in its implementation. The Group Compliance and Risk Manager is also responsible for facilitating an unimpeded flow of quality risk information throughout the organisation.

The **Group Compliance and Risk Manager** and **Group QA & Compliance Officer** are responsible for ensuring all PPG corporate policies are suitable and current and meet all regulatory and organisational needs. Additionally, they shall also be responsible for maintaining a Compliance Register and Compliance Schedule to ensure key review and reporting timelines are adhered to.

Individual Staff are responsible for assisting in the identification and management of material risks to the organisation and for facilitating the flow of risk related information across the organisation.

---

12. Assurance

The Board Audit Committee is responsible for affecting a review of the Risk Management Policy and Framework on a tri-annual basis. The review may be conducted by Internal Audit or an external party and will include:

- Assessment of changes to PPG's business size, objectives and complexity of operations.

- Review of the extent to which material business risks are being managed within the Risk Appetite approved by the Board.
- Review of the adequacy of Risk Reporting.
- Review of the adequacy of the Business Unit and Strategic Risk Profiles.
- Review of the application of key internal controls and the implementation of key treatment strategies.
- Review of the adequacy of risk management resourcing and the performance of key risk management personnel.
- Review of the structure and key elements of the Risk Management Framework.
- Confirm that material changes to the Risk Management Framework have been approved by the Board and noted by Internal and External Audit.
- Confirm that the organisation's disclosure responsibilities under Principle 7 of the ASX Governance Principles are being adhered to.

Risk Appetite Statement

Pro-Pac Packaging (Aust) and its subsidiaries

The Board and Management are custodians of the interests held by our key stakeholders including the investments made by our shareholders, the livelihood of our staff and the success of our customers and suppliers. Therefore, we seek to balance our risk position between:

- Investing in risky activities that may drive substantial growth in the demand for our products and services, and
- The need to remain a stable organisation with the capacity to continue to grow as market opportunities present themselves.

Therefore, our risk appetite is necessarily towards the middle of the risk-taking spectrum. Depending on our results from year to year, we may choose to increase or decrease our appetite for higher risk activities.

The table below provides further explanation of our risk appetite with respect to our strategic objectives and areas of material risk to our business:

Key Performance Area	Risk Appetite Descriptor
Operational R&D – Build and maintain a sustainable and profitable industry	We seek a balance between aggressive targeted research and development of matters with the potential for short to medium term commercial gain and the need to continually pursue sustainability of the industry. We do not actively seek high risk, high return projects.
Product R&D – Innovation in product R&D and marketing to support Trade Partners	Where projects arise that will address future threats to the industry, we will pursue these aggressively. Otherwise we seek matters with the potential for short to medium term commercial gain. Where these projects require large investments, they will be considered on a case by case basis. We will always be circumspect in choosing our Trade Partners.
Marketing – Increase demand for flexible and rigid packaging through informing and motivating target consumers, retailers and the supply chain	We desire PPG to be at the pinnacle of the Packaging industry. We will pursue aggressive, higher risk strategies on a case by case basis. However, our marketing should always be well within ethical boundaries established under accepted Australian industry standards and those of other regions in which we operate.

Key Performance Area	Risk Appetite Descriptor
Brand – Revitalisation and building of our brand	Our promotion and defence of our Brand will always be aggressive. We will defend the Pro-Pac and Integrated Packaging Trademark in all territories and take on legal actions even if the likelihood of success is low to send clear messages we are serious about protecting our brand.
Market Access – Extend access through proactive management of regulatory and trade environment	In our key manufacturing and emerging markets, we will aggressively seek market access. At all times, our initiatives must remain ethical and must be appropriately considered in terms of the feasibility of success and the investment required.
Reputation	Our reputation for integrity and competence should not be compromised with our key stakeholders, customers and Government. There should be no incidences of major breaches of our integrity and no major recommendations for improvement should occur at the tri-annual review. Staff and our partners should be frequently reminded that we have a zero tolerance for fraud, corruption, facilitation payments or any other related activity.
Regulatory compliance	We have a very low tolerance for compliance breaches. While minor breaches may occur from time to time due to the complexity of business, there should be no excuse for substantive breaches at any time.
Performance Measurement	As we have so many Members relying on us and we are entrusted with government funds, we must have a strong focus on performance measurement and management. We aim to score highly at our triennial reviews across all elements of our review.
Operational efficiency	Efficiency is a very high priority to maximise our ability to pursue our corporate goals. Furthermore, efficiency is within our control and hence should be a strong focus for all staff.
Knowledge Management & IP	We treat our know-how and other IP as highly valuable assets that should be protected. We place a strong emphasis on ensuring we know and understand the value of our IP. Wherever practical our IP should be protected under contract and we will defend breaches of our IP on a case by case basis.
Workplace health and safety	There is no reason for anyone associated with our business to take safety risks other than those normally associated with travel. When travelling long distances or to remote locations, staff should review our WHS policies and be well aware of their responsibilities.
Financial	Over and above our willingness or otherwise to invest in R&D, marketing and efficiency drives, we also require a stable financial position to be conserved as outlined in our Financial Reserves Policy. 1) Forward Contracts Reserve sufficient to cover commitments to end of financial year. 2) Operating Reserves of 9 months of operating revenue 3) Emergency Reserve of $00M to cover our obligations.

Appendix 2

Risk Matrix

Risk Assessment Criteria

	Consequence				
Safety	Ailments Not Requiring Medical Treatment	Minor Injury	1 Serious Injury Causing Hospitalisation or Multiple Minor Injuries	1 Life Threatening Injury or Multiple Serious Injuries Causing Hospitalisation	1 Death or Multiple Life Threatening Injuries
Reputation	Self-improvement review required	Internal reviews required to reverse decline in reputation	Scrutiny required in the form of external reviews and/or investigations	Intense public, political and media scrutiny e.g. Parliamentary enquiry or legal action	Complete Loss of Integrity with Key Stakeholders e.g. Would result in loss of funding or loss of licensees
Financial	< $10,000	$10,001 - $50,000	$50,001 - $500,000	$500,001 - $1m	>$1M
Organisational Objectives	Very little consequence to achievement of objective	Would require some adjustment to achieve objective	Would require significant adjustment to achieve objective	Would threaten achievement of the objective	Would stop achievement of the objective
	1	2	3	4	5
	Insignificant	Minor	Moderate	Major	Catastrophic

Likelihood			1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
Expected in most circumstances. Has occurred on an annual basis in the past or circumstances are in train that will cause it to happen	A	Almost Certain	L	M	H	E	E
Has occurred in the last few years or has occurred recently in other similar organisations or circumstances have occurred that will cause it to happen in the short term	B	Likely	L	M	H	H	E
Has occurred at least once in our history or is considered to have a 5% chance of occurring in the current planning cycle	C	Possible	L	M	M	H	H
Has never occurred in our past but has occurred infrequently in other similar organisations or is considered to have around a 1% chance of occurring in the current planning cycle	D	Unlikely	L	L	M	M	H
Exceptional circumstances only. Is possible but has very much less than a 1% chance of occurring in the current planning cycle	E	Rare	L	L	M	M	M

Extreme	Unacceptable	Must be given immediate Board attention.	Detailed Action Plan	Exec Mgmt Responsibility
High	Active Management	Must be closely managed to reduce to as low as reasonably practicable (ALARP)	Detailed Action Plan	Senior Mgmt attention
Medium	Tolerable	Risks should be managed and monitored to reduce to as low as reasonably practicable (ALARP)	Specify management responsibility	
Low	No Action Required	Manage and monitor with normal operational management practices	Manage by routine procedures	

AWI Risk Assessment Criteria.xls Printed: 12/10/2009

RISK PROFILE AND GAP ANALYSIS

Key: **HIGH RISK** **MED RISK** **LOW RISK**

Risk #	Description – Risk Type	Preventative Measures in Place	Gap - Risk level	Recommended Preventative or Corrective Actions if required
1				
2				
3				
4				
5				