

# Risk Management Policy

## 1 Purpose

The purpose of the Risk Management Policy is to embed a risk management competence across the entire Mercury enterprise. This Mercury group-wide capability provides a consistent method of identifying, assessing, controlling, monitoring, and reporting on existing and emerging risks faced by the Mercury Group. The policy describes the Group's approach to risk and risk management.

All Mercury employees are responsible for managing risk in accordance with the Risk Management Policy.

## 2 Scope

This policy applies to all Mercury business activities, including subsidiaries and Mercury-controlled Joint Ventures (the Group).

## 3 Policy

Mercury has a consistent and systematic approach for managing risk across the Group. This approach aims to increase risk awareness; ensure the appropriate identification and management of risks; and make the business risk profiles transparent to allow for risk comparison and aggregation.

Mercury maintains a risk management framework, overseen by the Head of Risk Assurance, which outlines the procedures applying under this policy. This framework includes Mercury's risk tolerances (Risk Appetite Statements), risk classification methodology (Risk Matrix) and consistent risk recording. All parts of Mercury's business are required to implement and use this common risk management framework.

Mercury reviews the risk management framework annually. Proposed changes are assessed and endorsed by the Risk Management Committee and the Safety and Enterprise Risk Committee before their final approval by the Board.

Mercury accepts some commercial risks in order to achieve its strategic objectives and to deliver enhanced shareholder value. These are embodied in the Mercury's Risk Appetite Statements, which are set and regularly reviewed by the Safety and Enterprise Risk Committee before their final approval by the Board.

Mercury actively anticipates and manages risks, taking all reasonable measures to contain potential hazards in line with applicable risk tolerances. The external and internal risks facing Mercury are dynamic and always changing. In response, management proactively:

- > utilises experience across the Group through knowledge sharing;
- > deals with ambiguity, uncertainty and increasing complexity;
- > prioritises, makes decisions, and implements solutions on a timely basis;
- > communicates and reports on risks in a transparent and timely manner;
- > recognises and acts on opportunities as they occur;
- > works to ensure results despite changing business environments; and
- > fosters organisational resilience to deal with significant unforeseen events and impacts.

Risk management is integrated into all of Mercury's strategic and operational planning, budgeting processes and day-to-day operations.

## **4 Responsibilities**

### **4.1 Board**

The overall accountability for ensuring that risk is governed effectively lies with the Board, with risk management responsibility delegated to the Chief Executive. The Board:

- > decides, by reference to the various categories of risk inherent in the business, what level of risk is appropriate in each category; and
- > ensures the Group has effective policies and procedures in place to manage its risks.

### **4.2 Safety and Enterprise Risk Committee**

Mercury's Risk Management Policy is overseen by the Safety and Enterprise Risk Committee of the Board. The Risk Management Policy is reviewed annually by the Safety and Enterprise Risk Committee and is endorsed for approval by the Board.

### **4.3 Risk Management Committee**

Mercury's management operates a Risk Management Committee, whose responsibility is to:

- > establish and promote risk awareness to all staff
- > establish, communicate, and implement effective risk management and internal control frameworks within their respective business units
- > implement appropriate risk management controls, processes, and systems to support their risk management and internal control frameworks
- > regularly monitor, report and review risk activities as required
- > ensure there is sufficient and appropriate business resources for effective risk management

Membership of the Risk Management Committee is made up of representatives from the Executive Leadership Team and is chaired by the Chief Executive. The Risk Management Committee meets at least quarterly.

### **4.4 Head of Risk Assurance**

The Head of Risk Assurance oversees the day-to-day implementation of this policy and the overarching risk management framework. The Head of Risk Assurance:

- > has reporting lines to the Chief Financial Officer, the Chair of the Safety and Enterprise Risk Committee and the Chair of the Audit and Financial Risk Committee.
- > has direct access to the Chief Executive as required to enable the Chief Executive to fulfil their risk management responsibility delegated from the Board.
- > has authority to determine the effectiveness of risk management, risk assurance and audit activities. Such determinations are to be objective and cognisant of the culture, management practices, structure, and policies of Mercury.
- > reports on Mercury's risk management procedures, controls, and systems to the Risk Management Committee, the Safety and Enterprise Risk Committee and the Audit and Financial Risk Committee on a regular basis. Conducts assurance and audit reviews as per Mercury's assurance review plan.
- > ensures Mercury has sufficient and appropriate technology systems to support its risk management processes and has planned continued investment into these tools.
- > encourages healthy and robust debate and interaction between management and Mercury's risk assurance and audit providers.

