

# Risk Management Policy

Effective Date: 23 May, 2025

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# Risk Management Policy

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## 1. Introduction

1.1 This Risk Management Policy ("Policy") describes Arc Capital Venture (Australia) Pty Ltd's ("Arc Capital") risk management system as it relates to the operations of Arc Capital. The risk management system refers to the systematic method of establishing the context, identifying, analysing, evaluating, treating, mitigating, monitoring and communicating risks associated with the provision of financial advice and dealing in financial products to minimise losses and maximise opportunities by an authorised representative or itself.

1.2 The Director is committed to optimising this risk management system and to ensure that risks are adequately and appropriately addressed in a timely manner. Arc Capital considers a broad range of external and internal aspects of the business when managing risk including, regulatory, social, economic and cultural risks as well as Arc Capital's policies and processes for managing risk and Arc Capital's resources to do so.

1.3 It is the policy of Arc Capital to operate its financial services business within a culture of risk management and a mindset of adherence to this Policy at all times.

## 2. AIM

2.1 The aim of this Policy is to:

(a) manage the risks associated with Arc Capital's operations;

(b) assist Arc Capital to integrate risk management into its significant activities and functions; and

(c) align Arc Capital's risk management strategies with its objectives, strategy and culture.

2.2 The Policy forms is implemented by the directors.

## 3. Overview of Risk Management System

3.1 The methodology set out in the International Standard on Risk Management Systems (AS ISO 31000-2018) has been used as a benchmark in preparing this Policy and may be used to assist in monitoring and implementing risk management measures.

3.2 Arc Capital's Risk Assessment and Management Matrix sets out in detail the risks Arc Capital has identified, analysed, evaluated and treated.

## 4. Context

### Strategic and Organisational Context

4.1 Under section 912A(1)(h) of the Corporations Act 2001 ("Corporations Act"), Arc Capital is required (amongst other things) to have adequate risk management systems.

### Risk Management Context

4.2 The major aspects of risk management for Arc Capital in terms of its own operations are:

(a) Identify all the potential risks faced by Arc Capital and use the appropriate tools in applying them to Arc Capital's operations and processes;

(b) Analyse and Measure the risks in terms of likelihood and consequence and use this information to make decisions on the method for controlling the potential risk;

(c) Mitigate risks (where possible) by implementing policies and procedures;

(d) Select and Implement appropriate steps to manage the unmitigated risks; and

(e) Monitor the risk management program to ensure that the steps taken are working and continue to be appropriate in a dynamic operating environment.

4.3 This Policy addresses the following key sources of risk identified by Arc Capital:

(a) Financial Risk

(i) Financial risk refers to Arc Capital's ability to maintain solvency at all times and to meet the financial requirements of Arc Capital's Australian Financial Services Licence ("AFSL") as they relate to the operation of Arc Capital. It also addresses the risks faced by Arc Capital in failing to adequately plan its business operations resulting in revenue losses.

(b) Operational Risk (including Legal and Reputational Risk)

(i) In this context, operational risk covers, but is not limited to, issues such as technology risk (including processing risks), reputational risk, fraud, compliance, outsourcing, business continuity planning, legal risk and key person risk. Specifically, the organisational structure of Arc Capital assumes all business-related responsibility to the Director of Arc Capital, which impacts on Arc Capital's operational risk.

(c) Investment Risk (including Investment Risk, Liquidity Risk and Counterparty Risk)

(i) Investment risk is derived from a number of sources, including marketing risk (e.g. equity, interest rate and foreign exchange risk), credit risk and investment concentration risk.

## 5. Organisational Structure

5.1 Arc Capital has established a functional organisational structure to support its risk management processes and the Director is responsible for risk management matters relating to the operation of Arc Capital.

5.2 External consultation on risk management practice is engaged frequently.

5.3 Arc Capital recognises that risk management is an integral part of good management practice and assists with informed decision making. Risk management is integrated into Arc Capital's philosophy, practices and business plan and a culture of compliance is promoted.

## 6. Resources

7.1 Arc Capital has undertaken a process to identify risks impacting on its operations that need to be managed. Certain material risks and business continuity risks have been identified and these are set out in Arc Capital's Risk Assessment and Management Matrix. The Director is responsible for the risk identification process and considers the following factors:

- (a) tangible and intangible sources of risk;
- (b) causes and events;
- (c) threats and opportunities;
- (d) vulnerabilities and capabilities;
- (e) changes in the external and internal context;
- (f) indicators of emerging risks;
- (g) the nature and value of assets and resources;
- (h) consequences and their impact on objectives;
- (i) limitations of knowledge and reliability of information;
- (j) time-related factors; and
- (k) biases, assumptions and beliefs of those involved.

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## 8. Risk Evaluation

9.1 Arc Capital has adopted qualitative criteria to evaluate levels of risk - this criteria takes into account the fact that certain risks are unquantifiable.

9.2 The Director is responsible for evaluating each risk and prioritising the assessed risk in order to establish which risks need to be treated. Arc Capital also considers the existing risk control procedures and assesses what (if any) further action is required.

9.3 Having evaluated a risk, the Director may make the decision to:

- (a) do nothing further;
- (b) consider the risk treatment options;
- (c) undertake further analysis to better understand the risk;
- (d) maintain existing controls; or
- (e) reconsider objectives.

## 10. Risk Treatment

10.1 Arc Capital has appropriate control mechanisms in place to ensure that the risks identified and assessed are appropriately and adequately managed. Arc Capital has selected the most appropriate risk treatment option for each risk by balancing the cost and efforts of each treatment against its benefits, having regard to other considerations including legal and regulatory requirements. These control mechanisms are set out for each identified material risk in Arc Capital's Risk Assessment and Management Matrix. Business continuity procedures are also outlined in the Matrix.

10.2 Arc Capital monitors the risk treatment for the introduction of secondary risks caused by the risk treatment. The secondary risk is assessed, treated, monitored and reviewed in the same treatment plan as the original risk.

## 11. Residual Risk

11.1 Arc Capital monitors the effectiveness of the risk treatment to determine the level of residual risk. Where residual risk is identified Arc Capital decides whether the residual risk level is tolerable.

11.2 Where the residual risk levels are not tolerable Arc Capital generates an additional or alternative risk treatment to address the risk. Arc Capital monitors and assesses whether this treatment is more effective at reducing the residual risk. These control mechanisms are set out for each identified material risk in Arc Capital's Risk Assessment and Management Matrix.

## 12. Risk Review

12.1 Arc Capital's Director conducts a risk assessment on an annual basis or when:

- (a) Arc Capital commences or changes business activities or provides new products or services;
- (b) changes to the structure or strategy of Arc Capital occur;
- (c) significant external changes occur e.g. changes to social, cultural, political, legal, regulatory, financial, technological, economic or environmental circumstances, market conditions, liabilities or client relationships;

- (d) significant internal changes occur e.g. changes to Arc Capital's vision, mission and values, strategies, objectives and policies, client relationships or contractual relationships;
- (e) there are changes to compliance obligations under relevant legislation and regulations; and
- (f) a breach occurs.

## 13. Non-Compliance & Breach Reporting

13.1 Arc Capital identifies situations where there is a risk of non-compliance in the Risk Assessment and Management Matrix.

13.2 Where instances of non-compliance occur, the Director is responsible for determining whether the circumstances constitute a breach of Arc Capital's obligations. Where a breach is discovered, the Director is responsible for ensuring the breach is reported.

## 14. Reporting

14.1 Arc Capital ensures its risk assessment processes and outcomes are communicated to all employees. All employees are provided with a copy of, or access to this Policy and receive any necessary training in respect of Arc Capital's risk management systems.

14.2 The Director provides quarterly compliance declarations which highlight any issues detected in the performance of the risk management system of Arc Capital. This includes the identification, evaluation and management of further potential risks affecting Arc Capital.

## 15. Record Keeping

15.1 The Compliance Officer is responsible for ensuring that adequate records are kept of the risk management system to enable the process to be reviewed.

## 16. Improvement

16.1 Arc Capital continually monitors and adapts this Policy to address external and internal changes.

16.2 Arc Capital continually improves the suitability, adequacy and effectiveness of this Policy and the way in which it is integrated into Arc Capital's processes.

16.3 Plans and tasks are developed as relevant gaps or improvement opportunities in relation to Arc Capital's risk assessment procedures are identified. The plans and tasks are assigned to the Director for implementation.

## 17. Policy Review

17.1 This Policy is reviewed on at least an annual basis by the Director having regard to the changing circumstances, purpose, implementation plans, indicators and expected behaviour of Arc Capital.