



RISK MANAGEMENT POLICY AND PROCEDURE

GARDA Capital Limited

ACN 095 039 366
AFSL 246714

GARDA Funds Management Limited

ACN 140 857 405
AFSL 246714

Table of Contents

Part A – Risk Management Policy	3
1 Commitment to the Policy	3
2 Policy Owner	3
3 Purpose of this Policy	3
4 Who Should Know and Understand the Policy	4
5 What is Risk Management?.....	4
6 Responsibilities	6
Board.....	6
MD.....	6
Compliance Manager.....	6
Risk Owner.....	6
7 Risks of Non-Compliance.....	7
Part B – Risk Management Procedure.....	8
8 Summary of Procedure	8
9 Legislative and Regulatory Requirements	8
10 Risk Management Process	9
11 Risk Management Methodology.....	10
12 Risk Appetite Statement	11
13 Identification of Most Significant Current and Emerging Risks.....	13
Part C – Operational Procedures	14
14 Monitoring Compliance with the Policy	14
15 Review of the Policy	14
16 Record Keeping	15
17 Training on the Policy	15
Induction Training.....	15
Ongoing Training.....	15
18 Applying Discretion to the Policy.....	15
19 Interaction with Compliance Plan and Constitution	16
20 Related Policies	16
21 Further Information.....	16
Appendix A – Legislative and Regulatory References.....	17
Appendix B – Risk Definitions and Classification	18
Risk Categories	18
Appendix C – Risk Register	20

Part A – Risk Management Policy

1 Commitment to the Policy

The Boards of GARDA Capital Limited and GARDA Funds Management Limited (collectively referred to as '**GARDA Capital Group**' or '**the Companies**') are committed to the establishment and maintenance of adequate risk management systems are in place to mitigate exposure to relevant risks and inform business decision making.

This Risk Management Policy ('**Policy**') has been adopted by the Boards and presents the framework upon which the Companies will meet their regulatory risk management obligations under each Australian Financial Services ('**AFS**') licence.

Where there is any doubt as to the requirements contained in this Policy, you should have regard to the principle that the Boards will always ensure the Companies conduct their financial services business in a fair, honest and professional manner in line with the regulatory objective of ensuring the confident and informed participation of consumers and investors in the Australian financial system.

2 Policy Owner

The owner of this Policy is the Managing Director of the Companies ('**MD**') ('**Policy Owner**'). The Policy Owner is responsible for ensuring that the Policy is reviewed at least annually or when it requires updating (e.g. because of regulatory or operational change).

Where new or varied risks or gaps in existing controls are identified, they should be reported to the Policy Owner. The Policy Owner will discuss these matters with the person responsible for the relevant risk and controls ('**Risk Owner**') and subsequently refer it for consideration and approval at the next appropriate meeting of the relevant Board.

3 Purpose of this Policy

This Policy relates to the Companies in their capacity as an AFS licensee as Responsible Entity ('**RE**') of registered managed investment schemes ('**Schemes**'), including:

Scheme	ARSN
GARDA Diversified Property Fund	104 391 273
GARDA Capital Trust	150 164 720

The purpose of this Policy is to evidence the Board's commitment to risk management and to demonstrate and acknowledge that at the GARDA Capital Group, risk management:

- creates and protects value;
- is an integral part of all organisational processes;
- is part of decision making;
- explicitly addresses uncertainty;
- is systematic, structure and timely;
- is based on the best available information;
- is tailored;

- takes human and cultural factors into account;
- is transparent and inclusive;
- is dynamic, iterative and responsive to change; and
- facilitates continual improvement.

In addition, the Policy explicitly records the GARDA Capital Group's risk and controls in a separate Risk Register.

4 Who Should Know and Understand the Policy

The following people should be aware of the contents of this Policy:

- Directors and Responsible Managers;
- all GARDA Capital Group employees and representatives who are directly or indirectly involved in providing financial services under the AFS licence;
- anyone providing services to the GARDA Capital Group that the Policy Owner determines should comply with the Policy (e.g. service providers, agents, contractors and temporary staff); and
- anyone else that the Policy Owner determines should comply with the Policy.

Where functions of the GARDA Capital Group are outsourced (e.g. to service providers, agents, contractors and temporary staff), GARDA remains responsible and accountable for those actions. The GARDA Capital Group may include specific requirements in the outsourcing or other agreements to ensure compliance with this Policy and other regulatory obligations.

Failure by a service provider, agent, contractor or temporary staff member to comply with this Policy or to deliver their contracted services may result in a breach of the agreement and consequently a breach under this Policy. The agreement should provide for actions that either party can take where a breach of the agreement has occurred and/or it may be dealt with according to the Breach Management Policy.

To ensure all officers, employees and agents are aware of the contents of this Policy, it will be made available electronically on the GARDA Capital Group's intranet or in a common directory accessible by all relevant staff.

5 What is Risk Management?

The following definitions from AS/NZS ISO 31000:2009 assist with understanding risk management:

- **Risk** - is the effect of uncertainty on objectives (and usually described in terms of a combination of the consequences of an event occurring and its likelihood of occurring);
- **Risk management** - is the coordinated activities to detect and control an organisation with regard to risk;
- **Risk management framework** - is the set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation; and

- **Risk management process** - is the systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk; and
- **Risk assessment** - is the overall process of risk identification, risk analysis and risk evaluation.

The GARDA Capital Group's risk management system is designed to ensure that it has explicitly identified the risks it faces and has measures in place to keep those risks to an acceptable minimum. The existence of risk presents both threats and opportunities to the GARDA Capital Group. Risk Management is not about eliminating risk, but instead is about helping it increase the likelihood of achieving its objectives and reducing the likelihood of not doing so, or failing.

The GARDA Capital Group treats its risks by identifying, assessing, documenting and implementing a range of measures and controls. Once implemented mitigants are monitored and reviewed.

For responsible entities, ASIC consider that adequate risk management systems will help them to deliver their objectives to retail investors and financial consumers by mitigating the risk of investors and consumers losing their investment or not being able to access it.

Risk Owners have been assigned responsibility for the identified risks and associated controls in the Risk Register. It is their responsibility to ensure the measures and controls to treat the risks are adequate and are being appropriately implemented.

AS/NZS ISO 31000:2009 has been used as the benchmark in planning and implementing the risk management framework. This has been adapted to meet the requirements of the GARDA Capital Group based on the nature, scale and complexity of its financial services business.

AS/NZS ISO 31000:2009 recommends that organisations should have a framework that integrates the process for managing risk into the organisation's overall governance, strategy and planning, management, reporting processes, policies, values and culture.

The risk management framework of the GARDA Capital Group includes:

- a strong commitment from the Board;
- an appropriately designed framework for managing risk, which is based on:
 - understanding the context within which the GARDA Capital Group operates (i.e. setting the risk appetite);
 - establishing the risk management policy;
 - accountability;
 - integrating risk management into business processes;
 - allocating sufficient resources; and
 - establishing internal and external communication and reporting mechanisms;
- fully implementing the risk management framework and processes;
- monitoring and reviewing the framework; and
- an acceptance of continuous improvement.

6 Responsibilities

Board

The Boards of the Companies have responsibility under this Policy for:

- approval of the risk management system;
- setting the risk appetite;
- at each regular Board meeting consider the most significant current and emerging risk;
- receiving reports from management on the Risk Management Framework; and
- monitoring and oversight of risk management activities.

MD

The MD of the GARDA Capital Group has responsibility under this Policy for:

- monitoring compliance with this Policy on at least an annual basis (or more frequently as required) to ensure it remains consistent with AS/NZS ISO 31000:2009.
- on a regular and routine basis report the most significant current and emerging risks to the Board;
- recommending the risk management system and changes to it (including considering any changes which have been recommended by, the Compliance Manager, external auditor, Risk Owners or other staff);
- ensuring the risk management system has been implemented and that the Risk Register is up-to-date
- maintaining the Risk Register;
- reporting on risk management activities to the Boards; and
- ensuring that the Policy is reviewed at least annually or when it requires updating (e.g. because of regulatory or operational change).

Compliance Manager

The Compliance Manager of the GARDA Capital Group has responsibility under this Policy for:

- reporting to the Compliance Committee on compliance with this Policy, in the context of the requirements of the relevant Compliance Plan (which is subsequently reported to the Board);
- regularly testing, monitoring and reviewing the measures and controls which have been established to treat the risks, in the context of testing compliance with the requirements of the Compliance Plan; and
- being the point of contact for the external auditor and provide assistance, where required, with their audits and reviews; and
- providing training on this Policy to staff (in conjunction with the MD, where required).

Risk Owner

The Risk Owner (as noted in the Risk Register) is responsible for ensuring on a day-to-day basis that the relevant operational procedures and controls implemented to treat each risk area are adequate and effective. If a control or procedure is not adequate and effective in treating the risk, the Risk Owner should report this, with a recommendation for an alternative

risk treatment, to the Compliance Manager for consideration and subsequent referral to the Board for approval.

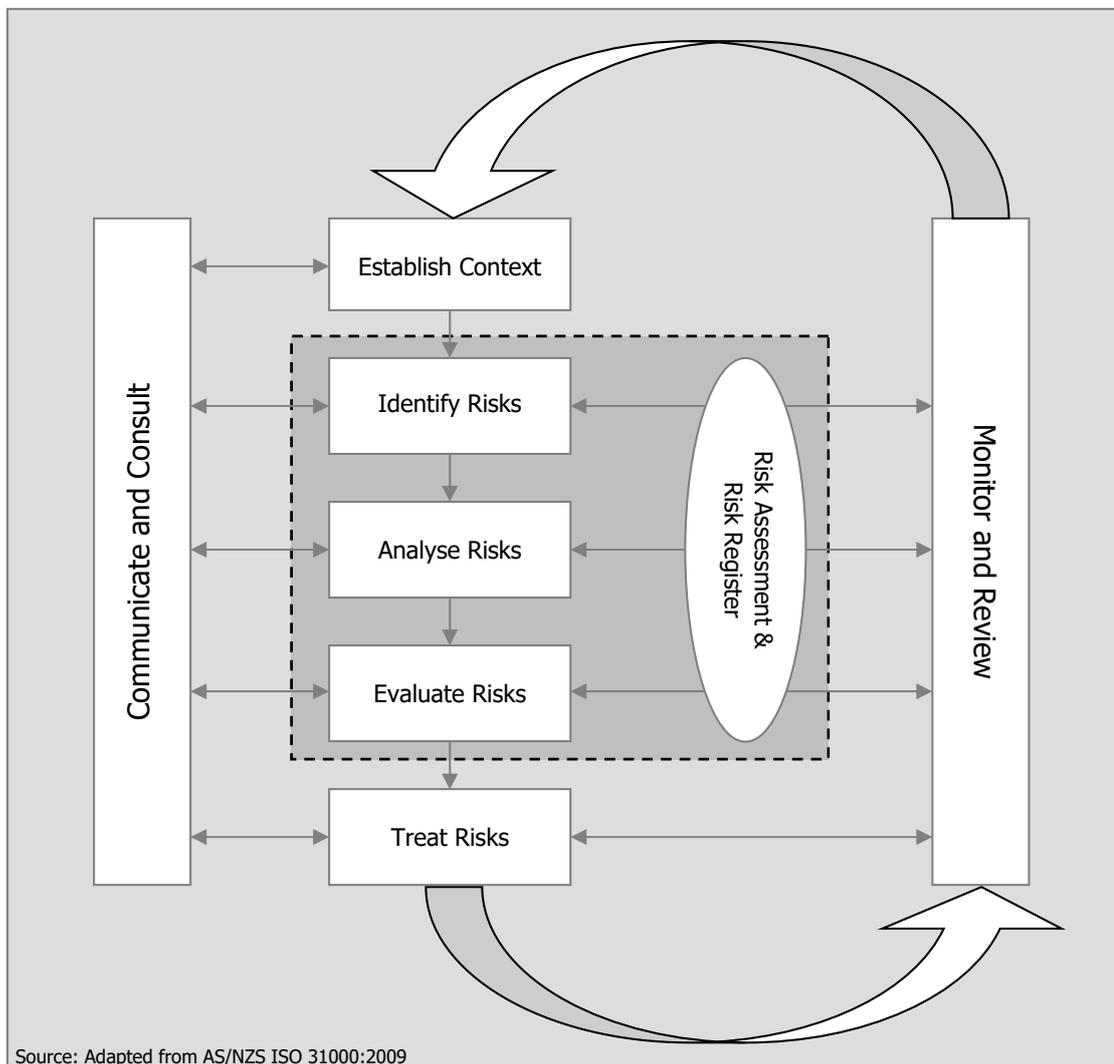
7 Risks of Non-Compliance

The risks to the Companies of not complying with this Policy include:

- **Regulatory risk** – the risk that the Companies, their officers, employees or agents will be subject to criminal, civil or administrative penalties or sanctions. This could include the suspension, cancellation or imposition of additional conditions on our AFS licence, providing an enforceable undertaking, being subjected to investigative action, or other remedial actions for non-compliance with:
 - financial services laws and regulations;
 - the AFS licence;
 - the Scheme’s Trust Deed/Constitution and Compliance Plan;
 - organisational standards; and
 - internal policies and procedures;
- **Business risk** – the failure to establish adequate risk management systems may result in poor business outcomes for the Companies, with a key risk being loss of the AFS licence and a direction to cease operations. Compliance with this Policy will enable the Boards and delegated staff to appropriately manage their risks; and
- **Reputational risk** – the associated damage to the reputation of the GARDA Capital Group as a result of public reporting of non-compliance with our obligations or by being perceived as non-compliant within the market or not caring for our clients/investors. This may also have a detrimental effect on the profitability of the GARDA Capital Group due to loss of confidence by clients. By approving and implementing a robust risk management system, the GARDA Capital Group intends to mitigate its reputational risk.

Part B – Risk Management Procedure

8 Summary of Procedure



9 Legislative and Regulatory Requirements

AFS licensees are subject to the general obligations under s912A(1)(h) of the *Corporations Act 2001* ('the Act') which includes an obligation to establish and maintain adequate risk management systems.

In *Regulatory Guide 104 Licensing – Meeting the general obligations* ('RG 104'), ASIC expect that a licensee's risk management systems will:

- be based on a structured and systematic process that takes into account the licensee's obligations under the Act;
- identify and evaluate risks faced by its business, focusing on risks that adversely affect consumers or market integrity (this includes risks of non-compliance with the financial services laws);
- establish and maintain measures and controls designed to treat those risks; and
- fully implement and monitor those controls to ensure they are effective.

In addition, ASIC expect that the GARDA Capital Group will have measures in place to ensure that it complies with its risk management obligations on an ongoing basis¹.

In Regulatory Guide 259, ASIC provides risk management guidance which focuses specifically on responsible entities, the Schemes they operate and the particular risks they face. The GARDA Capital Group currently operates registered schemes and has considered relevant aspects of the guidance and has incorporated into the GARDA Capital Group's risk management system. The guidance also includes examples of 'good practice' which are impractical to implement due to the small scale of business operations (for e.g. independent review every three years, having a designed risk management committee and appointing a Chief Risk Officer).

10 Risk Management Process

The main elements and steps followed in the development of the GARDA Capital Group's risk management system are as follows:

- **Communicate and consult** – with internal and external stakeholders as appropriate at each stage of the risk management system and concerning the process as a whole;
- **Establish the context** – considering internal and external factors which impact on the risks to the GARDA Capital Group's financial services business and setting out clear criteria against which these risks will be identified, analysed, evaluated, assessed and recorded and setting the risk appetite;
- **Identify risks** – identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of the GARDA Capital Group's objectives and in particular regularly consider and document the most significant current and emerging risks;
- **Analyse risks** – identify and evaluate existing controls. Determine likelihood and impact (or consequence) hence the level of risk by analysing the range of potential consequences and how these could occur;
- **Evaluate risks** – compare estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities;
- **Treat risks** – develop and implement specific measures and controls to mitigate the potential risks; and
- **Monitor and review** – for continuous improvement, monitor the effectiveness of all steps of the risk management process and the risk management system itself to ensure on an ongoing basis that changing circumstances are reflected in the overall level of risk or risk priorities.

A risk identified by the GARDA Capital Group may come from any internal or external event which, if it occurs, may affect the ability to efficiently, honestly and fairly operate in the financial services industry:

- **Internal risks** – those risks that specifically relate to the GARDA Capital Group's business itself and as such are generally within its control. They include risks such as people risks, strategic risks, AFS licence obligations and insurance arrangements; and
- **External risks** – those risks that are outside the control of the GARDA Capital Group. They include risks such as market conditions, economic conditions and legislative change.

¹ RG 104.38

Risks are managed by the GARDA Capital Group through the effective implementation of various measures and controls which include:

- Board approved compliance arrangements and risk management framework;
- documented policies, procedures, compliance registers and checklists;
- ongoing monitoring of regulatory obligations;
- ongoing supervision of representatives; and
- internal and external reporting.

The effectiveness of the implementation of the various measures and controls to treat the risks is assessed through:

- regular testing, monitoring and reviews undertaken by the Compliance Manager;
- audit and reviews undertaken by the external auditors; and
- management supervision and reporting.

11 Risk Management Methodology

The methodology adopted by the GARDA Capital Group for managing and treating its risks can be defined as follows:

- Step 1.** generate Board support;
- Step 2.** document a risk management framework (i.e. the context) and wt the risk appetite;
- Step 3.** identify the general activities involved in running the business (i.e. risk categories) and separate the Risk Register into the various risk categories;
- Step 4.** identify the risks involved in each risk category by undertaking the specific business activity by asking the questions:
 - a. what could happen?
 - b. how and why could it happen?
- Step 5.** rate the likelihood of the business activity not being properly performed or the relevant risk eventuating. Likelihood is assessed on the assumption that there is no existing risk management and compliance processes in place. Likelihood is assessed as either:
 - a. rare;
 - b. unlikely;
 - c. possible;
 - d. likely; or
 - e. common;
- Step 6.** Rate the impact (or consequence) of not properly performing the business activity or the relevant risk eventuating. Damage can be quantified in terms of financial loss to clients and the GARDA Capital Group itself. Impact is assessed as either:
 - a. insignificant;
 - b. minor;
 - c. moderate;
 - d. major; or
 - e. significant;

- Step 7.** assign the risk rating (or risk priority) based on the combination of likelihood and impact (or consequence). The level of risk is assessed within the risk analysis matrix as either:
- a. very low;
 - b. low;
 - c. medium;
 - d. high; or
 - e. very high;

Very high and high risks generally require regular Board monitoring and reporting. It is typically sufficient for medium risks to be managed through ongoing senior management monitoring and supervision. Low and very low risks are normally managed through the implementation of routine procedures;

- Step 8.** consider and document all significant measures and controls which treat the relevant risk;
- Step 9.** assess whether the existing measures and controls are adequate or whether further ones are required to effectively treat the risks. Allocate the responsibility of monitoring the control to treat the risk to the Risk Owner;
- Step 10.** on a regular and routine basis document the most significant current and emerging risks and consider these at Board level;
- Step 11.** raise awareness about managing risks across the GARDA Capital Group through communicating the Policy and responsibilities and promoting a culture of understanding risk and how it can be effectively managed and monitored; and
- Step 12.** monitor and review ongoing risks and controls to ensure their effective management.

12 Risk Appetite Statement

Risk appetite is the measure of risk that the GARDA Capital Group is willing to take to pursue its business strategies and achieve its objectives. Determining the amount and type of risk it is willing to pursue or retain in respect of its business operations is a key step in setting the context in which risk management is set. The risk appetite sets the tone and culture for risk management across the GARDA Capital Group and is considered when operational objectives and business strategy is set.

The GARDA Capital Group has identified that the following material risks are faced by its business and the operations of the Schemes:

- **Strategic risk** – being any risk that arises out of business strategies and business plans;
- **Governance risk** – being any risk that threatens the ability of the GARDA Capital Group to make reasonable and impartial business decisions in the best interests of members which may arise if the GARDA Capital Group does not have the appropriate processes in place to:
 - support sound and transparent decision making that is not influenced by conflicts of interests; and
 - ensure that decisions related to the Schemes are in the best interests of members.
- **Operational risk** – being the risk of loss, for the GARDA Capital Group or Schemes resulting from inadequate or failed internal processes, people and systems or from external events;
- **Market and investment risk** – being the risk that the GARDA Capital Group or the Schemes will not meet stated objectives as a result of investment risks including those

relating to investment governance and structure, market conditions, product suitability and valuation pricing;

- **Liquidity risk** – being the risk that the GARDA Capital Group will not have adequate financial resources to meet its financial obligations and needs, either at the licensee level or at the Scheme level.

The risk appetite of the GARDA Capital Group is set based on the nature of activities it is involved in and broadly it can be summarised as follows:

- **GARDA Capital Limited and GARDA Funds Management Limited** – which are primarily the entities which operate the Schemes as responsible entity:
 - have a low appetite for risk and exposing members to poor governance;
 - have limited tolerance for significant compliance breaches and member complaints;
 - accept that they should prudently manage the operations of the Schemes; and
 - accept that they will need to make investment decisions which carry a measured level of risk in order for the Schemes to maintain their value and incrementally grow over time.

- **Registered Schemes:**
 - have a low appetite for business risk;
 - has a low appetite for causing loss through inadequate or failed internal processes, people and systems or from external events
 - has a moderate appetite for prudently maximising the revenue and capital value of its assets;
 - have a moderate appetite for property related operational risks which will enhance value; and
 - in context, accept that their focus is on prudently maximising the revenue and stability of its property and other assets.

13 Identification of Most Significant Current and Emerging Risks

The Risk Register tends to contain risks which are more static and therefore are reviewed on annual basis or as the context within which it has been set changes.

However, from an operational perspective, the Board and senior management need to remain nimble and dynamic in how they consider, embed and manage business related operational risks.

Accordingly, at each regular Board meeting, the MD is to report the Board the most significant current and emerging risks facing the GARDA Capital Group. Such risks could include, but are not limited to, the following:

- loan covenants;
- assets letting;
- asset specific risks;
- interest rates;
- investor sentiment;
- continuous disclosure; and
- strategic plan and direction.

Routine consideration of these current and emerging risks, including the likelihood of their occurrence, their potential impact and the adequacy of their mitigants at Board level on a regular basis ensures that risk management is top of mind and embedded in the GARDA Capital Group's culture.

Part C – Operational Procedures

14 Monitoring Compliance with the Policy

The MD (in conjunction with the Compliance Manager, where required) is responsible for monitoring compliance with this Policy on at least an annual basis (or more frequently as required) to ensure it remains consistent with the Australian Standard on Risk Management.

As part of the monitoring process, the MD (in conjunction with the Compliance Manager, where required) will review external audit reports and all other relevant policies, procedures and registers to identify any instances of non-compliance. This will also involve a full review of the Risk Register.

Any instances of non-compliance by officers, employees and/or agents of the GARDA Capital Group will be reported to the Compliance Manager (and subsequently the Board). Instances of non-compliance may also be treated as a potential or actual breach and dealt with according to the Breach Management Policy and Procedure.

Where instances of non-compliance with the Policy have been identified the MD (in conjunction with the Compliance Manager, if required) is responsible for determining and/or recommending appropriate remedial action.

Intentional or reckless non-compliance with this Policy is not tolerated by the Board. Depending on the nature and extent of non-compliance, remedial action could include:

- additional training;
- additional monitoring or supervision;
- formal reprimand;
- notification to relevant regulatory body or industry association; and
- termination of employment (in particularly serious cases).

In determining what remedial action will be appropriate, the MD (in conjunction with the Compliance Manager, if required) may have regard to the following matters:

- the number or frequency of similar previous instances of non-compliance by the officer, employee and/or agent (including or service providers);
- whether the non-compliance was intentional or reckless;
- the impact the non-compliance has on the ability of the GARDA Capital Group to continue to provide the financial services covered by its relevant AFS licence;
- the actual or potential loss arising to the GARDA Capital Group or a client as a result of the non-compliance;
- any other relevant facts associated with the non-compliance; and
- any other relevant issues raised.

If systemic non-compliance is the result of action by a service provider, then this is an event which shall be reported to the Board for their consideration. The Board will consider what additional monitoring and remedial action may be required which could include consideration as to whether the service agreement should be terminated.

15 Review of the Policy

The MD, in conjunction with the Board, shall review the contents of this Policy at least annually to ensure it remains current and relevant to the operations of the GARDA Capital Group.

As part of the review, the MD, in conjunction with the Compliance Manager, shall also ensure that any related policies or procedures are reviewed by relevant officers, employees and/or agents.

The Compliance Manager shall consider, as part of the Compliance Plan testing, whether the reviews are being undertaken.

16 Record Keeping

The MD and Compliance Manager are responsible for ensuring that the following information in relation to this Policy is retained for a period of at least 7 years:

- all approved versions of this Policy (including details of their approval);
- any relevant registers which relate to the Policy;
- records evidencing compliance or non-compliance with the Policy;
- details of any reviews undertaken;
- evidence of induction and ongoing training; and
- any other documentation relevant to the implementation of and compliance with the Policy.

17 Training on the Policy

As the Board is committed to ensuring the continued compliance with this Policy, a program of regular training sessions will be provided to staff both when they commence and on an ongoing basis.

Training attendance will be recorded in the Training Register and it is the responsibility of the Compliance Manager to review whether relevant personnel have attended appropriate training.

Induction Training

Where required, the MD will provide training on the risk management policy as part of the induction training for all relevant new officers, employees and Responsible Managers.

Ongoing Training

The MD will also provide refresher training on the Policy at least annually to all relevant staff (or as required where a material change is made to the Policy).

18 Applying Discretion to the Policy

Notwithstanding any requirement contained in this Policy, the Policy Owner may apply, or authorise the application of, reasonable discretion in considering how to apply the requirements of the Policy.

When applying discretion in relation to a particular matter, the Policy Owner shall have regard to the level of risk posed by that matter and relevant regulatory objectives.

Whenever discretion has been exercised in relation to the policy, it should be recorded and reported to the Compliance Manager and Board.

19 **Interaction with Compliance Plan and Constitution**

To the extent that any procedures set out in this Policy are inconsistent with the Compliance Plans or the Constitution for each Scheme, the processes set out in the Compliance Plan and Constitution shall take precedence. Any such discrepancies should be reported to the Policy Owner.

20 **Related Policies**

All other policies and procedures in place for the GARDA Capital Group contain provisions which are directly or indirectly related to the contents of this Policy.

21 **Further Information**

If you need further information regarding this Policy and how it is implemented you should contact the Policy Owner.

Appendix A – Legislative and Regulatory References

The following sources of information have been used in developing this Policy:

Corporations Act:	s.912A(1)(h)
Corporations Regulations:	Nil.
ASIC Class Order:	CO 04/194 – Managed discretionary accounts
Compliance Plan:	Clause 4.25
AFS special licence conditions:	Nil.
ASIC policy/guides:	<p>RG 1 AFS Licensing Kit: Part 1 — Applying for and varying an AFS licence</p> <p>RG 2 AFS Licensing Kit: Part 2 — Preparing your AFS licence application</p> <p>RG 3 AFS Licensing Kit: Part 3 — Preparing your additional proofs</p> <p>RG 104 Licensing: Meeting the General Obligations</p> <p>RG 259: Risk Management systems of responsible entities</p>
Australian Standards:	Australian/New Zealand Standard Risk Management – Principles and guidelines (AS/NZS ISO 31000-2009)
Commitments made to ASIC:	Nil.
Forms:	Nil.

Appendix B – Risk Definitions and Classification

Risk Categories

The Companies have adopted eight risk management categories, based on key business functions. These categories are divided into main business functions within each, as well as sub categories:

RISK CATEGORY	RISK SUB CATEGORIES
Operational Risk	
	Investment Management
	Service Provider Management
	Administration
Strategic Risk	
	Shareholders & Scheme Members
	Business
	Reputation
Legal and Compliance Risk	
	Compliance Management
	Legal Contract & Obligations
	Professional Advice
Liquidity Risk	
	Financial Management
Market Risk	
	External Risk
People Risk	
	Human Resource Management
Information Technology Risk	
	Systems failure
Insurance Risk	
	Insurance Management

Definitions of Risk Categories

Descriptor	Example Description
Operational Risk	Operational and Investment events.
Strategic Risk	Implementing Strategies.
Legal and Compliance Risk	Legal and Regulatory compliance.
Liquidity Risk	Being unable to fund operations or convert assets into cash.
Market Risk	Changes in market and economy.
People Risk	Human resources.
IT Risk	Risk of systems failure.
Insurance Risk	Adequacy of insurance policies.

Qualitative Measures of the Likelihood

Descriptor	Example Description
Common	This risk is almost certain to occur more than once in the next 2 years.
Likely	This risk is almost certain to occur once over the next 2 years.
Possible	This risk could possibly occur at least once in the next 2 – 5 years.
Unlikely	This risk is unlikely to occur in the next 2 – 5 years.
Rare	This risk will probably not occur within the next 5 year period.

Qualitative Measures of the Consequence or Impact

Descriptor	Business Objectives	Example Description
Significant	Severe impact which threatens the ability of the GARDA Capital Group to sustain ongoing operations.	> \$2 million
Major	High impact on the achievement of the GARDA Capital Group’s strategic business objectives or ability to operate.	\$1 million to \$2 million
Moderate	Moderate impact on the achievement of the GARDA Capital Group’s strategic business objectives or ability to operate.	\$250,000 to \$1 million
Minor	No material impact on the achievement of the GARDA Capital Group’s strategic business objectives or ability to operate.	\$50,000 and \$250,000
Insignificant	Negligible impact on the GARDA Capital Group.	< \$50,000

Qualitative risk analysis matrix – level of risk

Likelihood	Consequences				
	Insignificant	Minor	Moderate	Major	Significant
Common	Medium	High	Very high	Very high	Very high
Likely	Medium	Medium	High	Very high	Very high
Possible	Low	Medium	Medium	High	Very high
Unlikely	Very Low	Low	Medium	Medium	High
Rare	Very Low	Very Low	Low	Medium	Medium

Overall Level of Risk & Risk Priority

- **Very High** and **High Risk** – regular Board monitoring and reporting;
- **Medium Risk** – ongoing senior management monitoring and supervision; and
- **Low** and **Very Low Risk** – managed by routine procedures.

Residual Risk

- **Low** – the identified controls reduce risk to an acceptable level;
- **Medium** – additional controls should be identified and implemented as a priority; and
- **High** – urgent attention must be allocated to identifying and implementing additional controls.

Appendix C – Risk Register

The Risk Register is maintained as a separate document, which should be read on conjunction with this Policy.