



Australian Hardware

Risk Management Plan

Risk Management Policy

Australian Hardware is committed to the effective management of risk, which is central to the continued growth and profitability of the company. The purpose of this policy is to ensure that:

- appropriate systems are in place to identify –as much as is reasonably possible and practical – risks that the company faces in conducting its business
- the potential impact of identified risks are understood and appropriate limits are set to assist in the management of exposures to those risks
- responsibilities are delegated to manage the identified risks
- assurance is provided as to the effectiveness of the risk management system and risk controls
- any changes to the company’s risk profile are monitored and disclosed.

This policy covers all risks that could have a material impact on the company, including those related to:

- people
- objectives (including financial performance)
- customers
- assets
- reputation
- the environment.

Accountabilities

The board is accountable for:

- overseeing the effectiveness of the risk management system
- monitoring compliance against the requirements of the risk management system and reviewing the adequacy of controls
- reviewing the risk profile of the company and approving the policies and systems implemented for the ongoing identification and management of risks
- reviewing the company’s capacity to absorb
- requiring provision by management of reports on the performance of systems used to identify and manage risks and regularly reviewing these reports.

The Chief Financial Officer (CFO) is accountable for:

- identification and management of risks including risks in relation to all significant investment decisions

- appointing the system owners, through whom appropriate systems and procedures for the identification, reporting and management of risks are developed, implemented, maintained and reviewed
- provision of reports to the board on performance in relation to identification, assessment and management of risks, including environmental risk.

Risk Management

Store managers are accountable for:

- the development, implementation, maintenance and review of appropriate policies, procedures and systems for the management of all risks within their area of responsibility
- providing assurance that the systems of risk management and internal control within their area of responsibility operate effectively in all respects.

The Chief Risk Officer at each store is accountable for:

- demonstrating, through a program of assurance and review, the effectiveness of, and compliance against, those systems used to identify and manage risk
- providing an effective system for assurance, at six monthly intervals, from employees with specific delegated responsibilities under this policy
- the provision of an appropriate insurance program
- the identification of material changes to the company's risk profile and recommending their disclosure

All managers, supervisors and employees are responsible for:

- taking all reasonable and practicable steps to perform their responsibilities delegated under this policy and the related systems and procedures.

Reporting

For the approval of Australian Hardware annual financial reporting, the Chief Financial Officer states to the board in writing that:

- the declaration provided in accordance with s295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The CFO provides a report to the board indicating:

- the effectiveness of the company's risk management and internal control systems in relation to business risks

Australian Hardware Risk Management Plan

- the effectiveness of the company's risk management and internal control systems in relation to environmental and triple bottom line related risks.

Risk Management Strategy and Plan

Introduction

Australian Hardware recognises that risk management is an essential component of good management practice and is committed to the proactive management of risks across the organisation. The strategy is designed to:

- identify, evaluate, control and manage risks, including environmental risks
- ensure potential threats and opportunities are identified and managed
- inform store management, partners and staff members about their roles, responsibilities and reporting procedures with regards to risk management
- ensure risk management is an integral part of planning at all levels of the organisation.

Guiding Principles

Australian Hardware is committed to achieving its vision, business objectives and quality objectives. This will be achieved through the proactive management of risk at all levels of the organisation. Australian Hardware acknowledges that embracing innovative ideas and practices carries with it risks, but that these are identifiable and measurable and therefore capable of being subject to realistic risk mitigation processes.

Responsibility and Authority

Store managers/partners have responsibility for ensuring that risk management is in place.

Managers/partners have the responsibility of reviewing the Risk Action Plan (outlined in the table at the end of this document) on a monthly basis.

Staff support and implement policies approved by the partners.

Key risk indicators will be identified, closely monitored and action taken where necessary, by all employees of Australian Hardware.

Risk Management Framework

This framework encompasses a number of elements that together facilitate an effective and efficient operation, enabling Australian Hardware to respond to a variety of operational, financial, commercial and strategic risks. These elements include:

- **Policies and procedures:** A series of policies underpin the internal control process.
- **Reporting:** Decisions to rectify problems are made at regular meetings of the partners and store management.

- **Business planning and budgeting:** The business planning and budgeting process is used to set objectives, agree on action plans and allocate resources. Progress towards meeting business plan objectives is monitored regularly by the partners. Contingency planning is undertaken as required.
- **Risk management review:** The partners are required to report monthly.
- **External audit:** The final audit of financial statements is controlled by an external chartered accountant who provides feedback to the partners.

Definitions

Risks are identified on a scale of likelihood of occurring in the next 12 months and assigned an impact or consequence of the risk as high, medium or low. High includes either a significant shortfall of around 40% in achieving budget or a significant reduction in ability to function. Medium includes either a shortfall of budget of between 10% and 20% or some reduction in function, and low indicates minor reductions in achieving budget or minimal reduction in performance.

Risk Management Action Plan

Risk	Risk	Risk impact	Controls	Monitoring	Timelines	Responsible
Difficulty sourcing or training skilled and experienced staff.	Medium	High	<p>Targeted advertising in trade magazines and online.</p> <p>Promotional focus on training and development opportunities.</p> <p>Regular training for existing staff.</p>	Regular investigation of competitor wages, seeking to match or better if viable from budgetary perspective.	Monthly and quarterly	Human resources manager, store general managers and general operations managers.
Wastage or unsaleable stock from poor inventory maintenance and sales monitoring.	Medium	High	<p>Continuous monitoring using in-house ERM system</p> <p>Daily contact with suppliers.</p>	Daily automated monitoring (with alerts for issues) and anticipation of demand through ongoing research and analysis in consultation with market research consultants	<p>Daily monitoring</p> <p>Monthly and quarterly sales and demand analysis</p>	Store general managers, general operations managers, COO, and marketing general manager.

Australian Hardware Risk Management Plan

Risk	Risk	Risk impact	Controls	Monitoring	Timelines	Responsible
Emergence of a competitor.	Low	High	<p>Continuous implementation of marketing strategy to highlight key points of difference between us and competitors.</p> <p>Increased frequency of promotional campaigns.</p> <p>Selective discounting.</p> <p>Adjustment of marketing strategy to ensure differentiation and appropriate positioning of Australian Hardware in order to compete effectively.</p>	Continuous monitoring of competitors' campaigns.	Monthly	Marketing general manager.
Poor product quality from suppliers.	Low	Medium-High	Continual audits of product quality.	<p>Audit of supplier quality.</p> <p>Customer complaints monitoring.</p>	Monthly	<p>Store general managers and general operations managers,</p> <p>COO,</p> <p>marketing general manager.</p>

Australian Hardware Risk Management Plan

Risk	Risk	Risk impact	Controls	Monitoring	Timelines	Responsible
Environmental risk due to operations of Australian Hardware.	Low	Medium-High	Staff training (at all levels) on sustainable practices at Australian Hardware.	Continual audits of supplier environmental responsibility with regard to sustainability principles. Continual auditing of environmental performance against sustainability plan and external benchmarking.	Monthly	Store general managers, general operations managers, COO.
Risks to community due to operations of Australian Hardware.	Low	Medium-High	Community consultation. Media campaigns to encourage proposals for sponsorship of community events, for example.	Community consultation. Marketing questionnaires. External benchmarking. Triple bottom line reporting at the individual store level and corporate level.	Monthly	Store general managers, general operations managers, COO, marketing general manager.
Failure to comply with legislation in jurisdictions across Australia.	Low	High	Regular maintenance of legislation register. Regular update of policies and procedures.	Monthly monitoring of legislative environment. Triple bottom line reporting at the individual store level and corporate level.	Monthly	Store general managers, general operations managers, CFO and legal team