

# Risk Management Policy

## 1 Board Oversight

1.1 The board of Sydney Airport Limited is responsible for the overall corporate governance of Sydney Airport Limited and its controlled entities, including:

- Endorsement of Sydney Airport's risk management framework including key policies and procedures and approval of any changes to the framework or any key risk policies and procedures
- Monitoring compliance with the endorsed risk management framework
- Delegating authority to management, where appropriate
- Approving asset purchases and outsourcing arrangements
- Conducting due diligence for the appointment and ongoing monitoring of outsourced arrangements

1.2 The board of The Trust Company (Sydney Airport) Limited as responsible entity of Sydney Airport Trust 1 (**SAT1**) is responsible for the overall corporate governance of SAT1 and its controlled entities, including the matters listed in 1.1, above.

1.3 The boards are responsible for liaising on matters relevant to both Sydney Airport Limited and SAT1.

1.4 As part of the monitoring process, the boards are to be provided with the following information at scheduled board meetings:

- Any proposed changes to the risk management framework, key policies or reporting arrangements for approval
- Reports on exposures, non-compliance with key policies and general effectiveness of risk management systems, when necessary
- Results of independent reviews of the control environment
- Other management information, in each case, in relation to Sydney Airport Limited or SAT1, as relevant.

## 2 Board Audit & Risk Committee

The Audit & Risk Committee of the Sydney Airport Limited board assists the Sydney Airport Limited board to monitor Sydney Airport's risk management framework by reviewing any matters of significance affecting financial reporting and internal controls of Sydney Airport.

## 3 Compliance Committee

The Trust Company (Sydney Airport) Limited has formed a compliance committee to assist the board in

overseeing the risk management framework of SAT1 by monitoring compliance with the compliance plans and ensuring that there is an underlying compliance framework.

## 4 Senior Management Oversight<sup>1</sup>

Senior management assist the boards in monitoring:

- Key aspects of the risk management framework including Sydney Airport's policies
- Delegation of approvals required under the risk management framework
- Risk management reporting including operational issues, operational losses
- Operational control weaknesses and breakdowns including fraud
- Due diligence conducted for appointment and ongoing monitoring of outsourced arrangements
- Results of risk self assessment reviews and workshops

## 5 Operations Management<sup>1</sup>

Sydney Airport management ensure activities are conducted within the parameters set by the operational risk matrix and policies and procedures and in accordance with the boards' directions.

This is achieved by:

- Documented policies and procedures
- Staff training in respect of Sydney Airport's policies and procedures
- Quarterly review of compliance with compliance plans and underlying policies and procedures
- Appropriate reporting of operational issues to senior management and the board

## 6 Risk

Risk is an inherent part of Sydney Airport's business. Management of that risk is therefore critical to Sydney Airport's continuing profitability and financial health. The main risks faced by Sydney Airport are:

- Financial Risk (eg. liquidity, interest rate and credit)
- Regulatory risk
- Legal and documentary risk
- Compliance risk
- Operational risk (eg. processes, IT, outsourcing)
- OHS risk
- Investment performance risk

<sup>1</sup> The role of the management of Sydney Airport Limited and its controlled entities in the oversight and operations of SAT1 will be limited to and in accordance with the terms of resourcing arrangements entered into between The Trust Company (Sydney Airport) Limited as responsible entity of SAT1 and Sydney Airport Limited and its controlled entities from time to time.

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- Environmental and social responsibilities
- Strategic risk
- Reputation risk

## 7 Risk Identification, Analysis, Acceptance and Mitigation

Sydney Airport uses a nine step risk management approach to protect its business from unacceptable risk. This approach is:

1. Identify risk
2. Quantify and qualify risks
3. Develop risk strategy
4. Implementation of policy and procedures to manage risks
5. Monitor compliance
6. Report exceptions and breaches
7. Remedy breaches
8. Maintain and review systems and records to ensure ongoing integrity of the process
9. Annual review of entire process.

## 8 Reporting

8.1 To assist the Sydney Airport Limited Audit & Risk Committee in monitoring and reviewing the effectiveness of the operational risk management framework and compliance with key risk management policies, a semi-annual risk management update is provided to the Committee.

8.2 Breaches and operational risk incidents arising within the operations of Sydney Airport Limited are reported to the CEO on a monthly basis. Significant breaches or incidents are reported to the Sydney Airport Limited board via regular board reporting

and/or immediate notification to the board as necessary.

## 9 Regulatory Breach Reporting

9.1 As the holder of an Australian financial service licence, The Trust Company (Sydney Airport) Limited as responsible entity of SAT1 is required to identify breaches or likely breaches, give proper consideration to whether the breach is significant and, where required, notify ASIC within five business days of becoming aware of the breach or likely breach.

9.2 Sydney Airport must notify ASX immediately in writing if it becomes aware that it has breached any of the ASX Listing Rules and that breach is significant.

## 10 Interpretation

All references in this charter to “boards” are a reference to the board of directors of Sydney Airport Limited or The Trust Company (Sydney Airport) Limited as responsible entity of SAT1 and their controlled entities as applicable.

## 11 Related documents

- a) Audit & Risk Committee
- b) Charter SAT1 & SAT2 Compliance Plans
- c) Board Charter

## 12 History

- a) 11 June 2003 – adopted
- b) 1 March 2010 – modified
- c) 20 December 2011 – modified
- d) 3 December 2013 – modified