

25 AUGUST 2017

Managing Risk Policy



Introduction

1. This is a Board approved governance policy. The approach to corporate governance in Chorus Limited (“**Chorus**”) is set out in the Board and Board Committee Charters and related documents illustrated in Appendix A to the Chorus Board Charter.

Policy Statement

2. Chorus is committed to proactively and consistently managing risk in order to:
 - Enhance and protect Chorus’ value by delivering on our commitments and meeting stakeholders’ expectations;
 - Allow Chorus to pursue opportunities in an informed way and aligned with the Board’s risk appetite; and
 - Ensure a safe and secure environment for Chorus people (employees and contractors), or people in, or in the vicinity of, Chorus workplaces.
3. A robust risk management framework is a valuable strategic tool. It enables Chorus to proactively manage risk, by setting out disciplines that can be embedded in day to day business operations and decision-making processes.

Key Concepts

4. **Risk** is anything that has the ability to impact on Chorus’ ability to achieve its goals and objectives and is therefore interconnected with Chorus’ business plan and strategy. Risk is assessed in terms of a combination of the impact and likelihood of an event occurring, and can be categorised according to the areas they could potentially impact. These are:
 - Commercial/financial sustainability;
 - Performance of core services;
 - Stakeholder confidence/reputation;
 - People safety and resource availability; and

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- Regulatory/contractual.
5. **Principal Risks** are the key risks facing Chorus and are identified and reviewed by the Board annually. The Board, through the Audit and Risk Management Committee, regularly monitors Management's management of these Principal Risks.
 6. **Risk appetite** describes Chorus' tolerable levels of risk. It draws together risk metrics and risk management so they can be translated into everyday business decisions, reporting and discussions. Risk appetite is set by the Board and reviewed annually. It sets the boundaries which form a dynamic link between strategy, target setting and risk management.
 7. **Risk management** is the process through which risk is managed and includes risk identification and reporting through to risk mitigation and allocating risk ownership.

Background

8. Chorus is committed to ensuring rigorous risk management processes are in place.
9. To implement risk management effectively, it must be integrated into Chorus' business operations, projects and decision-making processes. *It is part of our mind-set and integral to the way we do things.*
10. If Chorus does not manage its risk effectively, this may result in shareholder dissatisfaction, loss of revenue or increased costs (including from investigations, litigation, penalties or damages), other loss of shareholder value, negative publicity, reputational damage, the potential loss of customers or injury or harm to Chorus people and people in, or in the vicinity of, Chorus workplaces.

Objectives

11. The key objectives of this policy are to:
 - Ensure that all Chorus people are aware of their responsibility to manage risk.
 - Mandate *one* framework for the management of risk in Chorus. Our framework:
 - ensures the Board sets the risk appetite and reviews the Principal Risks annually;
 - integrates risk management in line with the Board's risk appetite into our structures, policies, processes and procedures; and
 - delivers regular Principal Risk review and monitoring.
 - Ensure that the CEO and the Executive team have discretion to select the approach they use to manage risk within the guidance provided in our framework.
 - Mandate regular measurement and reporting on the efficiency and effectiveness of our risk management processes.

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- Encourage balancing the level of control implemented to mitigate identified risks with our commitment to comply with external regulation and governance requirements and our value and growth aspirations.
- Meet good practice standards for risk management processes and related governance.

Roles and Responsibilities

12. The roles and responsibilities in relation to this policy are as follows:

Chorus Board of Directors

- Approving this policy and the supporting framework to promote a culture of proactively managing risks, setting Chorus' risk appetite and reviewing Chorus' Principal Risks annually.
- Through the Audit and Risk Management Committee, provide oversight and monitoring, including through receipt of regular reporting from Management on Principal Risks.

Chief Executive Officer (CEO)

- Promoting a culture of proactively managing risks, aligned with this policy and the Board's risk appetite.
- Reviewing Chorus' Principal Risks regularly and regularly reporting to the Audit and Risk Management Committee regarding that review and, at other times by exception, reporting on any changes to the rating of Principal Risks.
- Monitoring of action plans to mitigate risks rated as critical and high on a pre-mitigation basis.

Manager Risk & Business Assurance / General Counsel and Company Secretary

- Providing a single framework for risk management in Chorus consistent with this policy and the Board's risk appetite.
- Facilitating regular reviews and updates to the CEO and to the Audit and Risk Management Committee.

CEO and Executive

- Providing leadership in Chorus for risk management by:
 - identifying, managing, updating and monitoring risks.
 - creating a focus on risk awareness and management for their teams.
 - ensuring that key decisions are made taking into account risk factors.

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- ensuring that mitigations are in place and are effective.

All Chorus People

13. Appropriately identify and manage the risks in their work.

Supporting Functions

14. The Compliance Manager supports Chorus' risk management by providing compliance tools, education oversight and reporting.
15. Independent assurance providers, including Internal Audit, External Audit and Regulators undertake periodic reviews to assess, as appropriate:
 - The effectiveness of internal processes and controls for managing risk; and
 - The effectiveness of relevant aspects of Chorus' risk management implementation.

Ownership and Review

Approver:	Chorus Board
Reviewer:	Audit and Risk Management Committee
Ownership:	General Counsel and Company Secretary
Review:	At least every two years.