

Operational Risk Management Committee Charter

Enterprise-wide risk management

Cardno adopts an enterprise-wide risk management approach to the management of risk and as part of that approach has identified its most significant risks.

The Operational Risk Management Committee (ORMC) has the responsibility for the oversight and maintenance of the company's operational risk management plan. This provides the framework for monitoring risk management activities. The plan follows AS/NZS 31000:2009 and includes the following elements:

- > Identification of possible risks;
- > Measurement of risk by analysis in terms of probability and impact in the context of current controls and strategies;
- > Evaluation and prioritisation of risks;
- > Development and implementation of risk control strategies; and
- > Monitoring and reviewing the effectiveness of the risk management system.

Membership

The ORMC consists of the Chief Executive Officer (Chair), Chief Financial Officer, Group HR Manager, Group Legal Senior Counsel and Group Internal Audit & Risk Manager.

The ORMC reports to the Chief Executive Officer and to the Cardno Board's ARCC.

Operational risk management committee responsibilities

The ORMC has been established to oversee and ensure the efficient and effective management of Cardno's significant operational risks.

The ORMC is charged with the responsibility of establishing, maintaining and reviewing procedures at management and operational level to identify, monitor and mitigate operational risk in accordance with the company's risk oversight and management policies. It is responsible for checking that those procedures are designed to maintain the company's operational viability and to safeguard its assets and interests.

The ORMC's core responsibilities are to:

- > Advocate, implement, maintain and review Cardno's enterprise-wide risk management framework, as advocated by the Audit, Risk & Compliance Committee (ARCC) within which Cardno's teams

assume operational responsibility for managing operational risk in the performance of their respective functions;

- > Regularly monitor and assess Cardno's organisation-wide risk profile and exposure to material risks;
- > Provide an oversight role:
 - o For the maintenance of the Risk Registers for the organisation;
 - o To ensure that all employees undergo risk awareness training appropriate to their position and maintain these skills, as required;
 - o For the management of operational risks directly under the ORMCs control;
 - o To ensure risk management is included within the planning process for all activities including projects by linkage with objectives to develop controls and strategies; and
 - o To ensure Cardno's processes (including systems) and control framework can be reasonably expected to detect and/or prevent fraud or malpractice;
- > Consider incident reporting as it pertains to operational issues directly under their responsibility;
- > Review and input into risk identification activities;
- > Bi-annually receive and review material risk submissions by Businesses / Group;
- > Report to the ARCC on a bi-annual basis a summarised account of Cardno's risk management activities including:
 - o Commentary on material residual risks (for ARCC consideration);
 - o Update on consolidated issues register, including number of new issues, closed issues, and general implementation status of key actions;
 - o Significant control exposures / incidents / compliance breaches / potential fraud or malpractice; and
 - o Progress against control implementation plans and any re-estimate of implementation timelines.
- > Monitor and assess the adequacy of risk management policies and procedures through the review of the reports about material risks;
- > Recommend to the ARCC policies for the management of material risks affecting Cardno;
- > Recommend to the Chief Executive Officer for approval, procedure for the management of material risks affecting Cardno;
- > Review and improve internal processes for determining, monitoring and assessing material operational risk areas; and
- > Act as a forum for the discussion of material operational risk issues. This process forms part of the governance process that ensures that Cardno's risk management function operates effectively, efficiently and economically.

In the discharge of the above mentioned responsibilities, the ORMC will report promptly to the ARCC where issues are identified that could present a material risk or threat to Cardno.

Risk management system

Within each area of operational risk, the ORMC has the responsibility for determining the severity of the operational risks identified and evaluates each risk in terms of:

- > the likelihood of its occurring; and
- > the impact of the risk occurring.

From this evaluation, the ORMC rates the severity of each risk ranging from category 1 (low) to category 7 (catastrophic) and reviews whether appropriate risk management policies, procedures and mitigation controls are in place that is commensurate with the assessed severity. The ORMC also reviews the effectiveness of those policies, procedures and mitigation controls and, where necessary, develops and implements new policies, procedures and mitigation controls.

ORMC meetings

Frequency

The ORMC will meet quarterly ensuring the meetings coincide with a two week period prior to the quarterly ARCC meetings. In addition, the ORMC chairperson may call such additional meeting as may be necessary to address any matters referred to the ORMC or in respect of matters that the team wishes to pursue.

Minutes

Minutes of meetings must be prepared and distributed to ORMC members as soon as possible after the conclusion of the meeting and, subject to any agreed amendments, shall be confirmed as an accurate record of the meeting at the next subsequent meeting of the ORMC.

Other attendees

The ORMC chairperson may request a Cardno officer, internal auditors or other external parties to attend a meeting of the ORMC. Further the chairperson may invite a representative of external audit to attend any meeting of the ORMC and to present and comment on appropriate agenda items.

Agenda

A common meeting agenda will be used by the ORMC. The common agenda will be structured around the key risk categories and material risks reported on bi-annually. In the setting of an agenda there will be an emphasis on material risks and threats to Cardno and the ongoing evaluation of what is being done to mitigate such risks.

Risk categories and areas

The ORMC has identified nine key areas which are used to guide discussion and focus on risk identification as follows:

- > Financial Risk
- > Commercial/Operational Risk

- > Business Process Risk
- > Human Resources Risk
- > Information Technology Risk
- > Property Risk
- > Environmental Risk
- > Health and Safety Risk
- > Insurable Risk
- > Other

These key areas form the basis of the organisations consequence table as included in Attachment 1. In conjunction with these areas of risk focus, the organisation has established the likelihood parameters also included in Attachment 1.

Board responsibility

The ORMC notes that the Cardno Board and specifically the ARCC, in consultation with executive management, is also responsible for identifying relevant risks and notifying the ORMC. The ORMC shall then consider the appropriate control procedures needed to adequately manage the risks and report to the ARCC as to what those procedures will be.