

RISK MANAGEMENT

The Board acknowledges that it is accountable for the Group's risk management process and system of internal control. As HCI is an investment holding company, and under the oversight of the Group risk officer, the risk management process considers the risks and opportunities within the Company as well as those inherent in its investment portfolio.

The committee is an integral part of the risk management process and, through engagement with management and the external and internal auditors, seeks to ensure that all material corporate risks have been identified, assessed, monitored and effectively managed.

The committee supports the principle that risk management involves identifying opportunities, not only guarding against downside risk. Internal control structures are in place to ensure that significant business and financial risks are identified and appropriately managed:

- it is management's responsibility to design, implement and monitor the risk management policies;
- risk assessments are performed on a continual basis;
- frameworks and methodologies are implemented to increase probability of anticipating unpredictable risks;
- risk responses by management are considered and implemented;
- risks are monitored continuously; and
- the Board should receive assurance regarding effectiveness of risk management.

A disciplined and timely reporting structure keeps the committee informed of Group company activities, risks and opportunities. Subsidiary companies report their key risks and responses to the committee twice a year, with additional exception reporting where necessary.

The focus is on those risks which may negatively impact the long-term sustainability of the business or have a material impact on short-term performance.

This continued focus on risk management helps the Board foster a culture across the HCI Group that supports a risk-based approach to internal control and management.

Effective risk management is seen as fundamental to the sustainability of the Group's interests.