Managing Risk Policy

Policy Statement

Risk Management is a critical business discipline that reduces uncertainty in the achievement of business objectives, strengthens and complements other corporate governance initiatives and is a listing requirement of the exchanges on which Telecom is listed.

Background

Effective management of risk is essential for us to achieve our goals and objectives and to satisfy key external stakeholder expectations.

Managing risk reduces uncertainty associated with business performance and gives us greater freedom to plan and use resources for innovation and measured risk taking.

Managing risk directly contributes to our profitability by reducing additional costs and assisting to improve certainty around revenue achievement.

Scope

This policy applies to six Telecom stakeholder groups. These are:
the Board and its sub-committee, the Audit and Risk Management Committee; the CEO and Executive; Business Unit management and staff; Risk Services; Internal Audit; and Corporate Support Groups.

The main objectives of this policy are to:

- Ensure Telecom personnel are aware of their responsibility to manage the risks that may impair or prevent achievement of our strategic, operational and transformational business goals and objectives.
- Mandate *one* framework for the management of risk in Telecom. Our framework:
  - integrates risk management into our structures, policies, processes and procedures; and
  - delivers regular Principal Risk profiling.
- Ensure that the Executive and Business Unit management have discretion to select the approach they use to manage risk within the guidance provided in our framework:
  - embedded risk management approaches; or
  - planned risk management approaches, using risk registers.
- Mandate regular measurement and reporting on the efficiency and effectiveness of our risk

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management processes.

- Encourage balancing the level of control implemented to mitigate or manage identified risks to reflect our appetite for risk, and our commitment to comply with external regulation and governance requirements.
- Meet or exceed international best practice standards for risk management and related governance.

Definitions

Risk Management: The culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects

Risk: The chance of something happening that will have an impact on objectives. A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. It is measured in terms of a combination of the consequences of an event and their likelihoods and may have a positive or negative impact

Roles and Responsibilities

The responsibilities of specific groups are:

Board and the Audit & Risk Management Committee

Oversight - Establishes and approves the Telecom Managing Risk Policy. Oversees the risk management framework and monitors compliance with that framework.

Risk Management - Articulates Telecom's risk appetite and ensures alignment with Delegated Authority. Reviews Telecom's material risks (Principal Risks) and procedures to treat and monitor those risks. Approves the annual report's Risk Factors section required by the SEC to satisfy NYSE listing requirements.

Assessment of Effectiveness - Reviews the effectiveness of the implementation of Telecom's risk management system. Reviews CEO and CFO annual certification that Telecom's risk management system is operating efficiently and effectively in all material respects.

CEO / Executive

Oversight - Oversees the business unit processes in place to manage the risks impacting their day to day activities and achievement of their business objectives.

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Risk Management - Executives participate in and contribute to six monthly Executive risk profiling activity (interviews and workshops) to prepare Telecom's Principal Risks profile. Maintain and approve business plans and budgets to implement and maintain the risk treatments and controls cited in the Principal Risks profile.

Assessment of Effectiveness - Provide the Board with certification that Telecom's risk management system is operating effectively and efficiently in all material respects (CEO & CFO).

Business Unit Management and Staff

Oversight – Implementation of processes to manage the risks impacting their day to day activities and achievement of their business objectives.

Risk Management - Ensure risk management is embedded into new and existing 'key' processes, and/or maintains risk registers that highlight risks associated with achievement of each business unit's goals and objectives and their treatment plans. Business unit reporting to Executives supports the development of the Principal Risks profile. Implements key performance indicators to monitor the management of areas of high risk. Clearly describes the risks and ability to mitigate risk associated with achievement of BU business cases and plans/forecasts. Clearly describes the risks and ability to mitigate risks associated with achievement of projects in accordance with the Project Management Risk Methodology.

Assessment of Effectiveness –

Supports the certification process to the CEO and CFO that Telecom's risk management system is operating effectively efficiently in all material respects.

Risk Services

Oversight - Develops and maintains Telecom's Managing Risk Policy and framework. Provides advice and guidance to the business on the implementation of Telecom's Managing Risk Policy and framework.

Risk Management - Prepares Telecom's Principal Risk profile for Executive and Board approval. Provides independent reporting to the Audit & Risk Management Committee on the status of Telecom's material risk management as required. Prepares the Annual Report's "risk factors" section for Board approval.

Assessment of Effectiveness - Measures and reports on the effectiveness of management's implementation of Telecom's risk management system. Provides evidence to support the annual ASX

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assertion that a sound system of risk management exists in Telecom.

Internal Audit

Oversight - Independently reviews the effectiveness of Telecom's risk management implementation.

Risk Management - Uses risk management outputs to prepare the annual audit plan.

Assessment of Effectiveness - Assesses the effectiveness of internal processes and controls for managing risk. Independently assesses and reports on the effectiveness of key controls and treatments cited in the Principal Risks profile. Arranges independent review of Telecom's Managing Risk framework to ensure it complies with "best practice" requirements.

Group support functions

Oversight - Maintains Policy framework and publishes "Core Policies".

Risk Management - Develops, implements and monitors Core Policies intended to manage certain Telecom-wide risks.

Ownership

This is a Board policy that will be maintained on an annual or as directed basis by the Telecom Group Risk Manager.

Review Date

February 2010

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