

Risk Appetite Statement

1.0 OVERVIEW

[The Company]'s risk appetite statement has been set by the Board with the Executive Team to provide guidance to [The Company], our employees, our contractors, and our suppliers. [The Company]'s risk appetite is the amount and type of risk that [The Company] is willing to accept, and must take, to achieve our strategic objectives and create value for our customers and stakeholders.

[The Company] seeks to be a strategic focused, risk aware but not risk adverse organisation.

This means that **all** employees need to be aware of the critical risks at [The Company], our appetite for the risk and how to respond where such a risk is present. This document provides employees with that information.

[The Company]'s risk appetite is reviewed annually or where there is a significant change in strategy or a significant risk event occurs.

2.0 WHAT IS RISK AND RISK MANAGEMENT?

Business is about taking calculated risks to obtain a return. Risk in itself is not a bad thing. In high growth organisations, like [The Company], the organisation typically takes on elevated levels of risk to obtain a greater reward. This can be by entering new markets and distribution models, launching innovative new products or using new technology to assist our customers.

So what is "risk"? "Risk" is any potential event that could prevent the achievement of an objective. A risk event is typically measured in terms of its potential impact on an objective and the likelihood of the event occurring.

The discipline of risk management includes identifying and assessing such risk events and then responding to them. These responses may consist of mitigating their effects, transferring the risk to someone else, avoiding the risk, exploiting it or accepting the risk.

It is important to have an open mind when assessing risks. Research shows that people tend to be overconfident about the accuracy of forecasts and risk assessments and are far too narrow in their assessment of the range of outcomes that may occur.¹

In successful organisations, risk management enhances strategic planning and prioritisation, assists in achieving objectives and strengthens the ability to be agile to respond to the challenges faced. If we are serious about meeting objectives, risk management must be an essential and integral part of planning and decision-making.²

3.0 WHY HAVE A RISK APPETITE STATEMENT?

A well-considered and clear risk appetite statement is the core foundation of effective risk management. Without this, risk management throughout [The Company] will be carried out with unclear boundaries and expectations.

The purpose of the document is to guide all employees, contractors and suppliers in their actions and ability to accept and manage [The Company]'s risks. It is a forward-looking document, assisting and empowering employees in appropriate strategic and operational decision-making.

Knowing the risk appetite means we can go faster by knowing how the Board and the Executive Team expects employees to approach potential risks in the business.

¹ See Kaplan R and Mikes A, *Managing Risks: A New Framework* HBR June 2012

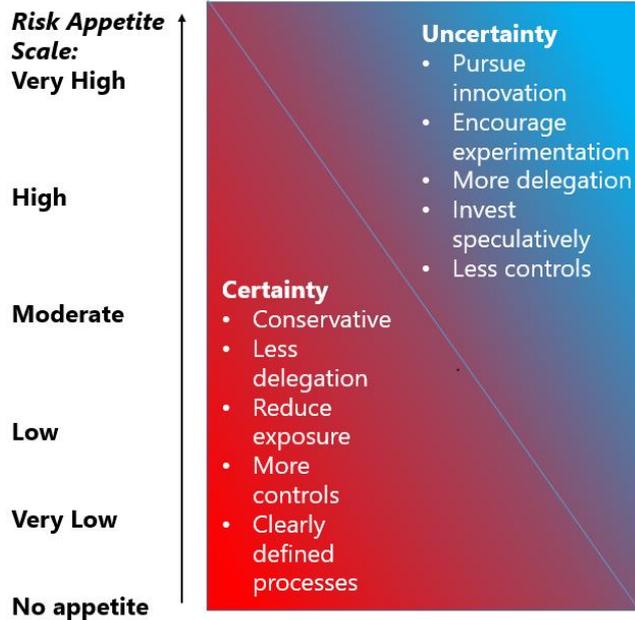
² See HM Treasury, *The Orange Book: Management of Risk – Principles and Concepts* 2019

4.0 [THE COMPANY]’S RISK APPETITE SCALE

At the heart of this risk appetite statement is the risk appetite scale to the right. Each risk category is positioned on the scale to guide employees on what [The Company] means by having different risk appetites (such as a high or low risk appetite) for each area.

Where [The Company] has a **higher risk** appetite for an activity, this means [The Company] has a willingness to take on higher levels of risk and uncertainty, is willing to experiment more, invest more speculatively and have a lower level of control.

If, however, [The Company] has a **lower risk** appetite for a particular activity, then [The Company] desires less risk, greater certainty, conservatism and reduced exposure. Accordingly, a higher level of control and determined outcome is needed when engaging in that activity.



Attached at **Appendix 1** is guidance for employees on understanding what action should be taken in respect of different risk appetite levels.

5.0 [THE COMPANY]’S RISK APPETITE

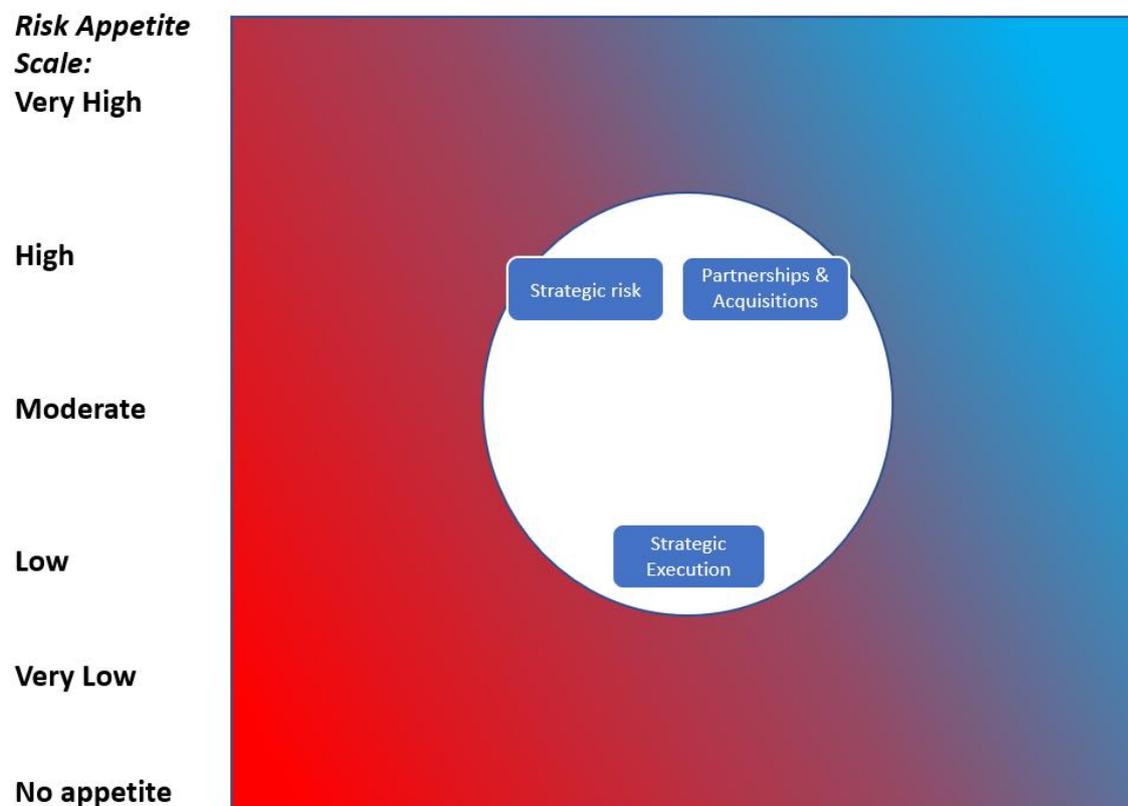
[The Company] has the following five key risk categories in our business:

- Growth & Strategy;
- Financial;
- Customer Expectations;
- People; and
- Regulatory & Governance.

Set out below are [The Company]’s risk appetite statements for each of the above categories.

5.1 GROWTH & STRATEGY

Below is a graphical representation of [The Company]’s growth and strategy risk appetite followed by specific risk appetite statements for this area. [The Company] has an overall high risk appetite for pursuing activities to increase growth but a low risk appetite when executing on its strategy.



(a) Growth & Strategy Risk Appetite Statements

- **Overall strategy of [The Company]:** The industry is experiencing transformational technological, economic, environmental and regulatory changes. To succeed in its growth aspirations, [The Company] will adopt a disciplined focus on its key strategic growth areas including insights, customer solutions and connected devices. [The Company] has a **high risk appetite** for engaging in activity in these areas, recognising that experimentation may lead to false starts or failed ventures at times, but will ultimately unlock growth opportunities.
- **Partnerships and acquisitions:** It is highly unlikely that [The Company] will be able to grow above industry average organically. [The Company] has a **high risk appetite** when it comes to exploring multiple partnering or acquisition opportunities that will expand our market share, expand into product functionality where [The Company] is historically weak or build internal technological or functional capabilities.
- **Execution of strategy and acquisitions:** To achieve our growth targets, [The Company] will need to implement multiple growth opportunities at the same time. Given this, prioritisation planning, business cases validating the opportunity, risk analysis and implementation plans will need to be established and followed. [The Company] has a **low risk appetite** for failure to establish and follow disciplined, robust and transparent transaction and implementation processes.

(b) Growth & Strategy Risk Limits and Triggers

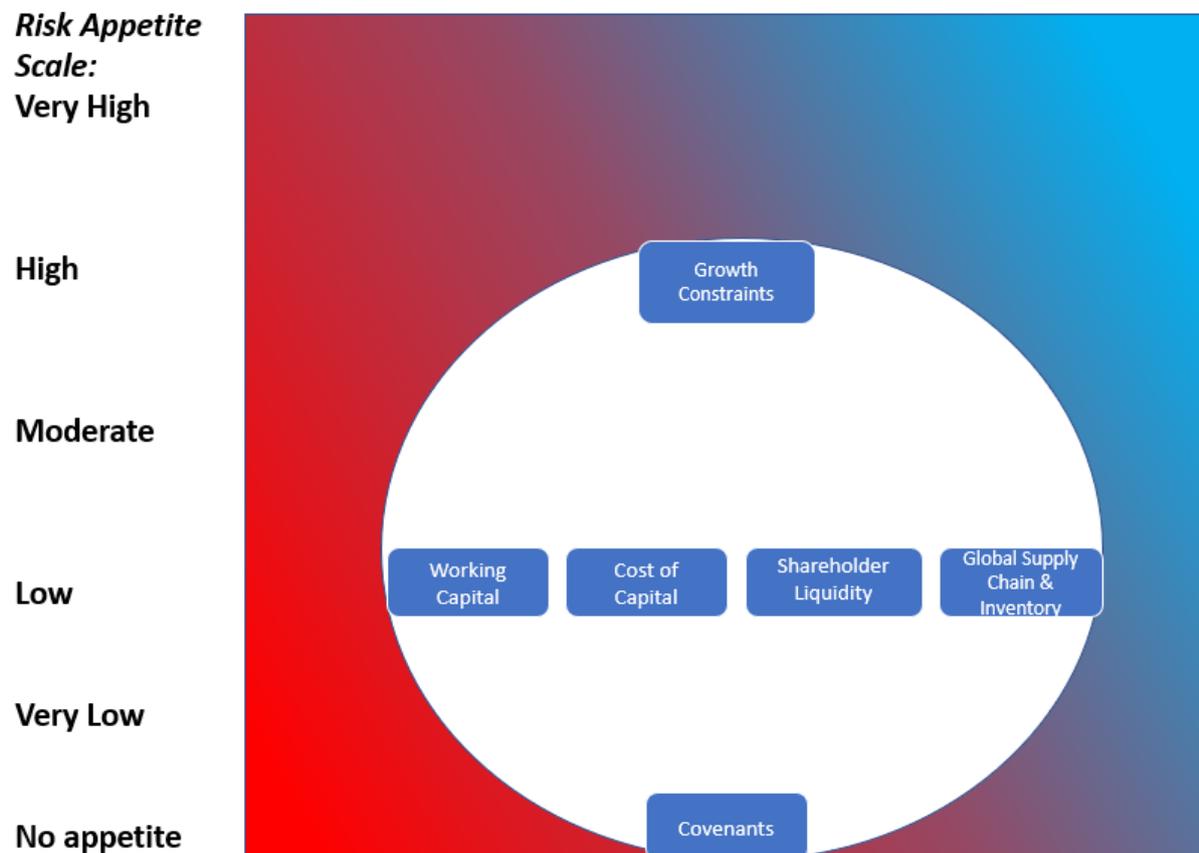
Each risk category has set risk limits and triggers. Risk limits are defined, specific and typically measurable criteria or boundaries that support the level of risk [The Company] is willing to accept. Risk limits are not to be exceeded. Risk triggers require specific actions to be taken in the event of certain risk events occurring and act as a warning to the business that it is operating with elevated risk.

The following are [The Company]’s risk limits and triggers for growth & strategy:

	Below risk trigger	Exceeds risk trigger	Exceeds risk limit
Connected Subscriber Base Growth	Forecast compound annual growth rate is above [X]%	Forecast compound annual growth rate is above [X]% but below [X]% Management to report to the Board on causes of low growth and remedial actions to be undertaken to increase both organic and inorganic growth.	Forecast compound annual growth rate is below [X]%
Annualised Monthly Recurring Revenue (AMRR) and EBIT Growth	AMRR, on a quarterly basis, is growing above [X]% EBIT, on a quarterly basis, is growing above [X]%	AMRR, on a quarterly basis, is growing at less than [X]% but more than [X]%. EBIT, on a quarterly basis, is growing at less than [X]% but more than [X]%. Management to report to the Board on causes of low revenue and/or EBIT growth and remedial actions being undertaken.	AMRR, on a quarterly basis, is growing at less than [X]% EBIT, on a quarterly basis, is growing at less than [X]%
Business cases and implementation plans for execution of strategy and acquisitions		Where a business case or implementation plan is materially departed from, management to report to the Executive Team and Board on the cause of the departure, its likely effect and the remedial plan (if any) to be implemented	

5.2 FINANCIAL

Below is a graphical representation of [The Company]'s financial risk appetite. [The Company] has a high risk appetite for funding to support its growth but a low to no risk appetite for unmanaged differences to debt and equity holders' expectations.



(a) Financial Risk Appetite Statements

- **Growth constraints:** In order to achieve its target of a [X] contracted subscriber base, [The Company] must have access to funding from a range of sources. [The Company] has a **high risk appetite** for obtaining access to appropriate funding sources to enable [The Company] to achieve its targets.
- **Cost of capital:** Obtaining access to capital at a lower cost is critical to enable [The Company] to fund inorganic growth opportunities. [The Company] has a **low risk appetite** to continue to pay similar cost of capital levels to fund future growth at similar gearing levels.
- **Shareholder liquidity:** Low shareholder liquidity can inhibit price discovery, undervalue [The Company]'s intrinsic value and affect [The Company]'s reputation with investors. [The Company] has a **low risk appetite** for the levels of liquidity in its shareholder base and share price to continue.
- **Covenants:** It is critical that [The Company] complies with covenants that it has agreed with financial institutions. [The Company] has **no appetite** for breaching any covenants to any financial institution.
- **Working capital:** Careful management of working capital and bad debts enables lower funding requirements for [The Company]. [The Company] has a **low risk appetite** for bad debts and inventory write-offs over and above normal operating levels.

- **Global supply chain & inventory:** Critical to careful management of working capital is accurate forecasting of customer demand and prudent management of inventory. [The Company] has a **low risk appetite** for inaccurate forecasting of customer demand or the holding of non-compliant inventory.

Financial Risk Limits and Triggers

The following are [The Company]’s risk limits and triggers for finance. Risk limits and triggers will be applied to financial forecast metrics at least [X]months in advance to allow for time to mitigate structurally:

	Below risk trigger	Exceeds risk trigger	Exceeds risk limit
Banking covenants	No risk of a covenant breach within the next [X] months	There is no risk of a covenant breach within the next [X] months but there is a risk in the next [X] months. Management will report to the Board the reasons for the potential covenant breach and what remedial activities are being implemented to prevent breach.	Risk of a covenant breach within next [X]months
Forecast accuracy	Revenue is within [X]% of budget or analysts’ consensus. EBITDA is within [X]% of budget or analysts’ consensus.	Revenue is within [X]% of budget or analysts’ consensus but is more than[X]% off. EBITDA is within [X]% of budget or analysts’ consensus but is more than [X]% off. Management to report to Board for the reasons for the differential and remedial steps being taken.	Revenue to be within [X]% of budget or analysts’ consensus EBITDA to be within [X]% of budget or analysts’ consensus
Available facility limits	Operating below [X]% of forecast facility limit	Operating above [X]% of the forecast facility limit but below [X]%. Management to report to Board forecast facility levels, highlighting any potential cash flow implications and propose refinancing plans where appropriate.	Must not exceed [X]% of a forecast facility limit
Forecast cashflow	Actual cashflow is above [X]% of rolling forecast cashflow for the next [X] months.	Actual cashflow falls below [X]% of the rolling forecast cashflow but is above [X]% over the next [X] months. Management to report to Board for the reasons for the differential and remedial steps being taken.	Actual cashflow must not fall below [X]% of the rolling forecast cashflow over next [X] months.
Debtors	The percentage of debtors which are [X] days	The percentage of debtors which are[X] days overdue	The percentage of debtors [X]days overdue

	<p>overdue is below [X]% of all debtors</p>	<p>exceeds [X]% of all debtors but is below [X]% of all debtors.</p> <p>Management will report to the Board the current total amount owing of aged debtors, the top 10 highest aged debtors, the action being taken to recover debt, and long term trends affecting the transportation industry and its ability to pay.</p>	<p>must not exceed [X]% of all debtors.</p>
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5.3 CUSTOMER EXPECTATIONS

Below is a graphical representation of [The Company]’s customer expectations risk appetite followed by specific risk appetite statements for this area. Although [The Company] has a high risk appetite for being innovative in exploring solutions for customers, it has low to no appetite for delivery and operational risks that affect customers.

Risk Appetite Scale:
Very High

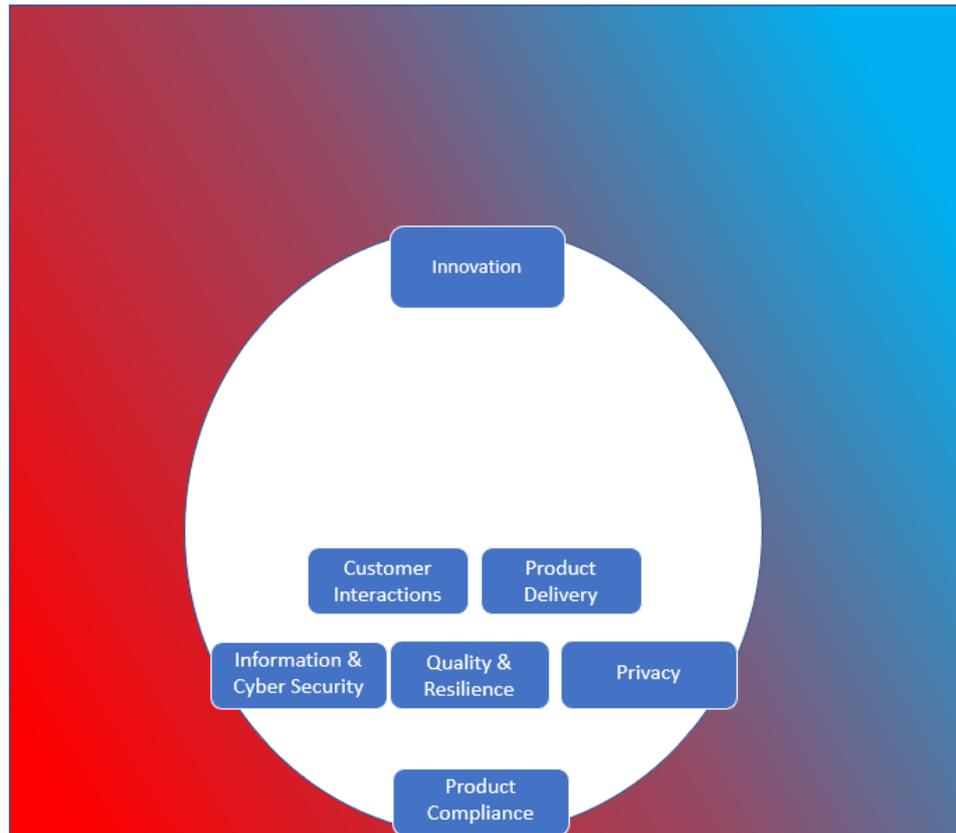
High

Moderate

Low

Very Low

No appetite



(a) Customer Expectation Risk Appetite Statements

- **Customer interactions:** Positive, transparent, consistent and value adding interactions for our customers is fundamental to ensuring our customers succeed. [The Company] has a **low risk appetite** for:
 - processes and systems that are inefficient, inaccurate or provide poor outcomes;
 - inconsistent treatment of customers across [The Company] teams;
 - failing to consider how we can add value to our customers in every interaction; or
 - opaque communications to customers or delayed remediation of customers’ concerns.
- **Innovation:** Being innovative to solve complex transportation problems is [The Company]’s mission. [The Company] therefore has a **high risk appetite** for exploring product solutions to meet customers’ growing regulatory and commercial needs.
- **Quality and resilience:** [The Company] products are increasingly being seen as part of our customers and other stakeholders, including regulators, core infrastructure. Given this, delivering and maintaining high quality and resilient solutions and platforms is critical to [The Company]’s ongoing success. [The Company] therefore has a **very low risk appetite** for preventable platform unavailability or foreseen product quality, accuracy or scalability issues.

- **Product delivery.** [The Company] operates in dynamic and competitive markets where customers are seeking high quality products within short cycles. Delivery of product within the committed road map is also critical in meeting sales and revenue targets. [The Company] therefore has a **low risk appetite** for failure to establish and follow product road map delivery processes, including accurate estimation of product costs, scoping of product needs and estimated delivery of products to the market.
- **Product compliance:** Critical to [The Company]’s success as a supplier of regulatory compliance solutions is that we have a reputation for launching and maintaining trusted and compliant products. [The Company] has **no appetite** for products or functionality that:
 - have a foreseen compliance issue;
 - have not undergone testing and approval processes to ensure they are fit for purpose; or
 - develop a compliance issue which is not addressed or remediated within a timely manner.
- **Privacy:** Being a trusted custodian of customer information is critical to maintaining [The Company]’s reputation. [The Company] has a **very low risk appetite** for the loss, or otherwise unauthorised or accidental disclosure, of customers’ and individuals’ confidential or personal information.
- **Information and cyber security:** Information and cyber security threats are constantly evolving such that it is a matter of “when” not “if” [The Company]’s systems are compromised. Such an event may significantly affect [The Company]’s relationships with stakeholders, including our customers and regulators. Accordingly [The Company]:
 - will be proactive in identifying potential security vulnerabilities and remedial actions; and
 - has a **very low risk appetite** for inadequate security processes.

(b) Customer Expectations Risk Limits and Triggers

The following are [The Company]’s risk limits and triggers for customer expectations:

	Below risk trigger	Exceeds risk trigger	Exceeds risk limit
Customer net promoter score (NPS)	NPS above [X]	NPS is below [X] but above [X]. Key accounts to be reviewed and remedial action to improve score to be reported to the Board.	NPS must be above [X]
Asset retention	Asset retention rate is higher than [X]% measured every [X] months	Asset retention rate is lower than [X]% but higher than [X]% measured every [X] months. Management is to report to Board on which customers are leaving and why and what remedial steps are being undertaken to reduce losses.	Asset retention must exceed [X]% measured every [X] months
Road map delivery		Where there is a more than [X] month delay to a product or feature release and the delay impacts the annual business plan’s revenue or sales forecasts.	

		Management to report to Board on the cause of the delay or cost overrun and the plans to remedy delay and cost issues.	
Product compliance issue		Any identified compliance issue with a product in production is to be reported to the Board with an outline of how to resolve the issue.	
Service level agreements (SLAs)		Where [The Company] fails to meet its SLAs in a month, a report on the cause of failure and remedial action to be provided to the Executive Team.	
Data breach or cyber intrusion		Any significant loss of data or cyber intrusion into [The Company]'s system must be reported to the Board.	

5.4 PEOPLE

Below is a graphical representation of [The Company]'s people risk appetite followed by specific risk appetite statements for this area. [The Company] has a high risk appetite for building knowledge and capability but a low to no risk appetite for risks to operations or people or conduct that is incompatible with our purpose or values.

Risk Appetite Scale:
Very High

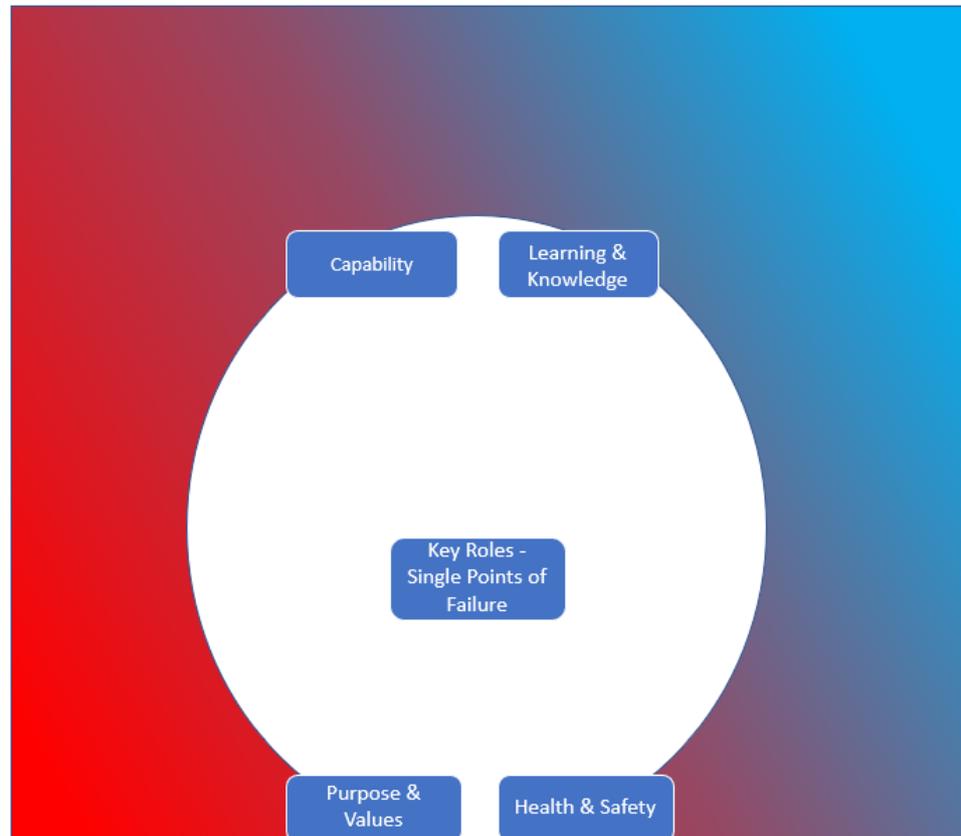
High

Moderate

Low

Very Low

No appetite



(a) People Risk Appetite Statements

- **Capability:** To meet our growth goals, we need to ensure we have appropriate resourcing of our Product, Design and Engineering and its support functions. [The Company] has a **high risk appetite** for employing sufficient resourcing in PDE to ensure we can achieve our growth and business plans.
- **Learning and knowledge:** To succeed in our dynamic industry, [The Company] needs to foster a continuous learning environment which seeks to challenge norms and encourage innovation. [The Company] will **prioritise investing in learning and training** employees and will implement processes to encourage knowledge capture and sharing across the organisation.
- **Key roles and single points of failure:** In order to maintain resilient, effective and highly available solutions and platforms, it is critical that [The Company] avoids concentrating core systems among a small group of key employees. [The Company] has a **low risk appetite** for creating or maintaining single points of failures with staff and will ensure it implements appropriate processes and systems to support [The Company].
- **Health & safety:** Maintaining a safe and healthy working environment is fundamental to creating a productive and innovative team. [The Company] has **no appetite** for preventable notifiable incidents and we will prioritise activities that promote a safe and productive environment.

- **Purpose & values:** Fundamental to [The Company]’s culture is being a purpose and values-led organisation. Our purpose and values challenge and inspire us to improve outcomes and engagement with our customers, fellow employees and the community. [The Company] has **no appetite** for behaviour that is incompatible with, or undermines, our purpose or values.

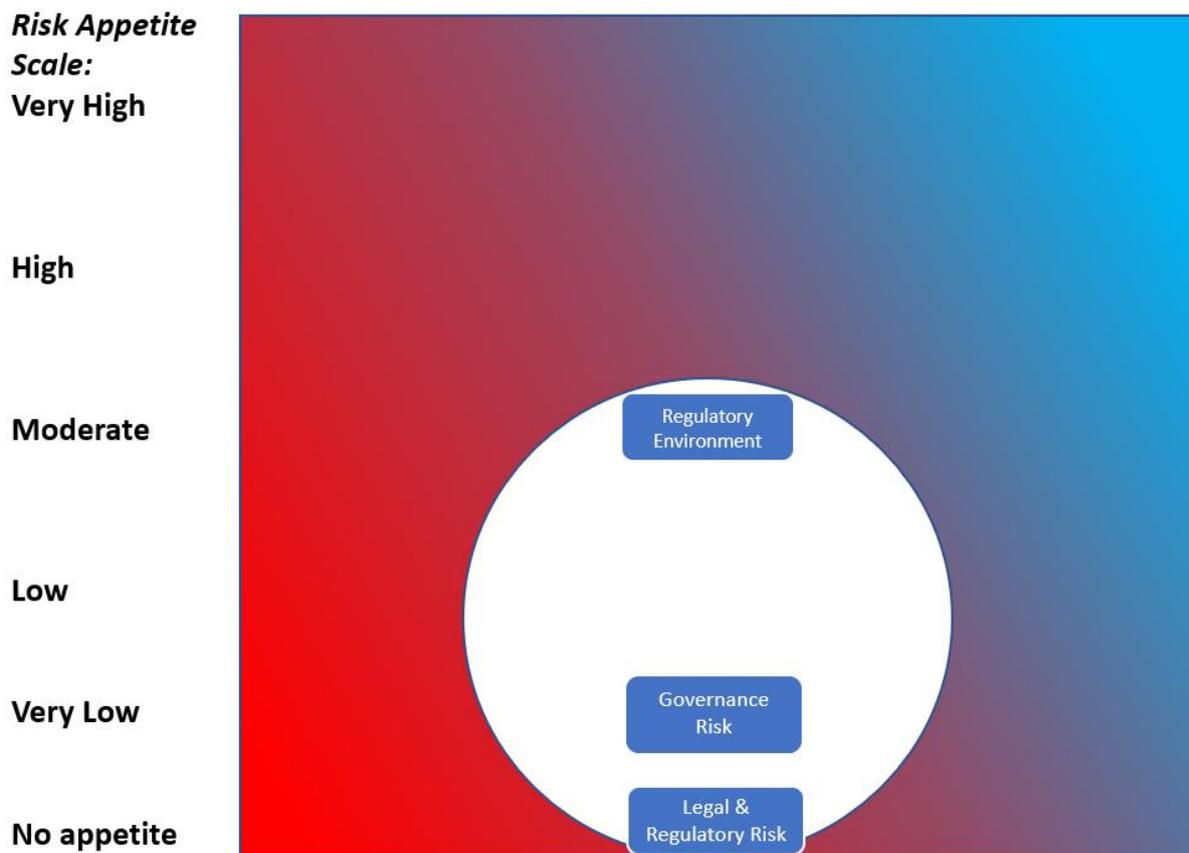
(b) People Risk Limits and Triggers

The following are [The Company]’s risk limits and triggers for people:

	Below risk trigger	Exceeds risk trigger	Exceeds risk limit
Group Employee net promoter score (eNPS)	eNPS above [X]	eNPS is below [X] but above o. P&C will increase engagement activity. This may include for refreshing culture plans for teams and increasing training and support for managers.	eNPS is below o
Department attrition	Attrition is below [X]% year-on-year	Attrition is above [X]% but below [X]% year-on-year, there is a significant increase in voluntary attrition or the loss of high value or performing employees P&C will review the team environment and investigate the cause of attrition, including conducting “stay” interviews and report findings to Executive Team and ???.	Attrition is [X]% or higher year-on-year (taking into account team size)
Under performance or inappropriate behaviour		Where an employee is identified as an under-performer or engaging in inappropriate behaviour, appropriate remedial activity will be implemented which may include a performance improvement plan or disciplinary action.	
Health & safety		All notifiable incidents reported to the Executive Team and the Board.	

5.5 REGULATORY & GOVERNANCE

Below is a graphical representation of [The Company]’s regulatory & governance risk appetite followed by specific risk appetite statements for this area. [The Company] takes a considered approach to regulatory policy and has low to no appetite for governance and legal risks.



(a) Regulatory & Governance Risk Appetite Statements

- **Regulatory environment:** [The Company] operates in a complex policy environment where various stakeholders have differing views on health and safety, environmental and data policies. Ensuring [The Company] is appropriately engaged in these policy areas is critical to our long-term growth and sustainability. Given this:
 - Where practicable, [The Company] will **engage in policy development** at the design stage to assist in developing smart and sustainable policy outcomes which are not just reliant on technology;
 - [The Company] will ensure it takes into account stakeholders’ interests (whether customers, shareholders, industry groups or regulators) when developing its position on a particular policy area;
 - Where there is no stakeholder and [The Company] alignment on a policy area, or where the topic is controversial, [The Company] will operate in a policy neutral manner, influencing by educating on technology options and lessons learnt from other jurisdictions; and
 - Where there is stakeholder and [The Company] alignment on a policy area, or it is aligned with [The Company]’s Why, [The Company] will be prepared take a public leadership position to proactively pursue favourable policy developments.
- **Legal and regulatory risk:** Failure to adhere to legal and regulatory requirements can lead to significant financial and reputational damage. [The Company] has **no appetite** for illegal or unethical behaviour by employees or third parties which may breach the letter or spirit of the law.

- **Governance risk:** [The Company] is a publicly traded company with legal and ethical obligations to its shareholders, customers, regulators and other stakeholders. [The Company] has a **very low appetite** for practices that do not treat stakeholders fairly, lack accountable decision making, avoid responsibilities, lead to opaque decision making or prevent openness both internally and externally to the business.

(b) Regulatory & Governance Risk Limits and Triggers

The following are [The Company]’s risk limits and triggers for regulatory & governance:

	Below risk trigger	Exceeds risk trigger	Exceeds risk limit
[The Company]’s independence and reputation		Where an interest group that [The Company] is associated with takes a public position contrary to [The Company] and our stakeholders’ interests, [The Company] will undertake remedial action, including public statements or disassociating itself with the group.	[The Company] must retain an independent position from governments. [The Company] will not be seen to be associated with government departments on operational and enforcement matters.
Policy development		Where there are significant policy developments or legislative changes that create risk for [The Company]’s current products or customers, [The Company] will report this to the Executive Team and Board with an evaluation of the potential economic and technological risks and costs for the business.	
Regulatory investigations and actions		Where regulatory investigations or actions are commenced against [The Company], or where there is dishonest or fraudulent activity, this is to be reported to the Executive Team and the Board.	

Appendix 1

Appetite Level	Guidance to Management	Management Action
Very High	<ul style="list-style-type: none"> • Recognize outcome of the activity uncertain • High levels of delegated accountability – management by trust • Innovation at all cost – must lead change • Choose options offering higher business rewards, despite greater risk • Invest more speculatively for the chance of the best possible reward 	<ul style="list-style-type: none"> • Business case approval process • Typically approval at L3 or lower to engage in activity
High	<ul style="list-style-type: none"> • Controls set by Executive Team but implemented at lower level • Innovation pursued – desire to challenge the status quo • Willingness to pursue options presenting higher reward and value for money notwithstanding uncertainty • Invest for reward despite significant uncertainty and significant possibility of loss 	<ul style="list-style-type: none"> • Business case approval process • L3 approval to engage in activity
Moderate	<ul style="list-style-type: none"> • Controls for critical decision making only, Executive Team delegates rest • Innovation supported, with demonstration of commensurate improvements in management control • Preference for options that have reasonable probability for reward 	<ul style="list-style-type: none"> • Executive Team member approval to engage on critical matters • Executive Team member informed if issue arises
Low	<ul style="list-style-type: none"> • Strict controls defined by Executive Team • Innovation restrained for reduction of risk only • Preference for safe options that are low risk with limited reward • Willing to invest to reduce unreasonable exposure to uncertainty 	<ul style="list-style-type: none"> • Executive Team member to approve activities • CEO approval needed if activity deviates from risk appetite • Escalation processes initiated if issue arises • Executive Team informed
Very Low	<ul style="list-style-type: none"> • Emphasis on known outcomes • Strict controls must be defined by Executive Team • Defensive or conservative approach to objectives • Preference for ultra-safe options for the avoidance of risk and uncertainty • Usually willing to invest heavily to reduce exposure to uncertainty 	<ul style="list-style-type: none"> • CEO to approve activities • Board approval needed if activity deviates from risk appetite • Crisis / incident management processes initiated if issue arises • Board informed
None	<ul style="list-style-type: none"> • No discretion provided to staff to deviate from directions and processes • Known outcomes required • Strict controls must be defined by Executive Team or Board • Defensive or conservative approach to objectives • Ultra-safe options taken for the avoidance of risk and uncertainty • Will invest heavily to reduce exposure to uncertainty 	<ul style="list-style-type: none"> • Disciplinary action for non-compliance • Board approval for derivation in risk appetite • Crisis / incident management processes initiated if issue arises • Board notified if any issue arises