



Risk Framework

4D Medical Limited
ACN 161 684 831

Version: 1
25 August 2023

Document History

Version	Summary of Amendments	Approved by	Approval date
1.0	Initial Release	Board of Directors	16 Dec 2020
1.1	Amended & Approved by the Board	Board of Directors	30 June 2023
Version (GG)	Summary of Amendments	Approved by	Approved Date
1	Routine Review	Board of Directors	25 August 2023

Other Policy Details

Key Information	Details
Approval Body	4DMedical Limited Board of Directors
Key Stakeholders	4DMedical Limited Board of Directors Executive Leadership Team
Responsibility for Implementation	Chief Financial Officer General Counsel and Company Secretary
Policy Custodian	Audit and Risk Committee Chair
Next Review Date	30 June 2024
Reference Policies	N/A

Legislative and Regulatory Framework

Authority	Law, Resolution or Regulation
ASX Corporate Governance Council	ASX Corporate Governance Principles and Recommendations (4th Edition) ("ASX Principles")

This framework sets out our governance structure, risk appetite, oversight, and operational practice.

1. Governance

We have three levels of governance to achieve the necessary management of risk and provide appropriate authority to act for the executive team.

- (a) **Board** – set the risk framework and risk appetite. Make decisions and monitor company performance in accordance with the risk framework and good board practice.
- (b) **Audit & Risk Committee** – monitor and oversee risk management.
- (c) **Executive Management**– define the company risk register, manage and mitigate risk, report, and nurture the company risk culture.

2. Risk Appetite

Setting our risk appetite is the responsibility of the Board, advised by the Audit and Risk Committee and in consultation with the executive team. It is defined in accordance with our company strategy and budget.

In order to achieve its objectives 4DMedical must be willing to take and accept risk. We have set the risk appetite to balance our profile as a dynamic innovative growth company with our responsibilities operating in a highly regulated sector and our duty of care to customers, staff and other stakeholders.

Where we choose to accept an increased level of risk, we test that the potential benefits and threats are understood before actions are authorised, that our risk capacity is sufficient and that sensible and proportionate measures to monitor and mitigate risk are established.

This document sets out the four components of 4DMedical's risk appetite:

- (a) Risk levels
- (b) Business areas
- (c) Risk capacity
- (d) Risk tolerances and thresholds

The board and executive will apply all four components to the process of decision making. 4DMedical's risk appetite will guide how the executive team assesses risk and defines the risk register.

2.1 Risk Levels

Definition and description of 4DMedical's risk appetite levels.

Appetite	Description
High	Growth and innovation activities focused on maximising opportunities, offering potentially high reward, and carrying high residual risk.
Moderate	Activities aligned with our strategy, have a high likelihood of success, commensurate reward for the investment, and also carry residual risk.
Low	Activities to achieve our strategy, with capacity to deliver, within budget, and have inherent risks deemed to be controlled or mitigated.
Averse	Avoidance of risk and uncertainty is paramount and the potential for reward/opportunity is not a key driver.



2.2 Business areas

Our appetite for risk varies across business areas.

Area	Risk Level	Risk Appetite
Customer health and safety	Averse	Our mission is to improve global health and provide people with lung disease better outcomes and more hope. We are mindful of the importance of our mission and avoidance of risk to patients is fundamental to their care and our reputation.
Culture and Organisation	a) Change: Moderate b) Integrity: Averse c) Talent: Low	<p>We employ some of the most talented minds in medical technology and business. We have a moderate appetite for change and the introduction of processes and technology which enhance the culture and operation of the company.</p> <p>4DMedical staff are expected to conduct themselves with a high degree of integrity, respect and excellence in the work they carry out and the outcomes they achieve.</p> <p>We are committed to providing a working environment in which all employees are able to develop and thrive, working positively and constructively to maximise their personal and collective contributions towards the achievement of our strategic vision and goals.</p>
Staff health and safety	Averse	4DMedical strives for zero risk in relation to the workplace health and safety of its staff. A strong culture of health and safety awareness and risk management is expected of all staff and the Board. This includes identifying and managing health and safety risks to the best extent possible.
Financial	a) Mgt: Low b) Investment: Moderate c) Cash Mgt: Averse	<p>4DMedical must be financially sustainable and has a low-risk appetite for activities that could materially damage our financial position or impact our ability to achieve our objectives.</p> <p>We are a dynamic company and will make informed investment decisions that carry moderate risk to support our growth approach and are also in accordance with our stated financial risk tolerances.</p> <p>4DMedical has a rigorous approach to stewardship of shareholder investment. Our risk appetite is averse in regard to cash management to minimise cash uncertainty. Our cash management decisions will take into account the values and reputation of the company.</p>
Go to Market	a) Market building: High b) Sales targets: Low	<p>We have expansion opportunities across patient conditions, clinical establishments and geographies. The current market environment is volatile, and our risk appetite is high to explore and seed market opportunities in accordance with our stated risk tolerances.</p> <p>Our risk appetite to delivering sales targets is low. We define our sales plan and focus our sales resources to maximise strategy outcomes, build our customer base and generate profitable revenue.</p>
Customer Satisfaction – Product and Service delivery	a) Continuity and Quality: Low b) Change product and process enhancement: Moderate	<p>4DMedical has a low risk appetite for business interruptions or degradation impacting customers and staff. This is a reputational issue.</p> <p>We have a moderate risk appetite for product and process enhancement to ensure we take advantage of evolving good practice and rapidly changing technology while ensuring we continue to satisfy our customers.</p>

Area	Risk Level	Risk Appetite
Governance	a) Statutory and Regulatory: Averse b) Behaviour: Averse c) Contractual: Averse	4DMedical seeks to comply with relevant statutory and regulatory legislation, guidelines and frameworks. This is a reputational issue, and it shapes our culture for compliance, ethical conduct and living our values. 4DMedical strives for zero risk in relation to misconduct, fraud, harassment or discrimination and non-compliance behaviour that undermines our reputation. 4DMedical has complex partner relationships. Having effective contracts in place and successfully managing our partner relationships is critical for our overall long-term success.
Security and privacy	Low	4DMedical strives for zero risk in relation to security and privacy for our customers, staff, stakeholders and IP. We recognise that we operate within technical risks we can control, and residual risk born by all technology companies. We have a low risk appetite combined with extensive internal controls and mitigations and rigorous selection of third party suppliers.
Innovation	High	We are a technology leader in our field with products derived from our ground-breaking research. Innovation and change are integral to the success and sustainability of 4DMedical. Our innovation risk appetite is high. The level of research and innovation investment will be in accordance with our stated risk tolerances.

The risk appetite for the various business areas will be reviewed from time to time as sought fit by the board. As a minimum, the risk appetite for each business area will be reviewed at the time of the annual framework review.

2.3 Risk Capacity

4DMedical's capacity to bear risk is not static. Tolerances and thresholds provide a baseline for decision making and escalation; but circumstances will arise where decisions are required outside of this baseline. Decisions on the maximum risk that the company is able to tolerate will need to assess the following areas:

- (a) Reputation – can 4DMedical withstand the reputational pressures arising as a result of an activity?
- (b) Culture – can 4DMedical withstand any cultural impacts as a result of an activity?
- (c) Financial – is there sufficient financial contingency for the activity?
- (d) Stakeholders – what stakeholder tolerance is there for adverse risk events?
- (e) Control – are there sufficient control and risk resources to manage this risk?
- (f) Resources and Knowledge – do we have, or can we access what we need when we need it to execute?

2.4 Risk tolerances and thresholds

The board will review the company risk tolerances and thresholds on at least an annual basis aligned the review of this framework, and as necessary to achieve good governance and our strategic objectives. As a minimum our tolerances and thresholds are defined in the following documents:

- (a) CEO KPIs
- (b) Delegations of Authority



- (c) Company Risk Register

Should these limits be exceeded, the CEO will escalate to the board either through the planned cycle of board meetings or, where appropriate, immediately to the Chair of the board.

3. Risk Oversight

Ultimate responsibility for risk management resides with the board. The board has delegated certain responsibilities for risk to the Audit and Risk Committee. ARC will monitor and oversee company risk in accordance with:

- (a) Company risk framework and appetite
- (b) Audit and Risk Committee Charter
- (c) Responsibilities as set out under the Delegations of Authority document.

ARC will review the executive approach to risk management and recommend approval by the Board. ARC will oversee the performance of company risk management and guide the executive team in priority reporting to the board.

4. Risk Management

The executive team is responsible for the continuous assessment and management of risk.

4.1 Risk Leadership

The board recommends that a senior executive is responsible for risk across the business including:

- (a) Risk plan for the organisation, risk register, risk processes and procedures, risk monitoring.
- (b) Clear identification of risk owners and their responsibilities
- (c) Risk register reporting to ARC, priority reporting via the CEO to the board.
- (d) Ensure that risk is embedded into all aspects of the business.

4.2 Risk Register

A risk register will be maintained in accordance with current good risk practice and the company risk appetite. The board recommends that as a minimum the risk register includes the following:

- (a) Risk categories which encompass the business areas set out in section 2.2 of this document
- (b) Risk scales to be applied to the risk register
- (c) Detailed statement of company risks, assessment of risks within and outside company control, mitigation and adaptation actions for risks within our control.

4.3 Risk Reporting

Material changes to the risk register, assessment of future risks and reporting on risk performance will be provided to ARC on, as a minimum, a quarterly basis.

Priority risks will be defined in consultation with the CEO and performance reported to the board.

4.4 Risk Culture

The board is mindful that although risk processes and procedures are essential, having a thoughtful risk culture is central to the company risk framework and practice.

The board recommends that the executive team nurtures the culture of the company to reflect the values and guidelines set out in the company risk appetite.