Risk Management

Risk management is an integral part of the Group's business. The Group has an enterprise risk management framework, designed to promote a culture which ensures a proactive and consistent approach to identifying and mitigating risk on a Group-wide basis.

The Group defines risk management as the identification, assessment and treatment of risks that have the potential to materially impact the Group's operations, people, and reputation, the environment and communities in which the Group works, and the financial prospects of the Group.

Our approach to risk management provides clarity on roles and responsibilities to minimise the impact of material risks on our business and is tailored to the Group' business and aligned to the Group's short-term and long-term objectives. Under this approach, the Board approves the strategic risk profile and risk appetite statements (which describe the level of risk the Group is willing to take in relation to specific risk categories) for the Group. The Board reviews the strategic risk profile at least annually. The Audit and Risk Committee assists the Board in discharging it responsibility to exercise due care, diligence and skill in relation to identifying and monitoring material business risks by monitoring the strategic risk profile and implementation of the risk appetite levels that were set by the Board. The monitoring of the strategic risk profile is part of a standing agenda item for each regular Audit and Risk Committee meeting. Management reports to the Board and the Audit and Risk Committee on whether the Group's material business risks are being managed effectively and updates the risk rating of strategic risks on an ongoing basis, presenting proposed changes to the Board or the Audit and Risk Committee as required. As such, this process is continuous and is designed to provide advanced warning of material risks before they eventuate and includes:

- significant risk identification;
- risk impact quantification;
- risk mitigation strategy development;
- reporting; and
- monitoring and evaluation to ensure the ongoing integrity of the risk management process.

CLIMATE CHANGE RISK

With regard to the impact of climate change and, in particular, the impact of severe weather events, these factors are considered as part of specific non-financial risks as summarised below, in particular supply chain disruption and loss of critical warehouse operations. During FY2024, the Company commenced preparations for its response to the climate-related disclosures regime introduced by the New Zealand Government and will present its first climate-related disclosures in respect of FY2024 in late 2024.

FINANCIAL RISKS

In respect of financial risks (foreign currency risk, interest rate risk, liquidity risk and credit risk) and how these are managed, this is described on pages 82 and 83 of the 2024 Annual Report.

NON-FINANCIAL RISKS

Set out on the following page is a summary of key non-financial risks identified by the Group and how these are managed.

Risk	Risk management
Competition risk The Group operates in highly competitive markets. This competitive environment can be significantly affected by local market forces, general competitive dynamics, new market entrants, changes in economic conditions and product demand. Any increased competition from new and existing competitors (including as a result of acquisitions by, or mergers of, competitors) can impact on the Group's ability to generate sales, lead to a loss of market share, and cause a decline in profitability.	The risk of increased competition in the markets that the Group operates in is ever present and to a large extent outside the control of the Group. The Group has a continued focus on its operating performance to ensure that it continues to service the needs of its customers whilst at the same time delivering acceptable returns to shareholders.
Reliance on key suppliers A material proportion of the Group's inbound supplies is derived from key suppliers (or 'original equipment manufacturers') in several of its markets. If a key supplier ceased supplying to the Group or materially reduced the level of its supply, this could result in a material negative impact on the financial performance of the Group.	There is the possibility of competition for supply of wholesale services or goods with some key suppliers choosing a direct model, rather than a wholesale or distribution model. The Group is focused on maintaining its critical supplier relationships by active engagement programs.
Supply chain disruption and macroeconomic conditions The long-term influence of the COVID-19 pandemic and current inflationary macroeconomic conditions have resulted in challenges in the supply chain; for example accessing suitably qualified labour, accessing freight services at commercially acceptable rates, restricted supply or unavailability of products and inputs and increased shipping and delivery times. In addition, geopolitical disputes and actions of nation states, including trade wars, territorial disputes, incursions and war can result in similar disruptions to the supply chain, particularly in relation to freight costs, the supply or availability of products and inputs and increased shipping and delivery times. Changes in governments and their approach to economic policy including increasing taxes, levies and other imposts may impact the Group's cost of doing business and profitability.	The Group is reliant on suppliers providing goods in full and on time and in many circumstances is not able to fully mitigate the risk of disruptions to supply, however the Group continues to monitor stock levels to manage the risk of stock shortages where practicable. Each business unit has in place various strategies to mitigate the impact of cost increases however these strategies may not fully offset the impact of cost increases. The Group continues to monitor the impact of changing geopolitical and political conditions.
Significant changes to price regulation The commercial success of the Group is partly dependent on the achievement of acceptable pricing and margins for the goods and services it provides. The Group operates in a number of highly regulated industry segments, relating to the distribution and supply of pharmaceuticals, medical consumables, medical devices and other health related products. As such, the Group is continually exposed to the risk of new government policies, regulations and legislation that may impact on both the pricing of products and its resulting profitability.	The Australian government's reforms to the Pharmaceutical Benefits Scheme (PBS) over many years has had and continues to have the effect of lowering the prices paid for medicines, thereby lowering the distribution margin earned by Symbion Pty Ltd (Symbion), a wholly owned subsidiary of the Company. The Group has no control over these price adjustments and to date has offset the impact of lower distribution margin with productivity improvements. As the regulated adjustment to medicine prices continues, the Group is focused on adjusting its business model that best meets its objectives, however there is no guarantee that it will always be in a position to offset the lost margin from these reforms. In Australia, the benefit paid to medical device manufacturers and distributors (such as LifeHealthcare) by private health insurers is determined by the Australian Government's Prostheses List. Reforms to the Prostheses List in the past have reduced the benefit payable to medical device manufacturers and distributors. There is no guarantee that EBOS will be able to mitigate the impact of currently known or future reforms in part or in full.

Risk	**Risk management**
Significant changes to industry regulation The financial performance of the Group may be materially affected by changes in government regulations with respect to the pharmacy industry in Australia and New Zealand, including the Community Service Obligation (CSO) funding in Australia. Any material adverse change in the CSO arrangements could have a material negative impact on the financial performance of the Group. These changes could include: changes to the basis of the CSO funding (including a reduction in the overall CSO funding pool or the way in which payments to eligible wholesalers are calculated), changes to the performance criteria, or the termination or expiry of Symbion's CSO deed. In addition, Symbion could fail to achieve the performance criteria resulting in restricted or no access to the CSO funding pool.	Symbion is a signatory to the CSO deed which governs the arrangements under which it distributes medicines around Australia in return for access to a pool of funding that subsidises the distribution of pharmaceuticals to rural and remote parts of Australia. Failure to meet the obligations under this deed or other state-based legislation, may result in restricted or no access to the CSO pool of funding, fines or loss of licence to distribute pharmaceuticals. Symbion reports and reviews its compliance with regulations to ensure all obligations are met. Symbion's operations are also subject to separate external audit by the CSO Agency. If at any point in the future the Australian government decided to reduce the amount of funding provided under the CSO deed then the Group may need to reconsider its business model and determine whether being a signatory to the CSO deed continues to be commercially viable.
Significant changes to pharmacy regulation Future potential changes to the structure of the pharmacy industry in Australia or New Zealand may have a material impact on the Group's margins and financial performance.	Pharmacy in Australia and New Zealand is subject to significant government regulation. This regulation governs the rules on both pharmacy ownership and location. If a government was to change either the ownership or location rules then this could have a significant impact on the Group's operations and financial position. The Group has no control over each government's approach to regulation of these matters but does actively engage with each government on the benefits of the current model.
Product liability and litigation risk The Group may, from time to time, supply products that are, or are claimed to be, defective or be subject to other claims relating to products and services the Group provides. Defects in products and services could be difficult or costly to correct and could expose the Group to the risk of litigation which may affect the Group's financial position. Other consequences of claims related to defective products and services could include regulatory liability, loss of business and reputational damage.	The Group has in place insurance in relation to its products and services. The Group also seeks contractual protection from suppliers where commercially practicable in relation to defective products and services. If proceeds were received from third parties (including insurers), this may not fully cover loss suffered by the Group. The Group has in place quality management systems for products it supplies that are tailored to the relevant business.
Cyber risk The Group operates a number of information technology systems. These systems may be subject to internal or external security breaches. A security breach could result in extended downtime of EBOS' systems, significant business disruption and cost, misappropriation of funds, misappropriation of data, loss of intellectual property and disclosure of sensitive business information or personal data. Other consequences as a result of a security breach could include legal or regulatory liability, loss of business and reputational damage.	The Group has in place a number of measures to manage cyber risk including: • workplans to uplift cyber security based on identified areas of improvement; • policies, procedures and practices regarding the use of company information and IT security, including regular employee training; and • data breach response plans to respond to, and mitigate the effects of, any instances of sensitive data breaches should they occur. Notwithstanding the Group's efforts to manage this risk as outlined above, there is no guarantee that the Group will not suffer loss or damage if a security breach occurs.

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Health and safety risk Due to the nature of the Group's operations, there is a risk of workplace accidents or unsafe operations. A health and safety incident could lead to harm or injury to the Group's personnel or third parties. Other consequences could include legal or regulatory liability for the Group and its personnel, loss of business and reputational damage.	The Group has in place a Work Health & Safety management system which is more fully described in the Group's Corporate Governance Statement and work health and safety remains a key focus of the Group.
Loss of critical operations for a sustained period The loss of a critical site permanently or for a sustained period could be as a result of a number of factors including a climate-related event. It would result in significant disruption for customers and suppliers and could materially affect the Group's financial results.	Critical sites have in place building and engineering controls such as fire protection and security systems. In considering sites for new facilities, the Group will select sites that are suitable (for example, avoiding flood prone areas). Critical sites also have business continuity plans in place, including utilising other sites within the Group if an event occurs. The Group has business continuity insurance which may cover some losses incurred depending on the circumstances.
New acquisitions A part of the Group's strategy is investing for growth, which includes through acquisitions. There is a risk that the results of an acquired business are weaker than those indicated by the Group's analysis undertaken prior to acquiring the business. There is a risk that latent, future or otherwise unknown claims or liabilities are not identified, notwithstanding the Group's processes.	The Group has a robust due diligence process which is supported by external advisors as required. Regular updates are provided to the Board and the Board approves all material acquisitions. Transition and integration plans are put in place with key actions, responsibilities and timelines identified.

Current as at 16 February 2024