



Corporate Governance Statement

30 JUNE 2020



Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2020

The Board of Directors of Pro Medicus Limited is responsible for the corporate governance of the entity having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of Pro Medicus Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summaries the Group's compliance with the CGC's recommendations.

		Comply
	Recommendation	Yes/No
Principle 1 - Lay solid foundations for management and oversight		
	A listed entity should disclose:	
1.1	<ul style="list-style-type: none"> a) roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management. 	Yes
1.2	<p>A listed entity should:</p> <ul style="list-style-type: none"> a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. 	Yes
1.3	A listed entity should have written agreement with each director and senior executive setting out the terms of their agreement.	No
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes
1.5	<p>A listed entity should:</p> <ul style="list-style-type: none"> a) have and disclose a diversity policy b) through the board or committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally and; c) disclose in relation to each reporting period: <ul style="list-style-type: none"> 1) the measurable objectives set for that period to achieve gender diversity; 2) the entity's progress towards achieving those objectives; and 3) either: <ul style="list-style-type: none"> a. the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or b. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. 	Yes
1.6	<p>A listed entity should:</p> <ul style="list-style-type: none"> a) have and disclose a process for periodically evaluation the performance of the board, its committees and individual directors; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	Yes
1.7	<p>A listed entity should:</p> <ul style="list-style-type: none"> a) have and disclose a process for periodically evaluating the performance of its senior executives; and 	Yes

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	b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	
		Comply
	Recommendation	Yes/No
Principle 2 - Structure the board to add value		
2.1	<p>The board of a listed entity should:</p> <p>a) have a nomination committee which:</p> <ol style="list-style-type: none"> 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent directors, and disclose 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at this meetings; or <p>b) if it does not have a nomination committee, disclose the fact and the process it employs to address board succession issues and to ensure that the board has the appropriate skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	No
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes
2.3	<p>A listed entity should disclose:</p> <ol style="list-style-type: none"> a) the names of the directors considered by the board to be independent directors; b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c) the length of service of each director. 	Yes
2.4	A majority of the board of a listed entity should be independent directors.	Yes
2.5	The chair of the board of a listed entity should be an independent directors and, in particular, should not be the same person as the CEO of the entity.	Yes
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a directors effectively.	Yes
Principle 3 – Install a culture of acting lawfully, ethically and responsibly		
3.1	A listed entity should articulate and disclose its values	Yes
3.2	<p>A listed entity should:</p> <ol style="list-style-type: none"> a) have a code of conduct for its directors, senior executives and employees; and b) ensure that the board or a committee of the board is informed of any material breaches of that code. 	Yes
3.3	<p>A listed entity should:</p> <ol style="list-style-type: none"> a) have and disclose a whistleblower policy; and b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy. 	Yes
3.4	<p>A listed entity should:</p> <ol style="list-style-type: none"> a) have and disclose an anti-bribery and corruption policy; and b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy. 	Yes

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Principle 4 - Safeguard integrity in corporate reporting		
	The board of a listed entity should:	
	<ul style="list-style-type: none"> a) have an audit committee which: <ul style="list-style-type: none"> 1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2) is chaired by an independent director, who is not the chair of the board; and disclose 3) the charter of the committee 4) the relevant qualifications and experience of the members of the committee; and 5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of external auditor and the rotation of the audit engagement partner. 	
4.1		No
		Comply
	Recommendation	Yes/No
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes
4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	Yes
Principle 5 - Make timely and balanced disclosure		
	A listed entity should:	
5.1	<ul style="list-style-type: none"> a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) disclose that policy or a summary of it. 	Yes
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	Yes
Principle 6 - Respect the rights of security holders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes
6.3	A listed entity should disclose policies and progress it has in place to facilitate and encourage participation at meetings of security holders.	Yes
6.4	A listed entity should disclose how it facilitates and encourage participation at meetings of security holders.	Yes
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes

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Principle 7 - Recognise and manage risk		
	The board of a listed entity should:	
7.1	<p>a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director; and disclose 3) the charter of the committee 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	No
7.2	<p>The board or a committee of the board should:</p> <ol style="list-style-type: none"> a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b) disclose, in relation to each reporting period, whether such a review has taken place. 	Yes
7.3	<p>A listed entity should disclose:</p> <ol style="list-style-type: none"> a) if it has an internal audit function, how the function is structured and what role it performs; or b) if it does not have an internal audit function, that fact and the processes it employs for evaluation and continually improving effectiveness of its risk management and internal control processes. 	No
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes
Principle 8 – Remunerate fairly and responsibly		
	The board of a listed entity should:	
8.1	<p>a) have a remuneration committee which:</p> <ol style="list-style-type: none"> 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director; and disclose 3) the charter of the committee 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	No
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <ol style="list-style-type: none"> a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose that policy or a summary of it. 	No

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Pro Medicus Limited's corporate governance practices were in place throughout the year ended 30 June 2020.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report.

The composition of the Board was determined in accordance with the following principles and guidelines:

- The Board should comprise at least four directors and should maintain a majority of non-executive directors, or at least a 50/50 ratio of non-executives and executive directors;
- The Chairperson must be a non-executive director and not occupy the role of CEO;
- The Board should comprise directors with an appropriate range of qualifications and expertise; and
- The Board shall meet monthly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

Directors of Pro Medicus Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Pro Medicus Limited are considered to be independent:

Name	Position
P T Kempen	Chairman, Non-Executive Director, Chairman Audit Committee
A Glenning	Non-Executive Director
L Farrell	Non-Executive Director

The Board wishes to advise that it continues to maintain responsibility for the actions of the Chief Executive Officer and any tasks delegated to the management by the Board.

The appointment of appropriately skilled Non-Executive Directors, together with a broadly unchanged business base has meant one new director nomination has occurred this year.

Executive Directors' Appointment Letters have not been revised in the prescribed format as the board considered this unnecessary given the small number of fairly recently appointed current directors who understand their roles and responsibilities. The board has undertaken that the recommended format should be used for any future director appointments.

Non-Executive Directors and senior executives have a written employment agreement with the Company setting out the terms of their appointment.

Dr Sam Hupert and Mr. Anthony Hall were directors in Pro Medicus Pty Ltd since incorporation in 1983. Mr. Peter Kempen was appointed in March 2008, Mr Anthony Glenning was appointed in May 2016 and Dr Leigh Farrell was appointed in September 2017.

Company Secretary

The Company Secretary is accountable to the Board on all matters to do with the proper functioning of the Board. The Company Secretary, who is also the Chief Financial Officer, attends all Board meetings and ensures that the business at Board meetings is accurately captured in the minutes of these meetings.

Board Functions

As the Board acts on behalf of and is accountable to the shareholders, it seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board

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is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The Board has delegated responsibility for the operation and administration of the group to the Chief Executive Officer and the executive team (as detailed in Note 23). The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive and the executive team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- approval of strategic plans, which encompass the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- involvement in developing the strategic plan (a dynamic document) and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- overseeing implementation of operating plans and budgets by management and monitoring of progress against budget - this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes; and
- utilising appropriately skilled professionals to provide advice on relevant discussion topics and procedures to allow Directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

Values

The Group sets out its values that defines what type of organisation it aspires to be and what it expects from its directors, executives and employees to achieve that aspiration. The Groups values are:

- Service and Product Excellence
 - Commit to provide well-supported, stable products and services to our customers enabling them to improve workflow and diagnoses, ultimately providing more efficient patient care.
 - Commit to continuous improvement of our systems, products and services.
- Integrity and Trust
 - Doing the right thing by our people, customers and patients.
 - Doing what we say we will do.
 - Maintaining confidentiality.
- Commit to a culture that is inclusive, respectful, honest and transparent in all that we do.

Performance

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period the board conducted performance evaluations that involved an assessment of each board member's and key executive's performance against specific and measurable qualitative and quantitative performance criteria.

The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of Pro Medicus Limited.

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the Chairman annually reviews the performance of all Directors who will be asked to retire from the board if not performing in a satisfactory manner.

Diversity

The Group recognises the value contributed to the organisation by employing people with varying skills, cultural backgrounds, ethnicity and experience. Pro Medicus believes its diverse workforce is the key to its continued growth, improved productivity and performance.

We actively value and embrace the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated. While Pro Medicus is committed to fostering diversity at all levels, gender diversity has been and continues to be a priority for the Group.

The Group has established a diversity policy outlining the board's measurable objectives for achieving diversity. This is assessed annually to measure the progress towards achieving those objectives.

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The table below outlines the diversity objectives established by the board, the steps taken during the year to achieve these objectives and the outcomes.

Objectives	Steps taken/Outcome
<p>Increase the number of women in the workforce, including senior management positions and at board level.</p>	<ul style="list-style-type: none"> • There were no key senior female appointments made during the year as there were no key senior appointments made during the year. • Pro Medicus did not appoint any females in managerial roles as there were no managerial appointments made during the year • As at 30 June 2020, women represented 21% in the Group's workforce (2019:21%), 20% in key executive positions (2019:20%) and 0% at board level (2019:0%). Subsequent to 30 June 2020, Pro Medicus has appointed a female Non-Executive Director to its Board. • Women represented 18% of new hires during the year (2019:18%) <p>For the upcoming financial year, the Group targets to increase female representation in the Group's workforce to 30+%</p>
<p>Objectives</p>	<ul style="list-style-type: none"> • Steps taken/Outcome
<p>Promote an inclusive culture that treats the workforce with fairness and respect.</p>	<ul style="list-style-type: none"> • Pro Medicus has set a zero tolerance policy against discrimination of employees at all levels. The company also provides avenues for employees to voice their concerns or report any discrimination. • No cases of discrimination were reported during the year (2019: nil).
<p>Provide career development opportunities for every employee, irrespective of any cultural, gender or other differences.</p>	<ul style="list-style-type: none"> • Whilst Pro Medicus places a focus on gender diversity, career development opportunities are equal for all employees. <p>During the year, representation at training and development programs was based on performance of the employees.</p>

The achievement of the measurable objectives in the current financial year was taken into consideration in assessing bonuses for employees. The Group will continue to review and update the measurable objectives to promote diversity for the upcoming year.

Committees

Due to the small number of Directors, the Board decided it was more appropriate to handle nomination and remuneration issues at full Board level. No Committees for these functions have been established at this time.

In addition, the full Board handles any matters as and when they arise concerning environmental issues, occupational health and safety, finance and treasury.

In order to maintain good corporate governance the Non-Executive Directors assume responsibility for determining and reviewing compensation arrangements for the Executive Directors of the Group. The Executive Directors in turn are responsible for determining and reviewing the compensation arrangements for the Non-Executive Directors. The CEO, in conjunction with the full Board reviews the terms of employment for all executives.

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The Board has delegated the responsibility of executive remuneration to the management who will assess the appropriateness of the nature and amount of remuneration of such executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The Company does not have a policy in regards to whether participants are permitted to enter into transactions (whether through derivatives or otherwise) which limit the economic risk of participating in the scheme, however the Board are in the process of evaluating a policy for such issues.

Strategic planning has been an important objective of the Board. Meetings are scheduled so that all Board members can attend and are conducted in an informal fashion to allow non-executive directors to gain enhanced industry, customer, product and research knowledge.

Audit Committee

The Board has established an audit committee, which operates under a charter approved by the Board.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This also includes the safeguarding of assets, the maintenance of proper accounting records, and reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The members of the audit committee are:

P T Kempen Chairman
S A Hupert
A B Hall
A Glenning
L Farrell

The audit committee is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half yearly audit review.

Due to the small number of Directors, the Committee does not meet the requirements of Recommendation 4.1 as all members of the Board serve on the Audit Committee, whilst the Board Chairman is also the Audit Committee Chairman as his area of expertise is in Accounting and Finance.

The number of meetings held and individual attendance of Committee members at those meetings are disclosed in the Directors Report.

The company rarely releases periodic corporate reports to the market that are not audited or review by an external auditor but if it does, the process to verify its integrity is for the Chief Executive Officer to present the report to the board to review and once all directors are satisfied with the content and approved in the board minutes, then it is released to the market.

Prior to approval of the Company's annual financial statements, the Board obtains a declaration from the Chief Executive Officer and Chief Financial Officer that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

A representative of the external auditors Ernst & Young will continue to attend the Annual General Meeting and is available to answer questions from security holders relevant to the audit. A representative of Ernst & Young also attends all Audit Committee meetings.

Continuous Disclosure Policy

The board has developed a written policy to ensure compliance with the ASX Listing Rules on continuous disclosure and has adopted measures to ensure the market and shareholders are fully informed. The measures in place require all potential market sensitive matters to be discussed with the Chief Executive Officer who in conjunction with the Chairman and other relevant directors decide whether to make an appropriate announcement to the market.

Only nominated authorised persons have the authority to release these communications to the ASX. This policy is displayed on the company website. The board receives all copies of material market announcements from the Company Secretary promptly by email after they have been made.

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Shareholder Communication

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders registered to receive copies;
- through the release of information to the market via the ASX
- the annual general meeting and other meetings so called to obtain approval for Board action as appropriate;
- an up to date website - www.promedicus.com.au;
- email contact with registered users; and
- special written communications to shareholders distributed with the dividend notifications.

The company ensures that any material given to a particular group is available to all interested parties via the company website. This includes any material presented at the Annual General Meeting. Shareholders are encouraged to receive communications electronically as requested and can elect to do so through the company's share registry. The company ensures that all participating shareholders have an opportunity to ask questions through shareholder meetings and encourages participation at all annual meetings.

A copy of the Corporate Governance Statement is also available of the Company's website – www.promedicus.com.au.

The Company effectively facilitates two-way communication with shareholders, through six monthly investor relations roadshows and through constant investor meetings and conference calls with shareholders on request.

Trading policy

Under the group's security trading policy, an executive, director, or any employee of the group, must not trade in any securities of the parent company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Executives, directors and employees of the group may only trade in the securities of the parent company during an open period.

Only in exceptional circumstances will approval be forthcoming outside of an open period which is 30 days after:-

- One day following the announcement of the half-yearly and full year results as the case may be.
- One day following the holding of the annual general meeting.
- One day after any other form of earnings forecast update is given to the market.

As required by the ASX listing rules, the Group notifies the ASX of any transaction conducted by directors in the securities of the parent company.

Code of Conduct

The board has developed a "Code of Conduct" consistent with the recommendations and details are disclosed on the company website. The board is updated on a quarterly basis if a breach has occurred during that period. There were no major breaches during the year.

Whistleblower Policy

The board has developed a whistleblower policy consistent with the recommendations and details are disclosed on the company website. There were no major incidents reported under the entities whistleblower policy during the year.

Anti-bribery and Corruption Policy

The board has developed an anti-bribery and corruption policy consistent with the recommendations and details are disclosed on the company website. There were no major incidents reported under the entities anti-bribery and corruption policy during the year.

Risk Management Policies

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks are identified on a timely basis and that the Group's objectives and activities are aligned with the risks identified by the Board.

The Company believes that it is crucial for all Board members to participate in this process; as such the Board has not established separate committees for areas such as risk management, environmental issues, occupational health and safety or treasury.

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Whilst the Company has not established an internal audit function, it is committed to the identification; monitoring and management of risks associated with its business activities and has included in its management and reporting systems a number of risk management controls, such as:

- Annual budgeting and monthly reporting systems for all operations which enable the monitoring of progress against performance targets and to evaluate trends
- Guidelines and limits on capital expenditure and purchasing authority matrix
- Executive approvals for staffing requirements
- Detailed monthly management reports including cash flow reports, and to identify any foreign currency risks associated with contracts written in and cash being held in foreign currencies

The Company up until late in the financial period was not exposed to any interest rate or significant currency sensitive loans or debts. Given the increase in overseas operations there is now an increased currency risk as a consequence of contracts written in and cash being held in foreign currencies. This change in risk profile has been noted by the board and action is being taken to manage this risk. The Board oversees appropriate backup procedures for important company data. Detailed annual review of insurance policies in force to ensure cover is at appropriate levels to safeguard key executives, Company assets and operations. The Board regularly considers succession planning to ensure staff of appropriate skill and experience are available to the Company. A review of the Company risk management policy was not undertaken during the year.

The Board does not believe the Company has any material exposure to economic, environmental and social sustainability risks at the present time.