

## 1. OVERVIEW

In managing risk, it is the Company's practice to take advantage of potential opportunities while managing potential adverse effects. Managing risk is the responsibility of everyone in the Company.

This Policy sets out the Company's approach to risk, including the responsibilities of the Board, management and others within the Company in relation to risk management.

In this document references to 'Principles' or 'Recommendations' relate to the Principles and Recommendations published by the Australian Stock Exchange's Corporate Governance Council.

## 2. RISK MANAGEMENT PROCEDURE

The Company's yearly risk management activities are divided into half years as follows:

### (a) First Half commencing 1 July

Senior management undertakes the following activities:

- Documents and/or reviews the Company's *Risk Management Policy*;
- Publishes any updates to the Company's *Risk Management Policy* on the Company's website;
- Reviews the Company's *Board Charter* and role descriptions for management to ensure accountability for all risk management is included;
- Identifies or reviews material business risks, develops risk management strategies and presents full company risk profile by completing a risk register. The form of the risk register is included in Appendix A; and
- Allocates and/or reviews owners of critical material business risks in the risk register.

The Board determines the Company's overall risk tolerance levels, approves senior management's risk management policy and provides input into the Company's risk profile.

### (b) Second Half commencing 1 January

Senior management reviews the status of risk management strategies and reviews and updates the risk register and/or completes an individual risk report for critical material business risks and provides the register and/or the report to the Board.

The Board notes the updated risk register / individual risk reports, questions management and amends the reports as it considers necessary.

### (c) Prior to financial year end

Senior management undertakes the following activities:

- Reviews and updates the risk register and/or completes an individual risk report for critical material business risks and provides the register and/or the report to the Board;
- The Managing Director/Chief Financial Officer provides certification that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks, in accordance with the requirements of Recommendation 7.3;

- The Managing Director provides a summary of the Company's management of its material business risks and report to the Board on the effectiveness of whether those risks are being managed effectively, in accordance with the requirements of Recommendation 7.2; and
- Prepares the annual report disclosure with respect to Recommendation 7.4 for the Board's approval.

The Board undertakes the following activities:

- Notes and if considered necessary amends the updated risk register and/or individual risk reports and questions management if required;
- Notes the Managing Director/Chief Financial Officer certification for the purposes of Recommendation 7.3;
- Notes the Managing Director summary regarding the effectiveness of the Company's management of material business risks for the purposes of Recommendation 7.2; and
- Approves the annual report disclosure with respect to Recommendation 7.4.

This procedure applies to all projects.

### **3. ROLE OF THE BOARD AND DELEGATED RESPONSIBILITY**

The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control. Further details of the Board's responsibility is set out in section 1 of this document.

Implementation of the risk management system and day-to-day management of risk is the responsibility of the Managing Director, with the assistance of senior management, as required.

*Audit and Risk Committee and Audit and Risk Committee Charter*

The Company has formed a separate Audit and Risk Committee which has the role of, among other things, monitoring and reviewing the integrity of the financial reporting of the Company and any significant financial reporting judgments. It also reviews the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems. The role of the Audit and Risk Committee is set out in the Company's *Audit & Risk Committee Charter*.

### **4. ROLE OF THE MANAGING DIRECTOR AND ACCOUNTABILITIES**

The Managing Director has responsibility for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for identifying any material changes to the Company's risk profile and ensuring, with approval of the Board, the risk profile of the Company listed in this Policy are updated to reflect any material change.

The Managing Director is required to report on the progress of, and on all matters associated with, risk management as a standing item at each Board meeting. The Managing Director is to report to the Board as to the effectiveness of the Company's management of its material business risks, at least annually.

## **5. AUTHORITY OF THE MANAGING DIRECTOR**

In fulfilling the duties of risk management, the Managing Director will have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board, if necessary.

## **6. ROLE OF MANAGERS AND SUPERVISORS**

Managers and supervisors must:

- Monitor material business risks for their areas of responsibilities;
- Provide adequate information on implemented risk treatment strategies to senior management to support ongoing reporting to the Board; and
- Ensure staff are adopting the Company's risk management framework as developed and intended.

## **7. ROLE OF INDIVIDUAL STAFF**

All staff within the Company should:

- Recognise, communicate and respond to expected, emerging or changing material business risks;
- Contribute to the process of developing the Company's risk profile; and
- Implement risk management strategies within their area of responsibility.

## **8. RISK PROFILE**

The Company considers that any risk that could have a material impact on its business should be included in its risk profile. The risk profile of the Company as at the date this policy was adopted by the Board can be categorised as follows:

- Market-related;
- Financial reporting;
- Product or service quality;
- Operational;
- Environmental;
- Human resources;
- Sustainability;
- Occupational Health & Safety;
- Political;
- Strategic;
- Technological;
- Ethical conduct;
- Economic cycle/marketing;
- Reputation;
- Legal and compliance;
- Project negotiation and delivery;
- Information technology;
- Intellectual Property (IP – Access to information).

The individual risks which fall within these categories are included in the Company's risk register.

## **9. RISK MANAGEMENT STRATEGIES**

The Company maintains a number of policies and practices designed to manage specific business risks. These include:

- Insurance Program:
  - The Company has comprehensive and appropriate insurance policies for its assets and operations;
- Regular budgeting and financial reporting;
- The Company has regular budgeting in place. It is the role of the Audit Committee (or its equivalent) to review the integrity of the financial reporting of the Company. The Audit Committee is to ensure the Board is fully aware of matters which may significantly impact the financial conditions or affairs of the business;
- Clear limits and authorities for expenditure levels;
- The Company's *Board Charter* sets out Materiality Thresholds. These include quantitative and qualitative thresholds as well as triggers for the materiality of contracts;
- Procedures/controls to manage environmental and occupational health and safety matters:
  - The Company has implemented a range of procedures/controls for managing these matters;
- Procedures for compliance with continuous disclosure obligations under the ASX Listing Rules and the Corporations Act;
- The Company's *Compliance Procedures* have been designed for the purpose of ensuring the Company complies with its continuous disclosure obligations;
- Procedures to assist with establishing and administering corporate governance systems and disclosure requirements.

The Company has adopted a Corporate Governance Manual which contains policies and procedures to assist the Company establish and maintain its governance practices.

## **10. RESPONSIBILITY TO STAKEHOLDERS**

The Company considers the reasonable expectations of stakeholders particularly with a view to preserving the Company's reputation and success of its business. Factors which affect the Company's continued good standing are included in the Company's Risk Profile.

## **11. CONTINUOUS IMPROVEMENT**

The Company's risk management system is evolving. It is an on-going process and it is recognised that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities.

#### SUMMARY OF RISK MANAGEMENT POLICY

The Board has adopted a Risk Management Policy. Under the Policy, the Board delegates day-to-day management of risk to the Managing Director. The Policy sets out the role of the Managing Director and accountabilities. It also contains the Company's risk profile and describes some of the policies and practices the Company has in place to manage specific business risks.

The Managing Director is required to report on the progress of, and on all matters associated with, risk management as a standing item at each Board meeting. The Managing Director is to report to the Board as to the effectiveness of the Company's management of its material business risks at least annually.

The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself at least annually that management has developed and implemented a sound system of risk management and internal control.

The Company has formalised its approach to risk management by documenting all material business risks in a risk register and allocating ownership for material business risks to the Managing Director and management of individual material business risks to senior management and individuals within the organisation. The risk register is reviewed by management and updated on a half yearly basis and presented to the Board. All risks identified in the risk register will be reviewed and assessed by management and the Board at least annually.

The Board also receives a written assurance from the Managing Director and the Chief Financial Officer (or equivalent) that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

This Policy incorporates some material from "Principle 7: Recognise and Manage Risk – Guide for Small-Mid Market Capitalised Companies" produced by ASX Markets Supervision Pty Ltd, Deloitte Touche Tohmatsu and Blakiston & Crabb.

"Principle 7: Recognise and Manage Risk Guide for small – mid market capitalised companies" was provided as general information only and does not consider specific objectives, situations or needs. The Guide was not intended to be relied upon or disclosed or referred to in any document. ASXMS accepts no duty of care or liability to you or anyone else regarding the application of the Guide in the document and we are not responsible to you or anyone else for any loss suffered in connection with the use of the Guide in this document or any of the content contained in this document.

**APPENDIX A RISK REGISTER**

1. Identify material business risks			2. Prioritise the risks		3. Manage material business risks		4. Report		
#	Risk description	Current controls	Effectiveness of current controls	Likelihood	Consequences	Change in Risk Level	Further management action required	Responsibility/ timeframe	Status
1	Market Related	Management maintains a strong balance sheet and sufficient capital required to run the business of the Company efficiently.	Based on the Company's favourable outcome in the face of the GFC, controls are considered effective.	Unlikely	Depending on the depth of a market downturn, the consequences could range from minor to extremely serious.		Monitor	CEO, COO, General Manager.	Sufficient assets and minimal capital expenditure to achieve the Company's business objectives are maintained.
2	Financial Reporting	The Company's accounts are externally audited. The Company has appointed an Audit Committee comprised of independent non-executive directors. In relation to project related financial reporting, comprehensive policies and procedures are in place.	To date there have been no audit issues and accounts have been prepared accurately and in a timely manner. To date the Company has not suffered contract losses due to poor job related financial recording and reporting.	Unlikely	A breakdown in the maintenance of the highest standards this area has the potential to undermine the financial integrity and public perception of the Company. The consequences of a breach of standards in this area could be extremely serious.		Monitor	CEO,CFO and Audit Committee	The CFO monitors the Company's financial reporting on a daily basis and liaises frequently with the Auditors. A schedule of Audit Committee meetings has been prepared
3	Product & Service Quality	The Company employs experienced and suitably qualified personnel to design and construct its products and to prepare and review studies. Work is peer and supervisor reviewed at every level.	The Company has an excellent reputation as a supplier of quality products and services. There have been no major warranty or defects liabilities incurred to date.	Unlikely	Has the potential to cause severe damage to the Company's reputation and financial wellbeing.		Monitor	CEO, COO, General Manager.	The CEO, COO and General Manager review project progress on a continual basis.
4	Operational	Operations are reviewed daily by the CEO, COO and General Manager all of whom are qualified and experienced to do so.	There has been no impediment to the Company's operations to date.	Unlikely	Has the potential to cause financial damage and damage to the Company's reputation.		Monitor	CEO, COO and General Manager.	Continuous monitoring.

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5	Environmental	The Company has a dedicated OHS and E executive responsible for ensuring the Company's environmental policy is adhered to and all legislative and licencing requirements are complied with.	Current controls are adequate. There have been no environmental breaches to date.	Unlikely	Has the potential to cause financial damage and harm to the Company's reputation.		Monitor	CEO, COO OHS&E Manager.	Continuous monitoring.
6	Human Resources	The Company continually monitors market remuneration rates and ensures that it maintains an excellent working environment.	Management is satisfied with the Company's ability to attract quality employees and the staff retention rate.	Unlikely	Has the potential to impair the Company's growth and poor workplace conditions has the potential to damage the Company's reputation.		Monitor	CEO, COO, General Manager and OHS&E Manager.	Continuous monitoring.
7	Occupational Health and Safety	The Company holds Occupational health and safety as its paramount responsibility. The Company ensures all staff are suitably qualified and trained, as appropriate. All work practices are monitored daily and reported on monthly. Reporting is the responsibility of the OHS&E Manager.	The Company has a good occupational health and safety record which it strives to improve continually.	Possible	Has the potential to severely impair the Company's reputation with clients, workforce and statutory authorities.		Monitor	CEO, COO, General Manager and OHS&E Manager.	Continuous monitoring.
8	Political	The Company is a member of industry bodies through which it voices concerns regarding government policy.	The Company is satisfied that it exerts the greatest possible influence as a corporate citizen and is satisfied with the manner in which the relevant industry groups represent its interests in this regard.	Unlikely	Has the potential to impair the viability of industries upon which the Company relies and therefore its economic wellbeing.		Monitor	CEO, COO and Board of Directors.	Continuous monitoring.

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9	Strategic	The Company's financial and human resources are considered adequate to execute its corporate strategies.	Current controls in this regard are considered effective.	Unlikely	The Company's growth will be impaired.		Monitor	CEO, Board of Directors.	Continuous monitoring.
10	Technological	The Company trains its employees to ensure they remain abreast of technological changes affecting the Company's business. Also the Company stays within its area of technological expertise in conducting its business.	The company has not suffered any losses due to the misapplication, misuse or failure to apply the correct technology in any aspect of its business.	Unlikely	The Company's reputation will be damaged.		Monitor	CEO, COO and General Manager.	Continuous monitoring.
11	Ethical Conduct	It is a written or implied term of employment for all the Company's employees that they will conduct themselves ethically.	The Company has not been the subject of any allegation, enquiry, investigation, suit or charge in relation to unethical conduct.	Unlikely	The Company's reputation will be damaged.		Monitor	CEO, Board of Directors, COO, General Manager, CFO, OHS&E Manager.	Continuous monitoring.
12	Economic Cycle/ Marketing	The Company maintains a minimum of \$10.0M in cash reserves to withstand market downturns. It also seeks to minimise the risk by diversifying the customer, commodity and geographical base of its business.	Current controls are considered adequate as evidenced by the minimal effect of the Global Financial Crises on the business of the Company.	Unlikely in the near future	The Company's financial performance will be impaired.		Monitor	CEO, CFO, COO, Board of Directors.	Continuous monitoring.
13	Legal/ Company Compliance	With the assistance of its legal and other external advisers the Company meets its legal and compliance obligations.	Current controls are considered effective.	Unlikely	The Company's reputation will be impaired. Possible financial loss through penalties and other sanctions.		Monitor	CEO, CFO Audit Committee, Board of Directors.	Continuous monitoring.

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14	Project Negotiation and Delivery	The Company's Project Managers, General Manager, COO and CEO are all experienced in project tendering, estimating, negotiation and delivery. The Company adopts standard contractual documents whenever possible (E.g. AS 4902-2000).	Current controls considered effective however could be strengthened by establishing a contract review panel for projects exceeding specified values.	Possible	The Company could suffer potentially serious economic loss through cost overruns and liquidated damages and harm to its reputation.		Establish Project Review Panel	CEO, COO, General Manager, CFO.	Continuous monitoring.
15	Information Technology	The Company's information technology systems are adequate for the Company's needs. They are considered secure and are updated regularly. The Company uses expert external contractors to assess and update its IT requirements on an as required basis. The Company has formal policies on IT use, proprietorship of IP and internet use.	Current controls are considered adequate.	Possible	The Company could suffer serious economic loss through systems failure and loss of IP.		Commission an external review of current systems and policies.	CFO, CEO, COO	Continuous monitoring.
16	Intellectual Property	The Company protects its intellectual property by limiting access to information to only those employees who require the information for the conduct of their duties. No testing has been conducted to test the Company's information systems against hacking.	Current controls are considered effective. However independent testing should be conducted to protect the Company's systems against hacking.	Possible	The Company could suffer economic loss through hacking and industrial espionage.		Commission systems test re hacking.	CEO, CFO	Continuous monitoring.