

## RISK MANAGEMENT POLICY

To achieve our corporate goals, including meeting the economic expectations of shareholders, SKILLED must pursue opportunities and make decisions that involve some degree of risk. The challenge is to ensure that when opportunities are pursued and decisions made, they are supported by a transparent consideration of risk and uncertainty.

This policy outlines the key elements of SKILLED's approach to dealing with risk and uncertainty.

### 1. SKILLED's definition of risk management

Within SKILLED, risk management is defined as:

"The way we identify, assess and respond to risk and uncertainty to support the making of decisions that will help us achieve our objectives, including the way we control our activities".

The definition reflects certain fundamental concepts:

- We need to identify sources of risk and uncertainty that could impact on our objectives. Objectives exist at each level within SKILLED (eg. Corporate, Business Unit, Individual) and can generally be categorised as one or a combination of Strategic, Operational, Compliance, or Reporting objectives.
- A risk can be described as a specific potential event (e.g. an injury) whilst uncertainty can be described as a situation where a range of potential outcomes are possible (ranging from the negative to positive - e.g. a change in government policy).
- Once identified, we need to assess the range of possible outcomes associated with a risk or uncertainty - this can often be done through considering combinations of likelihood and impact for the risk or uncertainty.
- Following from an understanding of the nature of a risk or uncertainty, we then choose a risk response that represents the best combination of risk and return relative to our objectives.
- Risk management encompasses internal control which is designed to ensure that management decisions, policies and procedures are carried out as intended.
- The risk management framework adopted by SKILLED is based upon the principles of the Australian / New Zealand Standard on Risk Management (AS/NZS 4360:2004 'Risk Management'). The risk management framework adopted by SKILLED is also consistent with the principles of the Integrated Frameworks of the Committee of Sponsoring Organisations of the Treadway Commission ('COSO') in relation to Enterprise Risk Management and Internal Control. SKILLED complies with Principle 7 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, entitled 'Recognise and Manage Risk'.

### 2. Authority, responsibility and accountability

#### 2.1 General duties and responsibilities

All management and staff are expected to fulfill the following responsibilities relevant to the way that SKILLED manages risk and uncertainty:

- Communicating honestly on risk and uncertainty – adopting a 'no surprises' approach.
- Making themselves aware of company policies and procedures.

- Complying with company policies, procedures and all relevant laws and regulations.
- Monitoring risks and uncertainties within their sphere of influence and helping SKILLED balance risk and reward in achieving its objectives.

In addition, all staff with management duties are responsible for ensuring that:

- The activities within their area are appropriately controlled.
- A culture of risk awareness and transparency is developed within their teams.

## 2.2 Board responsibilities

The broader duties and responsibilities of the Board are detailed within the Board Charter. Key responsibilities as they relate to risk management include:

Understanding and monitoring the status of the principle risks and uncertainties facing the company.

Ensuring an appropriate consideration of risk and uncertainty has been included in any submissions put to it for approval.

Articulating the company's risk appetite and monitoring the extent to which it operates within that appetite.

Assessing the adequacy of policies for the oversight and management of material business risks.

## 2.3 Audit, Risk and Compliance Committee responsibilities

The broader duties and responsibilities of the Audit, Risk and Compliance Committee are detailed within the Terms of Reference to the Committee. Key responsibilities as they relate to risk management include:

Reviewing and approving SKILLED's policy and approach to dealing with risk and uncertainty.

Considering the effectiveness of measures that management has taken to deal with key risks and uncertainties.

Considering the extent to which internal controls are both designed and operating effectively within SKILLED.

## 2.4 Chief Executive Officer

Key responsibilities of the CEO as they relate to risk management include:

- Ultimate responsibility for devising SKILLED's approach for dealing with risk and uncertainty.

Responsible for cultivating a culture across SKILLED characterised by:

- Risk awareness
- Accountability
- Honesty and transparency
- Compliance with policies, procedures, laws and regulations.

- Communicating honestly and openly with the Board on the risk profile of the company.

Managing the operations and allocating the resources of the company in a manner that balances risk and reward and is consistent with the company's objectives and risk appetite.

In conjunction with the Chief Financial Officer, providing an attestation to the Board, following reasonable evaluation, on the effectiveness of internal control over financial reporting annually.

In conjunction with relevant other management, providing an attestation to the Board, following a reasonable evaluation, on the effectiveness of the management of specific risk areas as requested by the Board.

## **2.5 Internal Audit**

The broader roles and responsibilities of Internal Audit are contained within the Internal Audit Charter. Key responsibilities as they relate to risk management include:

- Assisting the CEO and CFO in discharging their responsibilities in relation to:
- Evaluating the effectiveness of internal control over financial reporting; and
- Evaluating the effectiveness of the management of specific risk areas as requested by the Board by performing reasonable testing of the design and operating effectiveness of risk management in those areas.

Under the direction of the CEO, CFO or Audit, Risk and Compliance Committee, providing an independent evaluation of how specified risks are being managed.

## **2.6 Group Risk Management Committee**

SKILLED has established a Group Risk Management Committee, which comprises senior managers from both a Corporate and Operational background and reports to the Audit, Risk and Compliance Committee. Key responsibilities as they relate to risk management include:

- Establishing policies and identifying material business risks
- Designing and implementing risk management and internal control systems
- Assessing the effectiveness of risk mitigation plans and internal controls
- Ensuring that relevant policies are publicly available

## **3. The risk management process at SKILLED**

### **3.1 SKILLED's risk profile**

A register of the most significant Corporate risks is centrally maintained. Managers' responsible and Sponsors are allocated the task of preparing and maintaining risk mitigation plans for each of the identified risks.

### **3.2 The risk management process within SKILLED**

SKILLED's process for identifying, assessing and responding to risk and uncertainty and the way it controls its activities is embedded in its existing management processes. It is characterised by the following key elements:

## 3.2.1 Business unit planning

Each business unit is required to consider the key risks and uncertainties relevant to the achievement of its objectives during the development of its business plan and budgets each year. These must then be reflected in the business plan put forward for approval by that business unit using the standard business planning template.

## 3.2.2 Significant business decisions

All significant business decisions are required to be approved according to existing company policies and delegations and must be supported by documentation detailing a consideration of:

- The range of possible outcomes that could occur if the proposed course of action is approved; and
- Other options available along with the range of possible outcomes for each option.

The depth and rigour of analysis supporting any such decision should be commensurate with the significance of the decision.

## 3.2.3 Day-to-day management of the business

All staff and management have a responsibility to identify, assess and respond to risk and uncertainty throughout the usual conduct of their responsibilities. As risks and uncertainties evolve overtime, staff and management should ensure that relevant changes are reported up the chain as appropriate.

Information on how key risks and uncertainties are evolving overtime should form an integral part of all management reports including the following key reports:

- Reports contained within the monthly Board Report
- Reports prepared in preparation for quarterly business unit reviews conducted by the CEO.

## 3.2.4 Controlling activities

Managers are responsible for ensuring that the activities within their respective business units are effectively controlled. This includes ensuring appropriate policies and procedures are identified, documented, communicated and adhered to.

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