

RISK MANAGEMENT POLICY

ADACEL RISK MANAGEMENT POLICY

The company has established policies and procedures to identify, assess and manage critical areas of material business and financial risk. The company's process of risk management and internal compliance and control includes:

- Establishing the company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives
- Continuously identifying and measuring risks that might impact upon the achievement of the company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks
- Formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls
- Monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and control and a review and assessment through the annual planning and budgeting process of key strategic, financial and operating risks and risk management strategies.

Responsibilities relating to risk management

Board

The Board is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board at least annually receives a report on the effectiveness of the management of material business risks and reviews the effectiveness of the risk management system. The Board has delegated certain responsibilities in these matters to the Audit Committee.

Audit Committee

The Audit Committee is responsible for overseeing and monitoring the financial risk management process, including fraud prevention and legal compliance. It also reviews with management at least annually the effectiveness of the management of material business risks and may make recommendations to the Board on the adequacy of the process for managing material business risks

CEO and management

The responsibility for developing, implementing and assessing the effectiveness of the process to manage material business risk is delegated to the Chief Executive Officer or equivalent and management. As part of the process, management is required to:

- Identify, monitor and report to the Board on the business and financial risks to achieving the company's strategic, operational and financial objectives
- Report to the Board on major changes in the risk environment



- Assess risk management and associated internal compliance and control procedures and report to the Audit Committee and Board annually on the effectiveness of the company's management of material business risks.

The processes for managing the main areas of risk include:

Strategic and operational business risks

- The Chief Executive Officer or equivalent and senior executives are responsible to Board for identification and management of:
 - Risks to long-term viability of the company and its operations (including market, competitor, technology and regulatory risks)
 - Risks to ongoing operations and service delivery, and the achievement of annual budget (including risks to facilities, IT infrastructure continuity and security, Intellectual Property, legislative compliance in operations and Occupational Health and Safety)
- Major strategic and operational risks are identified, reported to and discussed with the Board during the strategic and annual business planning and budget process
- Significant business risks are monitored and reported to the Board regularly during the year, where necessary with updated information provided at each Board meeting

Financial and legal risks

- The Chief Financial Officer or equivalent is responsible to the Audit Committee and the Board for identification and management of financial risks including internal financial control processes to ensure the accuracy of financial records and financial reports, to prevent fraud and error, and to monitor exchange rate hedging programs
- The CFO or equivalent together with the CEO or equivalent, senior executives and the Company Secretary are responsible to the Board for identification and management of risks associated with contractual liabilities, insurances and compliance with legislation
- The CEO and CFO or equivalents report to the Audit Committee at least annually on the effectiveness of the risk management process in achieving the objectives of:
 - Effectiveness and efficiency in the use of the company's resources. This includes clear lines of accountability through the organisation structure and specific delegations and approval processes for capital expenditure and revenue commitments, and for authorisation of business transactions.
 - Compliance with applicable laws and regulations, including processes to monitor occupational health safety and environment standards, adherence to employment conditions and regulations and financial reporting and tax compliance.
 - Reliability of published financial information, including through internal reviews of business unit reporting and independent external auditing.
- At the time the Board considers the financial statements and reports for the financial year, the CEO and CFO or equivalents provide assurance to the Board that:
 - All reasonable steps have been undertaken to ensure that the declaration under s295A of the Corporations Act in relation to the financial reports of Adacel is founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the



Board, and that the system is operating effectively in all material respects in relation to financial reporting risks.

- The company has in place a risk management and internal control system to manage the company's material business risks and that system has been operating to effectively manage material business risks.

Other detailed policies and procedures

Detailed policies and procedures have been established in key areas of risk and operations including IT and facilities security, Occupational Health and Safety and protection of Intellectual Property.