

Risk Management & Internal Compliance and Control System

Risk Management

SAI Global ("the Company") recognises that risk management is an integral part of good management practice. Risk Management is an essential element in achieving business goals and deriving benefits from market opportunities.

Policy

The company is committed to managing risk in order to achieve its vision, business objectives and quality objectives.

The company will inform investors of material changes of the company's risk profile.

Framework

- SAI Global applies the principles of Australia/New Zealand Standard AS/NZS 4360:1999 *Risk management* in identifying, assessing, monitoring and reviewing risks.
- Risk identification, assessment and treatment are part of the yearly business planning process. Risk ownership is allocated to management for risk assessment and risk treatment plan determination.
- Risk Assessment is conducted using risk matrices attached as appendix A, taking the existing controls into consideration.
- Risk Treatment options are considered in determining the suitable risk treatment strategy. Risk treatment options include:
 - Avoid the risk
 - Reduce the likelihood of the occurrence
 - Reduce the consequences

- Transfer the risk (mechanism include insurance arrangements); or
 - Retain the risk
- Senior management are requested on a quarterly basis to monitor and review existing risks recorded in the risk management database and to add new identified material risks. It is the responsibility of senior management to ensure that risk records are updated.
 - Key risks report with progress of risk treatment implementation is reviewed by the Executive Committee. Key risk report is also regularly made available to the Audit and Risk Committee and the Board for review.
 - To further help control risks that may arise internally and externally with customers, SAI Global utilizes ISO9001: 2000 Quality Management System which is independently audited.
 - The assurance business of SAI Global is also managing their risks by ensuring compliance with relevant ISO/IEC guides 62, 65, 66 and appropriate accreditation procedures. The assurance business is subjected to periodic independent audits by accreditation bodies JAS-ANZ (Joint Accreditation System of Australia and New Zealand), ANSI-RAB NAP (the United States based accreditation body) and KAN (Indonesian Accreditation Body). SAI Global is also peer reviewed by the international certification network IQNet based in Switzerland.

Responsibility and Authority

- Risk Management is the responsibility of all staff.
- The Chief Executive Officer and the senior executives are responsible for monitoring and reviewing the risk register for completeness, continued relevance of risk assessment, effectiveness of risk treatment plan and timeliness of implementation of risk treatment actions, taking into account of changing circumstance.
- The Board oversee the establishment and implementation of the Company risk management framework and shall review bi-annually the effectiveness of that system.

- The Audit and Risk Committee oversee the operation of the risk management system and ensure its adequacy. The committee monitors the internal policies for identifying and determining key risks to which the Company is exposed.
- The Chief Executive Officer and the senior executives shall, in addition to their general and specific responsibilities, be responsible for the co-operation necessary to assist the Internal Auditor in carrying out internal audit.
- The Chief Executive Officer and the Chief Financial Officer provide half-yearly a statement to the Board in writing that the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Internal Compliance and Control

In addition to the risk management framework, the Company has an internal compliance and control system based on the following:

- An internal audit program approved by the Audit and Risk Committee.
- A financial reporting control system which aims to ensure that financial reporting is both accurate and timely.

SAI Global has a number of control processes to ensure that the information presented to senior management and the Board is both accurate and timely. The control processes include, among other things:

- Annual audit and half year review by the external auditor;
- Planned review by internal auditors reviewing the effectiveness of internal processes, procedures and controls;
- Weekly and monthly review of financial performance compared to budget and forecast.
- Quarterly compliance and control checklists prepared by overseas offices and forwarded to head office in Sydney for review.

The Chief Executive Officer and the Chief Financial Officer provide half-yearly a statement to the Board in writing, that the company's financial reports present a true and fair view, in all material aspects, of the company's financial condition and operational results and are in accordance with relevant accounting standards; and that this

statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

The Audit and Risk Committee is responsible for approving the appointment of the internal auditor and approving the annual internal audit plan. The internal audit function is independent of the external auditor and has direct access to the chairman of the Board.

Internal Audit reports deviation from company policies to responsible management for action and to the Audit and Risk Committee for information or further action.

Assessment of Effectiveness

Internal audit provides independent assurance to the Audit and Risk Committee of the effectiveness of its risk management and internal compliance and control system by conducting regular reviews of internal controls, operation of the risk management framework and the quality management system.

The Audit and Risk Committee is responsible for reviewing and analysing the effectiveness of the risk management framework, the internal compliance and control systems and shall report on the same to the Board, no less than annually or at such intervals as determined by the Board.

Risk Analysis Matrix

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Catastrophic
Almost certain	H	H	E	E	E
Likely	M	H	H	E	E
Possible	L	M	H	E	E
Unlikely	L	L	M	H	E
Rare	L	L	M	H	H

Legend for risk rating

Level of risk	Actions	Rating in the Risk Register
E	Extreme risk; immediate action required	1
H	High risk; senior management attention needed	2
M	Moderate risk; management responsibly must be specified	3
L	Low risk; manage by routine procedures	4

Risk likelihood

	Description
Almost certain	The event is expected to occur in most circumstances
Likely	The event may probably occur in most circumstances
Possible	The event should occur at some time
Unlikely	The event could occur at some time
Rare	The event may occur only in exceptional circumstances

Risk consequence

	Qualitative guide	Financial guide (gross)
Insignificant	No injuries, low financial loss	
Minor	First Aid treatment, minor financial loss	Less than \$50K
Moderate	Medical treatment required, material financial loss	\$50K to \$500K
Major	Extensive injuries, loss of production capability, major loss	\$500K to \$5m
Catastrophic	Death, huge financial loss	More than \$5m