

Risk Management Policy.

Purpose

The purpose of this Risk Management Policy (RMP) is to determine the culture, processes and structures that are directed towards taking advantage of potential business opportunities while managing potential adverse risks to Entellect Solutions Limited and its subsidiaries (Group).

Scope

The RMP applies to the Group. It is intended to identify, assess, monitor and manage risk and to identify material changes to the Group's risk profile. It is recognised that not all risks can be anticipated and that even where a risk may be evident, there are circumstances where no process or policy will be adequate to mitigate the risk or the resultant outcome.

Policy

The objective of managing the risks is to anticipate and implement processes, procedures and alternative solutions to mitigate the effects of risks. In assessing the options available in this activity, the Board takes into account the availability of resources, the cost of prevention and mitigation and other commercial and practical considerations. The analysis and evaluation criteria are used to continually assess the impact of risk upon the Group's business objectives.

The Board recognises that the Group operates in innovative technology centered businesses which are still in the early stages of product development and commercialisation. During this stage it is acknowledged that investment in product development and market penetration is required in order for the Group to achieve the scale required to stabilise the business and to become self funding. The nature of the business during this building period has an inherently high risk profile.

Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. The annual business planning process includes careful consideration of the internal and external risk profile of the Group. It measures the performance against the benchmarks determined in strategy meetings, against the budgets and through a reporting structure and regular meetings with the management of the Group.

Management has a high level of devolved authority which the Board has deemed necessary due to the agility required in taking decisions. The Management Team is integral to the management of risk. It is highly involved in all aspects of the operations of the businesses. It manages the operational issues on a daily basis and, through regular formal and informal meetings, assesses risks of a potentially material nature. Potentially damaging issues are formally communicated to the Board when they are identified.

The Group's business risk management process provides a comprehensive, integrated approach for carrying out risk management activities. The process will allow senior management to minimise the potential impact of business risks in achieving objectives to create and protect shareholder value.

The categories of risk include, but are not limited to –

- Compliance risk;
- Ethical conduct risk;
- Environmental risk;
- Financial reporting risk;
- Human capital risk;
- Market related risk;
- Operational risk;
- Product or service quality risk;
- Reputation or brand risk;
- Strategic risk;
- Sustainability risk; and
- Technological risk.

A risk management model is being implemented and provides a framework for systematically understanding and identifying types of business risks threatening the Group as a whole, or specific business activities within the Group including risk mitigation strategies.

Responsibilities

Chief Executive Officer (CEO)

The CEO is accountable to the Board for ensuring that the risk management system is implemented and maintained in accord with the RMP. Assignment of responsibilities in relation to risk management is the prerogative of the CEO.

Senior Executives

Senior executives are accountable for strategic risk management within areas under their control including the dissemination of the risk management process to operational managers.

Collectively the Senior Executives are responsible for –

- The formal identification of strategic risks that impact on the Group's business;
- Allocation of priorities; and
- The development of strategic risk management plans.
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The Senior Executives review progress against agreed risk management plans.

Chief Financial Officer (CFO)

In conjunction with the CEO, the CFO is accountable for the implementation of the RMP and for maintaining a program of risk assessment. The CFO also provides advice to the relevant Senior Executives on risk management matters relevant to their responsibilities.

The CFO is to assist senior management and the Board in the effective discharge of their responsibilities with regard to the Group's internal control environment by ensuring the efficiency and effectiveness of Group processes and identifying opportunities to improve operating performance.

At appropriate intervals, the CFO shall determine the adequacy and effectiveness of the Group's systems of internal accounting and operating controls and determine if the business units are managing risk in accordance with management instruction, policies and procedures, and in a manner consistent with Group objectives.