



ENTERPRISE WIDE RISK MANAGEMENT POLICY
WDS LIMITED

1. INTRODUCTION

WDS Limited (**WDS**) and its subsidiaries (**Group**) from time to time aim to ensure that by understanding and managing the risks arising from activities within the Group on an enterprise wide basis, WDS' business plans will be delivered and that growth and the creation of shareholder value can be attained with an increased level of confidence.

The Group's risk management process will comply with the Australian/New Zealand Standard AS/NZS 4360:2004 *Risk Management* and satisfy the risk management requirements of the *Corporate Governance Principles and Recommendations* issued by the ASX Corporate Governance Council.

The Group faces a range of risks in its business activities which cannot be eliminated. The Group's policy is to balance the risks and returns in conducting its business activities to optimise the returns to enable it to quickly and confidently act on opportunities, deliver real growth and create further shareholder value.

2. OBJECTIVE

The objective of this Policy is to:

- encourage an appropriate level of risk tolerance throughout the Group;
- establish procedures to analyse risks within agreed parameters across the Group;
- establish appropriate risk delegations and corresponding risk management framework across WDS; and
- ensure WDS has a risk management framework which can measurably react should the risk profile of WDS change.

Risks governed by this Policy include potential risks.

3. RISK MANAGEMENT FRAMEWORK

WDS believes that risk should be managed and monitored on a continuous basis. WDS has designed a risk management framework to allow WDS achieve its business objectives whilst assisting management and ideally, providing early warnings of any material change to the Group's risk profile.

Key components of the Policy which bring together a number of procedures and controls within WDS are as follows:

- identification and assessment of all risks;
- monitoring and wherever possible, mitigation, of identified risks;
- periodic reporting; and
- assessment of effectiveness of risk management framework.

Each component is considered in turn below.

3.1 Identification and assessment of all risks

Each Divisional Manager is responsible for the continual identification and subsequent reporting by all employees of risks within their specific WDS Division.



Risks across all WDS Businesses will be centrally collated [by the Executive Committee]. The membership of the Executive Committee will include the direct reports to the Group Managing Director.

All identified risks will be assessed by the Executive Committee in accordance with AS/NZS 4360:2004 and recorded on the WDS Risk Register. The WDS Risk Register will record, among other things:

- a description of the risk;
- the WDS Division(s) owning the risk;
- the 'rating' (considering both the likelihood and the consequences) attaching to the risk;
- proposed Treatment Plan to mitigate or lessen any exposure to WDS; and
- details as to when the risk was identified and when it was last reviewed.

3.2 Monitoring and mitigation of identified risks

Risks which have been recorded on the WDS Risk Register should be continually, but as a minimum periodically, reviewed by the Audit & Risk Management Committee, with the assistance of the relevant Manager. Wherever necessary, following a review, the WDS Risk Register will be updated.

Mitigated risks should also be recorded on the WDS Risk Register with appropriate precautions from reoccurrence communicated across the appropriate WDS Divisions.

3.3 Periodic reporting

The Audit & Risk Management Committee assists the Board with a range of governance oversights, having responsibility for among other things, overall risk management.

At each Audit & Risk Management Committee Meeting, the Committee will review the WDS Risk Register (or an extract thereof), as reported by the Audit & Risk Management Committee. All newly identified 'material' business risks are to be considered in turn by the Audit & Risk Management Committee.

In accordance with its Committee Charter, the Audit & Risk Management Committee will regularly report on its activities, issues and related recommendations to the Board.

3.4 Assessment of effectiveness of risk management framework

In accordance with its Charter, the WDS Board of Directors are responsible for, among other things, ensuring that effective risk management programs are in place to protect WDS' assets and shareholder value.

WDS' risk management framework promotes a robust structure so that all risks are appropriately identified, assessed, monitored, mitigated and reviewed wherever possible, across all WDS Divisions. Assessment of all aspects of the WDS risk management framework (including the comprehension of all 'material' business risks and a performance review of the Audit & Risk Management Committee) by the Board of Directors should take place on an annual basis (at a minimum).

In addition, all Directors and Senior Management, should promote a culture of voluntary and transparent risk reporting and ongoing, regular risk assessment throughout all levels of WDS.



4. SPECIFIC RISK FRAMEWORK TOOLS

As part of the WDS risk framework, the following guidance is given with respect to certain commonly identified risks.

4.1 FINANCIAL RISKS

4.1.1 Financial Delegations

WDS' processes will include:

- a financial delegations policy, differentiating between budgeted and non-budgeted items and between capital and operational expenditure;
- a segregation of duties policy;
- procedures for approving limits within and under delegation; and
- procedures for reporting to the Board of Directors those amounts (over material thresholds) approved under delegation.

4.1.2 Insurance

WDS' processes will include:

- a policy on WDS' insurance requirements;
- procedures with respect to insurance renewals; and
- procedures with respect to assessing the risk profile of the Group's operations, conducting a gap analysis to the Group's existing insurance program, and where considered appropriate, the introduction of new insurances or varying limits under existing policies.

4.1.3 Taxation

WDS' processes will include procedures to ensure WDS is compliant with the relevant taxation legislation.

4.1.4 Treasury

WDS' processes will include procedures to monitor, analyse and assess the impact of:

- interest rates;
 - foreign exchange rates;
 - any other key economic metrics;
- on WDS' business.

4.2 OPERATING RISKS

Operating risks include:

- HSEC management
- ASX, ASIC and legal compliance
- Business development
- Business interruption and IT systems
- Contract review and execution
- Debt and equity funding arrangements
- Human resources



- Acquisitions and disposals
- International operations
- Environmental (including climate change) and community

The Group is committed to implementing and maintaining:

- a structured and consistent approach to risk management;
- a process which looks at enterprise wide risks, including corporate governance, compliance, human resources, workplace health and safety, environment and community, financial, operational, investment, business development, technology, legal, project, commercial relationships, reputation and external macro risks;
- procedures for identifying, analysing, evaluating and mitigating the key material risks facing the Group;
- a level of risk exposure in respect of each identified risk as approved by WDS' Board;
- procedures for communicating and consultation of risk management with both internal and external stakeholders;
- a process for monitoring and reviewing the Group's risk profile, in particular when any of the Group's business circumstances change; and
- tools to capture, assign, manage and control key compliance and risk management tasks.

4.3 BUSINESS INTEGRATION RISK

As part of the WDS risk framework, WDS' processes will include procedures that post-acquisition and following the integration of a business unit within the WDS Group, periodic assessments are undertaken by the WDS Board of Directors to:

- review the assumptions and model promoted at the time of acquiring the individual business; and
- measure the performance of the business to date.

5 QUESTIONS

For questions about the operation and interpretation of this Policy, please contact the Executive Director – Sustainability & Risk Management.