

RISK MANAGEMENT Policy Statement

1. Reasons for the policy

This risk management policy forms part of the internal control and corporate governance framework of Emeco Holdings Limited (**Emeco**) and its subsidiaries (**Group**). The development and dissemination of this policy is intended to:

- promote an awareness of the major risks to which the Group is exposed;
- develop an understanding within the Group of the Group's risk management framework and the importance of risk management to the Group.

This policy is also intended to demonstrate compliance with principle 7 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

2. Risk management

Emeco Holdings Limited accepts that risk is an unavoidable part of the Group's activities. However, the Company actively manages risk in order to:

- optimise business outcomes for its shareholders and other stakeholders; and
- ensure the integrity of the Group's financial reports and communications with shareholders, regulators and other stakeholders.


Good risk management is essential to the success of the Group. The Board of the Company considers that sound risk management systems should form an integral part of the Group's operations.

3. Roles, responsibilities and reporting

Set out below is a summary of the key responsibilities and accountabilities within the Group's risk management framework. It should be noted, however, that every Group employee has a role to play in managing risks within their Group Company.

3.1 The Board

The board of Emeco (**Board**) has overall responsibility for overseeing the establishment and implementation of a risk management and internal control system for the Group.

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3.2 The Audit and Risk Committee

The Board has established an Audit and Risk Committee (**Committee**) to, amongst other things, assist the Board to fulfill its risk management and oversight responsibilities. Membership of the Committee comprises three non-executive directors. The Committee has specific responsibility for:

- monitoring the Group's risk profile;
- considering the overall risk management framework and reviewing its effectiveness in meeting sound corporate governance principles;
- obtaining reports from management on key risk exposures and major incidents; and
- obtaining independent reports providing assurance on the adequacy of the Group's internal controls as part of the risk management framework.

The Committee is also responsible for approving the scope of the external audit, the results of the audit and management's response to those results.

3.3 Management

The Board has delegated responsibility for the implementation of this policy and the risk management framework to Emeco's Chief Executive Officer and the senior management team.

The Chief Executive Officer and the senior management team are responsible and accountable for ensuring that systems, procedures and controls are in place so that risks are managed to an acceptable level.

The internal assurance process is undertaken by the Corporate Risk and Assurance Manager who will provide assurance to the Audit and Risk Committee and the Board regarding the effectiveness of the Emeco Group's risk management, governance and control frameworks.

The objective of the internal assurance process is to assist all levels of management, the Audit and Risk Committee and the Board in the effective discharge of their responsibilities relating to risk management and internal control by providing them with appraisals, recommendations and other relevant information concerning the activities of the Emeco Group and by promoting effective control at reasonable cost. The Corporate Risk and Assurance Manager is not responsible for the management of the risks of the Emeco Group, nor setting risk management policies or procedures.

Emeco is committed to ensuring that effective risk management is a core capability of the Company's management.

4. Risk profile

The operation of the risk management process results in the identification of a number of significant risks which may impact on Emeco's business. There are a broad number of risks categories, which risk can be placed under. These risk categories may change over time as the external environment changes and as Emeco grows and/or diversifies. The risk

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management process requires regular reviews of the existing risks and the identification of any new and emerging risks facing the group, including financial and non-financial matters. The Chief Executive Officer, with the assistance of the senior management team, is to ensure that internal controls and procedures are established to manage the risks in each of these areas.

5. Risk management framework and controls

The Company maintains a range of internal control systems to identify, analyse, evaluate and manage risks. These include:

- a risk assurance unit the primary responsibility of which is to review the effectiveness of the Group's risk management, governance and control frameworks;
- a comprehensive insurance program which has been developed with advice from the Group's insurance broker and which is periodically reviewed in light of the growth and development of the Group;
- annual strategic planning to identify those factors which are critical to the long term success of the Group;
- annual budgeting and monthly reporting systems for each business division within the Group and the monitoring of progress of each division against the budgeted performance targets;
- the establishment of guidelines and limits for capital expenditure approvals;
- a disaster recovery plan in respect of the Group's information technology systems;
- the implementation of security policies and controls in relation to information technology systems;
- due diligence procedures for investments;
- policies and procedures for the management of foreign currency and interest rate risk;
- development of compliance systems and procedures to manage risks arising in respect of occupational health and safety and the environment.

6. Review of the policy

The Audit and Risk Committee will review the effectiveness of the Group's risk management framework on an annual basis.

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