Site

Risk Management Policy and Framework

2011

Contents

1. RISK MANAGEMENT POLICY

1.1 PURPOSE

The Risk Management Policy aims to ensure that Site Group International's (Site) activities are undertaken within board approved risk tolerance levels and management guidelines and with sufficient independent oversight to protect the profitability, balance sheet and reputation of Site.

1.2 POLICY

Site will implement and maintain a structured and documented approach to risk management that is integrated within day to day business activities. The approach should ensure Site's risk profile is maintained to depict current risks in each area of the business. The risk management process will include:

-     Procedures for identifying, analysing, evaluating and mitigating the material risks
-     Systems to monitor and manage risks
-     An independent overview of risk profiles
-     Definitions of responsibilities for the management of operational risk
-     Risk reporting standards.

The management process will comply in all material respects with the International Standard on Risk Management (ISO31000) and satisfy the risk management requirements of the Principles of Good Corporate Governance and Best Practice Recommendations issued by the ASX Corporate Governance Council.

2. DEFINITIONS

2.1 RISK

Risk is the exposure to unexpected financial or other damage arising from how Site conducts its business. The risk elements consist of market, liquidity, credit, operational, legal, compliance and reputation risks.

2.2 RISK TOLERANCE LEVEL

Risk tolerance level is the level of acceptable risk exposure in respect of each identified risk approved by the board.

2.3 RISK MANAGEMENT

Risk Management is the process of identifying potential risks and managing risk within Site's approved risk appetite. The process is supported by the board and all Site personnel.

Risk Management must be an integral part of Site's culture, requiring:

-     Thought being given to Risk Management when considering any alternative strategies.

-     All classes of risk in the organisation being considered if they are to be effectively managed.

Risk Management is part of the management process and needs to be constantly reviewed and renewed as the risk environment, risk appetite and risks of the organisation change.

2.4 METHODOLOGY

The methodology for the identification, analysis, assessment, mitigation and monitoring of risks is set out in the Site Risk Management Methodology.

3. SITE POLICIES

A suite of policies has been developed to define the principles which management is required to adopt in directing and controlling Site's activities. Policies are accompanied by procedures which define controls to mitigate risks relevant to matters covered by the policy.

The Risk Management Policy defines principles related to Risk Management, requiring management to develop, implement and maintain a structured and documented approach to risk management that is integrated within the day to day business activities.

The principles set out in the Risk Management Policy are supplemented by principles within other policies. The policies which work together with the Risk Management Policy are:

- Continuous Disclosure Policy
- Approval Limits Policy
- Short Term Investments Policy
- Foreign Exchange Policy
- Environment Policy
- Employment Policy
- Safety Policy
- Share Trading Policy
- Codes of Conduct

4.1 CONTINUOUS DISCLOSURE POLICY

The Continuous Disclosure Policy ensures that all price sensitive information is released to the market through a structured process complying with the ASX continuous disclosure rules and that third party briefings are only conducted by authorised personnel.

4.2 APPROVAL LIMITS POLICY

The Approval Limits Policy ensures that the commitment of Site funds, the subsequent expenditure of those funds and asset disposals are approved by personnel having properly delegated authority.

4.3 SHORT TERM INVESTMENTS POLICY

The Short Term Investments Policy is to ensure that liquidity is maintained to meet operational requirements, that adequate credit controls are maintained to minimise loss of capital and that only authorised investment products are used.

4.4 FOREIGN EXCHANGE POLICY

The Foreign Exchange Policy minimises exposure to currency risk caused by foreign exchange rate volatility and ensures mandatory project finance hedging requirements are met.

4.5 ENVIRONMENT POLICY

The Environment Policy ensures that Site's operations are carried out at all times in compliance with all environmental legislative requirements, with adherence to all relevant business codes of practice and having due regard to acceptable environmental standards.

4.6 EMPLOYMENT POLICY

The Employment Policy ensures that at all times staff carry out company operations in compliance with all legislative requirements, with adherence to all relevant business codes of practice and having due regard to required ethical standards.

4.7 SAFETY POLICY

The Safety Policy ensures that Site achieves its objective of running its operations safely and efficiently at all times.

4.8 SHARE TRADING POLICY

The Share Trading Policy ensures that all trading in the company's securities by employees and directors accords with Common Law, the Corporations Act and the ASX Listing Rules to prevent employees benefiting from information which has not been released to the financial market.

4.9 CODES OF CONDUCT

The Codes of Conduct ensure that Site's legal and moral obligations to all stakeholders are met.

4. ORGANISATIONAL STRUCTURE

An effective risk management system is dependent on an organisation structure that has:

- Roles and responsibilities defined
- Adequate separation of duties
- Proper system of supervision and monitoring of activities and transactions
- Risk consciousness and a proactive approach to managing risks across the structure.

5.1 THE BOARD

The role of the board with respect to Risk Management is set out in the following diagram.

	Compliance roles		Performance roles	
External Role	**Provide accountability**	Allocate resources to implement and maintain the risk management process. Delegate authorities and responsibilities.	Agree the risk appetite of the organisation having regard for the risk environment in which the organisation operates. Review the organisation's risk profile against its agreed strategy ensuring that they are aligned and within the agreed risk appetite.	**Strategy Formulation**
			Approve and work with and through the CEO	
Internal role	**Monitoring and supervising**	Monitor the organisation's performance having regard for its risk appetite and risk management processes. Review the ongoing effectiveness of the risk management process in achieving the organisation's objectives.	Set the risk policies setting out the internal framework for risk management across the organisation. Set the "tone at the top" for the organisation including endorsing and adopting the organisation's Code of Conduct	**Policy Making**
	Past and present orientated		Future orientated	

5.2 BOARD COMMITTEES

The board has formally appointed the following board committees to monitor the relevant affairs of Site on behalf of the board:

- Audit and Risk Management Committee (ARMC)
- Nomination and Remuneration Committee (NRC)

Special committees are formed from time to time for specific events, for example capital raising, to enable monitoring of processes.

ARMC
A primary role of the Committee is to:
- Identify risk associated with business strategies and activities
- Advise the board of the level of risk acceptable to Site
- Monitor and review the effectiveness of the risk and control environment.

NRC
The primary risk management role of the Committee is to assess the necessary and desirable competencies of board members; to review and make recommendations to the board on appointment and removal of directors; to review the remuneration and performance objectives, including risk management objectives, of the CEO; and to review and approve the remuneration of senior managers.

5.3 CHIEF EXECUTIVE OFFICER

The CEO is responsible for the development and implementation of business strategies, budgets, setting performance benchmarks and creating a corporate culture compatible with the business objectives and risk appetite of Site.

The CEO has overall responsibility for the management and reporting of risks and the implementation of risk management strategies and policies within Site as determined by the board.

The board has delegated to the CEO various risk limits and responsibility for the adherence to these risk limits.

The CEO promotes discussion amongst the senior management team of Site on risk issues in particular, the process of assessing and identifying risks and alternative options for the treatment of these risks in line with changing business conditions, market practices and prudential controls.

5.4 MANAGEMENT

Management concerns itself with issues relating to the general operation of Site as a whole and specifically with the operation and performance of the business units under their direct control.

Management has a mandate to ensure risks are contained within approved risk tolerance levels and managed in accordance with Site's Risk Management Policy.

Management has responsibility for ensuring there are adequate operating procedures and practices in place to identify, assess and manage risk in their direct areas of responsibility and test control systems. Additionally, management has responsibility to be generally involved in the management and treatment of risk throughout Site.

Senior management must regularly evaluate the risk management process for effectiveness and appropriateness to the current business environment and promote regular reviews of the risk management processes and risk treatment options against current best practice and any change in Site's appetite for or attitude to these risks.

Management is to hold risk management meetings at least biannually to discuss risk developments and initiatives to mitigate risk.

Management's role with respect to Risk Management is illustrated by the following diagram:

Site
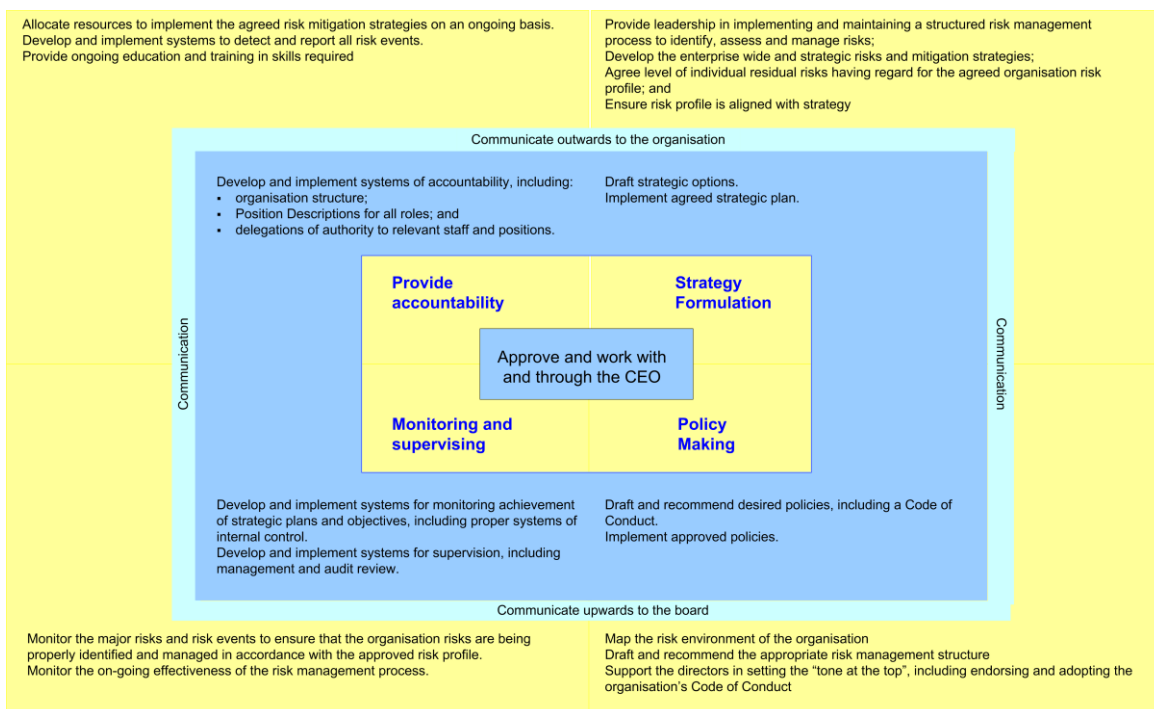
5.5   Chief Financial Officer (CFO)

The CFO is the chief risk officer and responsible for the development and implementation of all risk management processes and methodologies.

Responsibilities also include ensuring that risk evaluation, monitoring, review and documenting occur in accordance with the Risk Management Policy and Methodology.

Additionally, the CFO is required to ensure that a comprehensive control system is operating efficiently and effectively.