Saferoads Holdings Limited

Risk Management Policy

Background

Saferoads is a small to medium sized company with a diverse range of operations focussed on the supply and installation of road safety equipment. The Company designs, imports, manufactures, and assembles road safety products, and outsources the manufacturing assembly and installation of road safety products.

Scope

This policy applies to all staff and operations of Saferoads, nationally and internationally.

Definition of Risk

Risk is the chance of something happening that will have an impact on the Company's objectives and can be specified in terms of an event or circumstance and the consequences that may flow from it. The impact may have a positive or negative effect on the company. Risk can be measured in terms of the combination of the consequences of the event and their likelihood.

Risk Oversight

The Saferoads Board retains the ultimate responsibility for management of material business risks, and for determining the appropriate level of risk that the Company is willing to accept in the conduct of its business activities and in the pursuit of its strategic plans and objectives. The Board has established an Audit and Risk Committee (A&RC) to provide assurance to the Board concerning the management of risks within Saferoads. The A&RC comprises two non-executive directors. The Chief Executive Officer attends all meetings as invitee. The Chief Financial Officer and other senior managers will attend as requested. The A&RC charter is contained within the Corporate Governance Charter, available on the Company's web site www.saferoads.com.au.

The Board has delegated the responsibility for the identification, analysis and management of material business risks to management. Management reports back to the Board through the A&RC. The A&RC meets typically three times per year. A review of risks in the context of People (employees, customers, third party users, and reputation), Products (competitiveness, suppliers, quality, safety, fit for purpose and uniqueness) Profit (competitors, return on investment, foreign exchange, debt, cash flow, and margins) and Processes (controls) is a standing item on the A&RC agenda.

Risk Identification, Analysis and Evaluation

Through an ongoing process involving the regular updating of the company's 3 year Strategic Plan, risk workshopping with management, and drawing on experiences of personnel at all levels within the Company, risk categories together with significant risks within those categories are assessed and any new risks identified and appropriately assessed. Risk categories canvassed include environmental, operational (including safety), reputation, human capital, sustainability, financial and compliance. The identified risks are analysed to determine their sources, their consequences and the likelihood that such consequences will occur.

Identified material business risks are evaluated typically against a 5 x 5 matrix comprising an axis for "**Likelihood**" with a scale from "rare" to "almost certain", and an axis for "**Consequences**' with a scale from "insignificant" to "extreme". Alternative methods of evaluation may be used, depending on the nature of the identified risk.

Risk Management

All identified business risks are documented in the Company's Risk Management Register, with all appropriate information recorded including the risk description, current controls and likely effectiveness thereof and an overall risk evaluation. All risks will be assigned to Risk Champions, comprising a day-to-day Manager and an Overseer.

The Chief Executive Officer has overall responsibility for management of all material business risks. The Chief Financial Officer is responsible for management of the risk management process, assisting with documentation and preparation of reports for the A&RC, and, in the joint capacity as Company Secretary, ensuring compliance with the Australian Stock Exchange Corporate Governance Principle 7 "Recognise and Manage risk".

Risk Reporting

The Board believes that ongoing reporting and discussion of the management of material business risks is an important step in the risk management process. The A&RC will determine which risks are to be monitored and reported on to the committee (usually those which have been rated as Extreme or High). The Reporting at each meeting of the A&RC may be informal in response to the standing agenda item Risks – People, Product, Profit, Process, but the Chairman of the Committee may request in-depth reporting of individual risks. At a minimum, full reporting of all material risks is required on an annual basis.

Additionally, as part of statutory reporting at the end of December and at the end of June of each year, the Chief Executive Officer and the Chief Financial Officer provide written confirmation to the Board regarding the integrity of the financial statements and the effectiveness of risk management and internal controls.

Policy review

The Board acknowledges that Risk Management is an ongoing and an evolving issue. Some risks may diminish over time, and new risks may develop. The company's tolerance for risk may also change over time.

The process of Risk Management, the Risk Management Plan and the effectiveness of this Risk Management Policy will be reviewed at least annually.

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