

RISK MANAGEMENT POLICY
PEARLSTREET LIMITED

1. INTRODUCTION

PearlStreet Limited (the **Company**) and its subsidiaries (**Group**) from time to time aim to ensure that by understanding and managing the risks arising from activities within the Group, the Company's 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 the Company; and
- ensure the Company has a risk management framework which can measurably react should the risk profile of the Company change.

Risks governed by this Policy include potential risks.

3. RISK MANAGEMENT FRAMEWORK

The Company believes that risk should be managed and monitored on a continuous basis. The Company is designing a risk management framework to allow the Company to 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 the Company 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 Manager is responsible for the continual identification and subsequent reporting by employees of risks within their specific Division.

Risks across the Group will be centrally collated by Management and then advised to the Audit and Risk Committee.

All identified risks will be assessed by the Audit and Risk Committee in accordance with AS/NZS 4360:2004 and recorded on the Company's Risk Register as it is developed. The Risk Register will record, among other things:

- a description of the risk;
- the 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 the Company; 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 Risk Register should be continually, but as a minimum periodically, reviewed by the Audit and Risk Committee, with the assistance of the relevant Manager. Wherever necessary, following a review, the Risk Register will be updated.

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

3.3 Periodic reporting

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

At each Audit and Risk Committee Meeting, the Committee will review the Risk Register (or an extract thereof) when it is developed. All newly identified 'material' business risks are to be considered in turn by the Audit and Risk Committee.

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

The Company's risk management framework promotes a robust structure so that all risks are appropriately identified, assessed, monitored, mitigated and reviewed wherever possible, across the Group. Assessment of all aspects of the risk management framework, once developed (including the comprehension of all 'material' business risks and a performance review of the Audit and Risk 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 the Group.

4. SPECIFIC RISK FRAMEWORK TOOLS

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

4.1 FINANCIAL RISKS

4.1.1 Financial Delegations

The Company's processes will include:

- a financial delegations policy;
- 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

The Company's processes will include:

- a policy on the Company's 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

The Company's processes will include procedures to ensure the Company is compliant with all the relevant taxation legislation.

4.1.4 Cash Management

The Company's processes will include procedures to monitor, analyse and assess the impact of:

- interest rates;
- foreign exchange rates;
- any other key economic metrics;

on the Company's business.

4.2 OPERATING RISKS

Operating risks include:

- Health, Safety, Environment and Community 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

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 the Company's 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.

5 QUESTIONS

For questions about the operation and interpretation of this Policy, please contact Josie Pane, Chief Financial Officer.