

Effective date:	28 March 2011
Replaces:	
Recommended by:	Risk Manager
Authorised by:	CFO

## **Risk Management Policy**

### **1. Introduction**

Risk management is an essential element of good corporate governance and we as an organisation are committed to maintaining an integrated enterprise wide robust risk management program.

Assuming and managing risk is at the core of sustained shareholder value creation. Sigma, adopts a prudent risk management approach with the objective of exploiting opportunities and managing risks for the growth and protection of shareholder value.

Sigma will optimise its ability to achieve its business objectives by maintaining a system which assists appropriate management and early warning of risks.

Sigma will identify, assess, monitor and manage risk throughout the organisation in accordance with this policy and the Sigma Risk Management Strategy. The policy and strategy are built upon the principles contained in the Australian Risk Management Standard – AS/NZS ISO 31000:2009 Risk Management.

### **2. Better Practice Corporate Governance**

As an organisation listed on the Australian Stock Exchange, we are committed to complying with the recommendations of ASX Corporate Governance Principle 7 “Recognise and Manage Risk”. This system is designed to:

- identify, assess, monitor and manage risk; and
  - inform investors of material changes in the companies risk profile
- with the objective of minimising losses and maximising shareholder value.

### **3. Protecting & Generating Shareholder Value**

Effective consideration, assumption, exploitation and management of risk is central to the continued growth and success of Sigma. Our success in protecting and growing shareholder value will be determined by our ability to understand prevailing risks earlier than our competitors, utilise the risks identified to exploit opportunities and manage risks more effectively than our competitors.

As such the risk management process aligns closely to and supports the strategic and business planning process.

Risk is considered (explicitly or implicitly) in all aspects of management decision making including:

- evaluation of strategic alternatives;
- evaluation of investment decisions; and
- the design and operation of key systems, policies and procedures

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#### **4. Culture and Commitment**

Effective risk management is not achieved simply by the adoption of formal processes and methodologies, but is the result of the commitment and attitude of the entire organisation from the boardroom to the warehouse. At all levels of the organisation we are committed to ensuring that we have a risk conscious culture and environment.

Management and employees at all levels are encouraged to take an active and positive role in the risk management program by;

- identifying risks, and
- contributing to continuous improvements in management practices and controls.

#### **5. Responsibilities**

All Sigma employees are responsible for the effective management of risk, including the identification of potential risks.

Senior Executives will:

- reinforce the importance of risk management and internal control by integrating it with all organisational governance, strategic and business objectives and planning;
- discuss strategic and/or business objectives with employees so that they understand how they contribute to achieving the objectives and the importance of identifying and managing risks associated with achieving these objectives;
- encourage management and employees to actively participate in the identification of risks and the development and execution of appropriate treatment plans to manage those risks;
- provide management with a description of their role in managing risk; and
- have overall responsibility and accountability for the management of risk in their respective divisions and functional areas.

The Risk Management and Audit Committee will provide oversight of this process by approving and monitoring compliance with the Risk Management Policy and Strategy, the establishment of the risk management system and advising the Board as necessary. Their effectiveness will be reviewed annually by the Risk Management and Audit Committee.

The Risk Manager, in consultation with the Risk Management and Audit Committee, will oversee, review and maintain Sigma's risk management framework.

Internal Audit will conduct independent examinations and evaluations of risk mitigation plans and provide independent assurance to the executive group and Board.

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## 6. Documentation

Each stage of the risk management process will be documented. Documentation includes assumptions, methods, data sources and results. The Sigma Risk Management Strategy provides a guide to documentation standards and how they are to be utilised.

## 7. Sustainability and Continuous Improvement

The formalisation of risk management within our organisation is not a “once-off event”. Risk management is a continuous improvement process to facilitate effective management of risks. This is critical to the achievement of strategic objectives embedded in and underpinning Sigma’s goals and business objectives. The Risk Management Strategy will be updated and refined periodically to ensure key concepts and processes remain relevant. This will be achieved through:

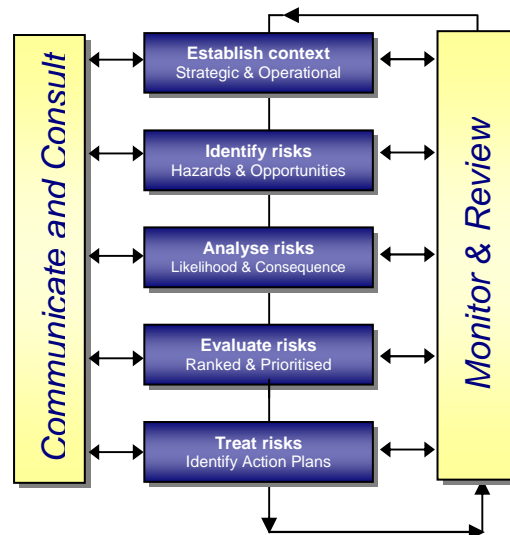
- monitoring and reviewing the implementation, process, outputs and culture change;
- defined accountabilities using a control self assessment approach and regular reporting;
- embedding these processes into other key business systems and management processes such as strategic planning, internal audit and performance appraisals; and
- management ensuring ownership of the process and that risk profiles are developed and periodically updated.

## 8. Sigma Risk Management Strategy and Process

The methodology we will use to govern our internal processes for managing risk throughout the business is set out in the Sigma Risk Management Strategy.

The methodology is consistent with the risk management standard AS/NZS ISO 31000:2009.

The diagram opposite is an integral part of the risk management standard and provides a general overview of the approved risk management methodology for our organisation.



## 9. Policy Reviews

This policy and the underlying strategies/procedures will be reviewed annually by the Risk Management and Audit Committee to ensure their continued application and relevance.