



**Digislide Holdings Limited**

A.B.N. 56 125 525 706

# **Risk Management Statements and Policies**

September 2008

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## 1 Introduction

The primary objective of risk management is to ensure that Digislide appropriately manages its business and operating risks. This promotes stakeholder confidence in dealing with or investing in Digislide.

The Board and Officers of Digislide are committed to managing its risks but ultimately it is the responsibility of the Board for risk management and control. The Board is charged with examining and considering areas of significant business risk on an ongoing basis and implement policy to minimise exposure to these risks.

The CEO and the CFO are required to report in writing to the Board that to the best of their knowledge:

- the financial statements of the Company for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- Digislide's risk management and internal compliance and control framework is operating efficiently and effectively in all material aspects.

## 2 Definitions

General terms and abbreviations used in these policy statements have the following meaning set out below.

<b>ASX</b>	ASX Limited
<b>Board</b>	the Board of Directors of Digislide
<b>Corporations Act</b>	Corporations Act 2001 (Cth)
<b>Chairman</b>	the Chairman of the Board of Directors
<b>CEO</b>	Chief Executive Officer, who may also be the Managing Director
<b>CFO</b>	Chief Financial Officer
<b>Director</b>	A director of Digislide
<b>Digislide or the Company</b>	Digislide Holdings Limited A.B.N. 56 125 525 706
<b>Listing Rules</b>	The Listing Rules of the ASX
<b>Officer</b>	A senior executive of Digislide
<b>Secretary</b>	The Company Secretary

## 3 Internal compliance and control framework

### 3.1 Objective

The objective of this internal compliance and control framework is to ensure that areas of risk have been identified and that the appropriate internal controls have been implemented and are operating efficiently in all material respects.

## 3.2 Risk Definition

The definition that is applied across Digislide of what constitutes “risk” is taken from the Australian Standards:-

“The culture, processes and structures, which are directed towards the effective management of potential opportunities and adverse effects”

AS/NZS 4630 – 1999

The Board recognises that risks may be endogenous and exogenous, and have established Policies and Procedures to deal with both internal and external environments.

The Board of Digislide recognizes that while “risk” may be an event or activity which may have an impact on objectives, strategies and key business tasks, it goes well beyond that to the very culture, processes and structure established with the corporation, and how they are monitored and maintained within the organisation.

## 3.3 Application of procedures

No contract, agreement or obligation shall be bound upon Digislide without a prior risk assessment and clearance from a risk management perspective.

Staff shall take reasonable care of Digislide’s property at all times, report all incidents, losses and near misses involving Digislide’s property, and incidents involving personnel, visitors, suppliers, contractors, work experience placements etc including injuries or potential hazards to those people.

Staff shall arrange for a risk assessment to be undertaken prior to recommending that Digislide enter into proposed joint ventures, provide advice, undertake research, undertake joint development, submit proposals, or any other activities that may affect the Digislide’s reputation or incur a liability against its assets or involve a breach of our common law duty and any statutory obligation.

## 3.4 Identification, assessment and evaluation of risk

Digislide shall:

- manage risks continuously using a step-by-step process involving the identification, analysis, evaluation, treatment, monitoring and review of risks. It shall be applied to decision making through all levels of Digislide and in relation to any function or activity;
- apply the process in planning and when making significant decisions in expenditure of large amounts of money, new strategies and procedures, managing projects, introducing significant change and the management of sensitive issues; and
- all staff members of Digislide shall practice principles of risk management and comply with all policies, procedures and practices relating to risk management.

Specifically, the CEO and the CFO are responsible for preparing Digislide’s risk profile and the identification of the various risks - what the risks are, why they happen(ed) and how they occur(ed) - for assessment by the Board on a periodic basis.

In undertaking the assessment and evaluation of risks so identified, the following factors are to be considered:

- probability of the risk occurring;
- impact of the risk if it did occur;
- ascertaining what level of controls and maintenance are currently being employed;
- how effective these controls; and
- actions required, if any, to reduce, avoid or extinguish the risk.

As there will normally be a cost associated with reducing or extinguishing risks, the objective is to reduce the risk to an acceptable level consistent with the established risk criteria. A risk remedial action, which may not extinguish or prevent the risk arising, will be taken as long as it results in a reduction of the risk, with the residual risk being less than Digislide’s level of tolerable risk.

The Board and CEO have adopted a multi-dimensional approach to Risk Management, involving **Risk Assessment** that views **Risk and Opportunity** through various **Time Horizons** or dimensions as manifestations of the same uncertainty.

This approach leads to, and best approximates the Executive and Senior Management Team’s Strategic Planning.

The CEO and the CFO will report on the risk profile and the effectiveness of these systems and controls to the Board at least annually or as required if risk remedial action is required.

### 3.5 Risk Evaluation

Management has evaluated each risk through a process of allocating an appropriate rating of probability, impact, risk and effectiveness controls.

This evaluation process determines whether the current management of each risk is within a predetermined acceptable level or whether action needs to be taken to treat the risk. It further identifies what monitoring is required, ie either active or periodic, reviewed by the Board etc.

### 3.6 Ratings and Impact Measures

The following tables provide ratings that are linked to Probability Parameters.

#### Factor Rating Probability

Rating	Implication/Impact
5 High	High likelihood of it happening several times in the next 10 years; or chronic risk with history of occurrence
4 Substantial	Could occur more than once in the next 10 years; or can be difficult to control due to some external influences; or has a history of having occurred
3 Medium	Could occur in the next 10 years; or would not be surprised if this occurred
2 Low	Could occur, but not expected
1 Negligible	Possible but very unlikely that it will occur

### Product Quality

Rating	Implication/Impact
5	<p><b>High:</b> Losses incurred; or unable to pay staff; or unable to pay suppliers Major loss of confidence. Inability to supply product for sustained period Profound or sustained degradation in product value or quality</p>
4	<p><b>Substantial:</b> Profit reduced by 100%; or major delays in paying staff; or major delays in paying suppliers Significant loss of confidence. Substantial delays or interruptions in supply of product causing significant inconvenience Significant degradation in product value or quality recognised by majority of critics/customers</p>
3	<p><b>Medium:</b> Profit reduced by 50%; or moderate delays in paying staff; or moderate delays in paying suppliers Moderate loss of confidence. Delays or interruptions causing moderate inconvenience Decline in produce value or quality recognised by moderate number of critics/customers</p>
2	<p><b>Low:</b> Profit reduced by 10%; or minimal delays in paying staff; or minimal delays in paying suppliers Mild loss of confidence. Transitory problems causing minor inconvenience Decline in product value or quality recognised by Digislide</p>
1	<p><b>Negligible:</b> Profit unchanged; or no delays in paying staff; or no delays in paying suppliers Minimal loss of confidence. Minimal or undetectable disruption Minimal effect on product value or quality</p>

### Risk Controls - Control Rating Description

Rating	Implication/Impact
5	Very low level of internal controls and maintenance
4	Below average level of internal controls and maintenance
3	Average level of controls and maintenance
2	Above average level of controls and maintenance
1	Excellent controls maintained in all areas at all times

### Risk Treatment - Risk Rating Description

Rating	Action
1	Eliminate the risk; if not possible
2	Isolate the risk; if not possible
3	Transfer the risk; if not possible
4	Tolerate the risk; and
5	Reduce the risk and manage the risk

## 3.7 Risk Monitoring and Review

Monitoring the status of each risk and any necessary action plans relating to their treatment takes place on a regular basis by controlled self assessment, monitored by Senior Managers. Senior Managers are to report to the CEO at each end of quarter management meetings, tabling a Review of Risk Action Plan.

Risks and risk evaluation forms shall be reviewed by the Board, and/or the Audit Committee at least biennially.

High level strategic and new initiative risks are reviewed annually by the Board at their annual strategic planning meeting. Research and Development Plans for the following year are submitted to the Board with recommendations by the CEO. When approved, these are signed by the Chairman. This documentation is essential for Digislide to claim the R & D Concessional Rebate from AusIndustry and the Australian Taxation Office.

Identification of any new initiative risks or new strategic risks also takes place at this meeting. New initiative risks, with regard to 'over the horizon technologies' that could be worth pursuing/investigating, are brought to the attention of the Board by the Chief Technical Officer.

Actions or recommendations arising out of these review processes are implemented by management and then checked to the reporting system by the Secretary.

Risks identified for each Department/Region are incorporated into the Manager's key performance indicators for that year and are monitored by that Manager and reviewed by the CEO on an annual basis.

## 3.8 Risk Reporting

Each identified risk is rated based on:

- the probability and impact of that risk crystallising; and
- the risk controls in place to deal with that risk as well as an evaluation of those controls.

Risk evaluation reports are expected to be completed for each of the identified risks which are reviewed by the Board in accordance with the level of reporting identified on the evaluation report.

### **3.9 Confirmation to Board**

The external auditors will be requested to report any internal control issues that are identified in the course of the audit of Digislide's half year and full year results. The CEO and the CFO will confirm annually in writing to the Board that to the best of their knowledge:

- the financial statements of the Company for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- Digislide's risk management and internal compliance and control framework is operating efficiently and effectively in all material aspects.