

Risk Management Policy

ThinkSmart Limited

ACN 092 319 698

Adopted by the Board on 14 December 2007

1 Overview

This document contains a description of the ThinkSmart Limited (Thinksmart or the **Company**) risk management policy.

2 Objective

The objective of this policy is to communicate a common understanding of risk management at the Company, by outlining key roles and responsibilities, risk management methodology and reporting.

Effective and efficient risk management and maintaining a sound internal control environment are integral to ThinkSmart's culture and way of conducting business. The key drivers of efficient and effective risk management are:

- the level of risk awareness and control consciousness of all ThinkSmart staff, consultants and contractors across the organisation; and
- the degree to which ThinkSmart's risk management program is aligned to corporate objectives.

ThinkSmart's ability to avoid adverse risk events, minimise losses from risk events and maximise opportunities requires robust internal controls and risk management practices.

Risk management at ThinkSmart involves applying a logical and systematic method of identifying, analysing and evaluating the risks associated with any activity. This enables ThinkSmart to efficiently and effectively implement controls and mitigation strategies in order to minimise residual risk and maximise stakeholder value.

The Company's risk management program aims to provide a structured basis for strategic planning, enhancing the effectiveness and efficiency of operations, improving the quality of decision making and safeguarding assets, people, finance and property.

The Company's objective in risk management is to identify, prioritise and manage risks to support the delivery of sustainable and superior business performance and in so doing promote a risk management culture. The objectives of the risk management policy are to ensure that the actions taken by the Company protect the profitability of the Company within the market risk tolerance determined by the Board.

3 Roles and Responsibilities

Board of directors

The board of directors of the Company (**Board**) is ultimately responsible for the oversight of the processes for the identification and management of risk. The Board has formed an Audit and Risk Committee which oversees the Company's risk management and internal control effectiveness. Risks are assessed for both current operations and prospective actions.

Audit and Risk Committee

The Audit and Risk Committee's role is to review and report to the Board on the risk management and internal control systems which management has established, and whether such control systems effectively safeguard the assets, people, finance, information systems and property of ThinkSmart. The role and responsibilities of the Audit and Risk Committee are set out in the Audit and Risk Committee Charter.

Senior Management

Senior management is responsible for ensuring that risks are identified, and that risk treatments and mitigation strategies are implemented by monitoring progress. Senior management is also responsible for reporting to the Audit and Risk Committee on the effectiveness of the Company's management of its material business risks, and advising the Audit and Risk Committee of any negative risk events or cases of fraud.

All ThinkSmart Employees

All employees are required to assist management and the Audit and Risk Committee in their undertaking of risk management reviews. Not all aspects of risk management can be formalised and the Company places considerable reliance on the skill, experience and judgement of its employees to make decisions within the policy framework, and to communicate openly on all risk-related matters.

4 Risk Management Processes

The following summary illustrates the risk management processes followed at ThinkSmart. These processes are based upon joint external audit and management risk assessment.

Identify Risks

Comprehensive identification of risks using a well-structured systematic process is critical, because a potential risk not identified at this stage is not included in further analysis. ThinkSmart's methods of identifying risks include; interviews and group discussions, past organisational experience, audits or physical inspections, and local and overseas experience in the industry.

Possible sources of risk for ThinkSmart include economic factors, exchange rates, key retail partner reliance, access to funding, credit environment, volatility of retail price equipment, regulatory compliance, competition, brand management and dependence on key personnel.

Potential adverse risk consequence includes decreased performance, increased cost/decreased revenue, adverse public reaction and loss of reputation.

Analyse Risks

Senior management determine the consequences (impact or magnitude of the effect) and likelihood (frequency or probability) of each risk, taking into account existing controls in order to determine the level of risk.

Evaluate Risks

The Audit and Risk Committee decides whether risks are acceptable or unacceptable in the context of the Company's risk appetite as established by the Board. This evaluation takes into account the degree of control over each risk and the cost impact, benefits and opportunities presented by the risks. The significance of the risk and the importance of the policy, program, process or activity are considered in deciding if a risk is acceptable. It should be noted that defining a risk as acceptable does not imply that the risk is not significant.

Manage Risks

At this stage a risk is evaluated to determine whether it is acceptable. If it is not acceptable, the senior management develops risk management strategies.

Options for managing risks may include avoiding the risk altogether, reducing the likelihood or consequence of the risk with additional internal controls, and/or transferring the risk to a third party.

Monitoring and Review

Business risks do not remain static. Therefore it is necessary to regularly repeat the risk management cycle. Risks are reported to Audit and Risk Committee by the senior management in order to identify changes to the Company's risk profile.