

RISK MANAGEMENT POLICY

1.0 PURPOSE

- 1.1 To clearly define Bradken's policy in relation to the way in which it identifies, analyses and manages all levels of business (internal and external) risk and to set out the responsibilities and procedures for effective risk management.
- 1.2 To explain the features of the **Bradken Risk Management Application**, which has been purpose built to assist with the management of identified Business and Corporate risks.

2.0 SCOPE

To ensure that Bradken's high standards of corporate governance are maintained, the Company has adopted a Risk Management initiative which:

- focuses on business objectives, risks and controls;
- strengthens the relationship between the management of risk by each Division, Business and Function, and the success of the Company; and
- applies to all of the Company's Businesses, Executives and Employees.

3.0 PRINCIPLES

Bradken will:

- implement an effective enterprise risk management process consistent with the internationally recognised Australian Standard AS/NZ ISO 31000:2009, Australian Stock Exchange ("ASX") Listing Rules and Corporate Governance Principles to manage its business risks;
- incorporate risk management into all business activities by ensuring management and staff are aware of Bradken's Risk Management Policy requirements;
- promote and support an organisational commitment to risk management through open communication and effective management leadership;
- develop and maintain a risk management culture consistent with risk ownership and responsibility by implementing a communication and consultation discipline at all operational, business and corporate management levels;
- provide a well-structured training program to educate management and staff in identifying risk both internally in their individual workplaces and in the external environment in which Bradken operates;
- implement a robust process to assist the identification, assessment, treatment and monitoring of risk;
- provide guidelines and training to ensure a risk management process is integrated into all facets of business planning, decision-making and day-to-day operational management;
- provide the necessary tools and resources to management and staff to support the efficient management of risk ensuring risks and controls are continually monitored and reviewed;
- implement a well-structured continuous improvement process to progressively manage risks to an acceptable level;
- put in place a comprehensive risk database to record identified risks, the risk description, treatment plans and related information, enabling analysis of the risks and assisting *inter alia* with recognition of opportunities and subsequent business planning and strategic business decisions;
- provide oversight to encourage management and staff to adopt best practice risk reduction and opportunity maximisation activities;

- ensure that the Audit and Risk Committee is informed of Business and Corporate risks and the management components, resources and activities to be applied to manage/mitigate the identified risks; and
- continually review and monitor the effectiveness of the risk management process with annual audits and reviews of audit findings and recommendations ensuring the risk management objective is continually aligned with the strategies and objectives of Bradken.

4.0 POLICY STATEMENT

Bradken will optimise its ability to achieve business objectives by maintaining a system which assists appropriate management through the identification and assessment of risk.

5.0 RESPONSIBILITIES

- 5.1 The **Board of Directors** is responsible for ensuring the establishment and verifying the implementation of a risk management system, reviewing the effectiveness of the Company's implementation of the system and ensuring investors are informed of material changes to the Company's risk profile.
- 5.2 The Board is assisted in this process by the **Audit and Risk Committee**. The Committee assists the Board to confirm the implementation of this policy by ensuring that a policy and procedures are in place, reviewing identified risk assessments and management plans, periodically reviewing this policy and by emphasising risk oversight, management and control. The Committee oversees the establishment of policies on risk oversight and management in accordance with the ASX Listing Rules compliance principles.
- 5.3 The **Executive Management Team** is responsible for:
- providing a system of ongoing risk review that is capable of responding promptly to new and evolving risks;
 - providing the necessary tools and resources to manage and administer the program;
 - monitoring the effectiveness of the system of risk identification and control application and management; and
 - providing periodic assurance to the Committee and Board regarding the extent of the Company's compliance with this policy.
- 5.4 The **General Manager Corporate Development** or designated representative is responsible for ensuring that a Risk Management Report is prepared for inclusion in the Audit & Risk Committee Papers and a Quarterly Risk Management Report i.e. February, May, July, October, is prepared for inclusion in the Board Papers as and when required.
- 5.5 **General Managers** have responsibility for enterprise risk management within their Business or Function and operating in accordance with the reporting, communications and consultation guidelines and requirements.
- 5.6 **All Bradken Managers** should be aware that they have a responsibility to identify and report all activities, processes or circumstances which could potentially result in adverse:
- Financial Consequences;
 - Human Consequences;
 - Business Interruption Consequences;
 - Environmental Consequences; and/or
 - Reputation and Image Consequences.

6.0 PROCEDURE

- 6.1 A copy of the Risk Management Guidelines is available in Paradigm for distribution and use in accordance with this policy.

- 6.2 The Key Risk Management Process, which is based on the International Standard AS/NZS ISO 31000:2009 is shown in Appendix A (Figure 1).
- 6.3 Identification, analysis, evaluation and control (treatment/mitigation/management) of risk issues will be undertaken in accordance with the International Standard by competent personnel using the support services of experts in the respective field as required with details appropriately recorded. The Bradken Risk Management Application provides a comprehensive database facility for this purpose.
- 6.4 Risk Management is a continuous process designed to ensure all inherent business risks are promptly identified and appropriately managed. Risk identification and assessment is a component of all areas and activities of Bradken with risk reporting available on demand and summarised in management and other reporting requirements.
- 6.5 Communication and consultation are critical and essential elements in each step of the risk management process. Effective communication ensures those responsible for risk management activities, and those with a vested interest understand the basis on which risk management decisions are made and why particular actions are required.

7.0 REFERENCE DOCUMENTATION

2 BK ST CG	Bradken Risk Management Guidelines
AS/NZS 4360:2004	Risk Management
ISO 31000:2009	Risk Management
ASX Listing Rules Compliance Principles	

8.0 APPENDICES

Appendix A	Risk Management Models
------------	------------------------

Approved by the Board of Directors on 16th July 2013.

APPENDIX A

Figure 1 - Key Risk Management Process

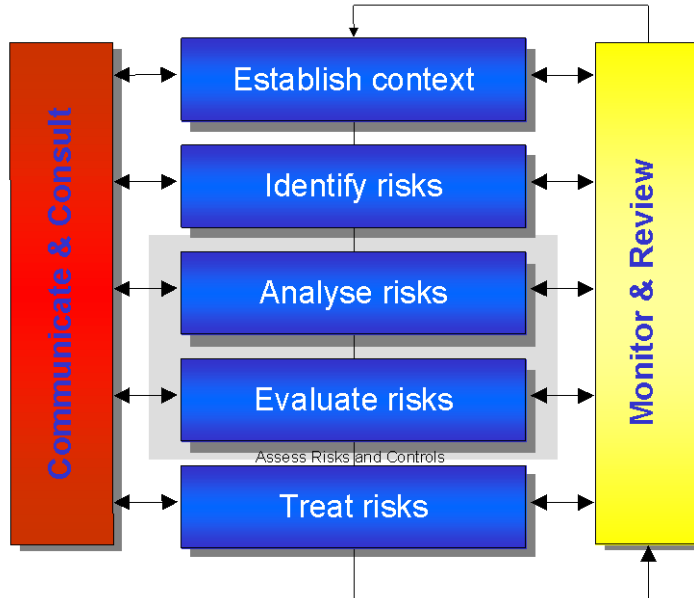


Figure 2 - Indicative Risk Categories

