

Risk Management Policy Statement

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Version 1.2

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Review History

Name	Date	Reason For Changes	Version
Cathryn Nolan	7/1/08	Initial draft for review by Committee Chair	1.0 draft
John Bryson		No Change. Review prior to tabling for committee meeting	1.1draft
Cathryn Nolan	6/3/08	Correction of typo	1.2
Kath Clark	21/8/08	Formatting	1.2
Board	26/8/08	Approved	1.2
Next Review	1/6/09	Review of Policy by C Silcox / Risk Committee	

1. Risk Oversight

- 1.1 The Board is responsible for approving and reviewing the Praemium Group's Risk Management strategy and policy. The identification of risk and implementation of mitigation measures is the responsibility of Management.
- 1.2 On a six monthly basis the Board considers the significant business risks applicable to the business and ongoing operations. Additionally, the Board considers the Group's risk profile as part of the annual strategy and budget planning review.
- 1.3 To assist the Board in discharging its responsibility in relation to risk management, the Board has delegated certain activities to the Risk Assessment and Management Committee. In addition, the Group has a separate Audit and Compliance Committee which is charged with special responsibilities relating to financial risks. The responsibilities of the Committees are contained in their

respective charters which are available at www.praemium.com/corporate-governance.com. The Board has also delegated various authorities to the Managing Director and the UK subsidiary Board and Committees to enable the setting of policy and procedures to assist with management of the Praemium Group risk profile.

- 1.4 The Risk Assessment and Management Committee and the Audit and Compliance Committee play a key role for the Board in overseeing Management's application of the ASX Corporate Governance Council's Corporate Governance Principles and in respect of Financial Reporting and Risk oversight.

2. Management of Risks

- 2.1 Praemium regards business risks as threats to the achievement of its various strategies, objectives and goals. The risk management and internal control systems within Praemium encompass all policies, processes, practices and procedures established by management and/or the Board to provide reasonable assurance that:
 - (a) established corporate and business strategies and objectives are achieved;
 - (b) risk exposures are identified and adequately monitored and managed;
 - (c) significant financial, managerial and operating information is accurate, relevant, timely and reliable; and
 - (d) there is adequate level of compliance with policies, standards, procedures and applicable laws, regulations and licences.
- 2.2 Praemium's enterprise risk management framework is based on the Australian/New Zealand Standards (AS/NZS 4860 3806) for risk management and compliance.
- 2.3 In addition to daily management of business activities, each business unit is required to formally profile its risk environment, including identification key risks, assessment of control design and operation, and evaluation of key risk indicators. The outcomes of each risk profile are aggregated into an overall Praemium risk report, which includes assessment by business unit and risk category, for reporting to the executive team, who in turn must report at least annually to the Risk Assessment and Management Committee and the Audit and Compliance Committee.

3. Assessment of Risk Management Effectiveness

- 3.1 The Risk Assessment and Management Committee has responsibility for considering Management's presentations regarding framework and processes which result in identifying, assessing and monitoring risks associated with Praemium's business operations along with the implementation and maintenance of policies and control procedures to give adequate protection against key risks.
- 3.2 The Committee is assisted by internal and external management and where considered appropriate, independent external auditors and/or consultants, to provide objective assessments of the internal controls and compliance

framework. The Audit and Risk Committee considers reports from management, the internal compliance function, [and the AUS810 auditor] regarding the appropriateness and effectiveness of management information and other systems of internal control, and action taken or proposed resulting from their recommendations.

4. No Internal Audit

- 4.1 Currently the Group does not have an Internal Audit function and does not consider that it is of sufficient size, or that its operations or risk profile are sufficiently complex to require this. The alternative mechanism used is the close monitoring undertaken by the Compliance function and relevant board committees and the use of external compliance, accounting and legal advisers.