

CO2 GROUP LIMITED

Corporate Governance

RISK MANAGEMENT POLICY

Purpose

Risk is inherent in all business activities. The principal aim of this policy is to ensure that the Group manages its risk/reward profile consistent with its objectives for sustainable growth in shareholder value.

Responsibilities

The Board as a whole is responsible for overseeing the risk management process and in particular:

- to ensure that there are no transactions which create risks which are not supported by an underlying physical transaction;
- regularly review the financial and operational performance of the Group against budget and key performance indicators;
- monitor specific action plans aimed at defined risks such as environmental issues, occupational health and safety and treasury; and
- to ensure that due diligence has been carried out before approving business acquisitions and disposals, debt and equity raisings and significant capital expenditure.

The Board may consult such other persons as they consider necessary.

Management is responsible for implementing this policy and for establishing and maintaining the risk management process.

The Board and management are to evaluate the level of risks which are acceptable to the Group.

Risk Management Process

Each company in the Group is to establish a risk management process covering the following elements:

- Identification of the risks to be managed;
- Analysing the risks by considering existing internal controls and procedures and other factors currently used to mitigate risks and then determining the probability of the risk occurring and the consequences if the risk does occur;
- Assessing the risks and assigning a risk rating (ranging from low, moderate, high to extreme);
- Treating the risks by identifying and evaluating the options to reduce the probability or consequence of occurrence of the risk, or to transfer, avoid or accept the risk and to prepare and implement risk treatment plans; and
- Contemporaneously monitoring and reviewing treatment plans and all significant risks and repeating the cycle for major changes in circumstances.

Internal Control and Compliance

The effectiveness of the policies, procedures, management controls and financial and operational internal controls has a significant impact on the outcomes from the risk management process as well as the integrity and reliability of financial reporting. Management is expected to review the systems of internal controls and procedures at least once each year and will be required to sign a formal declaration that they are operating efficiently and effectively. Included in this declaration will be a statement that the risk management process is sound and effective and that Group policies and all relevant laws and regulations have been complied with.

Policy Compliance

A non-executive Risk Compliance Officer will, at least once each year, review and confirm that subsidiary management has complied with this policy and assess the effectiveness of the risk management process at business unit level.

Reporting

As part of the monthly management reporting process, subsidiary management is to confirm in writing that:

- they have adhered to the prescribed authorisation limits;
- there have not been any transactions or events or changes in circumstances requiring a re-evaluation of previously reported risk ratings;
- all information that falls under the continuous disclosure policy has been reported; and
- there have not been any material breaches of policies.

Prior to the end of each financial year, subsidiary management is to forward to Corporate Office a copy of their risk treatment plans, risk rating matrix, risk register and the internal control matrix for the major transaction cycles.

At least once each year, the Risk Compliance Officer is to report to Board of Directors and provide details of the Group's risk treatment plans and risk rating matrix.