

RISK MANAGEMENT POLICY

1. Purpose

The Company recognizes the importance of managing risk in the business to sustain growth.

The purpose of this policy is to ensure that:

- (i) appropriate systems are in place to identify the material risks facing the Company;
- (ii) the potential financial impact of identified risks is ascertained;
- (iii) appropriate controls and strategies are adopted to manage exposure to those risks;
- (iv) appropriate responsibilities are delegated to control identified risks effectively;
- (v) any material changes to the Company's risk profile are disclosed in accordance with the Company's continuous disclosure policy.

2. Responsibility & Accountability

Board	The Board is responsible for the management of risk in the Company. The Board will report annually to the market that management has reported on the Company's management of risk.
Audit Committee	The Audit, Compliance and Risk Management Committee provides assistance to the Board in fulfilling its risk management responsibilities as set out in the Committee Charter.
Managing Director	The Managing Director is required and is delegated authority by the Board to: <ul style="list-style-type: none"> (i) design and implement a risk management and internal control system to manage the Company's material business risks; (ii) review and approve the risk profile of the Company; (iii) review and approve the controls and strategies implemented for the management of identified risks; (iv) allocate 'risk owners' to implement controls and strategies; (v) require reporting by 'risk owners' on the performance of controls and strategies to manage risks; (vi) review annually the Company's financial capacity to absorb risk and approving appropriate exposure limits; (vii) report to the Board on whether risks are being managed effectively. <p>The Managing Director is accountable to the Board, through regular reporting to the Audit Committee and the Board.</p>
Risk Owners	Risk Owners are accountable to the Managing Director for: <ul style="list-style-type: none"> (i) the development, implementation, maintenance and review of appropriate controls and strategies to manage allocated risks; (ii) reporting to the Managing Director on controls and strategies.
Enterprise Risk Management	The ERM Facilitator is accountable to the Managing Director to facilitate and co-ordinate risk management activities by Risk Owners under the ERM Framework.

("ERM") Facilitator	
Employees	All employees are responsible for taking all reasonable and practicable steps to perform their responsibilities delegated under this policy and related procedures.

3. End of Financial Year Reporting

At the conclusion of each financial year, the Managing Director reports to the Board that the company's risk management system and agreed controls and strategies have been operating effectively in relation to material business risks for the financial year and that nothing has occurred within the financial year that would materially change the position.

At the conclusion of each financial year, the Managing Director and Chief Financial Officer must report to the Board in writing that:

- (i) the financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- (ii) the Company's risk management and internal compliance and control system which underpins the integrity of the Company's financial reporting is operating effectively in all material respects.

4. Methodology

Consistent with this policy, in August 2008, the Board adopted an Enterprise Risk Management Framework ("the ERM Framework") which provides a step by step process to manage risks in a structured and systematic way and complies with the Australian Standard on Risk Management AS/NZS 4360:2004.

The methodology under the ERM Framework follows the seven steps outlined in the Australian standard, tailored to meet the Company's requirements.

- (i) Establish the context - what is in scope and what is not in scope for each level of risk assessment?
- (ii) Identify risks - what could happen? How and why could it happen?
- (iii) Analyse risks - how likely is it to happen and what are the possible consequences?
- (iv) Evaluate and prioritise risks - relevant internal controls are considered and evaluated and a decision is made as to whether these controls are adequate and appropriate to mitigate the level of risk and whether or not further controls are warranted to reduce the risk to an acceptable level.
- (v) Treat risks - Risk treatment strategies are evaluated and selected and the risk is 're-rated' factoring in the proposed treatment strategies.
- (vi) Monitor and review
 - The Audit Committee reviews the Company's risk profile quarterly.
 - The Audit Committee reviews the ERM Framework annually and recommends any amendments to the Board.
 - The Managing Director reports annually to the Board at the conclusion of each financial year on the implementation of the ERM Framework.
 - The Managing Director and Chief Financial Officer provide the statutory assurance in relation to the financial reports being based on an effective financial risk management system.

5. Key risks

The key risks currently under management by the Company in accordance with this Policy and the ERM Framework are as follows:

- (i) Professional Liability.

- (ii) Law Reform- the Company is exposed to regulatory reform its practice areas and as an incorporated legal practice.
- (iii) Acquisition & Growth- there is a risk that the Company may not achieve its strategic objectives to grow the business through acquisitions and diversification and expansion of practice areas, alternatively such growth objectives may not realize the forecast profits.
- (iv) Recruitment & Retention- there is a risk that the Company may not be able to recruit or retain suitably qualified or experienced people to achieve strategic objectives
- (v) Competition- there is a risk that the Company will not be in a position to continue to compete effectively with current or future competitors.
- (vi) Reputation & Intellectual Property- there is a risk that the Company's reputation may for providing high quality legal services and access to justice for clients may be damaged. There is a risk of unauthorised use of the Company's intellectual property.
- (vii) Information Systems and Operational Risk- there is a risk that of catastrophic information system failure or other operational failure or malfunction.
- (viii) Employee Misconduct.
- (ix) Governance Failure.
- (x) Economic Risk, Market Conditions, Liquidity and Investment Returns.

These remain the same as the key risks disclosed in the prospectus dated 13 April 2007.

This Risk Management Policy was adopted on 25 February 2009 by the Board of Slater & Gordon Limited.