

SKS Technologies

Risk Management Policy

SKS Technologies (the Group, or the Company) has developed a corporate governance framework ("CGF") including supporting policies and practices consistent with the **Corporate Governance Principles and Recommendations 3rd Edition** ("ASX Governance Principles").

The Board reviews and updates the corporate governance framework as required.

Our main corporate governance and other policies are available on our website (www.sks.com.au/investor-centre). Details of our Risk Management Policy is set out below.

Overview of the Policy

The Risk Management Policy aims to ensure that all material business risks are identified and mitigated.

Board Responsibilities

The Board requires management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board requires that the Managing Director designs and implements continuous risk management and internal control systems and provides reports at relevant times.

The Board is responsible for implementing the Company's risk management system. Among other things it will:

- a) Oversee the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements;
- b) Assist management to determine the key risks to the businesses and prioritise work to manage those risks; and
- c) Review reports by management on the efficiency and effectiveness of risk management and associated internal compliance and control procedures.

Management Responsibilities

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. The Company's process of risk management and internal compliance and control includes:

- a) Identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives and monitoring the environment for emerging factors and trends that affect these risks.
- b) Formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls.
- c) Monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

To this end, developing and refining practices that are directed towards achieving the following objectives:

- a) Compliance with applicable laws and regulations.
- b) Preparation of reliable published financial information.
- c) Implementation of risk transfer strategies where appropriate e.g. insurance.

Key Risk Management Measures

- Effective 1 January 2018, the board stipulated the requirement for management to undertake a comprehensive due diligence process, in consultation with its external legal and other advisers prior to making any acquisitions.
 - The Board implemented a new Group Credit Risk Policy aimed at outlining how SKS Technologies and its operating subsidiaries manages and addresses Credit Risk. Credit Risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining maximum security protection over its debtor's book by way of trade credit insurance, as a means of mitigating the risk of financial loss from defaults. Exceptions to this Policy will only be allowed in limited cases and subject to the approval procedures as defined therein.
 - The Chief Operating Officer and Chief Financial Officer provide written assurance to the board on an annual basis that to the best of their knowledge and belief, the declaration provided by them in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.
- These can only be reasonable rather than absolute due to factors such as the need for judgement and possible weaknesses in control procedures.
- Any material changes in the company's circumstances are released to the ASX and included on the company's website.