



OPENDNA LIMITED

ACN 613 410 398

Risk Management Policy

Overview

The Company operates in the internet software industry where there are a number of risk factors inherent to its operations.

The Company mitigates its risk factors primarily by ensuring it has a suitably qualified and experienced Board of Directors with a range of professional qualifications or experience appropriate to the industry and business sector in which it operates.

Recognition of these risk factors and subsequent effective management, control and reporting of risk are an essential part of the Company's day to day operations to minimise potential losses and create medium to long term shareholder wealth.

This Policy sets out the Company's risk management framework which includes its approach to risk, the Company's risk profile and register, the responsibilities of the Board, management and others in relation to risk management, the Company existing risk management structures and its annual program of risk management activities.

Establishment and review of policies

The Board as a whole is ultimately responsible for establishing and reviewing the Company's policies on risk profile, oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Risk profile

Risk management policies and procedures shall be adopted to identify, assess and minimise material risks affecting the Company including the following categories:

- operational;
- environmental;
- sustainability;
- compliance;
- strategic;
- ethical conduct;
- reputation or brand;
- technological;
- product or service quality;
- human capital;
- financial reporting;
- market-related risks.

Risk register

The individual risks which fall within the Risk profile are included in the Company's Risk register.

The management of individual risks will be allocated to senior management and individuals within the organisation and noted in the Risk register.

All risks identified in the Risk register will be reviewed and assessed by management and the Board on an ongoing basis.

Management responsibility

The Company's risk management program will be implemented by senior management as follows:

- ensuring that matters affecting the goals, objectives and performance of the Company and the safety of its stakeholders are identified and assessed by an operational risk management framework in accordance with industry accepted standards;
- obtaining and regularly reviewing insurance for the Company relevant to managing material risks;
- implementing and maintaining internal control systems which will be identified in conjunction with the external auditors;
- monitoring and verifying the Company's compliance with record keeping and operating requirements, including all requirements of law including indigenous and community rights and environmental obligations; and
- minimising the potential for loss or damage resulting from risks affecting the Company.
- Senior management shall report to the Board at least once a year as to the effectiveness of the Company's management of its material risks.

Review by the Board

The Board must review the effectiveness of implementation of the risk management system at least annually.

When reviewing risk management policies the Board should take into account the Company's legal obligations and should also consider the reasonable expectations of the Company's stakeholders, including security holders, employees, customers, suppliers, creditors, consumers and the community.

Chief Executive Officer

The Chief Executive Officer is required annually to state in writing to the Board that the Company has a sound system of risk management, that internal compliance and control systems are in place to ensure the implementation of Board policies, and that those systems are operating efficiently and effectively in all material respects.

Verification of financial reports

The Chief Executive Officer and Chief Financial Officer (or equivalent) are required by the Company to state the following in writing prior to the Board making a solvency declaration pursuant to section 295(4) of the Corporations Act:

- that the Company's financial reports contain a true and fair view, in all material respects, of the financial condition and operating performance of the Company and comply with relevant accounting standards; and
- that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the Chief Executive Officer and Chief Financial Officer can only be reasonable and not absolute. This is due to such factors as the need to apply judgment, reasonable enquiry and practical and efficient internal control systems, inherent limitations to internal control and because much of the evidence available is persuasive and changing rather than conclusive and set and therefore is not and cannot be designed to detect all weaknesses in control procedures.

Audit & Risk Management Committee

The Company has not formed a separate Audit & Risk Management Committee. The Board as a whole is responsible for the provision of appropriate quality assurance regarding procedures and processes in relation to:

- the external audit function;
- reviewing the quality and accuracy of published financial reports;
- reviewing the accounting function and ongoing application of appropriate accounting and business policies and procedures; and
- any other matters relating to risk management

Audit and role of Auditor

The Company's internal preparation for the Half Yearly audit review and the Financial Year audit includes preparing the Financial Statements and accompanying explanatory notes, conducting a series of routine reviews and financial tests and reviewing the carrying values of all assets.

The Company's Auditor is required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

Risk management structures

The Company maintains a number of policies and practices designed to manage specific business risks. These include:

- Regular budgeting and financial reporting;

Executive management report to the Board each month in respect of operations and the financial position of the Company and ensuring all legal, reporting, compliance matters and other obligations are met.

- Clear limits and authorities for expenditure levels;

The Company's Policy on Authorised Expenditure Limits and Capital Expenditure Guideline sets out the authorities and expenditure levels of senior management and is required to be approved by the Board.

- Compliance with continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company's *Disclosure policy* sets out the procedures, roles and responsibilities of directors, officers and employees for ensuring compliance with continuous disclosure obligations.

Risk Management Program

The Company's annual risk management activities are divided into quarters as follows:

Quarter One commencing 1 July

Senior management undertakes the following activities:

- documents and/or reviews the Company's *Risk Management Policy*;
- publishes any updates to the Company's *Risk Management Policy* on the Company's website;
- reviews the Company's *Board Charter* and role descriptions for management to ensure accountability for all risk management is included;
- identifies or reviews material business risks, develops risk management strategies and presents full company risk profile by completing a risk register; and
- allocates and/or reviews owners of critical material business risks in the risk register.

The Board determines the Company's overall risk tolerance levels, approves senior management's risk management policy and provides input into the Company's risk profile.

Quarter Two commencing 1 October and Three commencing 1 January

Senior management reviews the status of risk management strategies and reviews and updates the risk register and/or completes an individual risk report for critical material business risks and provides the register and/or the report to the Board.

The Board notes the updated risk register / individual risk reports and questions management as it considers necessary.

Quarter Four commencing 1 April

Senior management undertakes the following activities:

- reviews and updates the risk register and/or completes an individual risk report for critical material business risks and provides the register and/or the report to the Board;
- the CEO/CFO provide a certification that the declaration provided 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 all material respects in relation to financial reporting risks, in accordance with the requirements of Recommendation 7.3;
- the CEO provides a summary of the Company's management of its material business risks and report to the Board on the effectiveness of whether those risks are being managed effectively, in accordance with the requirements of Recommendation 7.2; and
- prepares the annual report disclosure with respect to Recommendation 7.4 for the Board's approval.

The Board undertakes the following activities:

- notes the updated risk register and/or individual risk reports and questions management if required;
- notes the CEO/CFO certification for the purposes of Recommendation 7.3;
- notes the CEO summary regarding the effectiveness of the Company's management of material business risks for the purposes of Recommendation 7.2; and
- approves the annual report disclosure with respect to Recommendation 7.4.

Continuous improvement

The Company's risk management system is evolving. It is an on-going process and it is recognised that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities.