

WEBFIRM GROUP LIMITED

Business Risk Management Plan

“Finding the balance between protecting our assets and growing them”

Introduction

Risk is the exposure to the possibility of loss or gain, damage or injury, delay or termination, as a consequence or a particular course of action be pursued or not pursued.

Risk arises out of uncertainty and management of risk is a key part of managing any business. Ultimate responsibility for risk management rests with the directors, however all employees have a role to play. The Board takes a prudent approach to considering and responding to risks that pose a material threat to Webfirm having regard to the size and nature of the business.

Risk is inherent in everyday corporate life, and all companies constantly face risks in or to their business – some inherent to undertaking business generally, some industry specific, and some are specific to the Company itself.

The need to manage risk (to take action, or decide to take no action, to offset a potential unfavourable future event) is of fundamental importance for managers and staff. It is a proactive activity that requires rigorous, responsible, and commercial forward thinking. It results in better preparedness.

Risk management involves identifying potential events that may impact on the Company, quantify the impact and likelihood of the occurrence and then manage the risk in accordance with the Company's risk appetite. The Company's risk appetite (i.e. the amount of risk the Company will assume in pursuit of its goals) should be defined and articulated by the Board and CEO.

Risk management is not about eliminating risk, but merely managing risk having regard to likelihood of an adverse event occurring and potential damage from that event to the Company. It also must be noted that risk management should have regard to the size and nature of the Company, and the amount of resources it has to allocate to risk management.

In simple terms, the art of risk management is to *“pick important problems and fix them”*

Staff should be made aware of potential risks and how to manage them on a day-to-day basis in their roles. Actions by staff that place the Company at material risk should be disciplined.

Directors will regularly monitor the key risks – those that are most material to the business.

Objectives

The objectives of managing risk are as follows:

- A. To minimise personal harm to employees
- B. To prevent loss of Company assets
- C. To avoid penalties for legal non-compliance
- D. To reduce costs associated with unfavourable events
- E. To optimise the allocation of capital and resources
- F. To exploit opportunities
- G. To improve productivity
- H. To preserve the Company's reputation
- I. To maximise sales of Company product
- J. To increase returns to shareholders

Method

The Company will follow the following approach to risk management planning:

1. Review and consider the organisational context
2. Prepare, with the assistance of other business units, a matrix of possible threats to the Company and/or its operations.
3. Categorise each of the threats identified into key areas of risk (or risk categories).
4. Analyse and rank these threats according to their likelihood of occurrence and according to the potential quantum of damage, impact or consequence on the Company.
5. Develop and implement responses (management and mitigation steps) to each risk, commencing with those that rank highest in terms of materiality.

Risk Categories

The Company has determined that the threats to the business can be placed into the following categories (some risks may fall into more than one category):

- **Strategic and Market risk** – risks associated with competitive or operational difficulties in the Company's chosen fields of product, services and operations.
- **Financial risk** – threats to the Company's financial performance or to the Company's financial position.
- **Asset and Resources risk** – threats to the Company's fixed assets and other tangible resources upon which it relies in the performance of its operations.
- **Personnel and Productivity risk** – threats to the health and safety, productivity and general well-being of the Company's employees.
- **Intellectual Property and Information risk** – treats pertaining to the unauthorized disclosure and/or misuse of corporate information or other intellectual property of the Company or third parties.
- **Product and Operations risk** – risks associated with the development, performance and operation of products and services produced and/or sold and/or delivered by the Company.
- **Technological and Systems risk** – risk associated with the current or future technology and systems employed by the Company in either its production and service delivery, or its administration.
- **Legal and Compliance risk** – risk associated with the potential for stakeholders (shareholders, staff, customers, suppliers, regulators or other persons) to take action in respect of a grievance against the Company.

Risk Ranking

The risks identified by the Company will be scored on two dimensions:

1. **Impact** – the perceived magnitude of the damage or consequence should the event occur. Impact will be ranked as follows:
 - 5 – Extreme:** would threaten the survival of the business or program
 - 4 – High:** would materially damage assets, financial position or stakeholder well-being
 - 3 – Medium:** enough to cause a review or change in direction for the business or program
 - 2 – Low:** would adversely threaten the efficiency of effectiveness of the business or a program
 - 1 – Negligible:** would have consequences that can be dealt with by routine operations
2. **Likelihood** – the perceived chance of the event occurring once or regularly. Likelihood will be ranked as follows:
 - 5 – Almost Certain:** The event will occur on at least an annual basis
 - 4 – Likely:** The event occurs several times in an average career
 - 3 – Possible:** The event has not yet occurred but there is good reason to expect it might
 - 2 – Unlikely:** Have not experienced the event, but heard of such an event occurring elsewhere
 - 1 – Rare:** One off event or occurs only in exceptional circumstances

Risks identified will be evaluated using a qualitative approach. The scores on each dimension will be multiplied together (giving the following possible risk scores: 1, 2, 3, 4, 5, 6, 8, 9, 10, 12, 15, 16, 20, 25). The current size and nature of our company, and the limited amount of resource we have to apply, any risk with a score of 15 or greater will be first priority.