

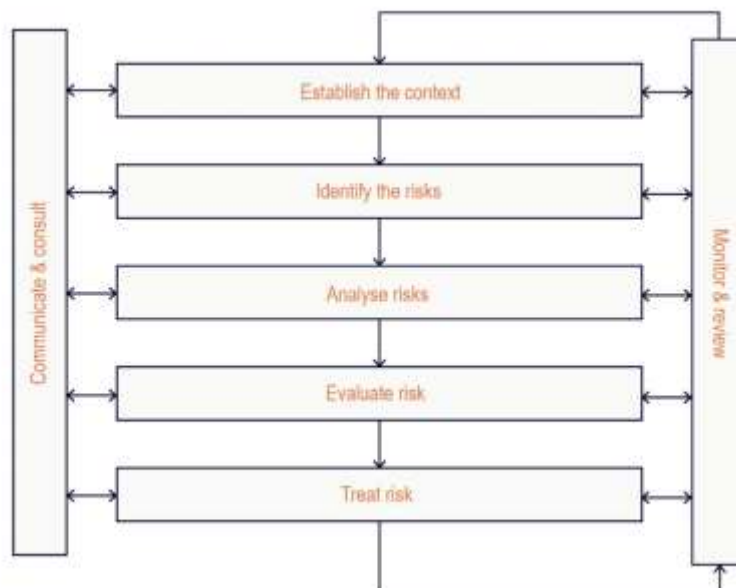
RISK MANAGEMENT

Risk management is recognised by our Company as an integral part of good management practice. To be most effective, risk management needs to become part of our culture. It will be integrated into the organisation's philosophy, practices and business plans rather than be viewed or practised as a separate program. When this is achieved, risk management becomes the business of everyone within the organisation.

Risk management is the term applied to a logical and systematic method of:

- Hazard and risk identification;
- Risk Assessment;
- Risk Control;
- Control implementation; and
- Evaluation and monitoring.

Our risk management process is described by the following diagram:



To assist SPS in following this process we have decided to utilise the acronym “**SAFER**”:

See it (identifying hazards/aspects)

Assess it (risk assessment)

Fix it (risk control)

Evaluate it (evaluation)

Review it (review).

This can be further detailed as:

1. **See it** (hazard/aspect Identification).
2. **Assess it** (risk assessment) – the likelihood that someone or something will be hurt (how much, how long and how often a person is exposed to the hazard/aspect) and the severity & consequences (how they could be hurt and how badly they will be hurt) from the hazard/aspect.
3. **Fix it** (risk control) – how are the hazards/aspects going to be controlled? If elimination of the hazard/aspect is not possible, other controls should be implemented to reduce potential risks. These controls may include testing of equipment, safe systems of work and personal protective equipment. Follow the hierarchy of controls.
4. **Evaluate it** – once the most appropriate fix has been selected and implemented it is important to evaluate whether the fix has been successful in controlling the hazard/aspect. By simply re - assessing the risk again you can establish if the hazard/aspect has been eliminated or reduced.
5. **Review it** – after a period of time, when the work environment or a work practice changes, a review of this process may be needed to continually control the hazard/aspect.

SPS's Risk Management plans identify and categorise risk into two main areas (1) Known Hazard Risk; and (2) Uncertainty-based Risk.

1. **Known Hazard Risk Identification**

SPS defines a “known hazard” as a potential situation that poses a threat to SPS's ongoing security, and for which we have an element of control over. This includes areas such as contract performance e.g. contract retention, financial management e.g. cash flow, industrial relations e.g. unfair dismissal and OHS&E issues e.g. workplace injury, Chemical spills, Health & Wellbeing (Physical & Mental health). SPS has developed a comprehensive range of policies and procedures to effectively manage and minimise the impact of known hazards on our business. For example:

- Third party certification for our Quality Management System ensures we are minimising the risk of delivering an inconsistent level of service to our clients. As processes and procedures throughout the organisation are standardised, monitored and reviewed, ensuring consistent and innovative service delivery. This relates to both operational and administrative functions within SPS's business operations.
- Third party certification for our OH&S Management System minimises the risk associated with any potential workplace injury. SPS has a 'Zero Harm' philosophy

that is consistently communicated to our staff.

- The elimination of all Hazardous Chemicals from our sites has reduced the risk associated with the use of potentially harmful and/or dangerous substances for staff and clients.

2. **Uncertainty - based Risk Identification**

Because the direct cause for uncertainty-based risk is generally unpredictable and largely beyond SPS's control, we have focused on developing strategies and plans to respond to envisaged scenarios whilst minimising any business disruption to our Company and our clients.

An example of our high level of preparedness can be demonstrated by our response to the recent 2011 Brisbane Flood event. Our Head Offices on Ipswich Road at Rocklea were inundated with over three meters of floodwater completely destroying our facilities. SPS's focus on risk management strategies were fully tested by this event. SPS's risk management plan enabled the:

- pre-identification and strategic removal from site all critical hard and software to ensure no disruption occurred our clients and staff;
- effective establishment of alternative office space knowing the exact requirements to maintain business continuity;
- security and integrity of SPS intellectual property and corporate data; and
- access to a pre-established capital disaster fund to enable the quick rebuild of the office without disruption to business cash-flow.

As is the desire for SPS to provide and promote a safe & healthy workplace, SPS's risk management plans are continuously being reviewed for improvement and updated.