

FOSTER'S GROUP LIMITED

RISK & ASSURANCE FRAMEWORK

Purpose of the Risk & Assurance Framework

This Framework describes Foster's risk and assurance systems and the supporting management disciplines in place to bring these systems to life. It explains the philosophy and structure required to recognise business improvement opportunities through the management of risk.

This Framework is action-oriented. It requires people to focus on the right things, prepare effective action plans and to be held accountable for their actions.

All Foster's employees have a role to play in managing risk. Employees are encouraged to report incidents, hazards and risks without fear.

The management of risk is undertaken not as a separate discrete function, but as an integrated ingredient in the way we work.

Foster's Risk and Assurance Framework is founded on a clear risk management philosophy and accountabilities driven by governance and operation.

Risk Management Philosophy & System

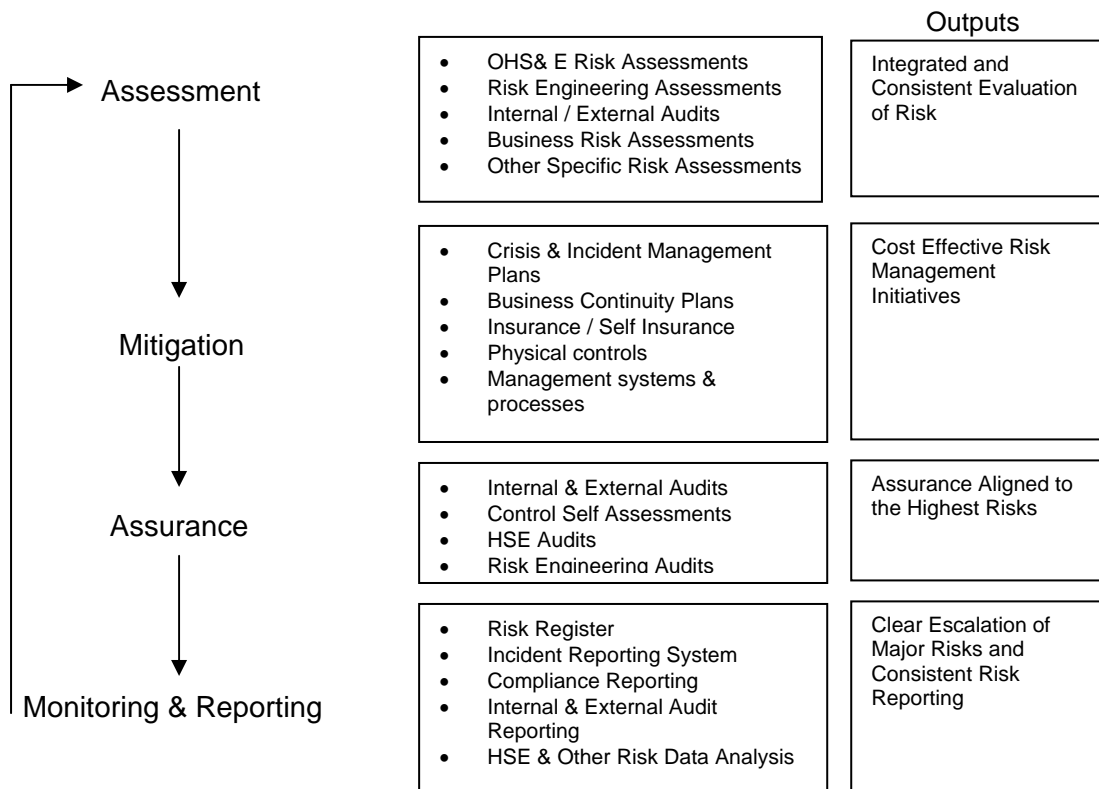
General Principles

The cornerstone to Foster's Risk Management philosophy is that better business outcomes are achieved by understanding and managing risks that threaten Foster's business objectives. The embedding of risk management systems into key business strategies, processes and projects assists in maximising shareholder value.

The management of risk does not mean that all risks must be eliminated. Foster's management of risk is based on normal business case criteria where the cost and benefits of implementing risk management strategies must be weighed against Foster's business strategies to facilitate balanced decision making. Upon the thorough assessment of risks and their mitigation options, employees and management may accept or tolerate risk within their delegated authority limits. Where a residual risk exceeds the delegated authority of management, management's recommendation is referred to the Board through either the Risk & Compliance Committee or the Audit Committee.

Risk Management System

To support the operational effectiveness of the general principles and to apply a risk rating system so that resources can be appropriately allocated, the below risk and assurance system and processes including their designed outputs mapped against each major component, has been adopted.



A Risk Rating System which provides parameters for the estimation of the consequences and likelihood of risks is maintained to support the risk assessment process and enable the consistent application of the general principles across Foster's. The Risk Rating System measures the impact of risks against the following key exposures, and ranks risks accordingly.

Decisions as to the acceptance, avoidance and treatment of risk are driven by the ranking of risks under this Risk Rating System.

Governance & Operation

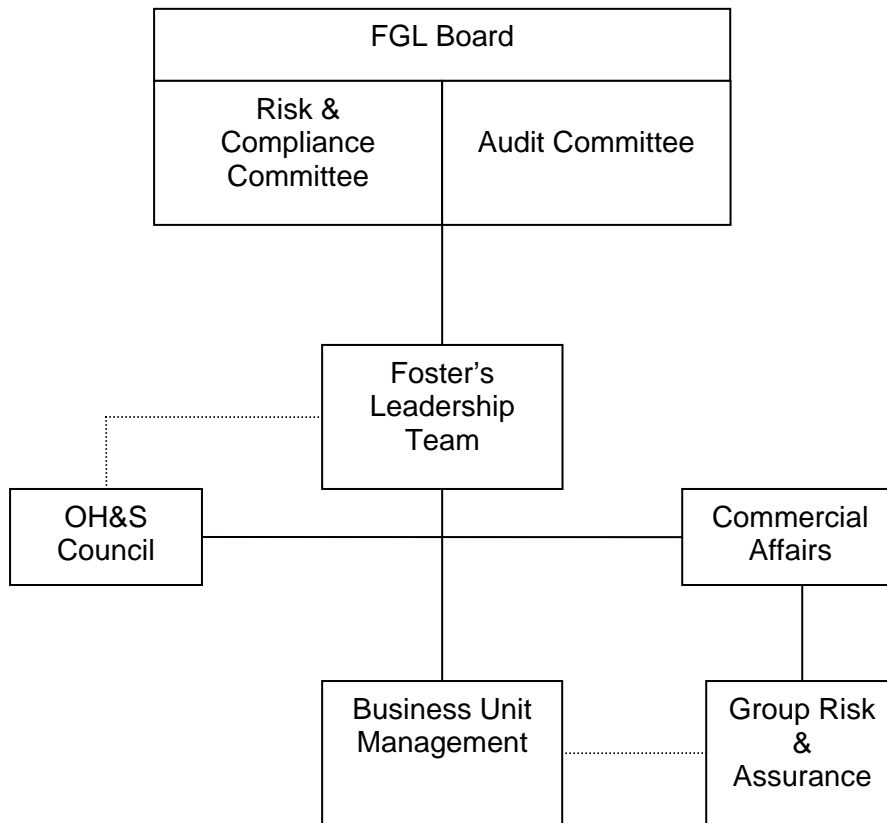
An essential part of the governance of the risk and assurance framework includes defined roles, responsibilities and relationships for the supervision and oversight of risk and assurance within Foster's

Oversight of Foster's Risk & Assurance Framework is the responsibility of the Board, which is assisted by the Risk and Compliance Committee and the Audit Committee.

Foster's Leadership Team is accountable for ensuring systems, procedures and controls are in place so that risks are managed to an acceptable level. The Leadership Team is assisted by Group Risk & Assurance in developing systems to identify, assess, mitigate, monitor and report risk material to the Board.

Business Unit Management is responsible for the application of Foster's risk management principles to ensure that the business operates within the overall Risk & Assurance Framework.

Foster's Risk & Assurance Governance & Operation Structure



Key roles of functions of the chain of governance include:

Foster's Board

- Oversight of the Risk & Assurance Framework
- Approval of risk management philosophy, including risk appetite, tolerance, reporting systems and assurance process to determine effectiveness of internal controls.
- Through the Risk & Compliance Committee –
 - Maintain oversight of the strategic, operational and compliance risk and assurance systems
 - Recommend risk and assurance oversight and systems to the Board
 - Review all material strategic and operational risks and compliance matters and monitors the effectiveness of controls
- Through the Audit Committee –
 - Maintain oversight of financial risks and audit systems
 - Evaluate key financial risks
 - Review and evaluates all material capital management finance and treasury risk management proposals
 - Review all material financial risks and evaluate all material capital management, finance and treasury risk management proposals.

Foster's Leadership Team

- Establish the risk management philosophy and ensure it is implemented consistently through the business.
- Ensure that appropriate resources are allocated to risk management within the business
- Ensure that appropriate and timely action is taken to address issues raised by Management or Group Risk & Assurance
- Ensure that appropriate systems, procedures and controls are in place so that risks are managed to an acceptable level.
- Ensure effective risk and assurance reporting exists against the highest rated risks.

Business Unit Management

- Application of the risk management philosophy
- Provide assurance on effectiveness of controls
- Report outcomes of risk management programs

Group Risk & Assurance

- Provide integrated risk and assurance services to the Business
- Coach and facilitate risk management skills and capability
- Develop tools and technology to enable risk management capability
- Share relevant risk related information throughout the Business
- Monitor and challenge the application of risk management philosophy in the Business
- Manage Foster's internal audit and assurance systems
- Manage Foster's insurance and self-insurance systems and arrangements
- Facilitate Foster's OH&S system and audits.

Occupational Health & Safety Council

- Monitor company-wide implementation of OH&S plan and systems
- Contribute to framing Foster's strategic plan for occupational health and safety
- Provide update to the FLT and Board on both lead and lag performance.