

Sound Financial Reporting & Management

Risk Oversight and Management of Material Risks

PMP views risk management as a continuous process and a fundamental driver of effective corporate governance and value generation.

Businesses to identify material risks and implement appropriate mitigation processes. To this end, PMP maintains a Risk Management Framework that provides a consistent and systematic view of the risks faced by the company. The risk identification, analysis, treatment and monitoring procedures follow Risk Management Standard ISO: 31000 and Principle 7 of the ASX Corporate Governance Principles and Recommendations

The Board has responsibility for the design and implementation of an effective system of risk management and internal control. The Audit and Risk Management Committee provides assistance to the Board by reviewing, assessing and making recommendations in relation to the Risk Management Framework, supporting systems and the internal control structure.

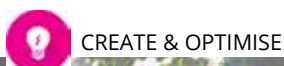
Management, through the Chief Executive Officer, is responsible for designing, implementing and reporting on the adequacy of PMP's risk management and internal control system. Management, with the assistance of the Group Risk and Assurance Manager, reports to the Audit and Risk Management Committee on the company's key risks and the extent to which it believes these risks are being managed. This is performed on a quarterly basis or more frequently as required by the Board or relevant subcommittee.

The Audit and Risk Management Committee receives biannual assurance, or more frequently as required, that the system of risk management and internal control are sound and operating effectively through reports presented to the Audit and Risk Management Committee, including management representations and Internal Audit.

Risk Management Framework Summary

A standardised approach to risk assessment is used across the group to ensure that risks are consistently assessed and reported to an appropriate level of management, and to the Board if required.

Risks are reviewed at least annually by all operating divisions as part of the annual strategic planning, business planning, forecasting and budgeting process. Divisional risk profiles are also reviewed as part of the quarterly due diligence process within these divisions, with a positive assurance being provided by executive management that their risk profiles are complete, accurate and current.



Significant business risks are required to be owned by a member of the Executive Management Team. These risks are specifically reported on at each of the four scheduled Audit and Risk Management Committee meetings. Executive Management Team members may be required to attend these meetings to assist the Audit and Risk Management Committee assess the risks and management's planned response to these.

Management committees also meet regularly to deal with specific areas of risk such as Occupational, Health and Safety (OHS) risk.

The Audit and Risk Management Committee also receives reports on the status of the implementation of the Risk Management Strategy and supporting framework.

Delegation of Authority Policy*

PMP's Delegation of Authority Policy aims to ensure transparency in decision making and protect individuals and the company from any suggestion of impropriety. It requires managers to confer up the management chain when making significant decisions and prevents conflicts of interest from interfering with termination or hiring decisions. The Policy also prevents any contract or arrangement being authorised, or approved by delegation, by any employee with a conflict of interest.

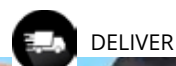
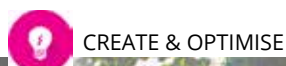
Management Representation

Detailed and comprehensive questionnaires are completed by all business units and functional management on a six monthly basis. These questionnaires include managements' assessment of risk management, financial reporting and the internal control environment operating within each business unit. The questionnaires are reviewed by executive management and external audit as part of the half-yearly reporting to the market and to achieve compliance with section 295A of the Corporations Act and Recommendation 7.3 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Based on the questionnaires, the Board receives written assurance from the Chief Executive Officer and the Chief Financial Officer that, to the best of their knowledge and belief, the declaration provided to them 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.

Internal Audit

The internal audit function conducts a series of risk-based reviews based on a plan agreed with management and the ARMC. In order to ensure the independence of the internal audit function, the ARMC review and endorse the planned internal audit activities.



Audit and Risk Management Committee*#

The Audit and Risk Management Committee provides assistance to the Board in relation to its corporate governance and oversight responsibilities by reviewing, assessing and making recommendations in relation to:

- Ethical considerations and compliance with the Code of Conduct;
- Financial reporting;
- Internal control structure;
- Risk management framework and systems;
- Policies to reduce exposure to fraud;
- Health, safety and the environment; and
- Internal and external audit functions.

Under its Charter, the ARMC consists of at least three Non-Executive Directors, a majority of whom are required to be independent. The Committee must include members who are financially literate; at least one member shall have relevant qualifications and experience (qualified accountant or other financial professional with experience of financial and accounting matters); and some members shall have an understanding of the industry in which PMP operates. The Chairman must be an independent Non-Executive Director who is not the Chairman of the Board.

The Audit and Risk Management Committee has direct and unlimited access to the external auditors. The external auditor and the Group Risk and Assurance Manager have direct and unlimited access to the ARMC.

Appointment and Compensation Committee*#

The Committee's primary functions are to provide support and advice to the Board on:

(Appointments) To formulate policy for board composition, renewal and evaluation;

(Compensation) The level and composition of remuneration; disclosure of remuneration policies, level and mix of remuneration; and the process for setting remuneration and assessing performance; and

(Diversity) To support the principles of diversity at the Board and senior management levels and through out the business in accordance with ASX corporate governance principles and other regulatory requirements.

