



Corporate Governance Policy – Risk Management

Healthzone Limited
ACN 118 715 772

Dated: 28 September 2009

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(Company)

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1. Introduction

- 1.1 This Policy is designed to ensure that the culture, processes and structures of Healthzone Limited (the Company) facilitate realisation of the Company's business objectives whilst risks are recognised, monitored and wherever possible, mitigated;
- 1.2 To the extent practicable, the Company's systems of risk oversight, management and internal control comply with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.
- 1.3 The Policy was adopted by the Board on 28 September 2009.

2. Application

- 2.1 The Policy applies to all financial and operational business risks that the Company faces in carrying on its business.
- 2.2 Risks governed by this Policy include potential risks.

3. Objectives

- 3.1 The objectives of this Policy are to:
 - (1) encourage appropriate tolerance of risks across the Company;
 - (2) establish procedures to analyse risks within agreed parameters across the Company;
 - (3) establish appropriate risk delegations and corresponding frameworks across the Company; and
 - (4) ensure the Company has in place a risk framework which can measurably react should the risk profile of the Company change.

4. Risk Management Framework

The Company believes that risk should be managed and monitored on a continuous basis. The Company has designed a framework to allow it to achieve its business objectives whilst assisting management and ideally, providing early warnings of risks.

Key components of the Policy which bring together a number of procedures and controls within the Company are as follows:

- Identification and assessment of all risks.
- Monitoring and wherever possible, mitigation, of identified risks.
- Periodic reporting.
- Assessment of effectiveness of risk management framework.

Each component is considered in turn below.

4.1 Identification and assessment of all risks

Each Business head is responsible for the continual identification and subsequent reporting by all employees of risks within their specific Business division.

Risks across all Company Businesses will be centrally collated and assessed by the Chairman and CFO and reviewed by the Audit & Remuneration Committee (the "Committee").

4.2 Monitoring and mitigation of identified risks

Risks which have been identified and assessed should be continually, but as a minimum periodically, reviewed by the Committee, with the assistance of the relevant Business heads.

To the extent possible, steps should be taken to mitigate identified risks or lessen any exposure to the Company and appropriate precautions for reoccurrence be communicated across the appropriate Business divisions.

4.3 Periodic reporting

The Committee assists the Board with a range of governance oversights, having responsibility for among other things, overall risk management.

At Committee Meeting the Committee will review the risks of each Business Unit and of the Company as a whole through regular reports from Business Heads.

In accordance with its Committee Charter, the Committee will regularly report on its activities, issues and related recommendations to the Board.

4.4 Assessment of effectiveness of Risk Management Framework

In accordance with its Charter, the Board of Directors are responsible for, among other things, ensuring that effective risk management programs are in place to protect the Company's assets and shareholder value.

The Company's risk framework should promote a robust structure so that all risks are appropriately identified, assessed, monitored and mitigated wherever possible, across all businesses divisions. Assessment of all aspects of the Company's risk framework (including the comprehension of all 'material' business risks and a performance review of the Committee) by the Board of Directors should take place on an annual basis.

In addition, all Directors, Business Heads and Senior Management, should promote a culture of voluntary and transparent risk reporting and ongoing, regular risk assessment throughout all levels of the Company.

5. Specific Risk Framework Tools

As part of the Company's risk framework, the following guidance is given with respect to certain commonly identified risks.

5.1 Financial risks

5.1.1 Financial Delegations

As part of the risk framework, the Company's processes include:

- financial delegations, differentiating between budgeted and non-budgeted items and between capital and operational expenditure, across various managerial levels;
- procedures for approving amounts within and under delegation; and
- procedures for reporting to the Board of Directors those amounts (over material thresholds) approved under delegation.

5.1.2 Insurance

As part of the risk framework, the Company's processes include:

- procedures with respect to insurance renewals; and
- procedures with respect to the introduction of new insurances.

5.1.3 Taxation

As part of the risk framework, the Company's processes include procedures to ensure that the Company is compliant with the relevant taxation legislation.

5.1.4 Treasury

As part of the risk framework, the Company's processes include procedures to monitor, analyse and assess the impact of:

- interest rates

- foreign exchange rates
 - any other key economic metric,
- on the Company's Business.

5.2 Operational risks

5.2.1 Workplace

As part of the risk framework, the Committee reviews the Company's Occupational Health and Safety obligations so that the Company can provide a working environment that is safe and without risks to health.

5.2.2 Group Compliance and Quality Assurance

As part of the risk framework, the Company's processes include procedures to report on compliance with Quality Assurance standards. Procedures include identifying and reporting on Quality issues identified and establishing processes to reduce the risk of the Quality issue.

5.2.3 Personnel

As part of the risk framework, the Board of Directors has approved an overarching remuneration philosophy, the design of which ensures that the level and composition of remuneration is competitive, reasonable and appropriate for the Company's results delivered and to attract and maintain talented and motivated directors and employees.

5.2.4 Legal

As part of the risk framework, legal matters are referred to the CEO by the relevant Business division. Where requested, Business divisions will arrange for external legal advice to be received or may refer the matter to the Company Secretary who in turn arranges external advice. The Board is notified of any legal matters to ensure that applicable codes of conduct are followed along with legal compliance.

5.2.5 Strategic

As part of the risk framework, the Company's processes include procedures to monitor, analyse and assess the impact of, and wherever applicable, prevent or challenge:

- industry trends and market changes;
- changes in the labour markets;
- a loss of a key contract or several contracts;
- a negative impact of reputation; and
- increased competition.