



ARISTOCRAT LEISURE LIMITED

Risk Management Policy Statement

This document provides a summary of Aristocrat's policies for the oversight and management of material business risks

The Board recognises the importance of effective risk management in pursuing the Company's objectives and has put together the processes and structures to enhance the Company's environment for identifying and capitalising on opportunities to create value and protect established value.

1. RISK MANAGEMENT SYSTEM

The Company's risk management system is supported by a well-structured framework and policy, which are established based on the guidelines from AS/NZS 4360:2004 Risk Management and the 2007 ASX Corporate Governance Principles and Recommendations. It exists to mitigate threats, reduce uncertainties and capture lost opportunities for Aristocrat and all its entities.

The following principles form the basis of the Company's risk management policy:

- The Company accepts that risk is an essential element of business strategy, however there are clear statutory, regulatory and market expectations that the Company has a sound system of recognising and managing those risks.
- Every operational and functional business within the Company is responsible for managing the risks associated with achieving its business objectives.
- All material business risks are to be identified with associated business strategy and corresponding objectives, analysed, treated, monitored and communicated in accordance with the Company's risk management policy.
- All businesses are expected to adhere to prudent risk management practices and acceptable control standards – and any variances from these must be pre-approved by appropriate Head Office management.
- Management shall regularly assess compliance with policies and procedures and the overall state of risk management and control.

The Board and management practice proactive risk identification in all aspects of the Company's business activities particularly in any major proposed projects and/or investments, changes in nature of activities and/or operating environment, or venturing into new operating environment which may present different risk profiles.

Regular formal workshops and meetings are conducted across all business units globally to identify and assess all material business risks faced, or potentially exposed to, by the Company in pursuing its business objectives. These risks include, but are not limited to: strategic, operational, compliance, reputation or brand, technological, product or service quality, human resources, financial and market-related risks.

All identified risks are rated and prioritised by analysing each risk for the likelihood of occurrence and the possible consequence should the risk occur. Consideration is also given to the level of current controls, systems and strategies which exist to manage the risk. Treatment strategies (where possible) are identified and considered for all significantly rated risks until those risks are managed to, and maintained at, a level acceptable to the Board. Risk exposure and control effectiveness are monitored to ensure changing circumstances do not alter priorities.

Material business risks, including significant changes in their risk profile, are reported to the Risk Review Committee, the Executive Committee, the Audit Committee and the entire Board

on a monthly basis or as appropriate. The Group risk registers is used as the primary input into developing the risk-based internal audit plans.

The Company uses a risk management software to facilitate the update and maintenance of risk register and to track risk management activities.

Due to the limitations that are inherent in any system of risk management and internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable but not absolute level of assurance against material misstatement, adverse events or losses, or more volatile outcomes from arising.

2. RISK OVERSIGHT AND RESPONSIBILITIES

The Company's risk management policy clearly describes the roles and accountabilities of the Board, the Audit Committee, the Regulatory and Compliance Committee, the Executive Committee, the Risk Review Committee, the Group Risk and Audit team, and the internal audit function.

The Board affirms its overall responsibility for overseeing the establishment and implementation of the risk management and internal control systems. The Board is also responsible for reviewing the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Audit Committee assist the Board in discharging this responsibility, by ensuring the establishment, review and assessment of the Company's policies and systems of risk management, finance and internal control.

The Board acknowledges that the integrity of the Company's financial reporting depends upon the existence of a sound system of risk management and internal control and has implemented on a half-yearly basis, a written declaration from both the CEO and the CFO that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board is also assisted by the Regulatory and Compliance Committee to fulfil its corporate governance and oversight responsibilities relating to the compliance by the Company with gaming laws and regulations, and policies, and codes and conditions associated with maintenance of the Company's gaming licences.

The Board monitors the effective implementation and full compliance with the risk management policy. The Board has delegated this responsibility to the CEO and receives regular reports from the CEO on compliance with such risk management policy.

The Board also acknowledges its obligation to inform the market of a change to its risk profile under the continuous disclosure policy, where the change is likely to have material impact on the price or value of shares in the Company. The Company's policy on continuous disclosure is available on the Company's website www.aristocratgaming.com.

All key executives and managers are trained in the area of risk and the requirements of the Company's risk management policy. A dedicated Group Risk and Audit team is responsible for ensuring independent and objective assurance to the business through evaluating and improving the effectiveness of risk management, controls, business decisions and governance processes.

All management and staff are responsible for the management, monitoring and reporting of risks. The Company is striving to create an environment where managing risk is accepted

as the personal responsibility of each staff member in the achievement of their organisational goals and objectives.

3. INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of internal audit and has engaged the services of an independent professional accounting and consulting firm to provide much of the assurance it requires regarding the adequacy and effectiveness of the Company's risk management and internal control system.

The internal audit function is independent within the Company and of the external auditor. The internal audit function and the Audit Committee have direct access to each other and to the Board. The internal audit function has full, free and unrestricted access to all the Company activities, records, property and personnel as may be necessary for the performance of its duties.

The internal audit function develops the audit plan based on the Company's risk profile. The plan is designed to act as a guide or roadmap and is revised with any significant changes in the Company's risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan approved by the Audit Committee. The internal audits are primarily focused on areas with high rated risk and risks with inadequate controls to ensure that management action plans are developed and implemented to improve the controls associated with these risks. For areas with high rated risk and adequate controls, the internal audits ascertain that the risks are effectively mitigated by the current controls. The internal audit function report to the Audit Committee on areas for improvement and will subsequently, if appropriate, follow up to determine the extent of their recommendations that have been implemented.

A risk register with linked internal audits is generated at least annually to verify that internal audits are focused on key risk areas.

4. COMPLIANCE AND CONTROL

In addition to the risk management and internal audit function, the Company has put in place the following key elements of internal control:

1. An organisation structure with well-defined scopes of responsibility, clear lines of accountability, appropriate levels of delegated authority and approval limits, and adequate segregation of duties.
2. A process of hierarchical reporting which provides for a documented and auditable trail of accountability.
3. A set of documented internal policies and procedures for operational, financial and human resource management, which is subject to regular review and improvement.
4. Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making.
5. A comprehensive business planning and detailed budgeting process which establishes plans and targets against which performance is monitored on an ongoing basis.
6. Monthly monitoring of results against budget by all operating units, with major variances being followed up and management action taken, where necessary.

7. A group-wide control self-assessment surveys to assess internal control processes that are in place and to identify ways to improve their effectiveness.
8. A group-wide regulatory compliance program covering licensure, environment, occupational health and safety and employment practices.
9. A comprehensive insurance program which is designed to protect the Company against physical loss or damage to its major assets.
10. A confidential Tip-offs Anonymous program deployed worldwide.

The Board continues to review and implement measures to strengthen the compliance and control environment of the Company.