STAIRLOCK

FX EXPOSURE MANAGEMENT POLICY

Introduction

Fluctuations in foreign exchange rates affect the cost competitiveness, profitability and the valuation of a company's international operations. The absence of a foreign exchange management policy leaves a company unprepared to control the potential adverse effects of currency movements.

To avoid these exposures, the company should develop and document a policy. This is the objective of this policy.

Policy Development

In forming a policy, Stairlock needs to describe its attitude, objectives and appropriate responses when managing foreign exchange risk. In Stairlock's case, foreign exchange rate fluctuations impact on cost competitiveness and profitability.

It is estimated that 35 - 40% of Stairlock's materials purchased for manufacturing are directly imported from China or Vietnam in USD denomination. China and Vietnam is a significant supplier of raw materials and directly impacts the cost of finished products.

Until now FX policy has been ad-hoc and inconsistent in its application.

Objective & Risk Profile

Stairlock has based its product pricing on the USD/AUD exchange rate and reviews this quarterly.

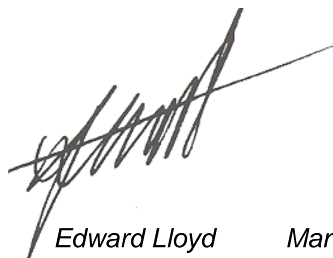
Materials imported from Asia have an approximate 16-week lead time from order to delivery so quarterly reviews provide sufficient time to adjust selling prices in line with shipment costings.

Stairlock wishes to minimise any adverse financial risk where the USD/AUD exchange rate is likely to drop below the exchange rate that underpins the product pricing. Therefore, a defensive strategy is required to provide a medium to high level of certainty.

Policy

On placement of orders to Asian Suppliers, the Financial Controller shall, unless in his opinion there are mitigating circumstances, purchase USD to cover at least 85% of the exposure.

Where mitigating circumstance exist they shall be documented to support the CFO's decision.



Approved by: *Edward Lloyd* *Managing Director* *1 August 2023*