



PANORAMIC RESOURCES LIMITED

ACN 095 792 288

RISK MANAGEMENT GUIDELINE

Approved: December 2008

Version – One



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1. Introduction

As with all organisations Panoramic Resources Limited faces risks, which unmanaged or under managed can pose a substantial threat. Well managed risks can become positive opportunities.

Each employee has a shared responsibility to consider risk its and potential consequences as part of their daily work. Consideration of risks needs to be built into business planning and decisions at all levels.

This guideline on managing risk has been prepared to guide Panoramic staff in identifying, analysing and managing risk in the organisation. The information is based on the Australian and New Zealand standard but has been structured to facilitate the risk management process within Panoramic.

I encourage you to utilise this guideline and support the management of risk throughout the organisation.

A handwritten signature in black ink, appearing to be 'PJ Harold'.

Peter J Harold

Managing Director

17 December 2008



2. Objectives of the Risk Management Process

Risk Management – is a logical and systematic method of identifying, analysis, assessing, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise opportunities.

The Standard (4360) provides guidance to enable the achievement of:

- A more confident and rigorous basis for decision-making and planning.
- Better identification of opportunities and threats.
- Gaining value from uncertainty.
- Pro-active rather than re-active management.
- More effective allocation and use of resources.
- Improved stakeholder confidence and trust.
- Improved incident management and reduction in loss and the cost of risk, including commercial and insurance premiums.
- Improved compliance with relevant legislation, and
- Better corporate governance.

Examples of Benefits of Risk Management	
• Fewer surprises	• Improved information for decision making
• Exploitation of opportunities	• Enhanced reputation
• Improved planning, performance and effectiveness	• Director protection
• Economy and efficiency	• Accountability, assurance and governance
• Improved stakeholder relationships	• Personnel wellbeing




3. Risk Policy

RISK MANAGEMENT DEFINITION	
CATEGORY	DETAIL
Introduction	<p>The Panoramic Board of Directors recognises that risk management and internal control are key elements of good corporate governance. This policy describes the manner in which Panoramic identifies, assesses, monitors and manages risk.</p> <p>This policy embraces the principles contained in the ASX Corporate Governance Council’s “Principles of Good Corporate Governance and Best Practice Recommendations” released in March 2003 (ASX Principles), and as amended from time to time.</p>
Definition of Risk	The threat that an event will adversely affect Panoramic’s ability to achieve the business objectives and maximize stakeholder value, including the failure to recognise opportunities or exploit acceptable risks.
Statement of policy	<p>Every Project including Perth Office is expected to:</p> <ul style="list-style-type: none"> • Establish clear business objectives, identify and evaluate the critical risks to the achievement of those business objectives, and ensure that there is an adequate risk management strategy in place. • Incorporate risk responses into a system which is designed to address opportunities, protect people, the environment and company assets, which will facilitate effective and efficient operations and help to ensure reliable reporting and compliance with applicable laws and regulations. • Monitor the effectiveness of the risk management process and internal controls established for the business unit. • Follow relevant Panoramic risk management guidelines and standards which relate to particular types of risks. • Perform and formally report on their risk management activities on a monthly basis; and • Provide annual assurance regarding the extent of its compliance with this policy.
	Within each Project, line management is expected to:
	<ul style="list-style-type: none"> • Resource, operate and monitor the system of risk management and internal control. • Ensure that a risk based approach (risk prioritisation) to internal control is communicated to staff, embedded in business processes and responsive to evolving risks. • Assign accountability for managing risks within agreed boundaries; and • Report the results of the effectiveness of the risk based internal control system, including identified weaknesses or incidents, to executive management.



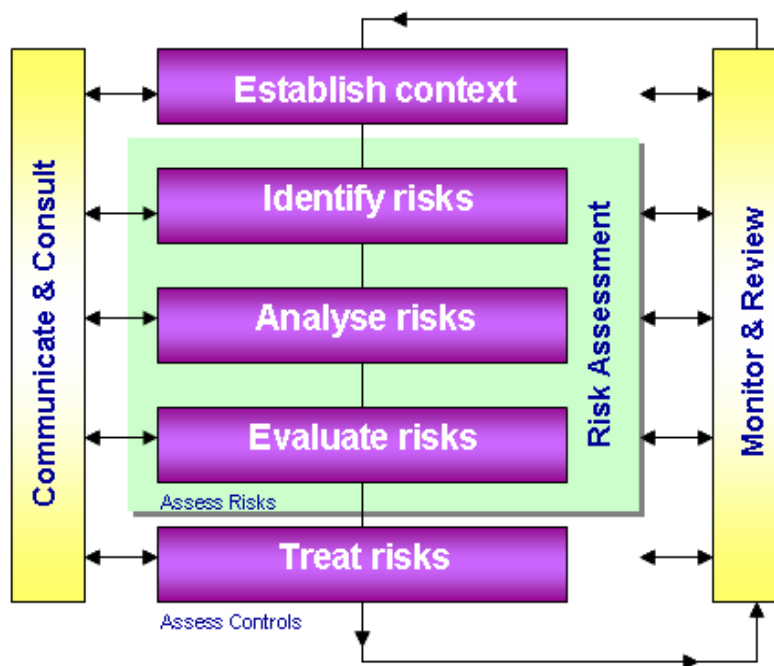
<p>Implementation of policy</p>	<p>This policy is implemented within Panoramic by:</p> <ul style="list-style-type: none"> • Establishing and implementing across all projects a formal risk management and internal control process. • Identifying from this process specific project and corporate risks which may materially impact Panoramic. • Regularly monitoring and assessing the performance and effectiveness of the risk management and internal control processes. • Ensuring the risk management and internal control process is overseen by the Board of Directors. • Requiring the Managing Director and Chief Financial Officer to certify to the Board that Panoramic’s risk management and internal control system is operating efficiently and effectively in all material respects.
<p>Risk Management Process COSO model</p>	<p>Panoramic has put in place an embedded risk management and internal control process (Risk Management Process) which is based on the control framework for enterprise risk management prepared by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in 2001.</p> <p>The Risk Management Process will enable the identification, assessment, monitoring and management of material risk throughout the Panoramic group. It consists of eight interrelated components:</p> <ul style="list-style-type: none"> • Internal environment – which involves setting the foundation for how risk and control are reviewed and addressed by Panoramic people; • Objective setting – which involves ensuring that management has a process in place to set objectives and that the chosen objectives support and align with Panoramic’s mission and vision and are consistent with approved risk appetite; • Event identification – which includes identifying internal and external factors that influence how potential events may affect strategy implementation and achievement of objectives; • Risk assessment – which requires an analysis of identified risks in order to form a basis for determining how they should be managed; • Risk response – which requires management to select an approach or set of actions to mitigate risks where appropriate taking into account Panoramic’s risk profile; • Control activities – which includes the establishment and execution of policies and procedures to help ensure that the risk responses management selected are effectively carried out; • Information and communication – which requires relevant information to be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities; and • Monitoring – which requires that the Risk Management Process be monitored, and modifications made as necessary, to ensure the system can react dynamically and change as conditions warrant.

	<p>These components are represented in the following diagram:</p> 
<p>Risk Management Process AS/NZS 4360:2004</p>	<p>The AS/NZS 4360 Risk Management Process will support the COSO model. It consists of the following main elements:</p> <ul style="list-style-type: none"> • Communicate and consult- communicate and consult with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole; • Establish the context- establish the external, internal and risk management context in which the rest of the process will take place. Criteria against which risk will be evaluated should be established and the structure of the analysis defined; • Identify risks- Identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of the objectives; • Analyse risks- Identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis should consider the range of potential consequences and how these could occur; • Evaluate risks- Compare estimated levels of risk against pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.



- **Treat risks-** Develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs; and
- **Monitor and review-** It is necessary to monitor the effectiveness of all steps of the risk management process. This is important for continuous improvement. Risks and the effectiveness of treatment measures need to be monitored to ensure changing circumstances do not alter priorities.

These main elements are represented in the following diagram:



Implementation of risk management process


Each Project and Perth Office is responsible for implementing the Risk Management Process in a manner which is appropriate for that business unit.

This process is reviewed and monitored across the Panoramic group by the Board of Directors, who delegates responsibility to a Business Risk Team.



	Responsibilities of the Environment, Safety & Risk Committee or Business Risk Team include:
	<ul style="list-style-type: none"> • Providing a centralised co-ordinating point for the promotion and facilitation of risk management across the Panoramic group. • Establishing and maintaining a common methodology, recording system and policy. • Promoting risk management competence and helping managers align risk definition and responses within the approved risk tolerance. • Reporting to the Managing Director on the progress and effectiveness of risk management; and • Facilitating the consolidation of the corporate view of risk and management responses.
Risk profile	<p>The operation of the Risk Management Process results in the identification of a number of significant risks which may impact on Panoramic’s business as an exploration and production group with national operations. These risks include but are not limited to:</p> <ul style="list-style-type: none"> • The availability and cost of reserves replacement and recovery; • Commercialisation of nickel reserves; • Sovereign risk; • Exposure to commodity prices, exchange rates, interest rates and oil products; • Production availability; • Technical and project management competencies; • Health, safety, environment and security risk; • Exposure to Debt, repayment schedules; • Exposure to credit risk – investment & customer; • Integrity of data and reporting; and • Natural disasters
	<p>These risks may change over time as the external environment changes and as Panoramic grows and/or diversifies. The Risk Management Process requires regular reviews of the existing risks and the identification of any new and emerging risks facing the group, including financial and non-financial matters.</p> <p>It also requires the management (including mitigation) of these risks.</p>
Assessing the effectiveness of the risk management process	The Risk Management Process and the requirements and expectations described in this policy are examined, evaluated and monitored by Panoramic’s Business Risk Team on behalf of the Board of Directors.
Oversight of the risk management process	<p>Oversight of the Risk Management Process is provided by the Business Risk Team. More specifically, the Business Risk Team is responsible for:</p> <ul style="list-style-type: none"> • keeping under review the effectiveness of Panoramic’s Risk Management Process. • the annual approval of the Risk Management Process.
	The Business Risk Team report to the Board of Directors on an annual basis on the implementation and developments of the Risk Management Process as well



	<p>as any significant changes to the current risk profile.</p> <p>Following an annual review of the Risk Management Process the Business Risk Team reports to the Board of Directors its findings on the implementation of the Risk Management Process.</p>
<p>Accountability Section 295 Principle 4</p>	<p>The Managing Director and the Chief Financial Officer are required to state to the Board in writing:</p> <ul style="list-style-type: none"> • a statement relating to the integrity of Panoramic’s financial statements is founded on a sound system of risk management and internal control which implements the policies adopted by the Board; and • Panoramic’s risk management and internal control system, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.
<p>Policy review</p>	<p>The Board of Directors will review this policy annually to determine whether risk management practices continue to meet shareholder expectations and requirements of the ASX principles.</p>
<p>Approved by</p>	 <p>Chairman 16 December 2008</p>
<p>Revised by</p>	<p>.....Date:</p>

4. Roles and Responsibilities Matrix

	Board of Directors	Business Risk Team	Project Management	Managers / Employees
Approval of the Risk Management Policy	X			
Development of the Risk Management Policy				
Annual review of Risk Management Policy and risk guideline appetite	X			
Oversight of the Risk Management Process		X		
Report critical risks to the Board of Directors		X		
Drivers of the Risk Management Process		X		
Review the project risk reports		X		
Develop the risk guideline appetite		X	X	
Approve the risk guideline appetite		X		
Adoption of a risk strategy for identified risks		X	X	
Establishment of clear business lines objectives		X	X	
Identification of key business		X	X	



	Board of Directors	Business Risk Team	Project Management	Managers / Employees
drivers that are aligned to the business lines objectives				
Identification if key risks to business lines		X	X	X
Completion of Risk Management Process templates			X	X
Monitor and report of business lines key risks		X	X	
Assigning ownership to key risks		X	X	
Executing action plans for identified risks			X	X
Establishing and maintaining a risk database or portal			X	
Approving changes to the Risk Management Process as a consequence of a significant business change		X		
Monthly reporting of business line risks			X	
Training, awareness sessions and communication of the Risk Management process			X	



5. Risk Determination Matrix

See attached





6. Risk Management Process (4360)

Risk management is an integral component of an entity's life cycle. The entire risk management process is iterative, enabling it to be repeated many times with additional or modified risk evaluation criteria, leading to continuous improvement.

The risk management process is the systematic application of management policies, procedures and practices to the tasks of communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk.

COMMUNICATE AND CONSULT

Communication and consultation are significant considerations throughout the risk management process. Communication may be internal to the organisation, or external, between the organisation and its stakeholders.

To ensure effective communication, the organisation's managers should develop and implement a communication strategy or plan as early as possible in the process. This strategy or plan should identify internal and external stakeholders and communicate their role and responsibilities in the process, as well as address issues relating to risk and management.

Consultation is a broad two-way process. It typically involves talking to a range of stakeholder groups and exchanging information and views. Stakeholder perception of risks can vary due to differences in assumptions, values, culture and personal beliefs or concerns as they relate to the risk or issue under discussion. Stakeholders can have a significant role in the decision-making process, so their perception of risks, as well as their perceptions of benefit, should be identified, understood, addressed and recorded.

Stakeholder communication should incorporate regular progress reports on the development and implementation of the risk management plan and in particular provide relevant information on the proposed treatment strategies, their benefits and planned effectiveness. The communication of this type of information to stakeholders is one of the indicators of good corporate governance.

ESTABLISH THE CONTEXT (STEP 1)

The risk management process occurs within the framework of an organisation's strategic, internal, external and risk management context. Establishing the context defines the basic parameters within which risks must be managed and sets the scope for the rest of the risk management process.

In essence, in establishing the context management needs to ensure that there is **ALIGNMENT** of **risks** and **controls** that support the key business processes in the achievement of business **objectives**.

Internal Context

Before any risk management activity is commenced at any level of an organisation, it is important to review and understand the organisation's structure, goals, objectives and functions. This is where management examines the risk management activity in question against the internal context, so that subsequent risk decisions are not made in isolation from broader goals and objectives of the organisation. This approach encourages long-term and strategic thinking: managing risk is often about avoiding a long-term adverse consequence and planning for long-term opportunities.



External Context

This defines the environment in which an organisation operates. This involves an examination of how the organisation and management impact, and is impacted by, external factors and influences. This includes social, economic, legal, cultural, environmental, financial, operational, business, competitive, political, public and customer perceptions of image and reputation. Analysis of these factors will identify the organisation's strengths, weaknesses, opportunities and threats in the external environment.

Factors to consider when establishing the INTERNAL and EXTERNAL context:

- Determine the significance of the activity to the achievement of the organisation's goals and objectives
- Ensure that the objectives of the activity are aligned with overall strategic objectives and plan of the organisation
- Identify internal and external stakeholders and determine their involvement in the risk management process.

Risk Management Context

This defines the context of the activity or issue under examination and includes objectives, scope, boundaries and the business lines involved. The process should be undertaken with the full consideration of the need to balance cost, benefits and opportunities.

Establishing the parameters and boundaries of the activity or issue also involves the determination of the following:

- Timeframe, resources required, roles and responsibilities, internal and external relationships, projects life cycle considerations, record keeping requirements and depth of analysis required.

Depth of analysis required will be dependent on the type of risk, the information that needs to be communicated and the best method for communicating this information. This critical stage will be determined by a combination of the following:

- Complexity of the activity or life cycle, potential consequence and severity of potential outcome, importance of capturing lessons learned so that corporate knowledge of risk associated with the activity can be developed, importance of the activity to the achievement of the objectives, information that needs to be communicated to stakeholders and types of risk and hazards associated with the activity.

Develop Risk Criteria

Risk criteria are those against which risk is evaluated to determine if treatment is required. They are developed in this step as part of establishing the context, but can be further refined as risks are identified and analysed.



Risk criteria are also referred to as the acceptable level of risk for a specific activity or event. In determining the criteria, the dimensions of risk need to be measured. The following are examples of risk dimensions: financial, health & safety, environment, brand image and reputation, legislative & regulatory requirement and project management. The criteria must be appropriate to the type of risk and the dimensions.

Factors to consider when developing risk criteria:

- Decide or define the acceptable level of risk for the activity in question.
- Determine what is unacceptable.
- Define the level of risk that is acceptable by management, project management and the organisation as a whole.

IDENTIFY THE RISKS (STEP 2)

This step aims to identify the risks to be managed. A systematic identification process appropriate to the projects and organisation is essential to this step so that significant risks are not overlooked. Identification should include all risks, whether or not they are under the control of a project or organisation conducting the activity. All aspects should be considered, including those associated with the activity, personnel, equipment, environmental factors, legal requirements and, where appropriate, social or political factors. Problem areas and risks can be identified with the help of reliable resources.

The aim of risk identification is to develop a comprehensive list of risks that impact the organisation's objectives. This is achieved by answering the following:

What can happen, when and where?

- What are the sources of events that might have an impact on the achievement of each objective identified in the context? These events might prevent, degrade, delay or enhance the achievement of those objectives. These are then considered in more detail to identify what can happen the timing of the event and possible areas that could be affected.

Why and how it can happen?

- Having identified what might happen, it is necessary to consider possible causes and scenarios. There are many ways an event can occur. It is important that significant causes are omitted.

Tools and Techniques.

- Risks can be identified using a number of different tools and techniques:
 - Workshop/brainstorm
 - Interviews (individual or group)
 - Questionnaires
 - Prompt lists and checklists
 - Post-project review analysis



- SWOT analysis
- Assumption analysis
- Key challenges as listed in business plans/cases

Factors to consider in the identification of risks:

- Select a risk identification methodology that is appropriate to the type of risk and the nature of the activity
- Involve the right people in risk identification activities
- Take a life cycle approach to risk identification and determine how risks change and evolve during this cycle.

ANALYSE RISKS (STEP 3)

Risk analysis involves consideration of the sources of risk, their impacts and the likelihood that those consequences may occur. Factors that affect impact and likelihood need to be identified. Risk is analysed by combining impact and likelihood in the context of existing control measures.

In essence the elements of risk analysis are:

- Identification of existing strategies and controls that act to minimise negative risk and enhance opportunities
- Determination of individual elements (impact and likelihood)
- Application of appropriate analysis methods and tools
- Estimation of the level of risk by combining impact and likelihood
- Consideration of uncertainties in the estimates

The purpose of risk analysis is to provide information to decision-makers, while decision may concern priorities, treatment options, or balancing cost and benefits.

Factors to consider for effective risk analysis are:

- Risk analysis is usually done in the context of existing control – take the time to identify them.
- The risk analysis methodology selected should where possible be comparable to the significance and complexity of the risk being analysed, i.e. the higher the potential consequence the more rigorous the methodology.

EVALUATE RISKS (STEP 4)

Risk evaluation involves comparing the level of risk found during the analysis process with previous established risk criteria, and deciding whether these risks require treatment.

This step is about deciding whether risks are acceptable or need treatment. Low or tolerable risks may be accepted. ‘Acceptable’ means nothing needs to be done except monitoring and periodic review to confirm the risks remain at this level. If risks are not low or tolerable they must be treated.



Risk Acceptance

One of the reasons risks are formally identified and managed is to provide assurance that the risks are not only known, but also accepted at the appropriate level and that the right people are aware of them. A risk may be accepted for the following reasons:

- The cost treatment far exceeds the benefit, so that acceptance is the only option (applies particularly to lower ranked risks)
- The level of risk is so low that specific treatment is not appropriate with available resources
- The opportunities presented outweigh the threats to such a degree that the risk is justified
- The risk is such that there is no treatment available, for example, the risk that a project might be terminated following a change of government is not within the control of the organisation.

In some circumstances, the risk evaluation may lead to a decision to undertake further analysis.

TREAT RISKS (STEP 5)

Risk treatment is about considering options for treating risks that were not considered acceptable or tolerable at the previous step. Risk treatment involves identifying the range of options for treating risk, assessing those options, preparing risk treatment plans and implementing them.

When it comes to treating risk, the aim is to remove negative outcomes of risk and enhance the positive outcomes if possible. Because this is not always viable or compatible with achieving objectives, the following options may assist in the minimisation of negative risk or the increase of the impact positive risk. Refer to section 9.

Evaluating treatment options requires judgement of both the cumulative and individual effect of risks to determine the residual level of risk. Residual risk must be evaluated for acceptability before treatment options are implemented.

Factors to consider for implementing risk treatments:

- The key to managing risk is in implementing effective treatment options
- In implementing the risk treatment plan, ensure that resources are available, and define a time scale, responsibilities and a method for monitoring progress against the plan
- The team assessing risks and identifying treatment options may not have the executive authority to implement the treatments, therefore a system may need to be established to ensure ownership of the identified risks so that actions does follow recommendations.



MONITOR AND REVIEW RISKS (STEP 6)

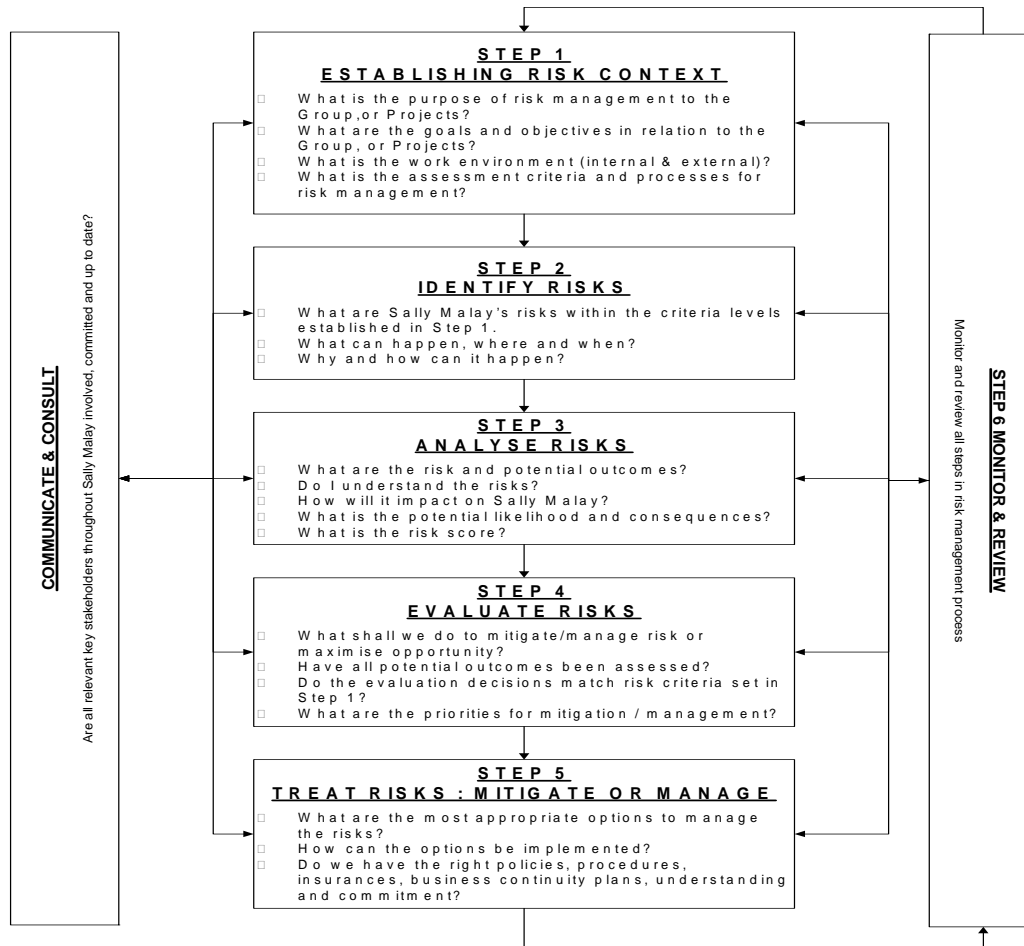
Monitoring and review is an essential and integral step in the risk management process. It is necessary for the organisation's management to monitor risk and review effectiveness of the treatment plan, strategies and management system that have been set up to effectively manage risk within the organisation.

Risks need to be monitored periodically to ensure changing circumstances do not alter the risk priorities. Few risks remain static, therefore the risk management process needs to be regularly repeated, so that new risks are captured in the process and effectively managed. Actual progress against risk treatment plans provide an important performance measure and should be incorporated into the organisation's performance management, measurement and reporting system. Accordingly, it is necessary for the organisation's management to routinely review the context to ensure the ways in which risks are managed remains valid.

Monitoring and review also involves learning lessons from the risk management process, by reviewing events, the treatment plans and their outcomes.



DIAGRAMMATIC PRESENTATION





7. Project Risk

Projects are initiatives that drive improved outcomes/results and deliver to strategic and market expectations. Projects should be supported by a detailed business case, reaffirming that the project delivery will be on time, on budget and to specification. In order to ensure that all project risk exposures are identified, documented and managed appropriately, each business case (project) should have a detailed risk section which is based on the PANORAMIC Risk Management Process. For example:

Step 1

- Identify and document the project objectives
- Identify and document the key drivers to the successful execution and delivery of the project

Step 2

- Identify and document the project risks that could prevent the successful delivery of the project

Step 3

- Assess the likelihood and consequence of each risk in line with the risk determination matrix

Step 4

- Evaluate all risks identified taking into account the current controls and procedures in place.
- Determine whether the level of risk is acceptable or not

Step 5

- Treat the risks appropriately

Step 6

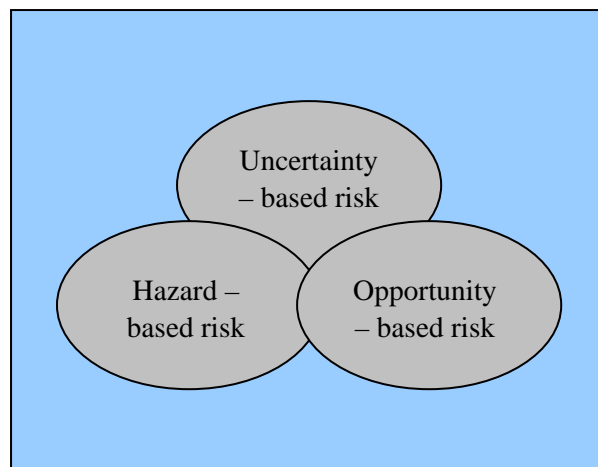
- Monitor and report on risk during the project life cycle

The abovementioned project risk template should be presented as part of the business case. If any changes occur during the different phases of the project, which could have a material affect on the delivery of the project, the risk management process may need to be repeated to ensure that new risks are documented and managed appropriately.

8. Types of Risk

Risk means different things to different people depending on their background, their experience and their understanding of risk. In principle there are three types of risk, namely:

- **Opportunity – based risk**
- **Uncertainty – based risk**
- **Hazard – based risk**



Opportunity – based risk

Opportunity risk is the potential gain or the positive impact to objectives.

Opportunity based risk:

- Can be tangible and or intangible
- Is often quantified in dollar terms
- Can have a positive or negative outcome

Examples of opportunity – based risk are:

- Business expansion and/or property acquisition
- Change in business location
- Development of alliances

Uncertainty – based risk

Uncertainty – based risk is the risk associated with unknown and unexpected events. These events are usually catastrophic in nature and include accidents and ‘acts of God’.

Uncertainty – based risks:



- Are unknown or extremely difficult to quantify
- Are catastrophic or disastrous in nature
- Can be very costly
- Are associated with negative outcome
- Are outside the project management or organisational sphere of control or influence

Examples of uncertainty – based risk are:

- Building damage by flash flooding, fire, earthquake
- Arson
- Acts of sabotage or terrorism to a major facility

Hazard – based risk

Hazard – based risk is the risk associated with source of potential harm or a situation with the potential to cause harm. Hazards are generally grouped into the following categories:

- Physical hazards – these include noise, radiation, heat , cold, vibration and pressure
- Chemical hazards – some of the consequences of chemical hazards are explosions, flammability, corrosion, poisoning, toxicity and carcinogenicity
- Biological hazards – these include viruses, bacteria, fungi and other organisms
- Ergonomic hazards – hazards associated with poor workspace design, layout or activity and equipment usage
- Psychological hazards – sources of psychological stress that can result in physical or psychological harm

Hazard – based risks:

- Are usually known
- Are readily quantifiable
- Are tangible
- Impact predominantly on safety

Examples of hazard – based risks are:

- Legionella outbreaks from air conditioning
- Management and usage of hazardous chemicals
- Confined space entries
- Manual handling



9. Categories of Risk (indicative)

Financial Risks

Risks associated with:

- Financial management or financial operations
- Financial policies
- Financial markets – commodity markets
- Insurance
- Cash flow management
- Financial disclosure / misrepresentation
- Default of debtor or failure to perform
- Currency exchange rates
- Interest rates
- Counterparty default – credit risk
- Taxation
- Fraud

Safety Risks

Risks predominantly dealing with employee safety or public safety issues, systems and policy including risk of failure to provide a safe working environment exposing the company to compensation liabilities, reputation impacts and other costs.

Environmental Risks

Risks predominantly dealing with environmental issues, systems and policy

Customer Risks

Risks associated with:

- Customer relationships
- Customer perceptions
- Brand image
- Customer communications
- Service delivery
- Distribution channels and ability to access current and potential customers



Competition Risks

Risks associated with the competitive market, eg: new entrants, substitute products, the actions and behaviour of competitors, changes in opportunities and threats

Regulatory and Legal Risks

Risks related to:

- Regulatory behaviour or regulatory environment
- Non-compliance with organisational or government policies and procedures
- Non-compliance with laws and regulations resulting in lost revenues, delays, penalties, fines etc
- Incomplete, inaccurate or untimely reporting of required financial and operating information to regulatory agencies
- Fraudulent activities perpetrated by employees, customers or suppliers, agents or brokers

People Risks

Risks associated with:

- Retention, morale, skills, behaviours or industrial relations, succession
- Processes for capturing and disseminating information and knowledge across the company
- Leadership and direction

Stakeholder Risk

Risks related to:

- Community, interest groups, industry groups etc
- Stakeholder perceptions, relationships and communication
- Shareholder / government relationship issues
- Reputation and image
- Failure to adequately monitor the external environment
- Partnering or joint venture, affiliate or other external relationship which affects the company's capability to perform



Operational Risks

Risks associated with:

- Management and operation of infrastructure
- Technical planning, design and implementation
- Products or services which expose the company to customer complaints, claims, repairs, returns, litigation, and loss of revenues, market share and business reputation
- Management of projects and contracts
- Business system and IT&T infrastructure
- Business processes
- Security of information & assets
- Business interruptions arising from the unavailability of inputs including energy, raw materials, technologies, skilled labour or other resources
- Constraints on capacity which threaten the company's ability to meet customer demands
- Catastrophic loss or major disaster which threatens the company's ability to sustain operations or provide essential products and services
- Outsourcing activities to third parties attracting additional risk to the company

10. Risk Treatment Options

Selecting the most appropriate option involves balancing the costs of implementing each option against the benefits derived from it. In general, the cost of managing risk needs to be commensurate with the benefits obtained. When making such cost versus benefit judgments the context should be taken into account. It is important to consider all direct and indirect costs and benefits whether tangible or intangible, and measured in financial or other terms.

ACCEPT RISK: Management decides to continue operations as is with a consensus to accept the risks

TRANSFER RISK: Management decides to transfer the risk from (for example) one project to another or from one business area to a third party (i.e. insurer)

ELIMINATE RISK: Management decides to eliminate risk through the dissolution of a key business process, product or operating area

INCREASE RISK: Management decides that current return/risk ratio is attractive and therefore increases exposure to achieve anticipated corresponding returns

REDUCE RISK: Management decides to reduce current risks through improvement in controls and processes

MITIGATE RISK: Management accepts current level of risk but undertakes key actions to mitigate risks through changing the way it conducts business





11. Risk Terminology

RISK

An uncertain event or condition that if it occurs will affect achievement of one or more objectives.

THREAT

An uncertain adverse event or condition that if occurs will result in unfavourable outcomes such as injury, damage to the environment, delay, or economic loss.

OPPORTUNITY

An uncertain beneficial event or condition that if occurs will result in favourable outcomes such as improved safety, time or cost.

LIKELIHOOD

The chance that a particular risk will occur. This can be expressed as either a probability for a single event or condition, or a frequency of occurrence for repeat events.

IMPACT/CONSEQUENCE

The outcome of a risk if it occurs. Threats have unfavourable impacts/consequences, and opportunities have favourable impacts/consequences. Impacts/Consequences fall into two types: economic and non-economic.

RISK ANALYSIS

The overall process of risk identification and risk evaluation.

RISK IDENTIFICATION

A structured process to identify threats and opportunities.

RISK EVALUATION

The process of estimating the likelihood and consequences of identified risks, and comparing against a defined risk acceptance threshold.

RISK ACCEPTANCE THRESHOLD

A measure of the level of risk exposure above which action must be taken to proactively manage threats and maximise opportunities and below which risks may be accepted.

RISK MANAGEMENT

The process of taking appropriate decisions and implementing appropriate actions in response to known risks, based on the result of a risk analysis.

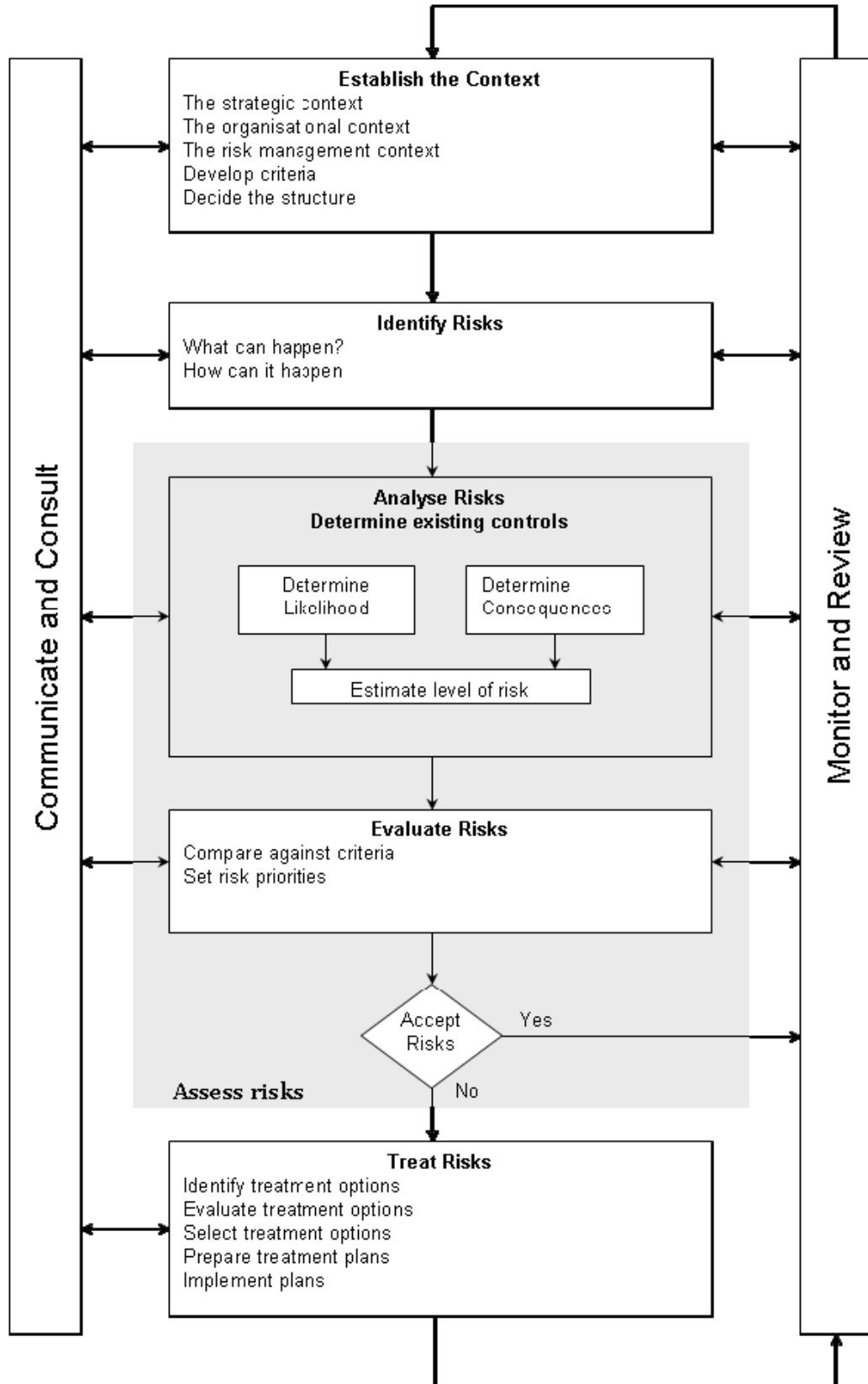
INHERENT RISK

The risk as originally identified before actions or controls have been implemented.

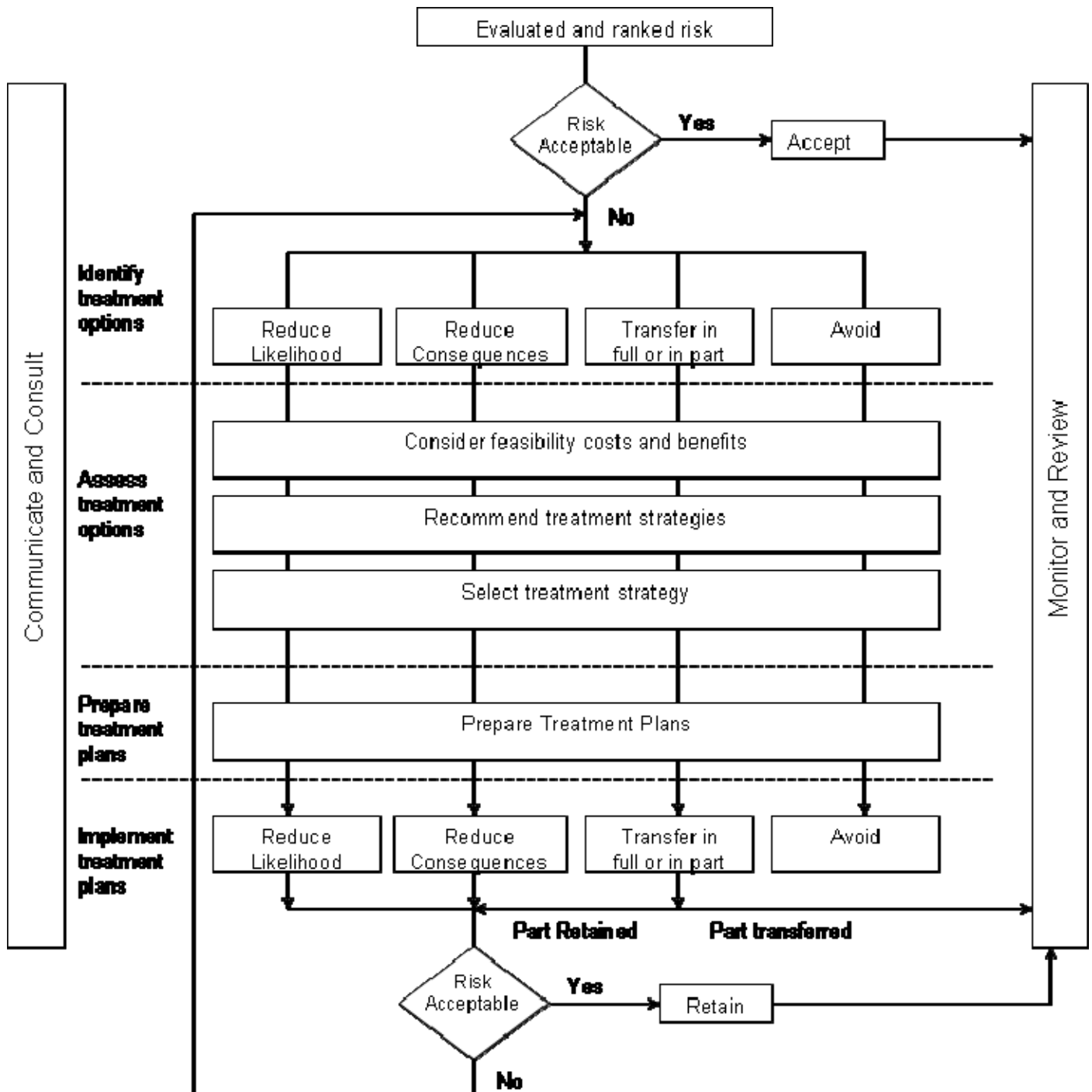
RESIDUAL RISK

The risk remaining after agreed actions and controls have been implemented.

11. Risk Management Process AS/NZS 4360:2004



13. Risk Treatment Process: AS/NZS 4360:1999





Appendix 1 –



Appendix 2 –



Appendix 3 –



Appendix 4 -



Appendix 5 -



