

RISK MANAGEMENT POLICY (Revised March 2009)

INTRODUCTION

Objective

1. The primary objective of risk management is to ensure that the risks facing the business are appropriately managed. This gives stakeholder's confidence to deal with or invest in the business.

Commitment

2. The Board of Tandou Limited and its senior executives are committed to managing its risks in order to both minimise uncertainty and to maximise its business opportunities. Pursuant to this commitment the Board has approved and adopted this document.

RISK MANAGEMENT FRAMEWORK

Risk Identification

3. The risks have been identified at departmental levels through a series of senior management meetings that have considered what the risks are, why they happen and how they occur, in conjunction with workshops held with site supervisors.

New risks will be identified as each new initiative/project is considered and also at a bi-annual senior management meeting, which will review all existing risks and identify any new risks.

Risk Analysis

4. Each risk has been analysed by management by using the following ratings:
 - 4.1 Probability of the risk occurring;
 - 4.2 Impact of the risk if it did occur;
 - 4.3 Ascertaining what level of controls and maintenance are currently being employed; and
 - 4.4 How effective these controls are.

Risk Evaluation

5. Management have evaluated each risk through a process of allocating an appropriate

RISK MANAGEMENT POLICY
(Revised March 2009)

rating of probability impact, risk and effectiveness controls.

This evaluation process determines whether the current management of each risk is within a predetermined acceptable level or whether action needs to be taken to treat the risk. It further identifies what monitoring is required i.e. active or periodic and whether review by Board or management.

Risk Treatment

6. The following risk treatment has then been allocated to each risk:

6.1 Tolerate the risk

6.2 Avoid the risk

6.3 Reduce the risk

This treatment is designed to reduce the probability or impact or increase the risk controls. As there will normally be a cost associated with risk reduction, the objective is to reduce the risk to an acceptable level consistent with established risk criteria. Any one of several decision points that may be taken include:

6.3.1 a satisfactory solution

6.3.2 the most cost effective solution

6.3.3 the accepted practice (industry norm, best practice etc.)

6.3.4 the best achievable result

6.3.5 the absolute minimum to satisfy corporate legislative or project needs

The risk can be reduced by transferring the risk. This may involve the transfer of risk in part or in full to a contractor, a supplier or to a product buyer for example. Insurance is a common way of transferring risk. Insurance is normally taken for low probability, high impact events.

When a risk treatment action is undertaken, it may not result in elimination or prevention of a risk, but will often result in reduction of the risk. A residual risk will remain that should be less than the company's level of tolerable risk.

Risk Reporting

7. Each risk has then been rated according to inherent risk (probability and impact of the

RISK MANAGEMENT POLICY
(Revised March 2009)

risk) and control rating (risk controls present and the evaluation of those controls).

Risk evaluation forms have been completed for each of the strategic and operational risks which are reviewed by the Board in accordance with the level of reporting identified on the evaluation form.

Risk Monitoring and Review

8. Monitoring the status of each risk and any necessary action plans relating to their treatment takes place on a regular basis by controlled self assessment as well as by management's bi-annual review of risk action plans.

Risks are reviewed by the Board at every Director's meeting and consideration is given to any new initiative risks or new strategic risks as reported by the bi-annual senior management meetings.

Any actions or recommendations arising out of these review processes are implemented by management.

Ratings

9. Probability Parameters

FACTOR	RATING	PROBABILITY
4	(H) High	High likelihood of several occurrences in the next 10 years; or Chronic risk with history of occurrence; Requires documented action plans at senior level
3	(S) Significant	Could occur more than once in the next 10 years; or Can be difficult to control due to some external influences; or Has a history of having occurred; Requires senior management attention
2	(M) Moderate	Could occur in the next 10 years; or Would not be surprised if this occurred; Requires specific responsibility allocated to management
1	(L) Low	Could occur, but not expected; Managed by routine procedures