



TARONG ENERGY CORPORATION LIMITED

POLICY
RISK MANAGEMENT
GOV - POL - 19

1.0 Reason for Policy (Purpose)

Tarong Energy recognises that effective risk management enables the Corporation to protect and add value for shareholders whilst practising good corporate governance.

This policy outlines Tarong Energy's objectives and commitments in achieving these goals.

This policy is aligned with Tarong Energy's Corporate Governance policy (GOV-POL-01) which is, in turn, guided by the Corporate Governance Guidelines for Government Owned Corporations (2005).

Tarong Energy's approach to Risk Management is consistent with Australian Standard 4360.

2.0 Who this Policy applies to (Scope)

All Tarong Energy people (employees and contractors) are expected to incorporate risk management practices into their decision-making processes as part of normal business practice.

3.0 Policy Statement

Tarong Energy aims to embed risk management into its corporate culture.

It is essential to the Corporation's ongoing success that business decisions consider risk and that strategies formulated are consistent with the Corporation's risk appetite.

We will:

- Provide assurance to key stakeholders that the risk management and control system is operating efficiently and effectively in all material respects
Clearly communicate the board and senior management's position on risk throughout Tarong Energy including the Corporation's risk appetite with respect to the management of risk

Table with 4 columns: OWNED BY, ENDORSED/CHECKED BY, APPROVED BY, DATE. Includes revision information and approval date.

- Systematically identify and manage risks as part of normal business practice and not as separate tasks at set times
- Integrate and align corporate and operational objectives with strategic and operational risks
- Inform key stakeholders of material changes to Tarong Energy's risk profile.
- Provide communication, training and support to clearly establish accountability for and ownership of:
 - Risk management processes throughout the Corporation
 - Identified risks throughout the Corporation
- Maintain appropriate insurance cover, subject to cover being available at a reasonable cost, to transfer residual risks consistent with the risk management system
- Maintain effective and consistent risk management systems that enable appropriate oversight, management and internal control.

4.0 Responsibility and Authority

The Tarong Energy Board has ultimate responsibility for corporate risk management and the implementation of this policy. It is the Board's responsibility to set risk appetite and ensure their position on risk is clearly communicated to the Corporation and that key issues are appropriately escalated to key stakeholders. The Board reserves the right to perform detailed reviews of the business critical risks, their assessment (including ranking) and action plans on an exception basis. After appropriate investigation (in conjunction with management), the Board can then make changes to the risk(s), their assessment and the action plan. The Board is responsible for reviewing and approving this policy every two years.

The **Audit & Risk Management Committee** assists the Board in discharging its responsibility to exercise due care, diligence and skill in relation to ensuring effective risk management systems are in place.

The Chief Executive Officer is responsible for ensuring a risk management culture is promoted within Tarong Energy, for ensuring implementation of Tarong Energy's risk management system and for ensuring the corporate-wide identification of business-critical risks that Tarong Energy is exposed to and measuring, assessing and developing a prioritised action plan. The CEO endorses the business critical risk register for Board approval.

The Executive Management Team members are responsible for integration and alignment of corporate and operational objectives with strategic and operational risks.

The Health, Safety, Environment and Quality Management Review Committee supports the Executive Management Team to fulfil its overall responsibilities in relation to risk and compliance management.

Each General Manager is responsible for identifying the risks that their business unit is exposed to and measuring, assessing and developing a prioritised action plan. The General Manager is also responsible for establishing, maintaining operating and demonstrating an appropriate framework of business controls to identify material divisional operational, technical, commercial, financial and administrative activities and ensuring that the risk management and control system is operating efficiently and

effectively in all material respects. Each General Manager shall provide an assurance statement to this effect as required by the CEO, the Audit & Risk Management Committee, or the Board.

The Corporate Risk and Compliance Manager is responsible for coordinating risk management across the Corporation. The Manager provides direction and assistance to the senior management team and the business units in the identification, measurement, reporting, management and review of strategic and operational risks. The Manager shall ensure that all necessary processes, systems and procedures are in place to support the management of risk.

In particular, the Manager provides a coordinating and monitoring role where risks impact more than one business unit to ensure that those risks are appropriately managed.

It is the responsibility of the Risk and Compliance Manager to review this policy every two years.

The Internal Auditor has a separate charter of operation agreed at Board level which focuses on key areas of risk within the business. The Internal Auditor role includes the provision of independent assurance to the Board and the Audit & Risk Management Committee on Tarong Energy's management of business-critical risks.

5.0 Definitions, Abbreviations and References

Significant areas of risk include safety, environment, trading, financial, operational, strategic (including management of water resources, fuel inputs and the impact of any future emissions trading regime, reputation, fraud, business continuity and security).

- CORP-MAN-06 Corporate Business Procedure for Risk Management System.
- GOV-POL-01 Corporate Policy for Corporate Governance.
- AS4360 Australian Standard for Risk Management.
- Queensland Government Corporate Governance Guidelines for Government Owned Corporations (2005).

6.0 Revision History

Rev. No.	Rev. Date	Revision Description	Author	Approved. By
0	6.12.07	New Risk Policy approved by Tarong Energy Board. The previous Risk and Compliance Policy (GOV-POL-04) was rescinded and a separate Risk Policy and Compliance Policy now exists.	J. Spanjaard	Board
1	24.9.08	Amended to provide for Board right to review and approve of business critical risk rankings	J. Spanjaard	Board