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RISK MANAGEMENT POLICY

The effective identification of potential risks and the management of those risks is an important priority for the Board and management of Highlands Pacific. The Board recognizes that as part of its commitment to good corporate governance, the Board is responsible for overseeing the establishment and implementation by management of the Group's risk management system.

To effectively manage risk, Highlands means to have in place a structured risk management framework that communicates its commitment to risk management, to have in place a process to identify, assess and manage all forms of risk, and to train its people in the methods of risk management.

Fundamentally there are two important principles in risk management that are upheld within Highlands. These are:

- that the risk management process is a means to an end – which means that the risk management process is used to develop risk controls that are then internalized and integrated to become a part of the way that the business operates, and
- that risk management is a function of line management – which means that the executive managers are accountable for managing risk within their area.

Through effective risk management, Highlands will:

- identify, assess and manage both opportunities and threats to maintain alignment with the Group's objectives;
- effectively maximize opportunities by minimizing losses in the business environment; and
- continually strive for risk management improvement.

Highlands manages risk in the following risk categories:

- People Risk – injury to people
- Environmental – damage to the environment
- Asset Management – loss, damage, destruction
- Financial – reduced revenue and/or increased expenses
- Compliance - failure to comply
- General Management – consequences of poor management practices
- Change Management – impact when poorly managed
- Products/Services – liability arising from service, quality, delivery
- Technology – impact relating to failure of technology

The risk management system will require the completion of a risk register for corporate and other appropriate areas which is review regularly, in particular when significant changes and events occur, or new projects are undertaken.

Financial Reporting

The integrity of Highlands financial reporting relies upon a sound system of risk management and control. Accordingly, the Managing Director and Chief Financial Officer, to ensure management accountability, are required to provide a statement stating that the financial reports of the Group are based upon a sound risk management policy.
