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# Risk Management Plan

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## Document History

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### Approvals

This document requires the following approvals.

<b>Name</b>	<b>Signature</b>	<b>Title</b>	<b>Date of Issue</b>	<b>Version</b>
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## Definitions and References

<b>Acronym</b>	<b>Definition</b>
AS	<u>Australian Standard.</u>
AS/NZS 4360:2004	Australian / New Zealand Standard for Risk Management. Original standard issued in 1995. Re issued in 2004.
AUSTOCK GROUP	<u>Austock Group Limited and its controlled entities.</u>
CONSEQUENCE	The outcome of an event expressed qualitatively or quantitatively, being a loss, injury disadvantage or gain. There may be a range of possible outcomes associated with an event.
LIKELIHOOD	Used as a qualitative description of probability or frequency.
NZS	<u>New Zealand Standard</u>
PROBABILITY	The likelihood of a specific event or outcome measured by the ratio of specific events or outcomes to the total number of possible events or outcomes.
RISK	The chance of something happening that will have an impact upon objectives. It is measured in terms of consequence and likelihood.
RISK ACCEPTANCE	An informed decision to accept the consequences and the likelihood of a particular risk.
RISK ANALYSIS	A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.
RISK ASSESSMENT	The overall process of risk analysis and risk evaluation.
RISK AVOIDANCE	An informed decision not to become involved in a risk situation.
RISK CONTROL	Involves the implementation of policies, standards, procedures and physical changes to eliminate or minimize adverse risks.
RISK EVALUATION	The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria.
RISK IDENTIFICATION	The process of determining what can happen, why and how.
RISK MANAGEMENT	The culture, process and structures that are directed towards the effective management of potential opportunities and adverse effects.
RISK MANAGEMENT PROCESS	The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.
RISK REDUCTION	Selective application of appropriate techniques and management principles to reduce either likelihood of an occurrence or its consequences, or both.
RISK RETENTION	Intentionally or unintentionally retaining the responsibility for loss, or financial burden of loss within the organisation.
RISK TRANSFER	Shifting the responsibility of burden for loss to another party through legislation, contract, insurance or other means. Risk transfer can also refer to shifting a physical risk or part thereof elsewhere.
RISK TREATMENT	Selection and implementation of appropriate options for dealing with risk.
TREATMENT PLAN	Plans documenting how the chosen risk treatment option will be implemented.

## **1. Purpose of This Document**

The purpose of this document is to provide an overview of the Austock Group risk management methodology and process. This document outlines the approach to be undertaken within the Austock Group to ensure that best practice risk management processes are established and adhered to.

## **2. Scope**

Austock Group is a commercial operation, with far reaching impacts in a number of domains. There is a distinct requirement for an appropriate Risk Management regime to ensure that the management of risk becomes an integral part of the planning and management process and general culture of the Austock Group.

Risk management is considered to be an extremely important component of the Austock Group to execute essential forward thinking, to conduct more effective decision making and to obtain the best commercial outcomes in the most expedient manner.

The Austock Group will develop a risk management plan to ensure compliance with:

- ASIC risk management processes
- APRA risk management processes; and
- Better practice risk management methodology.

The plan is to articulate:

- A risk management program that captures the risks associated with each major Austock Group business unit and the overall risks of the Austock Group.
- Develop strategies and action plans to treat those risks
- To monitor and track to completion the implementation of action plans.

## **3. Australian and New Zealand Standard Risk Methodology**

The risk management program for Austock Group is consistent with the Australian Risk Management Standard AS/NZS 4360:2004.

### **3.1 Definition**

Risk is anything that may impede Austock Group from achieving its objectives. Risk encompasses:

- The potential that actual results will not equal anticipated outcomes (risk as uncertainty)
- The threat of bad effects happening (risk as hazard); and
- The possibility of good effects happening (risk as opportunity)

Risk includes more than the possibility of economic or financial loss or gain. It may include physical damage, business interruption, reputation and image concerns.

Risk has the following primary elements:

- The likelihood of something happening or not happening; and
- The consequences of it happening or not happening.

### **3.2 Austock Group Approach**

The approach that the Austock Group will adopt has three key features:

1. Identify the objectives of the individual business units and the Group
2. Pinpointing the risks to achieve the objectives
3. Implementing ways of dealing with these risks in order to achieve the desired objectives.

This approach is consistent with the Australian Risk Management Standard AS/NZS 4360:2004, and the Austock Group Risk Management Policy.

### **4. Risk Management - Group Objectives**

The primary objective of the risk management program is to ensure that all identified risks are owned and managed by the most appropriate person. The secondary objective of the risk management program is to ensure that the responsibility and accountability for the effective management of each risk is clearly demonstrated to have been exercised.

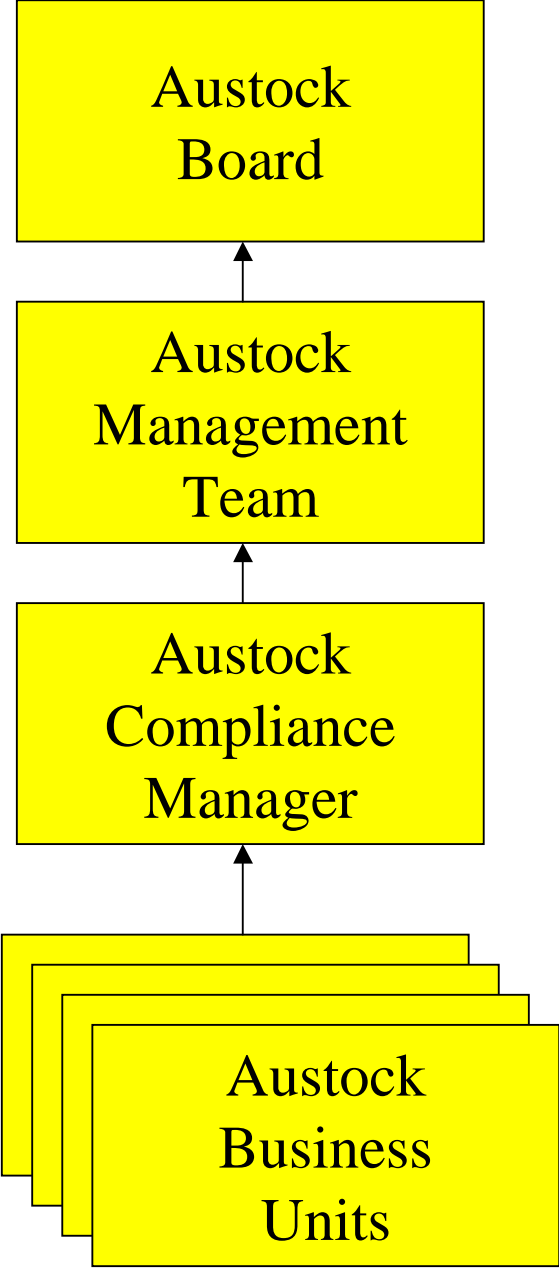
Supporting these overarching objectives is a number of subsidiary objectives, as follows:

- Responsibility for risk treatments are appropriately assigned, and accountability for effective risk management fully evidenced;
- Risk mitigation strategies are documented, with specific action plans (including deliverables and due dates) developed by risk owners, regularly reviewed and audited;
- Preserve regulator and client confidence in Austock Group processes;
- Improve defensibility of actions and decisions to potential legal challenge; and
- Mitigate regulatory risk.

**5. Austock Group Risk Management Program**

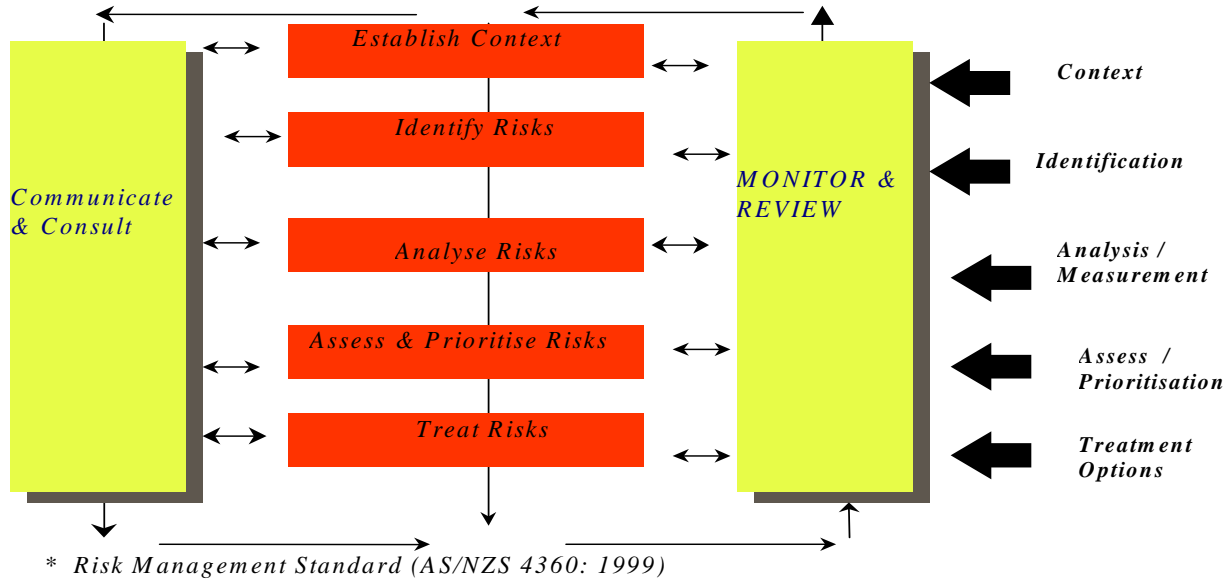
**5.1 Roles and Responsibilities**

The following diagram provides a high level overview of the roles and responsibilities defined within the Austock Group Risk Management Process.



## 5.2 Austock Group Risk Management Methodology

The AS/NZS 4360:2004 methodology used in the risk management process, as tailored for Austock Group, is set out below.



### 5.2.1 Establishing the Context

Analyse the goals, objectives, strategies, scope and parameters of the business unit to identify the context that risks will be analysed within through the process. Assess the business unit plan paying attention to the assumptions that have been made underpinning the project. Of secondary importance, the context should also provide an understanding of the broader strategic scope of the Austock Group.

### 5.2.2 Identify the Risk

The aim of the risk identification is to generate a comprehensive list of risks that might affect Austock Group objectives and operation.

Examine all sources of risk including the perspective of all stakeholders, both internal and external that may have an impact upon the likelihood and consequence of the identified risks.

Identification of risks should include all risks, whether or not they are under the control of the organisation.

The methods that may be adopted to identify the risks are;

- Brainstorming
- History/Failure Analysis
- Operational Modeling
- Past Organisational Experience
- Scenario Analysis
- Strengths, weaknesses, opportunities and threats (SWOT) analysis
- Interviews, focus group discussions and workshops

When identifying risks the following questions can be used as a guide, to ensure where possible as many relevant risks are identified.

When, where, why, how are the risks likely to occur & who might be involved?

What is the source of each risk?

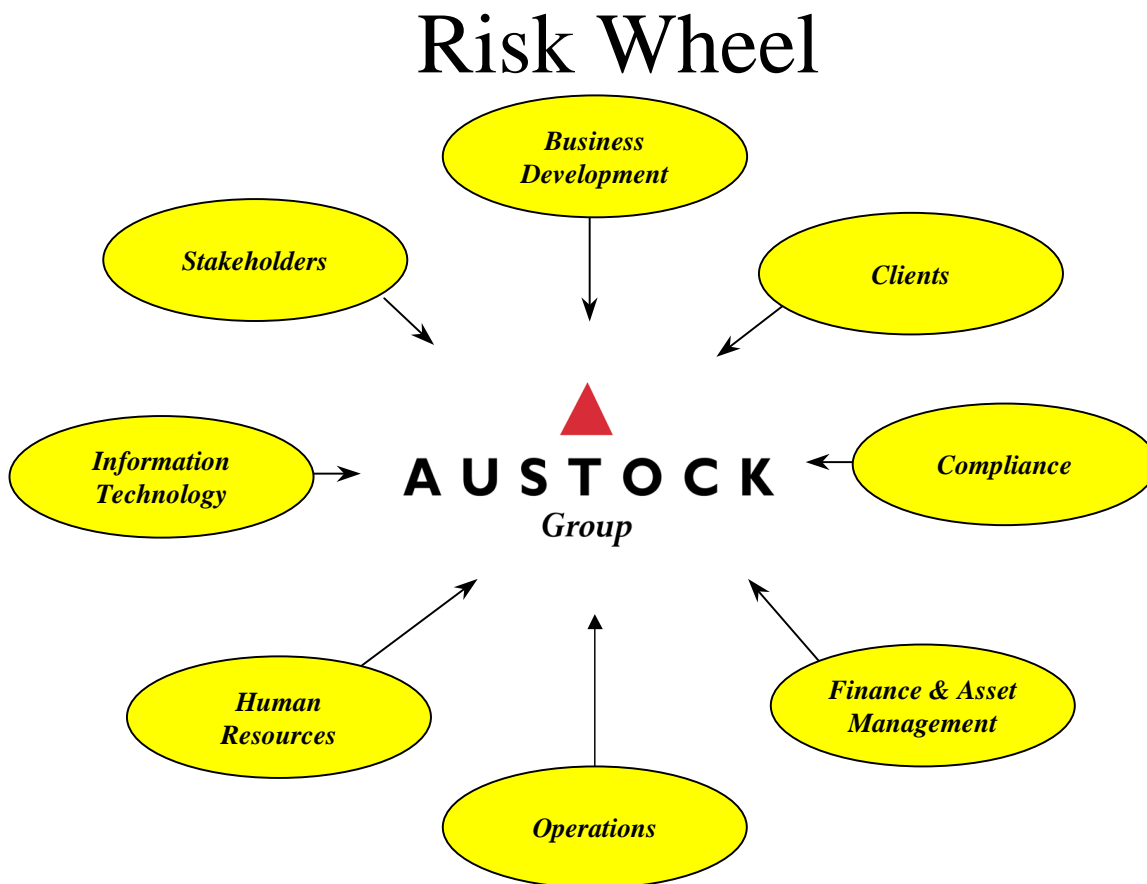
What are the various consequences of each risk?

What is the potential cost of each risk?

What controls presently exist to mitigate the risk?

What are the stakeholders' expectations in relation to this risk?

Austock Group has adopted eight categories of risk as outlined below. The categories are consistent across the entire Group, providing a basis for risk identification and for organising, monitoring and reporting on risks.



Each category has been chosen to reflect the diversity and complexity of the Austock Group operations. These categories provide the opportunity to treat common causes of risk, rather than individually treating numerous risks.

### 5.2.3 Analyse the Risk

The objective of this analysis is to sort risks into relevant ranking levels, so that not only major risks are clearly identified but minor risks are also noted. The ranking will assist in the latter steps of assessment and treatment. Risk is analysed by combining estimates of likelihood and consequence in the context of existing control measures to arrive at a level of risk. The analysis step concentrates on the likelihood of occurrence and the consequences of each risk.

When analysing the risk, the following questions may be useful;

What are the current controls, which may prevent, detect or lower the consequences of potential or undesirable risks?

What is the potential likelihood of the risks happening?

What are the potential consequences of the risks if they do occur?

What factors might increase/decrease the risk?

In determining the consequence rating, refer to the risk consequence table below for the possible outcome of the risk. Where there is more than one possible outcome, allow for the highest rating. Undertake this analysis without consideration for controls.

The number relating to each level, is the consequence rating.

#### Risk Consequence Table

Score	Rating	Consequence
5	<b>Catastrophic</b>	The consequence would prevent the Business Unit and/or Austock Group from achieving its key goals and objectives.
4	<b>Major</b>	The consequence would threaten the Business Unit and/or Austock Group from achieving its key strategic goals and objectives. It would require top level management
3	<b>Medium</b>	The consequence would not threaten key strategic goals and objectives but would subject the area to significant review of its operations but not its overall function.
2	<b>Low</b>	The consequence would threaten an aspect of the individual area's operations but not its overall function
1	<b>Negligible</b>	Routine internal program procedures would be sufficient to manage the consequences.

The likelihood rating is derived from the likelihood table, determining the possibility of the risk occurring without any controls. There is a number relating to each possibility, which provides the likelihood rating.

**Likelihood Table**

Score	Rating	Likelihood
5	<b>Almost Certain</b>	Is expected to occur in most circumstances
4	<b>Likely</b>	Will probably occur in most circumstances
3	<b>Possible</b>	Might occur at some time
2	<b>Unlikely</b>	Could occur at some time
1	<b>Rare</b>	Might occur only in exceptional circumstances

Both ratings are added together to provide a risk rating, pre controls.

Undertake the risk analysis again, considering controls to obtain a risk rating post controls. Formal controls are likely to be in place already for many risk exposures. The degree and effectiveness of existing controls over risk needs to be considered allowing a definitive risk ranking process. Such controls need to be clearly identified and the effectiveness assessed. The following is a guide to assessing current controls:

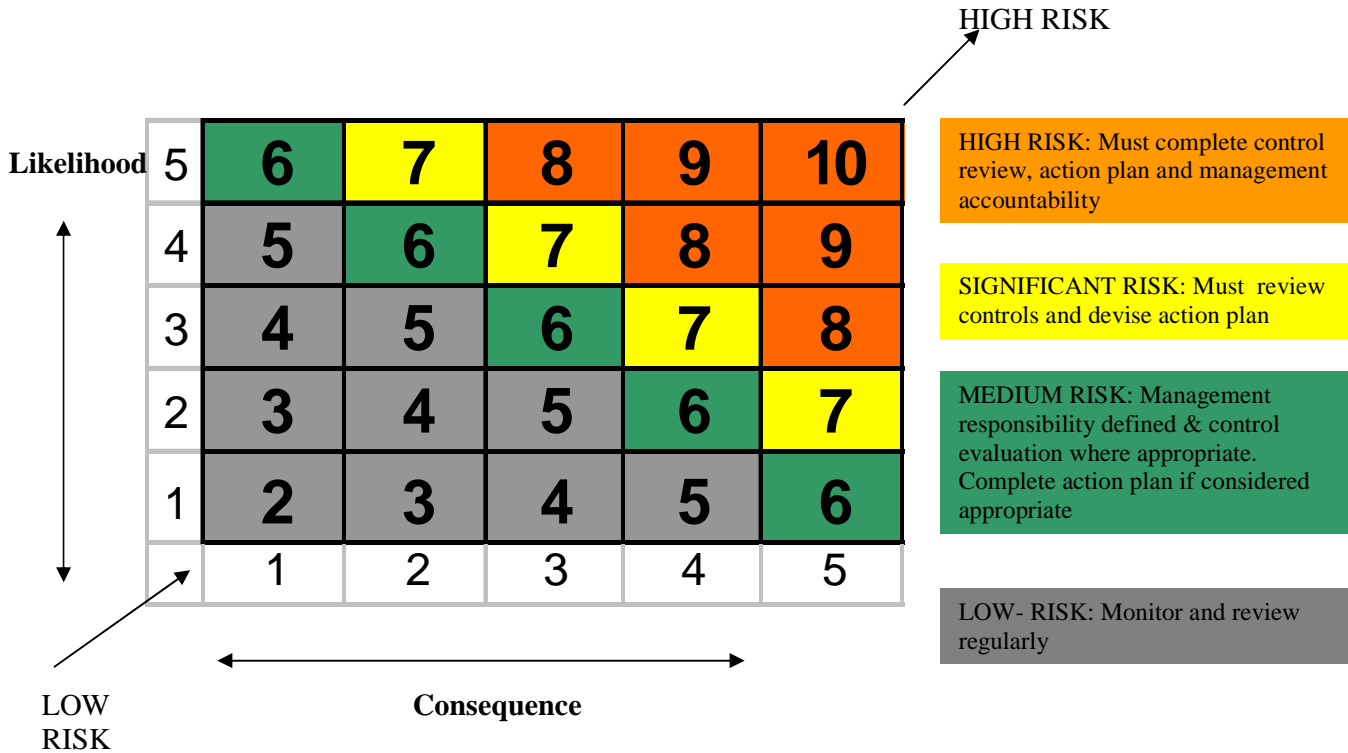
<b>Poor</b>	Control addresses risk, not documented or in operation; at worst control does not address risk and is neither documented nor in operation.
<b>Fair</b>	Control addresses risk, at least partly, but documentation and/or operation of control could be improved.
<b>Good</b>	Control addresses risk but documentation and/or operation of control could be improved.
<b>Excellent</b>	Control addresses risk, is officially documented and in operation.

Reassess the consequence and likelihood ratings in relation to the current controls. Commonly, if there are existing controls, the risk rating will be reduced. This second assessment provides the basis for determining whether the risk will require a treatment plan as the rating matrix is formed on post control ratings.

**5.2.4 Evaluate the Risk**

Risk evaluation involves comparing the level of risk found during analysis with the previously established criteria as set out in 5.2.1. This step is to decide whether the risks are acceptable or unacceptable. Based on the risk rating, refer to the ranking matrix for the recommended treatment levels, but these are guides only. The matrix establishes the threshold of what constitutes an unacceptable exposure. It is imperative that when evaluating the risk, that common sense is applied to determine the appropriate risk evaluation

## RISK RANKING MATRIX



A risk is considered acceptable if the risk is not going to be treated, in that the current controls and level of risk is acceptable. Accepting a risk does not imply that the risk is insignificant. The significance of the risk and the importance of the process or activity relating to the risk needs to be considered when deciding if a risk is acceptable. A risk may also be accepted because there is no treatment available, i.e. it is out of the control of the organisation. It may also be that the cost of the treatment is so excessive compared to the consequence that the only option is to accept the risk.

Risks that are not considered acceptable are those which will require treatment in some way. The output of the risk evaluation is a prioritised list of risks for further action.

### 5.2.5 Treat Risks

Treating the risk involves identifying the range of options for treating the unacceptable risks, assessing those options, preparing risk treatment plans and implementing them.

The diverse nature of the Austock Group is such that risk treatment plans will need to be tailored specifically to each business unit of the Group. These treatment plans provide clear identification of the responsibilities associated with the implementation of the treatment plan. Treatment plans need to document the way in which the selected risk treatment options are to be implemented for all major risks. The preparation of the treatment plan requires a consultative approach. The treatment plan should be constructed with a holistic view. Treatment plans to be effective must include deadlines, or in the case of long-term treatment processes, agreement on milestones and deadlines.

Select the most appropriate treatment from all available options. It is imperative that the treatment plans document the benefits of the treatment selected compared to the associated costs. There are four options for treating risks.

**Avoid** the risk by deciding not to proceed with the activity that contains an unacceptable risk. The second option is to **reduce** the likelihood or consequence of the risk. As an option, reduction of the risk may require a trade off between the level of risk and the cost of reducing those risks to an acceptable level. This trade off depends upon the circumstances and the established risk context within which the decision has to be made.

The third option is to **transfer** the risk, in full or in part to another party. Again the risk context should establish the level of acceptability of risk transfer for each situation. The fourth option is **retention**. This is the acceptance of risks after risk reduction measures.

The risk owner will establish accountability for monitoring the risk and for reporting back to the risk management committee and to management. The treatment plans are flexible, must be continually updated and reassess as the risks facing Austock Group will change or the likelihood and consequences will change.

### **5.2.6 Monitor and Review**

It is necessary to monitor risks; the effectiveness of the risk treatment plans, strategies and the management system. Risks need to be monitored periodically to ensure changing circumstances do not alter the risk priorities, as few risks or the risk context remain static. The ongoing process of monitoring and reviewing projects ensures that the information provided to stakeholders and management is accurate, complete and is based on the latest data.

The risk owner is responsible for monitoring the status of the risk. This status needs to be communicated regularly so that the risk register always reflects the current status of the risks

The management team will review Austock Group risks on an as needs basis. The management team will decide based upon the recommendations of the business unit managers and the Group context if the business unit risks should be escalated to the Group level. See 5.3 Escalation of Risks for the risk escalation process.

### **5.2.7 Communicate and Consult**

The premise underlying the risk management plan is that the Austock Group will consistently consult and communicate with stakeholders and all relevant parties involved, including regulators. This is to be undertaken at all times in a fair, timely and transparent manner.

## **5.3 Escalation of Risks**

Where business unit risks in the risk register are deemed to have an impact on the objectives of the entire Group, they are to be escalated to Organisation Risk Register (ORR). The ORR will contain all risks that may have an impact upon the entire Group meeting its objectives.

Risks can be escalated in 2 ways.

The first method is through the management team. All risks that are listed in the business unit risk register and have a rating of high and medium will be analysed at the ad hoc meetings to determine if the risk has the possibility of impacting the entire Group. The following guidelines will be considered in determining if the risk should be escalated;

- Will the risk require senior management intervention to action and control? If so, raise the risk to the Group level.

- Common Sense: does this risk have the potential to impact upon the entire Group, if so what level of impact based on knowledge and understanding of the business unit environment.
- Evaluate the related risks in the categories in the business unit risk register. Does the culmination of all these risks have an impact at the Group level?
- Based upon the analysis and evaluation using the first method and the rating of the risk using the Group consequence table, should the risk be raised at the Group level immediately?

The second method is through direct risk analysis. If a management team member or external stakeholder identifies a risk that is pertinent to the entire Group, it needs to be registered at Group level.

The Compliance Manager will be responsible for documenting and registering Group risks. An analysis of the identified risk (in relation to consequence and likelihood) will be done in consultation with the person who identified the risk and the potential risk owner. The same likelihood and consequence tables are to be used. The management team will determine whom the most appropriate risk owner is depending upon the nature and context of the risk. The risk owner will construct the action plans and monitor their implementation.

During the annual review process, symmetry between the aggregation of local risks and Group risks will be reviewed. Both the local risk register and the Group risk log will be reviewed at these meetings. Treatment action plans with due deliverables will be discussed and reviewed also.

**APPENDIX 1**

**Austock Group Risk Template**

**Date Raised and by Whom:**

**Risk:**

**Detailed Risk Description:**

**Context:**

**Risk Category:**

**Perceived Consequences:**

<b>Risk Scoring – Pre Controls</b>		
Consequence:	Likelihood:	Total:

**Current Controls:**

<b>Risk Scoring – Post Controls</b>		
Consequence:	Likelihood:	Total:

**Risk Owner:**

**Austock Group Action Plan Template**

**Risk and Risk Owner:**

**Action Plan:**

**Milestones/Deliverables:**

**Consultation:**

**Review Date:**

**Comments:**