



ACA Risk Management Policy

Introduction

Risk management is an essential element of good governance and enables the Australasian Corrosion Association (ACA) to best meet its organisational and strategic objectives.

The *Australian New Zealand Risk Management Standard (AS/NZS ISO 31000:2009)* defines risk management as the "coordinated activities to direct and control an organisation with regard to risk".

Risk arises in all aspects of the ACA's operations which offers both opportunities and threats, and must therefore be managed appropriately. The ACA recognises that while risks may not be eliminated they can however be identified, controlled and managed.

The aim of this policy is to ensure that the ACA makes informed decisions with respect to its activities by appropriately considering both risks and opportunities.

Objectives

The application of this policy will provide ACA the basis for:

- more confident and rigorous decision-making and planning;
- better identification of opportunities and threats;
- pro-active rather than re-active management;
- more effective allocation and use of resources;
- improved incident management and reduction in loss and the cost of risk;
- a clear understanding by all staff of their roles, responsibilities and authorities for managing risk;
- improved compliance with relevant legislation;
- better corporate governance; and
- the development of a more risk aware organisational culture through enhanced communication and reporting of risk.

Risk Appetite

Delivery of strategy and core functions of an organisation involves risk and the *risk appetite* is the level of risk the Board of Directors is willing to accept in order to achieve these objectives.

ACA's success is measured as 'effectively managing the Association to deliver its strategic objectives' and the related key strategic areas established in the Strategic Plan. The context statement, the risk appetite assessment criteria and the risk appetite relating to each of the key strategic areas demonstrate that risk assessment and treatment options vary depending on the context in which the assessment is undertaken. Further, they provide guidance to staff making risk management decisions and the expected reasonable level of controlled risk to be achieved.

Statement Context

The ACA is a not-for-profit membership Association which promotes corrosion prevention and control through training, information and advocacy. The Board of the ACA have a low tolerance for failure of managing risk. In particular key stakeholders expect continuous and professional services, prudent management and maintenance of a highly respected reputation.

ACA has a conservative approach to risk. In areas such as health, safety and environment, the Association has an “Averse” risk appetite attributable to the related legal obligations and most importantly, to protect the health, safety and wellbeing of our workforce, the environment and community. In areas such as reputational risk the Associations risk appetite reflects the broader policy imperatives and stakeholder perceptions. In other circumstances the Association may accept a higher level of risk where there are commensurate benefits aligned with its Vision, Mission, Values and strategic objectives.

Underpinning the Association’s risk decisions is a requirement to allocate scarce resources prudently and efficiently to its various functions. Consequently, it is an important risk appetite consideration.

Risk Appetite Criteria

Appetite	Description
Extreme 4	The ACA is not willing to consider an <u>Extreme Level</u> of risk in any circumstances.
High 3	The ACA is willing to consider a <u>High Level</u> of risk (excluding OH&S) provided the opportunities have the potential to result in a commensurate return.
Medium 2	The ACA is willing to consider a <u>Medium Level</u> of risk (excluding OH&S) provided the opportunities have the potential to result in a commensurate return.
Low 1	The ACA is willing to accept a <u>Low Level</u> of risk provided the opportunities have the potential to result in a commensurate return.

The ACA aims to control risk to “As Low As Reasonably Practicable”. There will be individual instances where accepted risks maybe higher. This will be due to the effects of moderate consequence / possible likelihood and implementation of further controls not being reasonable. Appetite High (3) and Medium (2) does not apply to OH&S.

Strategic Statements and Risk Appetite

Statements linked to the strategic plan and operations along with a Risk Appetite rating using the criteria above will be developed by the Audit, Finance & Risk Committee (AF&RC) and recommended to the Board for approval and will be reviewed annually.

Risk Register

The ACA risk register (available to members of the Board only) focuses on the specific areas of embedded and control risks associated with the processes which relate to the achievement of the ACA's risk management objectives. It incorporates detailed risk assessment ratings, control effectiveness ratings and risk treatment actions. The risk register is reviewed in conjunction with management and forms the basis for assessing residual areas of risks and specific risk control areas where further review, risk management action plans and internal audit may be necessary.

Risk Management Assessment

Risks will be assessed and managed based on:

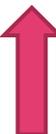
1. **Establishing the Context** - The ACA considers both external and internal factors when identifying and managing risks associated with the achievement of strategic and operational objectives.
2. **Risk Assessment** - The overall process of risk identification, risk analysis and risk evaluation.
 - a. **Risk identification** - Identifying risk sources, areas of impacts, events, causes and possible consequences to form a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives.
 - b. **Risk analysis** - Considering the range of causes, sources of risk, consequences and likelihood to produce a risk rating. The rating can then be used to determine further management by the ACA.
 - c. **Risk evaluation** - The level of risk identified during risk analysis can be ranked and prioritised according to a consistent overall ranking and rating system.
3. **Communicate and Consult** - Effective communication, consultation and education in risk management are necessary to achieve a successful integration of the risk processes into the organisation.
4. **Risk Treatment** - Selecting one or more options for modifying risks.
5. **Monitoring and Review** - Continual monitoring and reviewing of risk profiles is essential to maintain the effectiveness and appropriateness of the ACA's risk management profiles, including more specifically, risk treatment plans, risk assessments and to identify emerging risks.

The effectiveness of controls on the risk will modify the risk and its rating.

Risk Matrix

Risks will be assessed and rated based on the risk matrix outlined below. This considers two elements of risk:

1. Likelihood rating for risk occurring – this is an assessment of the potential frequency of occurrence without reference to know management controls and mitigating processes; and
2. Consequence rating for risk occurring – this is an assessment of the potential health & safety, environment, community/reputation, compliance/legal and revenue loss impact.

		Consequence 						
Health & Safety	First Aid only	Medical treatment injuries	LTI (Lost Time Injury)	Permanent disability to single/multiple people	Single fatality			
Environment	Negligible harm of low significance	Localised environmental harm, immediately contained and recoverable	Short term environmental harm, immediately recoverable	Medium term environmental harm	Significant long term harm that is not recoverable			
Reputation	Member complaint resolved via existing procedures	Repeated member complaints requiring site management response One off public exposure in local media or word of mouth	Repeated member complaints requiring site management response Significant public exposure in local media	Public exposure in regional media Impacts credibility with government	Public exposure in national or international media			
Compliance / Legal	Insignificant non-compliance with internal operational procedure or standard	Minor non-compliance with external standard or operating procedure with low potential for impact	Non-compliance with moderate potential for impact e.g. one-off non-compliance with permit or licence	Breach of licences, legislation, regulation or repeated non-compliance with high potential for prosecution	Events resulting in suspended or severely reduced operations imposed by regulators			
Revenue Loss	<\$10,000	\$10,000-50,000	\$50,000-250,000	\$250,000-1M	>\$1M			
		Insignificant	Minor	Moderate	Major	Catastrophic		
 Likelihood	Is expected to occur in most circumstances (>1 per year)	Almost Certain	Medium	High	High	Extreme	Extreme	
	Will probably occur in most circumstances (<1 per year & >1 per 5 years)	Likely	Medium	Medium	High	High	Extreme	Extreme
	Might occur at some time (<1 per 5 years & >1 per 10 years)	Possible	Low	Medium	High	High	High	Extreme
	Could occur at some time (<1 per 10 years)	Unlikely	Low	Medium	Medium	High	High	High
	Might occur in exceptional circumstances (Not Expected)	Rare	Low	Low	Medium	Medium	Medium	High

The level of inherent risk is assessed based on the level of likelihood and consequence. The mitigating processes and controls associated with the inherent risks are then assessed to determine the control effectiveness rating.

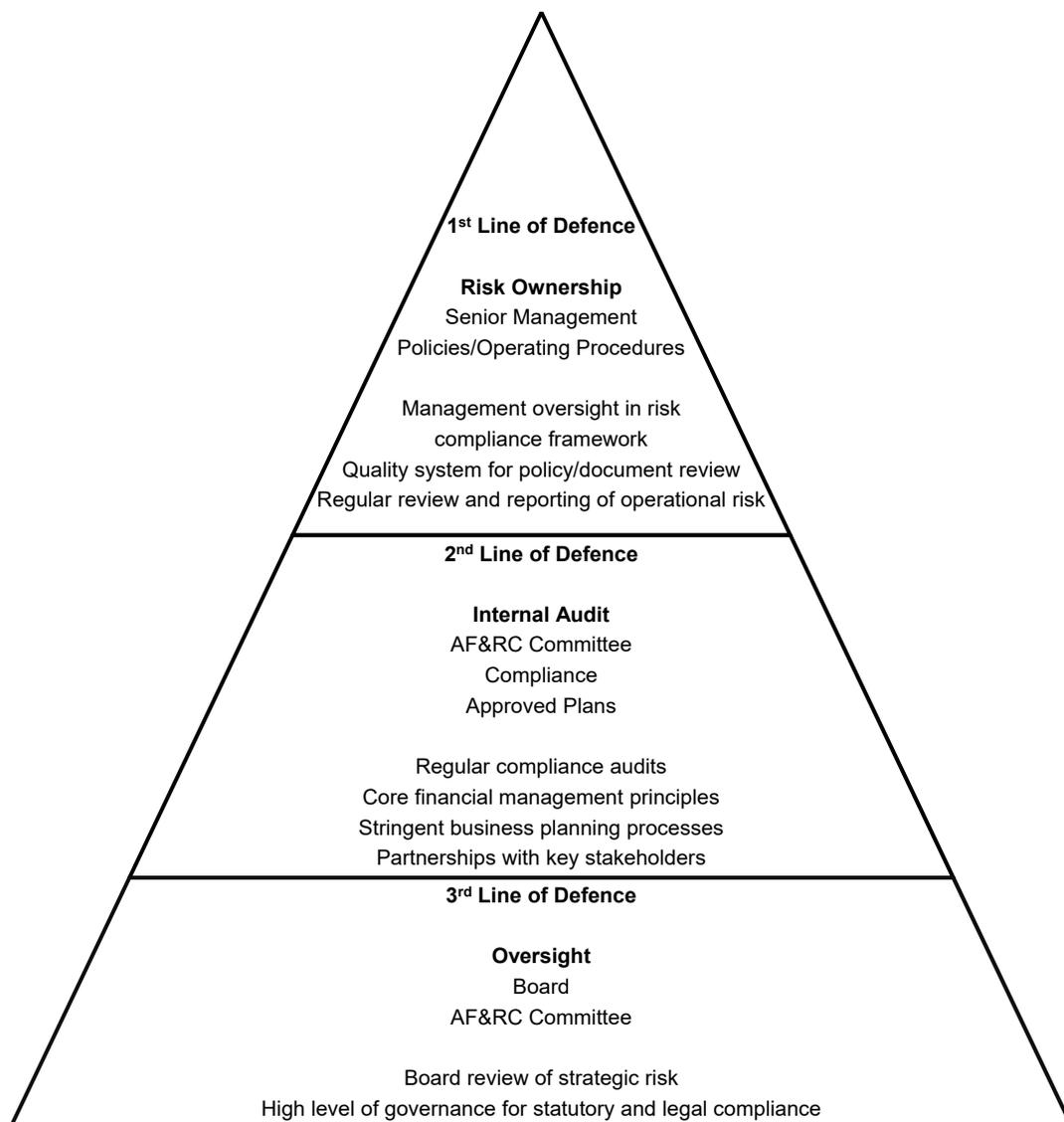
The combined inherent risk rating and control effectiveness are assessed to provide the residual risk rating.

Residual Risk Management

The residual risk is the level of risk that remains within the ACA after consideration of all existing mitigating practices/controls. The residual risk provides guidance on the required level of attention and when treatment plans are required to be developed to ensure ongoing management of the risk.

Key Accountabilities and Responsibilities

ACA has adopted a three tiered approach to provide assurance that strategic risks are effectively managed as illustrated below.



Policy History and Version Control.

The ACA Risk Management Policy will be reviewed bi-annually by the AR&FC and submitted to the Board for any approved changes.

Version	Reviewed By	Reviewed Date	Approved By	Date Approved
1.0			Board	27 th August 2016
1.1	Audit, Finance & Risk Committee	17 th October 2017	Board	11 th November 2017