Risk Management Framework

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Introduction

Activ's Risk Management Framework consists of:

- Risk Management Policy
- Risk Appetite Statement
- Risk Management Procedures (incl. Risk Assessment)

The framework sets out Activ's approach to the identification, assessment, management, reporting and monitoring of risks.

Good practice risk management includes all staff and teams across Activ adopting Activ's Risk Management Procedures to ensure:

- Good corporate governance
- Compliance with relevant legislation, regulations, and internal policies
- Understanding of uncertainty and its effects on the organisation's objectives and strategies, and understanding Activ's response to that uncertainty

This framework aims to balance a documented, structured, and systematic process with Activ's risk management design principles *(see Figure 1)* along with good practice risk management for Activ's current size, resource availability and complexity.

Figure 1: Risk Management Design Principles


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Risk Management Framework

Purpose

The purpose of the Risk Management Framework is to define Activ's approach to risk, and the objectives, processes, and tools that Activ uses for integrating risk management into business activities.

Activ is committed to having a clear and consistent governance and management approach that ensures effective and appropriate risk behaviours are embedded in its activities and business processes. This will support Activ's ability to achieve the organisation's purpose, vision and strategic objectives and effectively support customers to achieve independence.

Risk management forms part of our strategic, operational, project and line management responsibilities. Good practice risk management will help to ensure that Activ maximises its opportunities, minimises the impact and likelihood of the risks it faces in pursuit of its strategic intent, supports sustainability and the safeguarding of Activ's staff, customers, assets, infrastructure, finances, and reputation.

All staff should feel enabled, not constrained, by the Framework. It is not intended to comprehensively capture all the risk management activities across the organisation but to provide guidance and support to enhance, embed and further integrate good risk management practices and culture across Activ.

Risk Framework Structure
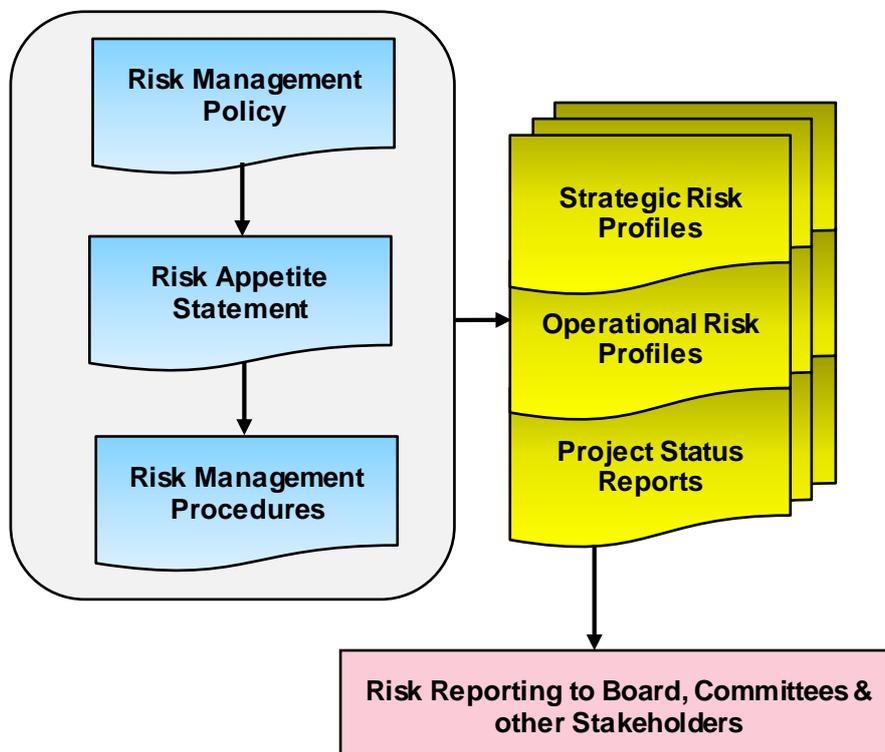
In developing Activ's risk management framework, consideration was given to relevant standards and guidelines as appropriate (such as AS/NZ ISO 31000:2018 Risk management - Guidelines).

Intended Use of the Risk Framework

To allow Activ to appropriately manage risk across all areas of operations, it is necessary for the Framework to outline four distinct levels of risk management activities: strategic, functional area, operational and project.

This brings together each element of risk management relevant to Activ's strategic context. A multi-layered approach to managing risk and effective control environments is dependent on a process that recognises specific 'objectives' at each level.

This Framework therefore incorporates:

- At the Board and Executive levels, a focus on risks related to achieving Activ's strategic objectives;

- At the Senior Leadership level, a focus on risks related to functional areas and the delivery of business wide functional requirements;

- At the operational level, a focus on operational risks related to the day-to-day operation of Activ's Accommodation, Community and Employment services; and

- As part of project delivery, a focus on risks related to the delivery of project outputs within scope, time, budget, and quality requirements.
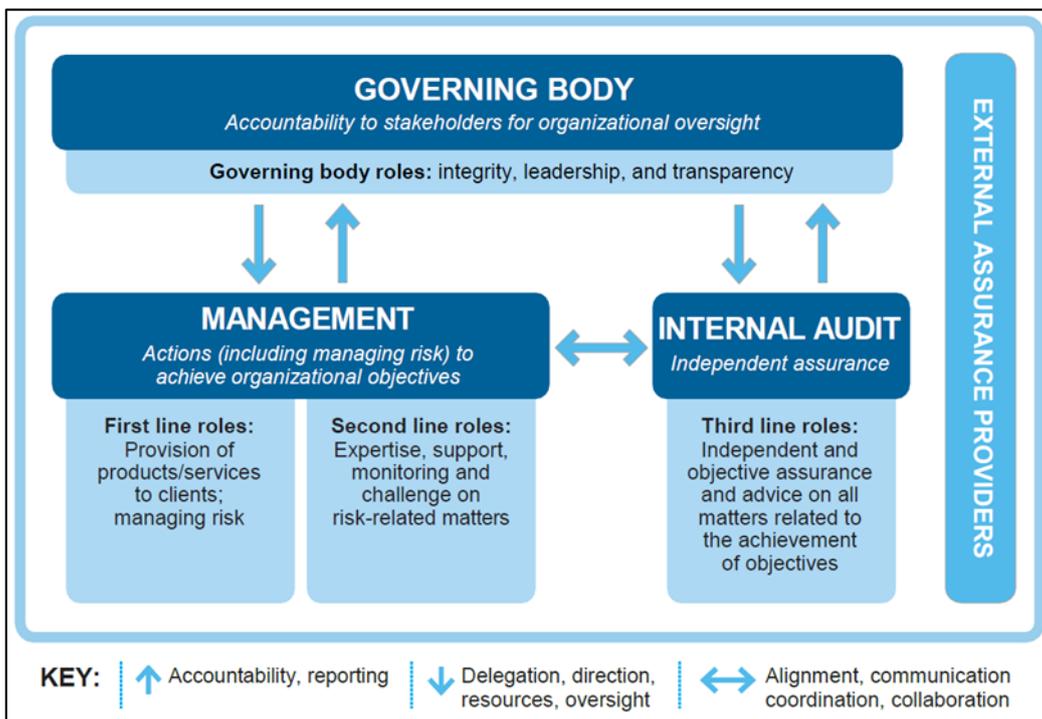
Risk Management Policy

The purpose of this policy is to outline the strategies for effective implementation of this Risk Management Framework and systematic and proactive approaches to the management of risk in accordance with Activ's approved Risk Appetite Statements (Appendix 1).

Our Approach to Risk Management

Activ is committed to good-practice risk management within Activ to enable:

- Clear understanding of the Board approved appetite for risk from an organisational perspective to guide and support risk management.

- Creating a culture aligned to the organisation's risk appetite, which is embedded throughout the organisation in its activities and business processes.

- Encouraging and empowering staff and our customers in understanding how risk management can assist them in their daily activities to manage uncertainties.

- Protection against reasonably foreseeable risks to the organisation, its staff, customers, and assets.

- Enhancing opportunities and encouraging innovation to achieve Activ's Purpose, Vision and Strategic objectives.

- Continuous improvement relative to Activ's size, resource availability and complexity.

- Compliance with Activ's Constitution (AQuA 96), relevant legislative and regulatory requirements, contractual obligations, industry standards and community expectations.

Model for effective governance and risk management Activ has adopted a "Three Lines" model for effective risk management and control. This model ensures roles, responsibilities and accountabilities for decision-making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, our Board, Executive Management, and other stakeholders will have assurance that risks are managed effectively to support delivery of Activ's Strategic and Operational Plans.

Roles and Responsibilities

The model for effective governance and risk management applies to all staff, volunteers, employees, managers, contractors, sub-contractors, executive and Board of Activ. Key roles will take on responsibilities for assessing, escalating risk and reporting according to the Framework. The summary of the categories and key actions are outlined below.

MANAGEMENT – FIRST LINE

Categories as per Three Lines Model

MANAGEMENT – SECOND LINE

GOVERNING BODY

INTERNAL AUDIT

All Staff	COMs/Senior Leaders	Governance & Risk Team	Executive Team	Board
• RMF applies to all staff • Expected to be aware of risks • Highlight or escalate areas of risks or concerns to their line manager • Follow appropriate controls & risk mitigation plans	• Drive embedding & management of RMF approach within their functional or work areas • Communicate & implement the RMF within their functional or work areas • Analyse & discuss emerging risks, issues & trends within their functional or work areas • Own & manage functional or work area operational risks, to ensure appropriate management & reporting, along with action plans for improved mitigation • Ensure identified controls that mitigate risk exist, are used & rated within risk assessments • Review the status of action plans for improved mitigation within their functional or work area • Ensure risk-related decisions & actions are documented appropriately within their functional or work areas • Incorporate risk management into everyday business activities & systems, within their functional or work areas	• Championing the RMF across Activ, including providing advice, training & guidance as required • Supporting the Executive Team in reviewing & documenting strategic & organisational extreme/high operational risks, including action plans for improved mitigation • Assisting the Executive Team in overseeing compliance & assurance activities for the Risk Management Framework (incl Policy, Risk Appetite Statements & Procedures) across Activ, as required • Support & enable risk management reporting to Senior Leaders, Executive Team, Audit, Risk & Governance Committee & Board • Assisting the Executive Team in reporting requirements for risk matters, or RMF changes, to ARGC • Assisting Executive Team in coordinating internal & external audits	• Promote embedding of Risk Management approach & culture • Drive organisation wide communication & Implementation of RMF • Review effectiveness & appropriateness of RMF, & submit proposed amendments to ARGC • Accountability for managing & monitoring strategic and organisational risks, ensuring appropriate management & reporting via action plans for improved mitigation • Analysing & discussing emerging strategic and organisational risks, issues, and trends • Ensuring identified controls that mitigate risk exist & rate appropriately within risk assessments • Hold Senior Leaders / Managers accountable for implementing & managing the RMF, & documenting as required within their functional areas • Review the status of action plans for improved mitigation & audit recommendations	• Review & approve Risk Management Framework (RMF) • Oversight of Strategic Risks • Annual Review & Approval of top Strategic Risks • Annual Review of top Operational Risks • Annual Appointment of Independent External Auditors to complete financial statement review

Team Leaders & Site Mgrs

- Analyse & discuss emerging risks, issues & trends within their functional or work areas
- Own & appropriately manage functional or work area risks
- Support COMs to incorporate risk into everyday business activities, & assist COMs in appropriate site management & reporting, along with action plans for improved mitigation
- Expected to understand the components of risk management procedure, through development

QSHE & Complaints

- Undertake internal audits to identify level of compliance to procedures and processes and focusing on continual improvement.
- Reporting performance from internal audits to Executive Team, ARC and Board.

RSM

- Independent external audits.
- RSM consultants deliver some internal audits.

CEO

- Promote embedding of Risk Management Approach
- Overall accountability for Activ's risk & compliance management
- Holding Executive Managers accountable for implementing RMF & strategy delivery

Audit, Risk & Governance Committee

- Setting Risk Appetite
- Review effectiveness of RMF & submit proposed amendments to Board for approval
- Oversight of RMF implementation & adequacy of controls
- Monitoring extreme/high level strategic & organisational operational residual risks
- Oversight of internal audit plan & internal/external audits
- Monitoring insurable risks where applicable
- Reviewing and monitoring key requirements of legislative, constitutional and other governance compliance

In reference to diagram there are numerous External Assurance Providers including NDIS, for HALAL certifications, and Department of Communities. All managers to adopt a proactive approach to identifying and managing risks by implementing practical management treatment action plans to mitigate risks and positioning to take advantage of opportunities where appropriate.

Risk Appetite Statements

The purpose of this Risk Appetite Statements ("Statement") is to specify the amount of risk the Board is willing to accept and which it can reasonably expect to manage successfully in pursuit of Activ's vision, mission, and long-term strategic objectives. For management it sets the boundaries for risk the Board will tolerate in Activ's day to day activities and should be used to guide the organisation towards meeting strategic intent.

Activ's approach to risk taking considers that a balanced assessment should be taken when considering risks. In some circumstances there may be a greater threat to Activ's strategic achievements by doing nothing rather than by taking on a particular course of action and its associated risks e.g. a failure to react to significant shifts in government policy.

Scope

Applies to: All Services / All Regions / All Sites / All Staff

Whilst the risk appetite statements (Appendix 1) are necessarily broad in their guidance, they offer insight to Activ staff about:

- the areas where they should feel comfortable about embracing risk and being innovative

- the areas where caution is required, and they should be conservative in the level of risk adopted in carrying out their activities

- risk areas or activities outside of the Delegation of Authority Policy or where the Board has set firm boundaries and clearly requires Executive and management to consult with the Board before proceeding.

These insights inform a range of activities including policy development, delegation setting and setting of key performance indicators.

Monitoring and Reporting

Management and the Executive are required to manage risk in a manner consistent with the Board's appetite for risk or to notify the Board where further action, decision making and/or escalation is necessary.

Any proposed activities or projects that materially exceed Activ's risk appetite are required to be reported to the Board.

Risk Appetite Statements

Activ's Risk Appetite for each of Activ's strategic risk categories is provided in the table in Appendix 1. Activ's risk appetite is multifaceted, reflecting the broad obligations that Activ has to its customers and the range of services delivered as part of its operational activities.

The risk appetite statements below should be read in conjunction with the risk appetite scale in Appendix 2.

Risk Management Procedures

All areas of Activ are required to assess and manage their risk on an ongoing basis, within their functional/operational or work areas.

In general, risks need to be:

- Representative of Activ's material risks relevant to logical categories within each area/site/function of the business.

- Reviewed regularly so that they remain current.

- Maintained in the standard format.

This process is supported using information inputs, workshops, and ongoing business engagement.

The risk management process is standardised, to ensure consistency and comparability, across all areas of Activ. The following diagram outlines that process, followed by commentary providing broad descriptions of each step from A to H (to aid the completion of a Risk Management Procedure template in Appendix 3).
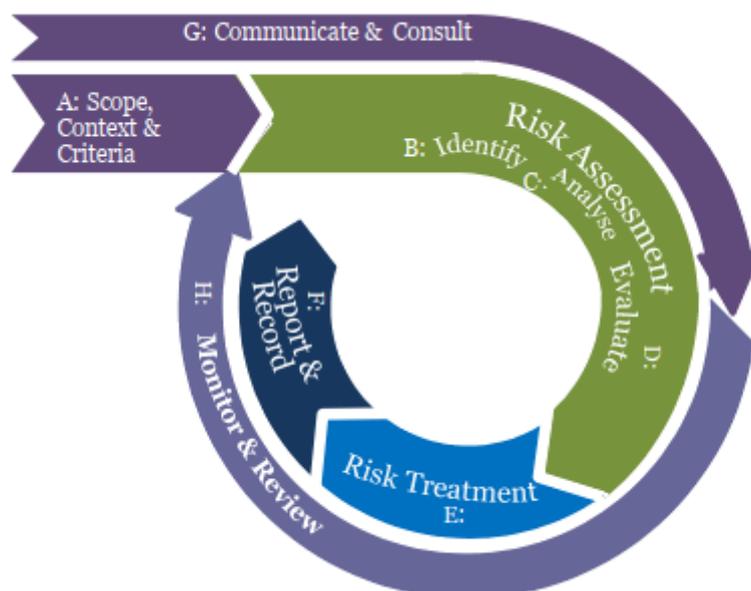
Risk Management Process Diagram

A: Scope (Context & Criteria)

The risk management process may be applied at different levels (e.g. strategic, operational, functional, project, site), and it's important to be clear about the scope under consideration; formed by organisational criteria and context.

Organisational Criteria

Tailored as relevant for Activ, these include the matrices and tables in the sections below for Risk Analysis (Appendix 4.1 and 4.2) and Risk Evaluation (Appendix 5).

To enable consistent and comparable risk information to be developed and considered within planning and decision-making processes, all risk assessments are to utilise these Risk Analysis and Risk Evaluation matrices/tables across Activ.

Context

Risk management is integrated in management and business processes to ensure the goals and objectives of Activ are met. Therefore, risk management must be placed into both a strategic and operational context, and consideration given to both internal and external source factors.

In addition to understanding what is to be assessed, it is also important to understand who the key stakeholders are or areas of expertise that may need to be included in the risk assessment.

Activ has three main context levels for risk assessment:

Strategic Context

These risks are associated with achieving the organisation's long-term objectives and may include consideration of the following:

- Impact of key drivers and trends
- Environment Scan / SWOT Analysis
- External Stakeholder Analysis
- Strategies / Objectives / Goals
- Organisational Values / Vision

The Board own strategic risks, and delegate responsibility for management and treatment to the Executive Team.

Operational Context

These risks are associated with Activ's day to day activities, functions, infrastructure, and service delivery. Prior to identifying operational risks, the operational area should identify its key activities (including capabilities, goals, objectives, strengths, weaknesses).

The Executive Team own operational risks and delegate responsibility for the management of these risks to Senior Managers.

Project Context

Project Risk has two main components:

- **Indirect** refers to the risks to Activ that may arise because of the project activity.
- **Direct** refers to the risks that threaten delivery of the actual project outcomes.

These risks are generally managed by the Project Manager and owned by the Project Sponsor.

Risks that have not been identified cannot be managed. Following the above considerations, the next sections outline Risk Assessment; the overall process of risk identification (Part B), risk analysis (Part C) and risk evaluation (Part D).

B: Risk Identification

The purpose of risk identification is to find, recognise and describe risks that might help or prevent an organisation in achieving its objectives. Relevant, appropriate, and up-to-date information is important in identifying risks. The aim is not to create an onerous and lengthy list of all possible risks, but to identify all significant risks that might impact the achievement of Activ's objectives and document in risk registers, including causes and impacts for each.

Risks are identified through risk workshops, as new risks arise and at regular reviews. There are many ways risks may be identified (such as through brainstorming, SWOT analysis, changes, investigations/audits, process and procedure changes/development, incidents, complaints), and can come from both internal and external environments. Relevant stakeholders and subject experts should also be considered and included in all risk assessments being undertaken.

Complete the following four areas in the Risk Management Procedure document (Appendix 3). The *questions* should be used only as a guide to identifying risks, additional analysis may be required re:

a) **Risk Description** – *What can go wrong? / What are areas of uncertainty?*

   Briefly describe what the risk is and specifically where control may be lost. They can also be described as an event. They are not to be confused with outcomes following an event, or the consequences of an event.

b) **Key Causes** – *How may this risk occur?*

   Briefly outline the conditions that may present or the failures that may lead to the event or point in time when control is lost.

c) **Consequences** – *What are the possible impacts/potential consequential outcomes of the risk occurring?*

   Briefly outline the main impacts for Activ to people, financial position, service interruption, in meeting compliance, reputation, property and projects (Consequence Categories).

d) **Existing Controls** – *What are the current measurable activities that mitigate this risk from occurring?*

   Briefly outline these, noting that they can only be considered a control if the answer is "yes" to all three of the following questions:

   - Is it an object, technological system and/or human action?
   - Does it, by itself, arrest or mitigate an unwanted sequence?
   - Is the required performance specifiable, measurable, and auditable?

C: Risk Analysis

To analyse the identified risks, follow the steps below using the matrices at Appendix 4.1 and 4.2 – Risk Analysis.

Determine the Residual Risk Rating

There are three components to this step:

1. **Consequence Rating** - determine the most relevant Consequence Category and rate the 'probable worst consequence' if the risk eventuated with the existing controls in place. This is not the worst-case scenario but rather a qualitative judgement what is probable or foreseeable (Appendix 4.1).

2. **Likelihood Rating** - determine how likely it is that the 'probable worst consequence' will eventuate with existing controls in place (Appendix 4.2).

3. **Risk Ratings** - using the Risk Matrix, plot the consequence and likelihood ratings to determine the inherent risk rating and again after considering the existing controls (see below step) in order to determine the residual risk rating (Appendix 4.2).

Consider the Effectiveness of Key Controls

Controls should be considered from three perspectives:

1. The **design** effectiveness of each individual key control – potential for mitigating the risk – check for completeness, accuracy, timeliness, and protection against theft/fraud.

2. The **operating** effectiveness of each individual key control – how well is it being applied – approaches include re-perform, inspect, observe, and inquire.

3. The **overall** or combined effectiveness of all controls.

Controls represent any process, policy, device, practice, or other actions taken by management which reduce the consequence or likelihood of a risk occurring.

The measure for applying a value to the overall control is the same as for individual controls and can be found in Appendix 4.2 under 'Existing Control Ratings'.

D: Risk Evaluation

The purpose of risk evaluation is to support decisions. It involves comparing the results of the residual risk rating against Activ's Risk Appetite Statements (Appendix 5) to determine whether the risk is within acceptable levels to Activ, resulting in a '**Risk Ranking**' using Appendix 5 – Risk Evaluation. The outcome of this evaluation will determine whether the risk ranking is low, moderate, high, or extreme.

Depending on the Risk Ranking, this could lead to:

- do nothing further;
- consider risk treatment options (see next section);
- undertake further analysis to better understand the risk;
- maintain existing controls;
- reconsider objectives.

Document the decision on the Risk Management Procedure document (refer Appendix 3).

E: Risk Treatment

Risk treatment involves identifying the option(s) for treating each risk (Appendix 6) to reduce the Residual Risk Rating to a desired Target Risk Rating (with due consideration to the Risk Appetite Statements – Appendix 1):

- Avoid the risk
- Mitigate/reduce the risk
- Share/transfer the risk
- Accept the risk

Selecting the most appropriate risk treatment option(s) involves balancing the potential benefits derived in relation to achievement of Activ's objectives against costs, effort, or disadvantages of implementation.

The next step is to then complete the Risk Treatment sections of the Risk Management Procedure document (see Appendix 3) for the Treatment Option(s) and briefly outlining the Treatment Plan (TP) actions/outcomes and expected TP due date for completion.

Once a Treatment Plan has been fully implemented, these can then be considered as part of the "Existing Controls" and subject to confirmation/approval by the line manager of the owner. This will initiate a review of the risk and re-assessment of the Risk Analysis and Risk Evaluation sections.

Risk Acceptance

Day-to-day operational decisions are generally managed under the Delegation of Authority (AQuA 2032). Risk Acceptance is a management decision to accept risks that fall within Activ's authority levels and risk appetite.

F: Communication & Consultation

The purpose of communication and consultation throughout the risk management process is to assist relevant stakeholders in understanding risk, the basis on which decisions are made and the reasons why particular actions are required. Communication seeks to promote awareness and understanding of risk, whereas consultation involves obtaining feedback and information to support decision-making. Both ensures decisions are based on the best available knowledge.

As risk is defined as 'The effect of uncertainty on objectives', consulting with relevant stakeholders assists in the reduction of components of uncertainty.

Communication at Activ will include awareness raising and understanding of the Risk Management Framework through informal mechanisms (such as on the job guidance; internal communications; via team meetings) and formal mechanisms (such as information session; training modules).

Consultation at Activ will include informal mechanisms (such as whilst on the job; in team catch ups) and formal mechanisms (team meetings; risk management review meetings; workshops).

G: Monitoring & Review

The purpose of monitoring and review is to assure and improve the quality and effectiveness of the Risk Management Framework. Ongoing maintenance and periodic review of the risk management procedure and its outcomes should be a planned part of the risk management procedure, with responsibilities clearly defined.

Monitoring and review includes planning, gathering, and analysing information, recording results, and providing feedback.

By regularly reviewing the effectiveness and efficiency of controls and the appropriateness of treatment / action options selected, we can determine if the organisation's resources are being put to the best use possible.

Monitoring and Review Schedule

Risk Category	MONITORING SCHEDULE
Strategic Risks	• Executive Team to raise and discuss any material changes to Strategic Risk Register at Executive meetings. • Reporting to Board/ARGC of any material changes to Strategic Risk Register (Extreme/High), by exception. • Executive Team review of Strategic Risk Register (part of Portfolio Meetings), at least quarterly. • Annual review of Strategic Risks, and 3 yearly review of the Risk Management Framework, by Audit, Risk & Governance Committee with recommendation to the Board (Policy, Matrix, Appetite, Risk Registers).
Organisational Functional/Operational Risks	• Quarterly review by Senior Leaders, along with review with Executive Team of Extreme and High Operational/Functional area risks. • Half yearly review of organisational top 10 operational risks, and Annual review of Organisational Functional/Operational Risks, by Audit and Risk Committee with recommendation to the Board. • Executive Manager to raise and discuss at Executive Team meetings any material changes to operational/functional risk registers.
Project Risks	• Review at each project Sponsor fortnightly meeting. • Review by Executive Team as part of Portfolio Meetings.

During the reporting process, management are required to review any risks within their area and follow up on controls, treatments, and actions mitigating those risks. Monitoring and the reviewing of risks, controls and treatments also apply to any actions / treatments to originate from an internal audit. The audit report will provide recommendations that effectively are treatments for risks that have been tested during an internal review.

H: Recording & Reporting

Recording and reporting aims to:

- communicate risk management activities and outcomes across Activ;

- provide information for decision-making;

- improve risk management activities;

- assist interaction with stakeholders, including those with responsibility and accountability for risk management activities.

The following diagram provides a high-level view of the ongoing reporting process for risk management.

Risk Management Reporting Workflow

Project Manager	Identify, record, and manage Project Risks → Summarise through Project Status Reports
Operations / Functional Work Areas	Identify, record, and manage Operational/Functional area risks
CEO & Executive Managers	Identify new or emerging risks → Review and produce Committee and Board Reports ← Identify, record, and manage Strategic Risk
G&R Function	Identify new or emerging risks → Verify risk information → Produce Risk Summary Report → Update Risk Categories. Follow-up actions
Audit, Risk & Governance Committee	Verify, review, endorse or escalate
Board	Review Reports and Committee Minutes

Project Managers are responsible for recording all identified risks in the approved project risk register and ensuring that relevant risks are reported through the project status reporting process. The initial project risk assessment will determine the frequency and level of reporting required.

Operational and functional work areas are responsible for managing and reporting identified risks (generally moderate and low risks) through their management structure and day to day operations, and recording in the approved operational/functional risk registers.

The Governance and Risk Team will support the Executive Team in operational/functional risk reviews to assist in the development and maintenance of their respective area's risk registers (and associated treatment plans). The Governance & Risk function is responsible for supporting, assisting, and guiding the ET and senior managers in implementing the RMF and managing risk, and for collating and reporting the organisational high & extreme residual rated risks (strategic and operational/functional).

The Executive Team are responsible for identifying, recording, and managing Strategic risks and supplement the 2nd Line role by supporting Operational/Functional areas in the management of their risk. Also responsible for reviewing organisational high & extreme residual rated risks (strategic and operational/functional).

The Board are responsible for reviewing and approving the Risk Management Framework (RMF), annual review and approval of the organisational high and extreme residual rated strategic risks and operational risks, and annual appointment of independent external auditors to complete financial statement reviews.

Consultation Process

The consultation process on this Risk Management Framework will include:

- Board
- Audit, Risk & Governance Committee
- Executive Team and Senior Leadership Group
- Governance & Risk Function
- External Risk Specialists
- Customer Committee

Key Related Policies and Documents

- Chief Executive Officer Delegation Policy (AQuA 2010)
- Delegation of Authority Policy (AQuA 2032)
- Code of Conduct and Ethics (AQuA 1867)
- Guidelines for Managing Misconduct Procedure (AQuA 3365)
- Board Charter (AQuA 2022)
- Audit, Risk & Governance Committee Terms of Reference (AQuA 985)
- Activ Constitution (AQuA 96)
- Customer Rights Policy (2861) and Procedure (2899)
- Strategic Internal Audit Plan
- Corporate Governance Statement (2411)
- AS/NZS ISO 31000:2018 Risk Management Principles and Guidelines

Review of Risk Management Framework

Activ's revised Risk Management Framework is to be reviewed in 12 months (and then 3 yearly thereafter), or whenever there is a significant change to Activ's strategic or operating environment. Proposed changes to Risk Appetite Statements are reviewed half yearly by Audit, Risk & Governance Committee and submitted for approval to the Board.

Strategic risk register – reviewed regularly as part of portfolio fortnightly rhythm (ET & Board)

Operational risk register – at least annually by ET & senior leader group

Amendment: This is a Controlled Document and any variation or amendment to this framework must be authorised according to the Policy and Procedure Governance – Procedures (AQuA 3288).

Appendix 1 - Risk Appetite Statement

Risk Category	Risk Appetite Statement	Risk Appetite				
		Very Low	Low	Medium	High	Very High
Investment	*Existing products and services* Activ has a high appetite to invest in services or products that are within Activ's core capabilities; that align with Activ's organisational strategy, purpose, vision, and values; and increase Activ's core competencies. Activ is willing to consider a short-term loss to achieve long-term strategic and financial benefits.				High	
	New products and services/Innovation Activ has a high appetite to invest in new/extensions of services or products and in innovation, where: • the investment is aligned to Activ's organisational strategy, purpose, vision, and values. • Potential partners or alliances in the investment or opportunity are aligned with Activ's purpose, vision, and values • adequate due diligence has been undertaken to understand expected costs and benefits to Activ, to enable the Board to make an informed decision • the opportunity provides a positive return on investment. We are willing to consider a short-term loss to achieve long term-strategic and financial benefits.				High	
Asset Management	Activ has a medium risk appetite for the management and maintenance of assets. Activ takes a planned approach to managing and maintaining assets in order to support our organisational strategies, growth outcomes, and deliver a safe and effective environment for the provision of services.			Medium		
Financial Sustainability	*Financial measures* Activ has a very low tolerance for decisions that will negatively impact overall long-term financial sustainability and result in material deficiency of the following financial categories: • Budgeted financial outcomes • Liquidity equivalent to 2 months cash expenditure commitments	Very Low				
	Revenue & funding diversification Activ has a high appetite for revenue and funding diversification to facilitate expansion of services outside of Activ's core service delivery model, provided these meets with the requirements of the Investment Risk appetite statement above.				High	
Compliance	Activ has a very low tolerance to behaviours that break the law (including breaching Activ's internal policies for fraud and Code of Conduct and Ethics), and Activ encourages "See Something, Say Something" reporting. We have a very low appetite for breaches in applicable legislation, regulation, industry codes and standards, as well as internal policies and sound corporate governance principles. We accept that Activ is subject to regulatory compliance requirements, and we will maintain controls and mitigation strategies to maintain an appropriate level of risk in response to impacts and changes in those obligations.	Very Low				
	We accept that there are circumstances when a low tolerance, with appropriate and considered approval/authority, is acceptable where compliance would be unreasonably impactful or costly compared to consequences, or where immaterial.		Low			
Data and Systems Security	*Data integrity* Activ is committed to ensuring that its information is authentic, appropriately classified, properly secured, and managed as far as practicable in accordance with legislative and operating requirements. Activ has a low appetite and is not willing to tolerate incidents within our control that compromise systems and data safety, processes governing access to information, the use of information and its management, or contravene Activ's data and IT related policies.		Low			
	IT system security and availability Activ has a low-risk appetite for data loss or disruption to our services from cyber-attacks outside of Activ's direct control or taking any risks that might result in a system outage that exceeds acceptable service level agreement requirements.		Low			
People Capacity & Capability	*Recruitment* Activ aims to balance the acquisition of skills through recruitment and developing our people in line with delivering our strategy. Activ are willing to temporarily operate with a lean service and corporate delivery model (reduced resources) to ensure we recruit the correct staff capability to meet our customers' needs and achieve our strategy; without putting anyone, or our compliance obligations, at unnecessary risk. Activ is an equal opportunity employer and will consider all candidates with the required qualifications and experience. Employment of higher risk candidates will be considered on a case-by-case basis, to allow adequate consideration of the risks and ensure Activ minimises the exposure of our employees, partners, and customers to unsafe actions.			Medium		
	Skills and capability We have a low-risk appetite for risks that arise from inadequately trained or skilled staff.		Low			
	Health and safety Activ aims to provide all staff and visitors a safe and healthy environment. Activ has a low appetite for practices or behaviours that lead to the harm of staff or visitors in its premises or when undertaking work related activities. Activ has, within this low appetite for health and safety risk, the following tolerance (controls/limits): • A very low tolerance for the inadequate or untimely remedy and reporting of breach or near miss incidents • No tolerance for negligent, deliberate, or purposeful violations of health and safety requirements.		Low			
Protecting Brand Reputation	*Stakeholder confidence* Activ has a low appetite for any activity that will compromise the integrity of our brand or lead to loss of confidence by Activ's customers or funders.		Low			
	Principles and integrity Activ are willing to take a strong stance on matters aligned to Activ's Purpose, Mission and Values that may leave us open to criticism from the public, provided we remain transparent and inform key stakeholders.				High	
Customer Outcomes	*Health & Safety* Activ has a low appetite for activities that will expose customers, staff, or visitors to unsafe actions. All service delivery decisions and activities will be viewed through a customer centric lens and Activ will strive to manage all risks to an acceptable low level in the delivery of its services.		Low			
	Strategic & Operational Objectives We have a high-risk appetite to undertake activities that support customer independence choices provided: • The opportunity or activity is aligned to Activ's purpose, vision, and values • Activ has, or can source, suitable capacity and capability to support the independence goal. We are willing to partner with other organisations, including on services that are outside of Activ's core services, where: • it will facilitate Activ's customers achieving independence goals • the partnership aligns with or complements Activ's purpose, vision, values, and organisational culture • it ties in with our risk appetite on investments and revenue diversification				High	

Appendix 2 - Risk Appetite Scale

Activ's risk appetite scale is reflected in the table below.

	Very Low	**Low**	**Medium**	**High**	**Very High**
Approach to Risk	Activ accepts as little risk as possible and is not willing to accept risks in most circumstances.	Activ takes a cautious approach toward taking risk and is willing to accept risks with adequate controls and mitigation strategies in place.	Activ takes a balanced approach to taking risk and is willing to accept some risks in certain circumstances.	Activ is willing to accept risks where it is deemed to provide increased benefits to Activ and our Customers.	Activ takes an aggressive approach toward risk where the activity is considered core to Activ's strategy and purpose.
Guidance to Management	• Strict controls must be defined by senior management • Defensive or conservative approach to objects • Preference for very safe options for the avoidance of risk and uncertainty • Usually willing to invest heavily to reduce unreasonable exposure to uncertainty.	• Strict controls usually defined by senior management • Innovation restrained for reduction of risk only • Preference for safe options that are low risk and only have a potential for limited return • Willing to invest to reduce unreasonable exposure to uncertainty.	• Delegated accountabilities for non-critical decision-making and strict controls for critical decision making only • Innovation supported, with demonstration of appropriate improvements in management control • Preference for options that have reasonable probability for return • Prepared to invest for return despite some uncertainty and some possibilities of financial loss.	• Guiding controls from senior management, implemented as relevant at each level of management • Innovation pursued – desire to challenge the status-quo Willing to choose options presenting a superior level of return and value for money notwithstanding uncertainty • Prepared to invest for return despite significant uncertainty and the significant possibility of financial loss.	• High levels of delegated authority – management by trust rather than tight control • Innovation at all costs – must lead change • Eager to choose options offering higher business returns, despite greater risk • Usually prepared to invest more speculatively for the chance of the best possible return.

Appendix 3 - Risk Management Procedure Template

Risk Management Procedure	Updated October 2021
Owner:	**Location:**

Context (A):					
Risk Identification (B)	**Risk Name/Description:**				
	Key Causes • • •		**Consequences/Possible Impacts** • • •		
	Existing Controls • •		• Existing Controls Rating •		
Risk Analysis (C)	**Consequence Rating**	**Likelihood Rating**	**Inherent Risk Rating**	**Overall Existing Controls Rating**	**Residual Risk Rating**
Risk Evaluation (D) *and* **Risk Treatment (E)**	**Risk Ranking**	**Treatment Option(s)**	**Target Residual Risk**		
	Treatment Plan (TP) - actions/outcomes 1. 2. 3. 4.				
	TP due date:		**Risk review date:**		

Appendix 4.1 - Risk Analysis (consequences)

Measures of Consequence							
Consequence Rating (Level)	**Consequence Categories**						
	Health / People	**Financial Impact**	**Service Interruption**	**Compliance**	**Reputational**	**Property**	**Project(s) Time/Cost**
Insignificant (1)	Near miss. Minor first aid injuries	Less than $600k (<0.5%)	No material service interruption	Breach or potential breach with no noticeable regulatory or statutory impact	Unsubstantiated allegation, low impact, low profile or 'no news' item	Inconsequential damage	Exceeds deadline/budget by 10%
Minor (2)	Medical attention required LTI <10 days	$600k - $1.2m (0.5% - 1%)	Short term temporary interruption – backlog cleared < 1 day	Some temporary non-compliances with minimal regulatory impact	Substantiated, low impact, minimal media exposure. No/minimal loss of stakeholder trust	Localised damage rectified by routine internal procedures	Exceeds deadline/budget by 20%
Moderate (3)	Lost time injury <60 days and/or Minor legal exposure	$1.2m - $3m (1% - 2.5%)	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Public embarrassment, moderate impact, moderate news profile. Loss of a few customers and/or staff. Some loss of stakeholder trust	Localised damage requiring external resources to rectify	Exceeds deadline/budget by 30%
Major (4)	Lost time injury >60 days and/or Major legal exposure	$3m - $12m (2.5% - 10%)	Prolonged interruption of services – additional resources required; performance affected < 1 month	Non-compliance results in termination of services, licence restrictions, regulator involvement or levied penalties	Public embarrassment, high impact, high news profile, third party actions, loss of many customers and/or staff. Loss of some stakeholders	Significant damage requiring external resources to rectify	Exceeds deadline/budget by 50%
Catastrophic (5)	Fatality, permanent disability. Activ accountable	More than $12m (>10%)	Indeterminate prolonged interruption of services – non-performance > 1 month	Non-compliance results in litigation, criminal charges, or licence withdrawal	Public embarrassment, high impact, widespread negative news profile, third party actions, loss of significant numbers of customers, staff, and stakeholders	Extensive damage requiring prolonged period of restitution. Complete loss	Exceeds deadline/budget by over 75%

Appendix 4.2 - Risk Analysis (likelihood, existing controls & risk ratings)

Measures of Likelihood			
Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances (>90% chance)	At least once per year
4	Likely	The event will probably occur; more likely than not (>50% chance)	At least once in 2 years
3	Possible	The event might occur at some time (20% chance)	At least once in 5 years
2	Unlikely	Remote chance of the event occurring; surprised if it happens (<10% chance)	At least once in 10 years
1	Rare	The event may occur in exceptional circumstances; highly unexpected (<5% chance)	Less than once in 15 years

Existing control ratings		
Rating	Foreseeable	Description
Effective	There is little scope for improvement.	Processes/Controls operating as intended and aligned with policies & procedures. Subject to ongoing monitoring. Reviewed and tested frequently.
Adequate	There is some scope for improvement.	Processes/Controls generally operating as intended, however inadequacies exist. Limited monitoring. Reviewed and tested, but not frequently.
Ineffective	There is a need for improvement or action.	Processes/Controls not operating as intended, do not exist, or are not being complied with. Have not been reviewed or tested for some time.

Risk Rating Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	A	Low	Moderate	High	Extreme	Extreme
Likely	B	Low	Moderate	High	High	Extreme
Possible	C	Insignificant	Low	Moderate	High	High
Unlikely	D	Insignificant	Low	Low	Moderate	Moderate
Rare	E	Insignificant	Insignificant	Insignificant	Low	Moderate

Appendix 5 - Risk Evaluation

	Risk Ranking (Residual Risk Rating evaluated against Risk Appetite Statements - the degree the risk is acceptable)		
Risk Rank	**Description**	**Criteria**	**Responsibility**
INSIGNIFICANT	Acceptable	Risk acceptable within controls managed by application of Policy & Procedures	Team Leader/Site Manager
LOW	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Operations/Functional Manager
MODERATE	Monitor	Risk acceptable with adequate controls, managed by senior management & specific procedures and subject to semi-annual monitoring	Operations/Functional Manager
HIGH	Urgent Attention Required	Risk acceptable with effective controls, managed by executive and subject to monthly monitoring	Executive Team
EXTREME	Unacceptable	Risk only acceptable with effective controls and action plans explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	CEO & Board

Appendix 6 - Treatment Options

The following options are available for treating risks and may be applied individually or in combination, with due consideration of risk appetite:

TREATMENT OPTION	ACTION/OUTCOME
Avoid the risk	• Not to proceed with the activity or choosing an alternative approach to achieve the same outcome. • Note: Aim is risk management, not aversion.
Reduce/ Mitigate	• Reduce the likelihood – improving management controls and procedures. • Reduce the consequence – putting in place strategies to minimise adverse consequences, e.g. contingency planning, Business Continuity Plan, liability cover in contracts.
Share/ Transfer the risk	• Shifting responsibility for a risk to another party by contract or insurance. Can be transferred as a whole or shared. • Note: contractual transference of risk is rarely absolute – there will commonly be some impact to G8.
Retain/ Accept the risk	• Controls are deemed appropriate. • There must be monitored, and contingency plans developed where appropriate.

Appendix 7 - Definitions

- **Consequence:** outcome of an event affecting objectives.

- **Control:** measure that maintains and/or modifies risk.

- **Event:** occurrence or change of a particular set of circumstances.

- **Likelihood:** chance of something happening.

- **Operational Risk:** The risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events.

- **Operational Opportunity:** The opportunity to add value through internal processes, people, and systems, or through external events.

- **Risk:** Effect of uncertainty on objectives.

- **Risk Management:** coordinated activities to direct and control an organisation with regard to risk.

- **Risk Source:** element which alone or in combination has the potential to give rise to risk.

- **Stakeholders:** person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity.

- **Staff:** Includes all persons employed by Activ, whether paid or unpaid.

- **Strategic Opportunity:** The opportunities that could positively affect the achievement of the organisation's vision and strategic objectives.

- **Strategic Risk:** The risks that could negatively affect the achievement of the organisation's vision and strategic objectives.