

## Risk Management Policy

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### Policy

SRW will develop and implement plans, systems and processes that have regard to ISO31000: Risk Management (or as amended) to ensure that risks associated with functions performed and services provided are identified, assessed, prioritised and managed.

This will be achieved through the implementation of SRW's Risk Management System, which must include the following requirements:

- Incorporate instruction from the board regarding the amount of risk that SRW can tolerate, as expressed within the Risk Position Statement.
- Distinguish dam safety risks, and record the management of dam safety risks in accordance with the Statement of Obligations..
- For all other risks, maintain an enterprise-based register of significant risks that:
  - for each risk recorded in the register, documents the plausible scenarios that can cause the risk to occur
  - identifies important controls to manage each scenario
- Determines a residual risk rating. Documents a response to each risk, which may include either:
  - accept the current controls and residual risk
  - specify action plans to further mitigate the residual risk
  - take steps to avoid the risk.
- Ongoing monitoring by:
  - assessing new risks
  - re-evaluating residual risk ratings,
  - testing the effectiveness of important controls.
- Maintains suitable insurance policies.
- Consideration of inter-agency and statewide risks.

### Roles and Reporting

#### Reporting to government

The Managing Director will immediately report to the responsible department any significant issue that has affected or may affect the entity's financial performance, management, sustainability or reputation.

#### Reporting to the board

Management will report to the board:

- The occurrence of risks:
  - immediately if the consequence is Major or Catastrophic
  - at the next board meeting if the consequence is Minor or Moderate

- Operational risk occurrences will be reported to the board, but not changes to operational risk settings.
- At each board meeting, a Managing Director Risk Attestation for Corporate risks, that advises:
  - if a risk has occurred
  - if a risk rating has been re-assessed
  - any significant change that has been made to a risk mitigation strategy.
- A Risk Review, which for the year ending 31 March, and reported no later than the June board meeting, will provide:
  - a summary schedule of all risks recorded by the risk register, noting the risk owner, residual and target ratings
  - since the last Annual Risk Review, any:
    - new risks added to the risk register
    - risks removed from the risk register
    - amendment to the residual and target ratings
    - risk occurrence resulting in a Minor or worse outcome, including an assessment of the adequacy of risk management strategies.

At least once a year (scheduled no later than June), management will recommend a risk presentation schedule of corporate risks to the board for approval.

### **Audit, Risk and Governance Committee**

The Audit, Risk and Governance Committee will:

- monitor the adequacy of the risk management systems
- monitor the control assessment framework
- provide annual assurance so that the Chairman of Directors can provide necessary attestation within the Corporation Annual Report.
- Management will report to the Audit, Risk and Governance Committee:
  - Executive Risk Committee minutes;
  - Control Assurance Framework report;
  - Draft Annual Risk Review.

### **Managing Director**

The Managing Director will:

- Document and maintain strong oversight of SRW's Risk Management Systems
- ensure that all reporting obligations to the board and the Audit, Risk and Governance Committee are met
- Recommend to the board, for the board's approval, any change to a residual risk rating for corporate risks
- Approve any change to the residual risk rating for operational risks.

### **Definitions**

Risk: the effect of uncertain positive and negative impacts on objectives. Scenario (or risk incident): change to circumstances that

give rise to risk.

**Significant risk:** For reporting to government, a significant issue is a minor or worse occurrence as determined by the consequence table.

**Plausible:** It is not far-fetched (like a meteor landing on the Maffra office); and while it may not have happened before to SRW, it is both reasonable and believable that the event could happen (like a large earthquake or pandemic).

**Controls:** Any measure or action that reduces risk, including policy, procedure, practice, process, technology, technique, method, or devices that manages risk.

**Residual risk:** The risk remaining after implementing all controls, permanent treatments and avoidance.

**Corporate risks:** The board will categorise those risks within the register that warrant regular reporting from management

**ANCOLD:** Australian National Committee on Large Dams

*Definitions are generally in line with ISO31000:2009: Risk management*

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**Effective date and review date**

This policy takes effect from 7 February 2018. It is due for review by 31 January 2024.

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**Who is affected**

This policy applies to all SRW staff

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**Rationale**

To outline our policy for managing enterprise risks, so that SRW identifies and manages risk by establishing sound risk management practices for a business of its size and risk profile.

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**Contact**

For more information on this policy, contact the Chief Financial Officer

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**Related documents**

- Statement of Obligations
- Directions issued under the Financial Management Act 1994
- Victorian Government Risk Management Framework
- SRW Risk Management System

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**Communications**

This policy will be made available on SRW's website.

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## Attachments

Risk position statement approved October 2013.

### Risk Characterisation Matrix – Board approved October 2017

Likelihood	Almost Certain	Moderate	High	High	Extreme	Extreme
	Likely	Moderate	Moderate	High	High	Extreme
	Some chance	Low	Moderate	Moderate	High	High
	Unlikely	Low	Low	Moderate	Moderate	High
	Rare	Low	Low	Low	Moderate	Moderate
		Noticeable	Important	Serious	Major	Catastrophic
<b>Consequence</b>						

### Risk Consequence Table – Board approved October 2017

CONSEQUENCE OF:	Reputation SRW fails to manage issues	Third-party Losses SRW liable for the losses of others:	Customers SRW responsible for water not being available:	Environment SRW responsible for damage to natural surroundings	Prices SRW prices threaten affordability	People Health, safety & well-being	Losses Unplanned expenditure or revenue losses occur
Catastrophic	Permanent and irrecoverable damage with shareholder ministers	Expenditure & losses > \$25M	Irrigation district or groundwater area failure	Permanent and irreversible impact to sites or species of international, national or state significance.	Our prices cause severe financial hardship resulting in a major customer group/s being unviable	Fatality to member of: <ul style="list-style-type: none"> <li>staff from work related activity</li> <li>public where SRW liable</li> </ul>	Losses > \$125m
Major	Minister sanction on SRW	Expenditure & losses > \$9M	Multiple enterprise failure	Prolonged impact to sites or species of international, national or state significance.	Our prices cause financial hardship that threatens the viability of a customer groups	Permanent disability, or severe illness to member of: <ul style="list-style-type: none"> <li>staff from work related activity</li> <li>public where SRW liable</li> </ul>	Losses > \$25m
Serious	Minister, Secretary or major customer group expresses concern about SRW actions	Expenditure & losses > \$1 m	Expenditure & losses > \$1 m	Environmental breach and expect court prosecution.	Our prices cause widespread financial hardship	Major injury requiring long-term hospitalisation to member of: <ul style="list-style-type: none"> <li>staff from work related activity</li> <li>public where SRW liable</li> </ul>	Losses > \$5m
Important	Important stakeholder expresses dissatisfaction about SRW actions	Expenditure & losses > \$200k	Expenditure & losses > \$200k	Environmental breach and do not expect court prosecution.	Our prices cause financial hardship for a minority of our customers	Injury resulting in minor hospitalisation to member of: <ul style="list-style-type: none"> <li>staff from work related activity</li> <li>public where SRW liable</li> </ul>	Losses > \$1m
Noticeable		Expenditure & losses > \$40k	Expenditure & losses > \$40k	Isolated impact on the environment requiring referral or notification to DEPIEPA etc.		Injury not resulting in hospitalisation to member of: <ul style="list-style-type: none"> <li>staff from work related activity</li> <li>public where SRW liable</li> </ul>	Losses > \$200k

**Risk Likelihood Table** - Board Approved October 2017

<b>Almost Certain</b>	Risk will occur at least once this year	The event is probable and expected to occur often
<b>Likely</b>	Risk has more than a 20% chance of occurring this year	We expect this event to occur at least once in each 5 year planning period
<b>Some chance</b>	Risk has more than a 3% chance of occurring this year	The event is possible and expected to occur sometime. We expect this event to occur at least once in our long term planning period (30 years)
<b>Unlikely</b>	Risk has more than a 1% chance of occurring this year	The event could occur at some time. We recognise that this event may occur, but do not expect it to occur within our long term planning period
<b>Rare</b>	Risk has less than a 1% chance of occurring this year	An event that is plausible and occurs only in exceptional circumstances