

Risk Management Policy

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.
- Maintain an enterprise based register of significant risks that documents:
 - the plausible scenarios that can cause the risk to occur
 - an inherent risk rating for each scenario
 - identifies important controls to manage each scenario
 - a residual risk rating for each scenario
 - any important action plans to further mitigate the residual risk, and where appropriate the expected timeframe to achieve a target risk rating for the scenario
- Documents a response to each risk scenario where the residual risk exceeds risk tolerance set by the Risk Position Statement, which may include acceptance and reporting to the board of:
 - the current controls (residual risk)
 - the risk mitigation plan (target risk)
 - strategies to avoid the risk.
- Documents project plans so that project risk is managed with the same regard to risk tolerance, reporting and approval as those risks recorded in the enterprise register.
- Ongoing monitoring by:
 - assessing new risks
 - regular re-evaluation of risk ratings,
 - testing the effectiveness of important controls.
- Processes which ensure organisation wide risk management consistency, familiarisation and training.
- 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:

- Enterprise register of strategic risks
 - a description of the strategic risk, including the conditions that represent occurrence
 - the worst scenario rating informs the risk rating for each strategic risk reported to the board
 - only significant risk mitigations, being those actions that result in a change to a risk rating.
- The occurrence of risks:
 - immediately if the consequence is Serious, Major or Catastrophic
 - at the next board meeting if the consequence is Noticeable or Important.
- At each board meeting, a Managing Director Risk Attestation 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, inherent, 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 risk ratings
 - risk occurrence resulting in an Important 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 risks to the board for approval.

Audit and Risk Committee

The Audit and Risk 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 and Risk Committee:

- Risk report in a format set by the committee;
- 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 and Risk Committee are met
- Recommend to the board, for the board's approval, any change to a risk rating.

Definitions

Risk: the effect of uncertain positive and negative impacts on business objectives.

Significant risk: For reporting to government, a significant issue is a Serious 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:

- Permanent treatments such as elimination, substitution and engineering controls
- Administrative actions, such as policy, procedure, practices, process, technology, techniques and methods that manage risk by changing the way work is completed.

Inherent risk: The risk remaining after implementing permanent treatments (elimination, substitution and engineering controls) and avoidance.

Residual risk: The risk remaining after implementing all controls.

ANCOLD: Australian National Committee on Large Dams

Definitions to be consistent with ISO31000:2009: Risk management

Effective date and review date

This policy takes effect from 3 June 2025. It is due for review June 2028.

Who is affected

This policy applies to all SRW staff

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.

Contact

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

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| Related documents | <ul style="list-style-type: none">• 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	Appendix 1 – Risk rating table Appendix 2 – Risk consequence table Appendix 3 – Risk likelihood table
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Appendix 1 - Risk Rating table

Consequence		Catastrophic	Major	Serious	Important	Noticeable
	Low	High	High	Extreme	Extreme	
	Low	Moderate	High	High	Extreme	
	Low	Moderate	Moderate	High	High	
	Low	Low	Moderate	Moderate	High	
	Low	Low	Low	Moderate	Moderate	
		Rare	Unlikely	Some chance	Likely	Almost certain
Likelihood						

Appendix 2 - Risk Consequence Table

The bold red line below results from a combination of the risk rating table and appetite (where probability is assumed as Some Chance, being up to 1 in 100 years).

Subject to pre-set conditions and approvals described by the risk appetite table, where a category of risk has an appetite of:

Category of risk	Government and community			Customers	Environment	Financial sustainability			Safety
	Reputation SRW fails to manage issues	Compliance SRW does not comply with government obligations	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	SRW SRW financial viability (debt)	Losses Financial viability	Customers SRW prices threaten customer affordability	People Health, safety & well-being
Appetite	Cautious	Controlled	Cautious	Cautious	Controlled	Accepting	Cautious	Cautious	Controlled
Catastrophic	Dissolution of corporation		Expenditure & losses > \$25M	Irrigation district or groundwater area failure	Permanent and irreversible impact to sites, species or natural systems of international, national or state significance due to immediate or cumulative impacts.	Financial forecast of cash interest cover < 1	Losses from event > \$250m	Our prices cause severe financial hardship resulting in a major customer group/s being unviable.	Fatality where SRW is successfully prosecuted for an OHS offence
Major	Permanent and irrecoverable damage with shareholder ministers Indicated by removal of the board		Expenditure & losses > \$5M	Multiple enterprise failure	Prolonged impact to sites, species or natural systems of international, national or state significance due to immediate or cumulative impacts. Major remediation required (>\$5m)	Financial forecast of cash interest cover < 1.5	Losses from event > \$50m	Our prices cause financial hardship that threatens the viability of a customer group/s	Permanent injury or long term hospitality where SRW is successfully prosecuted for an OHS offence
Serious	Minister sanction on SRW Indicated by the dismissal of a director or senior staff member	Material compliance deficiency (matter of State significance) or court action initiated by regulator	Expenditure & losses > \$1 m	Losses > \$1 m	High, short-term & localised impacts or moderate regional impacts to environment or natural systems. Moderate remediation required (>\$1m).	Financial forecast of cash interest cover < 1.8	Losses from event > \$10m	Our prices cause widespread financial hardship	An injury resulting in long term hospitalisation or worse, where SRW is held or accepts culpability.
Important	Minister or Secretary expresses concern about SRW actions	Contravention notice received from regulator with a fine > \$1000	Expenditure & losses > \$200k	Losses > \$200k	Moderate localised or contained impacts to the environment or natural systems, with no ongoing or widespread impacts and short-term remediation required (>\$200k).		Losses from event > \$1m	Our prices cause financial hardship for a minority of our customers	An injury resulting in hospitalisation where SRW is held or accepts culpability.
Noticeable	Important stakeholder or customer group expresses dissatisfaction and SRW receives at least some public criticism.	Compliance deficiency is reported to government or contravention notice received from regulator	Expenditure & losses > \$40k	Losses > \$40k	Low, local impacts to environment or natural systems. Notification to regulator and remediation or corrective action possibly required.		Losses from event > \$200k		An injury requiring treatment where SRW is held or accepts culpability.

Appendix 3 - Risk Likelihood Table

Rare	Unlikely	Some chance	Likely	Almost certain
Risk has less than a 0.1% chance of occurring this year (greater than 1 in 1,000)	Risk has 0.1% to 1% chance of occurring this year (greater than 1 in 100)	Risk has 1% to 10% chance of occurring this year (greater than 1 in 10)	Risk has a greater than 10% chance of occurring this year (1 in 10)	Risk will occur at least once this year
Plausible: It is conceivable that this event might happen but only in unusual circumstances	Possible: This event can happen but only in exceptional circumstances.	Probable: The event is likely to happen at some time	Occurs often: An event that will happen but infrequently	Certain: An event that will happen regularly