

RISK MANAGEMENT PROCESS & PROCEDURES



The directors and management of Surf Life Saving Australia Limited and its controlled entities (“SLSA”) view risk management as integral to achieving our vision of “zero preventable deaths in Australian waters” and our mission to “save lives, create great Australians and build better communities”. Our SLS2025 strategic plan supports our vision and mission through four (4) core pillars:

- Save lives
- Develop and support our people
- Grow and sustain our movement
- Engage the community

SLSA’s Risk Management Policy together with the SLSA Risk Management Framework contained within these procedures, provides a system to manage the risks associated with its core activities.

1 OVERVIEW

- a. Risk management will be incorporated into the strategic and operational planning processes of SLSA;
- b. Risk and the management of risk will be identified and monitored according to the SLSA Enterprise-Wide Risk Management Framework;
- c. Risk assessments will be conducted on all new activities, ventures and projects prior to commencement to ensure alignment with the SLSA risk appetite and organisational objectives;
- d. Risks will be identified, reviewed and monitored on an ongoing basis as outlined in Section 4 of this Procedure;
- e. Risks will be assessed against the SLSA Risk Management Framework;
- f. Potential relevant risks that are identified will be recorded within SLSA’s risk management register;
- g. Potential relevant risks will be assigned an owner whose responsibilities are specified in this Procedure.

2 MANDATE AND COMMITMENT

SLSA is committed to the formal, systematic and structured proactive management of risks across the organization. Risk is not something to be avoided, but to be understood and leveraged in pursuit of an organisation’s purpose.

SLSA recognizes that whilst risk is inherent in all its activities, the management of risk is good business practice, creates value, is integral to sound corporate governance and in some instances, a mandatory legal requirement. In particular, effective risk management can lead to better decision making and planning as well as better identification of opportunities and threats.

3 RISK MANAGEMENT PRINCIPLES

SLSA has adopted the principles detailed in AS/NZS ISO 31000:2009, to ensure risk management is effective within the organization. These principles are:

- a. Risk management creates and protects value.
- b. Risk management is part of decision making.
- c. Risk management explicitly addresses uncertainty.
- d. Risk management is systematic, structured and timely.
- e. Risk management is based on the best available information.
- f. Risk management is tailored.
- g. Risk management takes human and cultural factors into account.
- h. Risk management is transparent and inclusive.
- i. Risk management is dynamic, iterative and responsive to change.
- j. Risk management facilitates continual improvement of the organization.

4 RISK MANAGEMENT PROCESS

The SLSA risk management process is based upon the AS/NZS ISO 31000:2009 Risk Management Process as shown in Figure 1. Risks identified using the SLSA Risk Management Framework will be managed according to this process.

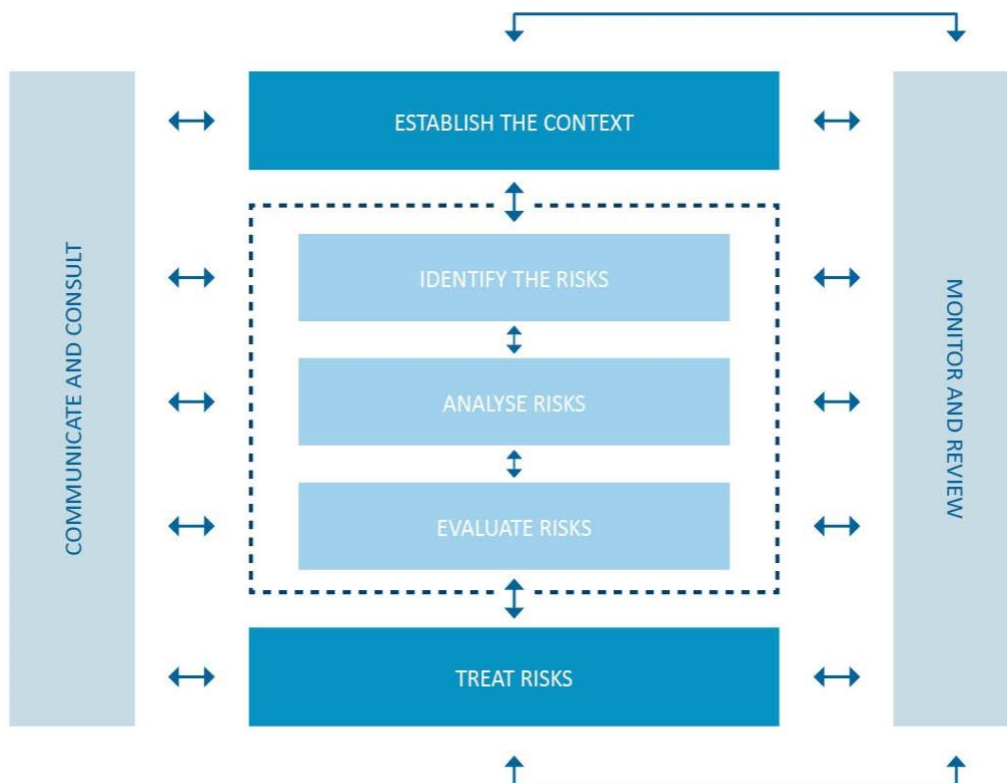


Figure 1: AS/NZS ISO 31000:2009 Risk Management Process

5 RISK MANAGEMENT AND COMPLIANCE AND CONTROL

In developing a culture of risk management, SLSA Senior Management is responsible for appropriate responses to manage risk, aided by the risk action plans and the creation of a risk register.

To enable this, SLSA:

- a. has implemented a systematic process to assist in the identification, assessment, treatment and monitoring of risks;
- b. provides the necessary tools and resources to Senior Management and employees to support the effective management of risks; and
- c. reviews and communicates risk management best practice on a regular basis.

6 ASSESSMENT OF EFFECTIVENESS

SLSA assesses the effectiveness of its risk management plan through structured continuous improvement processes to ensure risks and controls are continually monitored and reviewed. This includes appraisal of risk owners' actions taken to manage risks.

7 REPORTING

SLSA Senior Management ensures that the Board is adequately informed of significant risk management issues and the actions undertaken to manage risks on a regular basis. The following reporting process is in place:

- a. Management will regularly review the risk register with their teams and update the mitigation strategies and perceived level of risk as appropriate.
- b. New risks will be added to the register through a formal notification process from staff, management and directors to the Chief Financial Officer.
- c. A "Top Ten" list of major risks (as agreed by the Board) to be discussed at the FACC monthly (standing agenda item), together with any significant new or emerging risks. This reporting is through a risk scorecard.
- d. The Board will be updated monthly through the FACC minutes.
- e. The Board to be briefed on all major risks by the CEO at each Board meeting.
- f. The Board will actively engage in a risk workshop at least annually.

RISK RESPONSIBILITY

1 THE SLSA BOARD

The Board of SLSA is responsible for overseeing the establishment and implementation by management of risk management systems and reviewing the effectiveness of these systems.

The Board's role in relation to risk includes:

- a. overseeing the creation, implementation and maintenance of the risk management system of SLSA and its internal control framework, including information systems;
- b. establishing a risk profile (Risk Appetite Statement) for SLSA setting out both financial and non-financial material and/or strategic risks facing SLSA;
- c. reviewing the effectiveness of SLSA's implementation of its risk management systems and internal controls on an on-going basis and reviewing the outcome of any non-financial audits;
- d. seeking to reach a common understanding with management and auditors about the risk management process, key financial and regulatory risks and related controls including focusing on the "key" risks which are considered to be currently, or may in the future be, more significant or more likely to occur;
- e. analyzing the effectiveness of SLSA's risk management and internal compliance systems and the effectiveness of their implementation;
- f. developing an understanding of the overall business environment, relevant laws and codes of importance to SLSA and the programs that SLSA has in place to provide reasonable assurance of compliance;
- g. reviewing SLSA's occupational health and safety policies and ensuring regular reporting to the Board on issues related to occupational health and safety;
- h. ensuring that the Chief Executive Officer (CEO) states in writing to the Board annually that the statement given to the Board that SLSA's financial reports present a true and fair view, in all material respects, of SLSA's financial condition and operational results and are in accordance with the relevant accounting standards, are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board;
- i. ensuring that the CEO states in writing to the Board annually that SLSA's risk management and internal compliance and control system is operating efficiently and effectively in all material respects; and
- j. reviewing insurance coverage and claims trends.

2 RISK MANAGEMENT COMMITTEE (RMC)

The RMC is comprised of relevant SLSA Senior Managers across Finance, IT, HR, Coastal Safety, and Operations. Legal and insurance expertise is co-opted as required.

It is responsible for:

- a. implementation of the principles, actions and requirements of the risk management plan and monitoring its implementation within SLSA;
- b. provision of the necessary tools and resources to identify and manage risks;
- c. review of risks on a quarterly basis, including identification of new risks, changes to existing risks and retirement of previously identified risks (through a formal decision making process);
- d. the manner in which ownership of risks is taken by senior management or others in accordance with function or expertise;
- e. regular reporting of the status or risk items to the Board;
- f. appraisal of risk owners' actions taken to manage risk and correction of inappropriate performance;
- g. internal compliance and control systems for the implementation of the risk management plan;
- h. consideration of non-financial audits; and
- i. compliance with regulatory requirements and best practice.

3 EXECUTIVE MANAGEMENT GROUP (EMG)

The EMG will advise the CEO on matters of strategic and operational significance related to the identification and management of risk.

4 COMMITTEES AND SUB-COMMITTEES

Committees and Sub-Committees will advise SLSA on matters of strategic and operational significance related to the identification and management of risk within their terms of reference.

5 SENIOR MANAGERS

Senior Management will be responsible for:

- a. championing the roll out of the SLSA Risk Management Framework into SLSA's operations;
- b. ensuring staff understand their responsibilities with respect to operational risk management; and
- c. developing a risk aware culture within their area of responsibility.

6 MANAGERS

Managers will be responsible for:

- a. Ensuring staff within their areas understand their responsibilities with respect to operational risk;
- b. Advising the Risk and Safety Manager of needs for training, development and facilitation;
- c. Maintenance of risk registers within their areas;

- d. Forwarding risk registers to the Risk and Safety Manager for inclusion in the SLSA risk profile; and
- e. Assisting in fostering a risk aware culture within their area.

7 RISK AND SAFETY MANAGER

The Risk and Safety Manager is responsible for:

- a. Identifying legislation, policy and guidelines affecting risk management practices at SLSA;
- b. Maintaining SLSA's Risk Register;
- c. Providing support and assistance for the maintenance of SLSA's Operational Risk Registers;
- d. Providing assistance and support throughout SLSA for risk management;
- e. Organising appropriate risk management education and training for SLSA staff; and
- f. Monitoring the implementation of the SLSA Risk Management Framework across SLSA.

8 RISK OWNERS

Risk Owners are responsible for:

- a. Identifying existing controls to help manage the risk;
- b. Developing treatment plans to reduce the likelihood and/or consequence of the risk; Monitoring the implementation of the treatment plans and reporting on their effectiveness and outcomes; and
- c. Monitoring and alerting management of significant changes in risk status according to the risk reporting protocol.

9 OTHER STAKEHOLDERS RISK PLANS

SLSA has not assumed the responsibility for the risk management plans of other key stakeholders.

RISK FRAMEWORK

1 RISK RANKING MATRIX

The Board of SLSA has approved the following Risk Ranking Matrix

| Risk Categories | | LIKELIHOOD | | | | |
|-----------------|---------------|--------------|-------------------|-------------------|-----------------|-----------------------|
| | | Rare (0-10%) | Unlikely (10-20%) | Possible (20-50%) | Likely (50-90%) | Almost Certain (90%+) |
| IMPACT | Extreme | High | High | Very High | Very High | Very High |
| | Major | Moderate | Moderate | High | High | Very High |
| | Moderate | Low | Low | Moderate | High | High |
| | Minor | Very Low | Low | Low | Moderate | Moderate |
| | Insignificant | Very Low | Very Low | Very Low | Low | Low |

2 RISK GRADING CRITERIA - IMPACT

The Board of SLSA has resolved that risk be assessed over the following categories in relation to Impact

- a. Financial and Strategic
- b. Operational
- c. Brand/Reputational
- d. Physical/Safety
- e. Regulatory/Legal
- f. People/Member
- g. Technology/Security

Impact levels are shown in the following table

| | | | Financial and Strategic | Operational | Brand/Reputational | Physical/safety | Regulatory/Legal | People/Member | Technology/Security | |
|-------------|---|---------------|---|---|---|--|--|--|--|---|
| Description | | | The ability to deliver the SLS strategic plan and the strength of our balance sheet, cash flow, profit/budget, ability to meet our tax obligations, effective creditor and debtor management, and competitive remuneration. Extends to meeting obligations required in a contract including delivery, quality, guarantees/warranties, insurance and other statutory requirements. | Covers the planning, daily operational activities, resources (including people), projects and support required within SLSA to ensure the successful development and delivery of life saving services and competition. Extends to equipment used by SLS to conduct operations/competition. | The threat to the reputation of SLSA due to the conduct of the entity as a whole or its parts, the viability of the lifesaving services provided, and/or the conduct of employees or volunteers. Includes identifying, establishing and maintaining the right relationships with both internal and external stakeholders. | We have a duty of care underpinned by State and Federal legislation and must take all reasonable steps to protect the health and safety of everyone in our organisation. WHS is integrated with the overall risk management strategy to ensure that risks and hazards are always identified and reported. Measures are taken to reduce exposure to the risks as far as possible. | The ability to comply with legislation, regulations, standards, codes of practice and contractual requirements. Also extends to compliance with additional 'rules' such as policies, procedures or expectations, which may be set by contracts, government or the social environment | Relates to the internal requirements of SLSA, extending to the governance, structural, cultural and human resources of our organisation. | Includes the implementation, management, maintenance and upgrades associated with technology. Extends to recognising critical IT infrastructure and loss of a particular service/function for an extended period of time. Includes the premises, assets and people. Also extends to security of SLS information, intellectual property, and technology (e.g. cyber). | |
| IMPACT | 5 | Extreme | A risk that can prove detrimental for the whole organisation. | An SLSA financial risk event more than \$5 million. A non-financial risk event with associated costs and/or losses of more than \$2m. Loss of strategically important relationship (government/sponsor). Complete loss of SLSA attractiveness for future important initiatives. | Unable to deliver lifesaving services in a region. Widespread migration of members to competitor organisation. Prohibited from delivering competition at any level. | Major inquiry into systemic misconduct. National level negative media coverage ("front page", broadcast lead or digital equivalent) for more than 2 weeks. Significant loss of public confidence in SLSA. | Death or total permanent disability of member due to compromised safety standards. Preventable death of a member of the public. | Criminal charges against SLSA and/or Board due to failure to comply with the law. New regulations that prohibit operations. | Collapse of federation. Net active membership declines by more than 25%. Wholesale resignation of Board Members or Senior Management. SLSA employee culture feedback indicates extremely serious issues that need to be urgently addressed by the Chairman/Board. | SLS complete loss of critical systems and/or technology services. Sustained interruption (more than a week) to a critical or major operational process. Disclosure, modification or destruction of Extremely Sensitive personal data. |
| | 4 | High | Risks which can significantly jeopardise some aspects of the organisation, but which will not result in organisational failure. | An SLSA financial risk event more than \$3m, but less than \$5 million. A non-financial risk event with associated costs and/or losses of more than \$1m less than \$2m. Significant (more than 60%) negative changes to a contractual relationship (government/sponsor). Significant damage to SLSA attractiveness for future important initiatives. | Widespread failure or loss of service agreements and standards. Increasing migration of members to competitor organisations. Unable to deliver the Australian Championships. | Investigation of serious individual misconduct. National level negative media coverage ("front page" or digital equivalent) between 1 day and 2 weeks. Some damage to public confidence in SLSA and/or a SLS State organisation. | Serious injury of member due to compromised safety standards. Preventable serious injury of member or public. | Civil action against SLSA and/or Board due to negligence. New regulations that impede operations. | Withdrawal from federation (club/branch). Net active membership declines by more than 20%, but less than 25%. Loss of significant skills from Board or Senior Management (turnover greater than 50%). SLSA employee culture feedback indicates concerning issues that need to be considered by the Board. | SLS complete loss of critical systems and/or technology services. Sustained interruption to a critical or major operational process for more than 3 days. Disclosure, modification or destruction of Highly Sensitive personal data. |
| | 3 | Medium | Risks which will cause some problems, but nothing too significant. | An SLSA financial risk event more than \$1m, but less than \$3m. Negative changes (more than 30%) to a contractual relationship (government/sponsor). Some damage to SLSA attractiveness for future important initiatives. | Repetitive patrol breaches at Regional or State level. Unable to deliver State and/or Regional competitions. Widespread discontent by members. | Failure of prominent branded project or product. Failure of a club or service. Individual or group misconduct. National level criticism of the organisation (not "front page" or digital equivalent for up to a week). | Systemic injuries of members and/or public. Increased frequency of near misses. | Regulatory/police investigation with adverse findings against SLSA and/or Board. | Threats of withdrawal from federation (club/branch). Net active membership declines by more than 10%, but less than 20%. Loss of some skills from Board or Senior Management (turnover greater than 30%). SLSA employee culture feedback indicates issues that need to be addressed by the CEO | SLS loss of non-critical systems and/or technology services. Interruption to a critical or major operational process for 1 to 3 days. Disclosure, modification or destruction of Sensitive personal data. |
| | 2 | Minor | Any risks which will have just a mild impact, but should be addressed in time. | An SLSA financial risk event more than \$250,000m, but less than \$1m. Minor negative changes (up to 30%) to a contractual relationship (government/sponsor). Minor damage to SLSA attractiveness for future important initiatives. | Repetitive patrol breaches at Club level. Competitive threats to membership. Constrained capacity to meet the demands of existing or new members. | Localised (within a State) negative media coverage. | Minor injuries of members and/or public. | Regulatory/police investigation of SLSA and/or Board without adverse findings. | Stable net active membership. Loss of some skills from Board or Senior Management (turnover less than 30%). | SLS loss of non-critical systems and/or technology services. Interruption to a critical or major operational process for up to 24 hours. Disclosure, modification or destruction of Sensitive personal data. |
| | 1 | Insignificant | Risks which do not pose any significant threat and which can be left unmediated without any fear. | An SLSA financial risk event less than \$250,000 | Occasional patrol breaches at Club level. | Media interest in local issue. | Insignificant injuries of members and/or public. | Persistent complaints against SLSA and/or Board. | Net growth in active membership. | SLS loss of non-critical systems and/or technology services. Interruption to a critical or major operational process for less than 24 hours. |

3 RISK GRADING CRITERIA - LIKELIHOOD

The Board of SLSA has resolved that the following probability description in relation to assessing risks be used.

| PROBABILITY DESCRIPTION | | | |
|-------------------------|---|----------------|--------|
| LIKELIHOOD | A | Almost certain | 90%+ |
| | B | Likely | 50-90% |
| | C | Possible | 20-50% |
| | D | Unlikely | 10-20% |
| | E | Rare | 0-10% |

4 RISK APPETITE AND TOLERANCE LEVELS

The Board of SLSA has resolved that the Risk Appetite Statement (RAS) should inform business decision (operational and strategic), as these provide more context on the amount of risk that SLSA is willing to accept and which management teams are required to operate within (unless a specific exemption has been formally granted). These statements are supported by RAS metrics to quantitatively measure the position of risk as within or exceeding appetite or tolerance. The following guidelines should be used in relation to residual risk tolerance.

| RISK LEVEL | ACTION YOU SHOULD TAKE |
|------------|--|
| VERY HIGH | <p>Intolerable. Too much risk The realisation of risk may occur but is not considered satisfactory. No appetite applies where a risk provides exposure to downside but little expected reward to risk taking. Activity should be discontinued until level of risk is able to be reduced. Board to be informed and provide urgent attention.</p> |
| HIGH | <p>Tolerable level of risk. Some risks are unavoidable in pursuit of our purpose. Early warning indicator that there may be too much risk Action should be taken to ensure risk level is As Low As Reasonable Practicable (ALARP). If level of risk is ALARP continue to manage using SLSA WHS and Risk Management Framework.</p> |
| MODERATE | <p>Tolerable level of risk. The risk is managed to acceptable levels considerate of the risk reward trade off. Ensure risk level is As Low As Reasonable Practicable (ALARP). If level of risk is ALARP continue to manage using standard operating procedures, WHS codes of practice, intuitive risk management.</p> |

| | |
|-----------------|--|
| LOW | Tolerable level of risk. No change required. |
| VERY LOW | Tolerable level of risk. No change required. |

The SLSA RAS supports strategic and core SLS activities and stakeholder and member relationships ensuring that:

- Only permitted activities are engaged in, and the scale of these activities do not lead to potential outcomes, brand impacts or financial losses that exceed SLSA’s approved risk appetite;
- Risk appetite is measured through limits and tolerances and reported upon to management and Board committees (primarily the FACC);
- Risk appetite is cascaded through SLSA to inform, guide and encourage management to both take risk and manage risk in an informed manner.