Risk Management Policy

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Drafted by:	Finance, Audit & Risk Committee	**Approved by Board on:**	01/02/19
Responsible person:	Board of Directors	**Scheduled review date**	31 May 2023

Educating The Future Australia Limited
Risk Management Policy (2021)

1. Introduction

Educating The Future (ETF) Australia Limited views risk management as the culture, process and structure that is directed towards the effective management of potential opportunities and adverse effects within our operating environment. As ETF exists and operates in a complex international context, and are therefore exposed to certain risks, specific governance measures and accountabilities have been adopted to mitigate risks. When risks are well managed, ETF recognises that extraordinary results can be achieved, however, inadequate management of risks can jeopardise the achievement of these results.

Risks are required to be managed systematically with the adoption of a rigorous, comprehensive, transparent process for identifying, assessing, mitigating and evaluating all risks. Risks include both potential threats to achieving ETF's objectives (adverse risk) and, potential opportunities for achieving those objectives (positive risk).

Risk requires input from all levels of the organisation with direction from the Board of Management and Senior Management. ETF, therefore, recognise that all required procedures and mitigations must be in place to identify material risks arising out of the day to day operation and, where the likelihood and consequences of such a risk occurring demands that steps be taken to minimise, eliminate or transfer that risk, such measures are taken.

2. Purpose of policy

To fully understand such risks, ETF has established a risk management policy which provides the framework for how risk will be managed within the organisation. The risk management policy is based on the Australian Standard, AS/NZS ISO 31000:2009 Risk management – Principles and guidelines, and forms part of the governance framework of the organisation. Where ETF can, ETF will align with the AS/NZS ISO 31000:2009 Risk management – Principles and guidelines standard. The purpose of this policy is to embed a systematic and consistent approach to identifying, assessing and managing risks across ETF.

The aim of this policy is not to eliminate risk, instead to manage the risks involved in all of Plan's activities to maximise opportunities and minimise adversity. As a result, implementation of this policy will ultimately:

- Facilitate risk-informed decisions when setting objectives, selecting and managing the most appropriate course of action, and evaluating results;
- Maintain a proactive approach to risk rather than a reactive risk management approach;
- Assure all stakeholders that ETF's objectives will be met, key risks would be better managed, and the results would be demonstrated; and
- Provide all internal stakeholders with the necessary tools and framework to manage risk.

ETF engages in several activities to achieve its mission and vision. The activities include, but not limited to:

- Building partnerships and relationships with local communities, grassroots not-for-profits, large non-governmental organisations and Local, State and Federal Governments to provide preschool education;
- Providing education materials;
- Transferring funds overseas to conduct activities;
- Sending volunteers from Australia to support, manage, conduct and evaluate overseas activities; and
- Conducting fundraising activities in Australia.

3. Principles

ETF's risk management principles guide all actions of all staff and are reflected in the following principles:

- *Risk management is everyone's business:* All members of ETF are expected to identify, assess and manage risks related to their area of work and as necessary
- *Accept no unnecessary risk:* There is no benefit in accepting any risk if it does not help to advance towards ETF's objectives
- *Anticipate and manage risk by planning:* In all aspects of preparation, including creating strategies and operational plans and designing programmes, risks are more easily mitigated when they are identified during planning
- *Accept risk when benefits outweigh costs:* The aim is not necessarily to eliminate risk as total risk elimination would involve extensive controls and is extremely costly
- *Embed risk management:* Risk management is a practice embedded into existing business processes and future functions

- *Review and adopt risk policies and procedures day to day:* Ensure that all practices and activities of ETF consider a risk perspective.

4. Risk Management Responsibilities

4.1. Board of Management

The Board of Management has the following responsibilities in relation to Risk Management:

- Setting the tone and approach to risk, overseeing the risk management framework and satisfaction that the framework is sound
- Approve and monitor the risk management system and policy. This includes considering risk mitigation strategies
- Identify and agree on the critical risks that have the potential to impact the achievement of ETF's objectives
- Ensure strategic value is extracted from the risk governance process and critical risks
- Accountability for internal controls and delegations
- Ensure that adequate risk management procedures are adopted to protect the assets and undertaking of the organisation
- Ensure that ETF's legal advisors are informed of current risks and review procedures
- Promote effective risk management and innovation, encouraging informed risk-taking.

4.2. Finance, Audit and Risk (FAR) Committee

Risk management remains a direct responsibility of the Board of Directors. Oversight of the effectiveness of risk management processes and activities will assure the Board and stakeholders.The FAR Committee is responsible for Fraud Control in relation to:

- Supporting and advising the Board of Management on all matters about risk management
- Reviewing that risk controls and mitigations are effectively applied
- Monitoring and reporting to the Board of Management on the effectiveness of these systems
- Updating the risk matrix on a quarterly basis and reporting to the Board of Management, including an update on the mitigations implemented
- Implementation of the risk management framework and to ensure that ETF operates within the risk appetite set by the Board of Management
- Ensure that necessary resources are available to assist senior management and volunteers in managing risk effectively

4.3 Executive

All executive members are responsible for Risk Management in respect of:

- Establishing and implementing the risk management system to identify, control and manage strategic, technical, operational and other material risks
- Identifying, reporting and monitoring risks within their area of responsibility

- Escalating risk management issues and concerns beyond their authority or ability to resolve to the Governance Committee and Board of Management

4.4 Volunteers
All Volunteers are responsible for Risk Management in respect to:
- Actively supporting and contributing to risk management initiatives
- Advising leadership and management of any issues
- Acting in accordance with all policies and procedures
- Supporting the identification and management of risks in their division
- Balancing risk avoidance with sizing opportunities, while remaining within their delegated authority and avoiding unnecessary risk

5. Risk Management Process

ETF's risk management process is based on practices observed from other organisations, the AS/NZS ISO 31000:2009 Risk management – Principles and guidelines standard and best practice guides published by reputable sources.

5.1. Risk Identification
Risk identification involves the collation of a compressive list of risks based on events which may impact the achievement of ETFs objectives. ETF will maintain a risk register. The data contained in the risk register incorporates, but is not limited to, the following categories:
- Core operations
- Governance and leadership
- Strategic planning
- Human resources
- Organisational systems, policies and procedures
- Financial systems and management: Segregation of duties, budgeting, cash flow management, financial monitoring and reporting, procurement, anti-fraud and corruption, counter-terrorism, financial statement preparation and monitoring
- Partners and stakeholders
- Safeguards and risk policies: Child protection, risk management, counter-terrorism, health and safety and environmental management
- Asset management e.g. IT
- Reputational
- Political/economic
- Legal/commercial

5.2. Risk Assessment
Assessing risk is necessary to establish the probable impact of the risk on ETF's objectives. This is determined by existing controls and analysis of risks regarding the consequence and likelihood as identified in the risk matrix.

5.3. Risk Mitigation
Risk mitigation involves selecting a mitigation option, assessing the appropriateness and effectiveness of the mitigation option, preparing mitigation plans and implementing them. The mitigation options are:

- Avoid the risk
- Reduce the likelihood of occurrence
- Reduce the consequences
- Transfer the risk
- Retain the risk

5.4. Risk monitoring and evaluation
Risk monitoring and evaluation is based on the outcome of analysis and designed to determine which risks need mitigation and the priority for mitigation implementation. ETF will monitor risks and mitigation actions on an ongoing basis. Performance of the risk management system and outstanding risk mitigation actions will be reported to the Governance Committee on a regular basis. Formal reviews of both the risk management system and the risk register will take place on a bi-annual basis, and the Board of Management will assess the effectiveness of the risk management policy bi-annually.

6. Policy Amendments

6.1. This policy and any amendments enter into effect immediately.

6.2. This policy shall be disseminated through an appropriate directive to all internal ETF stakeholders and necessary persons.

6.3. The effectiveness of the risk management system will be monitored on a regular basis, and ETF will consult with relevant stakeholders on our approach to managing risk.

- The risk register that supports this policy will be reviewed and updated for any necessary changes on a bi-annual basis or otherwise as necessary
- The risk matrix that supports this policy will be reviewed and updated for any necessary changes on a bi-annual basis or otherwise as necessary

6.4. This policy will be reviewed every two years.

Mr. Adam Alexander Hegedus
Managing Director
<Date>

Risk Management Procedures

IN-COUNTRY RISK MANAGEMENT FRAMEWORK

Likelihood		
5	Almost Certain	Bound to happen (Occurrence: Once or more per year)
4	Likely	Will probably occur at some time (Occurrence: Once in 2 years)
3	Possible	Reasonable chance of occurrence (Occurrence: Once in 5 years)
2	Unlikely	Could occur but not expected (Occurrence: Once in 10 years)
1	Rare	Not expected to occur. No previous occurrence (Occurrence: Once in 20 years)

Consequence	Injury	Property Damage
1	Minor injury or illness not requiring medical treatment	No Property damage or loss
2	Medical treatment/ restricted work	Minor property damage or loss, no loss of reputation
3	Moderate illness or temporary impairment	Moderate property damage or loss, minor damage to reputation

4	Multiple lost time injury requiring significant rehabilitation	Major property damage or loss, significant and major loss of reputation
5	Fatality/ Permanent disability	Catastrophic property damage or loss, irreversible loss of EWB reputation and standing affecting brand viability

Legend

Overall Risk Score	**Risk Level**	**Action**
From 9-10	**Extreme**	Requires immediate action as potential could be catastrophic
From 7-8	**High**	Requires action as it has the potential to be damaging
From 4-6	**Moderate**	Requires monitoring and response
From 0-3	**Low**	Treated with routine procedures