

Risk Management Policy and Framework

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Contents

1. Risk Management Policy.....	3
2. Responsibilities	3
3. Risk Appetite	4
4. Risk Assessment.....	6
5. Risk Status	9
6. Risk Response	10
7. Monitoring and Review.....	11
8. Recording and Reporting	11

1. Risk Management Policy

Risk is the effect of uncertainty on achieving objectives and risk management is the adoption of consistent processes within a framework to ensure that risk is managed effectively and efficiently across an organisation.

Basketball ACT (BACT) recognises that an integral part of effective governance of the organisation is to understand the risks which may impact BACT's ability to achieve its objectives. BACT is fully committed to regularly identifying, assessing and managing its risks as part of effective governance and to increase the likelihood of BACT achieving its objectives.

The purposes of this Policy are to:

- Specify the policy of BACT in relation to risk management.
- State the responsibilities of various parties for the management of risk by BACT.
- Articulate the Risk Appetite of BACT for each category of risk to which it is subject.
- State BACT's Risk Management Framework.

2. Responsibilities

The responsibilities for the management of risk by BACT are as follows:

Party	Main Responsibilities
BACT Board	<ul style="list-style-type: none">• Determines BACT's Risk Management Policy, BACT's Risk Appetite and BACT's Risk Management Framework.• Ensures that the responsibilities of each party for managing risk are clear and that each party understands those responsibilities.• Monitors the implementation of BACT's Risk Management Framework.• In relation to risks for which it is designated as the risk owner, prepares and implements the risk treatment plans specified in BACT's Risk Register.• Where necessary, approves Board policies and processes relevant to the management of risk
FARM Committee	<ul style="list-style-type: none">• Undertakes the functions in relation to risk identified in its Terms of Reference.• Monitors and reviews the implementation of BACT's Risk Management Framework, including the implementation of risk mitigation strategies, and reports its findings and recommendations to the Board.• In relation to the risks for which it is designated as the risk owner, prepares and implements the risk mitigation strategies specified in BACT's Risk Register.

	<ul style="list-style-type: none"> Reviews proposals for policies and processes and, if necessary, makes recommendations to the Board.
Chief Executive Officer	<ul style="list-style-type: none"> Implements BACT's Risk Management Framework and, in particular, in relation to risks for which the CEO is designated as the risk owner, prepares and implements the risk mitigation strategies specified in BACT's Risk Register. Ensures BACT's Risk Management Framework is communicated to all staff and ensures that staff have appropriate training, tools and techniques to identify, assess, manage and treat risk arising in the course of their work in accordance with the Framework. Ensures that staff are consulted appropriately from time to time across all stages of BACT's Risk Management Framework. Provides such information as the Board or the FARM Committee may require from time to time. Undertakes reviews (at such times as agreed with the Board or the FARM Committee) of BACT's Risk Management Framework, the documents referred to in the Framework and control policies and processes and provides reports and recommendations. Assists the other parties fulfill their responsibilities in relation to the management of risk by BACT.
Other staff and BACT Subcommittees	<ul style="list-style-type: none"> Identifies, assesses, manages and treats risk in accordance with BACT's Risk Management Framework. Provides comment, feedback and advice from time to time across all aspects of BACT's Risk Management Framework.

3. Risk Appetite

BACT's risk appetite is the amount of risk that BACT is willing to assume in order to achieve its objectives. BACT defines its risk appetite by category of risk. It has different risk appetite ratings for different categories of risk.

Each of BACT's risks can be categorised as follows:

Risk Type	Risk Statement
Strategic Risk	In order to achieve its objectives, Basketball ACT must be willing to take and accept risk. Basketball ACT is willing to take or accept a moderate to high level of risk in pursuit of its strategic priorities and for the Public Good. There is low willingness to accept risks which have no alignment with our strategic direction or tarnish the organisations credibility, role in the community and its values.

Financial Risk	Basketball ACT needs to remain financially sustainable to continue to serve its purpose and achieve its aspirations. Basketball ACT has a low -risk appetite for irresponsible use of organisations resources and unnecessary liabilities. We have a moderate risk appetite for being more commercially adept and explore avenues to diversify revenue streams through commercially viable arrangements and partnerships.
People and Culture Risk	Basketball ACT has a low -risk appetite for events that negatively affect public perception and the organisations reputation that may lead to a loss of funding/grants, membership and sponsorship. Basketball ACT seeks to avoid negative mainstream and social media that will question the organisations integrity and credibility.
Operational Risk	Basketball ACT has a low to moderate risk appetite for business interruptions at critical periods of operations impacting Member Clubs, Participants and Staff. Whilst the ability to support operations on a day-to-day basis is important, the organisation has a moderate to high -risk appetite for change to ensure that the organisation has the right resources, staff capabilities and organisation structure to optimise performance.

BACT assesses its risk appetite in relation to particular risks using the follow risk appetite scale:

Risk Appetite	Description	Rating
Zero Tolerance	Basketball ACT will avoid taking on any risk	
Low	Organisational preference is to take caution and accept as little risk as reasonably possible (ALARP)	
Medium	Basketball ACT takes a balanced view of risk taking	
High	Willing to consider options having greater than normal inherent risk	
Extreme	Basketball ACT's willing to take on an aggressive level of risk taking	

4. Risk Assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation.

4.1 Risk identification

The purpose of risk identification is to identify a comprehensive list of risks based on events which might impact the achievement by BACT of its objectives, and to document those risks in a register to be known as BACT's Risk Register.

Risks are not static but are dynamic and their probability and consequence can increase or decrease quickly. For this reason, BACT's Risk Register should be treated as a living document and reviewed regularly.

4.2 Risk analysis

Risk analysis involves consideration of the causes and sources of risk, the consequences of risk and the probability that those consequences will occur.

The risk analysis process involves the assignment of a residual risk rating for each risk documented in the risk register through the following steps:

- First, analyse the inherent risk. This is the assessment of the probability and consequences of a risk event if it were to materialise in the absence of controls.
- Secondly, identify and assess mitigation strategies. This is the identification of the existing controls in place to address the risk and assess their effectiveness.
- Thirdly, analyse the residual risk. This involves reassessing the probability and consequences of a risk event if it were to occur, taking into account the effectiveness of the existing controls.

4.3 Analyse the inherent risk

For each risk identified in BACT's Risk Register, the likelihood of the risk occurring in the absence of mitigation strategies is to be assessed. Likelihood refers to the chance of something happening. BACT's risk likelihood ratings are outlined in the following table:

Level	Rating	Criteria
A	Almost Certain	<ul style="list-style-type: none">• Is almost certain to occur• Risk has more than 75% chance of occurring• Will occur in the next 6 months
B	Likely	<ul style="list-style-type: none">• The event will probably occur more than once• Risk has 50-74% chance of occurring• Will occur within 18 months

C	Possible	<ul style="list-style-type: none"> The event might occur at some time Risk has 25-49% chance of occurring
D	Unlikely	<ul style="list-style-type: none"> Could occur at sometime Risk has less than 25% chance of occurring Will occur within 54 months
E	Rare	<ul style="list-style-type: none"> The event may occur only in high exceptional circumstances Not likely to occur within the next 5 years

For each risk identified in the risk register, the consequence of the risk occurring in the absence of mitigation strategies should be assessed using the Consequence Criteria set out below:

	Strategic	Financial	People and Culture	Operational
Insignificant	Negligible impact on achieving BACT's objectives.	Impact of less than \$5,000.	Negligible impact on staff or volunteer performance or satisfaction	Negligible disruption of BACT's business of less than 0.5 day
Minor	Low impact on achieving BACT's objectives.	Impact of less than \$25,000.	Some impact on staff or volunteer performance or satisfaction	Material disruption of BACT's business of less than 1 day
Moderate	Medium impact on achieving BACT's objectives	Impact of between \$25,000 and \$150,000	Material impact on the performance or satisfaction of a significant minority of staff or volunteers. Serious injury.	Material disruption of BACT's business of between 1 day and 4 weeks.
Major	Severe impact of ability to meet BACT's objectives imperils the future of BACT	Impact of more than \$150,000.	Material impact of the performance or satisfaction of a majority of staff or volunteers. Single death or serious injury.	Material disruption of BACT's business of more than 4 week.

Catastrophic	Strategy Altering Impact of ability to meet BACT's objectives imperils the future of BACT	Impact of more than \$1,000,000.	Material impact of the performance or satisfaction of a majority of staff or volunteers. Multiple death or serious injury.	Material disruption of BACT's business of more than 12 week.
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Consequence refers to the outcome of an event and should be assessed based on the most credible (not worst case) impact of a risk event. A risk should be assessed against each of the Consequence Criteria (not only the category into which it has been classified). The highest consequence should be regarded as the consequence of the risk for the purposes of risk analysis.

Once a risk likelihood and consequence assessment has been carried out for each risk in the risk register, the inherent risk rating is then determined by combining the probability and consequence level of the risk in accordance the following matrix, to be known as BACT's Risk Matrix:

	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Low	Medium	High	Extreme	Extreme
Likely	Low	Medium	High	High	Extreme
Possible	Low	Medium	Medium	High	Extreme
Unlikely	Low	Low	Medium	High	High
Rare	Low	Low	Medium	Medium	High

4.4 Identify and Assess Mitigation Strategies

A mitigation strategy is any policy, practice, process or other action which reduces the probability of a risk occurring or the consequences arising from the risk. There may be existing mitigation strategies in place to prevent, detect or mitigate the identified risks. Preventative strategies aim to reduce the probability of the risk occurring while controls seek to lessen the adverse impact of risk if it occurs.

For each risk identified within BACT's Risk Register, the Mitigation Strategies will be determined and assessed as follows:

- A description for each relevant risk is to be detailed which clearly identifies the policy, practice, process or other action used to modify the probability or the consequence of risk.

- An assessment of the Mitigation Strategy's current operating effectiveness should be determined using the following control effectiveness criteria.

Control Effectiveness	Description
Ineffective	The existing control does not meet the control objective and/or the control is not applied or is applied ineffectively.
Partially Effective	The existing control meets the control objective and the control is normally operational but sometimes is not applied as it should be, or not as intended.
Effective	The existing control meets the control objective and it is operational most of the time.

4.5 Analyse the Residual Risk

Once the inherent risk and the effectiveness of existing controls has been considered, the residual risk can be considered. The residual risk will be determined by following a similar process to analysing the inherent risk, but the likelihood and consequence is to be reassessed based on the effectiveness of the existing controls.

5. Risk Status

The purpose of evaluating the risk status is to assist in making decisions, based on the outcomes of the risk analysis, about the risks that need treatment and the implementation of those treatments.

To assist in evaluating risk, BACT's Risk Register will record the Risk Appetite for the category in which the specific risk has been categorised.

It will also record whether the risk rating determined for the residual risk is inside or outside appetite.

Risk Status	Description
Active	Indicates that a risk is currently posing a threat and requires immediate attention.
Mitigated	Signifies that measures have been taken to reduce the risk's impact.
Managed	Ongoing monitoring and control measures are in place to keep the risk at an acceptable level.

6. Risk Response

Risk response involves selecting one or more options for modifying risk, or accepting the risk. Once implemented, a risk response for modifying risk will modify the existing mitigation strategies.

The options for responding to risk are:

Risk Treatment Option	Description
Avoid	Determine not to proceed or continue with the activity giving rise to the risk, obtain an alternative solution or exit the activity as the risk rating is unacceptable.
Reduce	Take action to reduce the probability or consequence of the risk (or both) to reduce the risk rating. Examples of transferring the risk are obtaining insurance or contractually transferring the risk to another person
Transfer	Shifting the risk to a third party or entity better equipped to handle it.
Escalate	Raising the risk issue to a higher authority or management level for additional guidance or intervention.
Accept	Determine to retain and accept the risk. No further action is to be taken.

For each risk, BACT's Risk Register will identify the appropriate risk response option to be taken in relation to the risk. The risk owner specified in the register will be responsible for developing and implementing an appropriate mitigation strategy. A short summary of the mitigation strategy will be recorded in BACT's Risk Register.

Generally it will not be acceptable to adopt an "Accept" risk treatment option for a residual risk whose risk rating is higher than the Risk Appetite relevant to that risk.

Usually, risk response options will be implemented as follows:

- Where the Residual Risk Rating for a risk is assessed as being higher than the Risk Appetite for the category applying to that risk, mitigation strategies will be implemented as a matter of priority to ensure that controls are developed to reduce the Risk Rating of the residual risk to a level which is no higher than the relevant Risk Appetite.
- Where the Residual Risk Rating for a risk is assessed as being no higher than the Risk Appetite for the category applying that risk, it may still be appropriate to take action to avoid the risk or reduce or transfer it. Such actions will be undertaken as and when appropriate.

7. Monitoring and Review

The purpose of monitoring and review is to assure and improve the quality and effectiveness of BACT's Risk Management Framework, its implementation and outcomes.

The FARM Committee will undertake a review of BACT's Risk Management Framework, including BACT's Risk Register, no less frequently than once per annum, particularly having regard to any changes in BACT's internal and external environment or changes in the probability and consequences of risk.

In addition, the FARM Committee will monitor the implementation of risk treatment plans recorded in BACT's Risk Register.

The FARM Committee will also undertake periodic monitoring of the effectiveness of current risk controls in accordance with a rolling program determined by the Committee in consultation with the Chief Executive Officer and notified to the Board. The nature and frequency of such monitoring will be determined on a risk basis. For example, it is expected that the higher the inherent rating for a risk specified in BACT's Risk Register, the more frequent and more thorough will be the review of the controls associated with that risk to determine whether those controls remain effective to ensure that the residual rating remains consistent with BACT's appetite for a risk of that type. The FARM Committee will report the outcome of its monitoring to the Board and make its recommendations.

The Chief Executive Officer will monitor the implementation of BACT's Risk Management Framework on an ongoing basis. In so doing they will ensure that there are appropriate systems and processes in place within the organisation to ensure that any matter which impacts, or may impact, the quality and effectiveness of BACT's Risk Management Framework is identified and reported. Such matters may include:

- The emergence of a significant new risk.
- A matter which increases, or may increase, the inherent rating previously assessed for a risk.
- A matter which reduces, or may reduce, the effectiveness of a current control for a risk

8. Recording and Reporting

BACT will ensure that the actions taken to monitor and review the quality and effectiveness of BACT's Risk Management Framework are recorded and reported appropriately.

The FARM Committee will report the outcomes of each review it undertakes of BACT's Risk Management Framework to the Board and make recommendations.

The FARM Committee will also periodically report to the Board the outcomes of its monitoring of the implementation of the risk treatment plans recorded in BACT's Risk Register and its

monitoring of the effectiveness of current risk controls in accordance with the rolling program notified to the Board.

The Chief Executive Officer will forthwith report to the FARM Committee any matter of which they become aware which materially impacts the quality and effectiveness of BACT's Risk Management Framework.

