



# Foundation for Healthcare Innovation and Development (FHIND) – Risk Management Policy

## 1.1 Purpose of the Policy

All activities undertaken by FHIND carry an element of risk. The exposure to these risks is managed through the practice of Risk Management. In managing risk, it is the organisation's practice to take advantage of potential opportunities while managing potential adverse effects. Managing risk is the responsibility of everyone in the organisation.

This policy outlines the organisation's risk management process and sets out the responsibilities of the Board, the Audit and Risk Committee, the Executive Director, senior management and others within the organisation in relation to risk management.

## 1.2 Policy owner

The Executive Director is the policy owner of the Risk Management Policy and Procedure for FHIND. The Chief Financial Officer will still have oversight over the risk management program for FHIND.

## 2. Understanding Risk Management

Risks have been described in terms of combination of the consequences of an event occurring and its likelihood of occurring. Risk is the chance of something happening that will have an impact on objectives and risk management can be described as the culture, processes and structures that are directed towards realising potential opportunities whilst managing an adverse effect.

FHIND's risk management system is designed to identify the risks it faces and has measures in place to keep those risks to an acceptable minimum. The existence of risk presents both threats and opportunities to FHIND. Risk owners have been assigned responsibility for the identified risks in the Risk Register. FHIND's risk assessment matrix is used as the benchmark in planning and implementing the risk management measures. It takes into consideration the nature, scale and complexity of the business. The risk management process consists of the following main elements:

**2.1. Identify:** identify a risk (threats or opportunities) and document the risks captured by the risk register owner.

**2.2. Assess:** the primary goal is to document the net effect of all identified threats and opportunities, by assessing:

- Likelihood of threats and opportunities (risks);
- Impact of each risk;
- Proximity of threats; and
- Prioritisation based on scales.

**2.3. Plan:** preparation of management responses to mitigate threats and maximise opportunities.

**2.4. Implement:** risk responses are actioned.

**2.5. Monitor and review:** monitor and review the performance of the risk management system and changes to business initiatives.

**2.6. Communicate:** provide regular reports to management team / Audit and Risk Committee at agreed times.

Risks are effectively managed by FHIND through the effective implementation of various controls, which include:

- Board approved risk management framework;
- Documented policies and procedures;
- Maintenance of registers;
- Implementation of risk based systems and processes;
- Ongoing monitoring of regulatory obligations;
- Checklists to guide activities and project plans to record actions; and
- Internal and external reporting.

### **3. Responsibility**

#### **3.1. Board**

The Board of FHIND Limited, through the Audit and Risk Committee, has responsibility under its Charter to review and report to the Board that:

- (a) the Committee has, at least annually, reviewed the FHIND's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk;
- (b) adequate policies and processes have been designed and implemented to manage identified risks;
- (c) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- (d) proper remedial action is undertaken to redress areas of weakness.

#### **3.2. Chief Financial Officer**

The Chief Financial Officer of FHIND has responsibility under this policy for:

- Monitoring compliance with this policy;
- Reporting to the Board on compliance with this policy;
- Developing, implementing and monitoring systems, management of policies and procedures relevant to the business, including facilitating review by the executive on a regular basis; and
- Maintaining the risk register.

#### **3.3 Risk Owner**

The risk owner (as noted in the Risk Register) is responsible for ensuring on a daily basis that the relevant operational procedures and controls implemented to treat each risk area are adequate and effective. If a control or procedure is not adequate and effective in treating the risk, the risk owner should report this, with a recommendation for an alternative risk treatment, to the Chief Financial Officer for escalation to the Chief Executive Officer and Managing Director and ultimately approval by the Board.

#### **3.4 General responsibilities**

Every FHIND staff member is responsible for effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

Where there is legislation in place for the management of specific risks (such as Occupational Health and Safety) this Risk Management policy does not relieve FHIND of its responsibility to comply with that legislation.

Managers are accountable for strategic risk management within areas under their control, including the promotion and training of the risk management process to staff.

#### **4.21 Risk management process**

The risk management system is dynamic and is designed to adapt to FHIND's developments and any changes in the risk profile over time. Compliance measures are used as a tool to address identified risks. The risk management system is based on a structured and systemic process which takes into account FHIND's internal and external risks.

The main elements of the risk management process are as follows:

- **Communicate and consult** – communicate and consult with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.
- **Establish the context** – establish the external, internal and risk management context in which the rest of the process will take place – the criteria against which risk will be evaluated should be established and the structure of the analysis defined.
- **Identify risks** – identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of FHIND's objectives.
- **Record risks** – document the risks that have been identified in the risk register.
- **Analyse risks** – identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk by analysing the range of potential consequences and how these could occur.
- **Evaluate risks** – compare estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.
- **Treat risks** – develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs.
- **Monitor and review** – it is necessary to monitor the effectiveness of all steps of the risk management process. This is important for continuous improvement. Risks and effectiveness of treatment measures need to be monitored so that changing circumstances do not alter priorities.

FHIND's risks may come from any internal or external event which, if it occurs, may affect the ability to efficiently and effectively operate in the financial services industry:

- **Internal risks** – those risks that specifically relate to FHIND's business itself and as such as generally within its control. They include risks such as employee related risks, strategic risks, and financial risks.
- **External risks** – those risks that are outside the control of FHIND. They include risks such as market conditions and legislative change.
- Risks are effectively managed by FHIND through the effective implementation of various controls, which include:
  - Board approved risk management framework;
  - Maintenance of risk register; and
  - Regular review of risks and controls, particularly as the business changes.

Risk management can be applied at many levels in an organisation. It can be applied at a strategic level and operational level. It may be applied to specific projects, to assist with specific decisions or to manage specific recognised risk areas.

#### **4.232 Risk Management methodology**

The methodology adopted by FHIND for managing and treating its risks can be defined as follows:

1. Document a risk management framework (i.e. the context)
2. Identify the general activities involved in running the business (i.e. risk categories)
3. Identify the risks involved in undertaking the specific business activity by asking the questions:
  - a) What could happen?
  - b) How and why could it happen?
4. Rate the likelihood of the business activity not being properly performed. Likelihood is assessed to the assumption that there are no existing risk management and compliance processes in place. It is assessed as either **Almost Certain, Likely, Possible, Unlikely** and **Rare**.
5. Rate the consequence of not properly performing the business activity - damage can be quantified in terms of financial loss to investors and/or FHIND itself. It is assessed as **Catastrophic, Major, Severe, Serious** and **Minor**.
6. Assign the inherent risk rating based on a combination of the risk rating. Low and medium risks may be considered acceptable and therefore minimal further work on these risks may be required. The rating may be assessed as **Critical, High, Significant, Medium** and **Low**.
7. Decide whether a control (e.g. policy, procedure, checklist, reporting mechanism or account reconciliation) is necessary given the level of risk, based on likelihood and consequences and if so, identify control.
8. Assess whether the existing controls are adequate and allocate the responsibility of monitoring the control to treat the risk. This will integrate risk management and compliance to daily activities and facilitate appropriate control of operational risk.
9. Raise awareness about managing risks across the organisation through communicating the policy and responsibilities.
10. Routinely monitor and review ongoing risks so can risk can be effectively managed