RISK MANAGEMENT POLICY

**MOTORCYCLING
NEW SOUTH WALES**

MOTORCYCLING NSW RISK MANAGEMENT POLICY

Title: Risk Management Policy
Creation Date: September 2024
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Version: 1.0
Responsible Persons: Motorcycling NSW Board
Authority: This document is a Policy made pursuant to the Motorcycling NSW Constitution. MNSW may unilaterally introduce, vary, remove, or replace this Policy at any time.

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1. Introduction

1.1. Document Review Timetable

This document will be reviewed and updated annually by the FRAP or earlier as required. Updates to this document will follow requests from the business, because of legal, statutory or industry changes, or, in response to changes in the Motorcycling NSW strategy, FRAP will provide the updated policy for Board approval.

1.2. Policy Background

Motorcycling NSW (MNSW) is the State Controlling Body for Motorcycling for New South Wales and the Australian Capital Territory. Motorcycling NSW is a member of the national governing body, Motorcycling Australia (MA).

MNSW operates in a regulated environment, further as the governing body is responsible for setting and enforcing of regulations. MNSW needs to be seen as a best practice organisation by our stakeholders. This policy establishes a comprehensive framework for identifying, assessing, managing, and monitoring risks associated with motorcycling activities within the jurisdiction of Motorcycling NSW. The aim of the policy is to increase rider participation in the sport by improving is the safety of participants, spectators, volunteers, staff & the business of MNSW while understanding, and where possible, minimising financial, compliance/legal, safety, reputational, operational, and environmental risks to the organisation.

MNSW has sought to foster a strong corporate governance focus, through a Board of Directors with a broad skill set, a Finance, Risk, Audit & Properties Subcommittee inclusive of industry experts. The Committees act as subcommittees of the Board and comprise Directors with specific skills and senior management with complementing responsibilities. Committee responsibilities are documented in Charters as approved by the Board.

All employees/contractors of Motorcycling NSW are required to consistently adhere to the Risk Management Policy. Non-compliance with this requirement by any employee shall be treated as serious misconduct under their employee agreement.

1.3. Authority

The Policy applies to MNSW and its clubs (and derives its authority from the Motorcycling NSW Board). The Policy is effective from the date of the Board approval.

1.4. Risk Management – Background

The focus of good risk management is the identification and effective management of risks. Its objective is to add maximum sustainable value to all the activities of the organisation. It marshals the understanding of the potential upside and downside of all those factors which can affect the organisation. It increases the probability of success and reduces both the probability of failure and the uncertainty of achieving the organisation's overall objectives.

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Risk management should be a continuous and developing process which runs throughout the organisation's strategy and the implementation of that strategy. It should address all the risks surrounding the organisation's activities past, present and future.

Risk Management must be integrated into the culture of the organisation with an effective policy and a program led by the most senior management. It needs to translate the strategy into tactical and operational objectives, assigning responsibility throughout the organisation with each manager and employee responsible for the management of risk as part of their job description. It supports accountability, performance measurement and reward, thus promoting operational efficiency at all levels.

Risk management protects and adds value to the organisation and its stakeholders through supporting the organisation's objectives by:

- Providing a framework for an organisation that enables future activity to take place in a consistent and controlled manner
- Improving decision making, planning and prioritisation
- Contributing to more efficient use/allocation of capital and resources within the organisation
- Protecting and enhancing assets and company image
- Developing and supporting people and the organisation's knowledge base
- Optimizing operational efficiency

1.5. Risk Management Oversight – Governance

Motorcycling NSW will adopt a structured and disciplined approach to risk management, which includes;

Role	Function
The Board	Approval, oversight, and support of the risk management program
Chief Executive Officer	Provide direction, maintain, manage, and report organisational risks
Operation/Sport Units Managers	Manage, identify, address and report risks
Finance, Risk, Audit & Properties Subcommittee	Oversight
External Audit	Assurance
Staff	Adherence to risk policy

The roles and responsibilities of each area are detailed in **Section 3** of this policy.

An effective Risk Management Framework is a key requirement for good Corporate Governance. The accountabilities, roles, responsibilities and decision-making rights for the Board and each Committee are included in their respective charters.

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2. Corporate Governance

The identification, assessment, mitigation, and monitoring of risks provides relevant information to the Motorcycling NSW Board to enable decisions regarding the future direction of Motorcycling NSW to be made based on an understanding of opportunities and threats. A transparent reporting framework supports the accuracy, completeness, and timeliness of risk information.

2.1. Motorcycling NSW Board

The Motorcycling NSW Board is responsible for reviewing and approving the Risk Management Policy, the Risk Appetite and providing management with the appropriate direction. The Board delegates to the CEO the responsibility to maintain a sound risk management register based on this policy.

Strategic decisions by the Board are to fall in line with the Board charter mandates, the consideration of the best interests of the company and the evaluation of the risk management framework. Particularly risk management evaluation is made on the effect of the Board's decision on the company with reference to financial, reputational, and regulatory risk.

The Board has also delegated to the Finance, Risk, Audit & Properties Subcommittee responsibility as per the FRAP Charter, among this is oversight of both the internal and external audit functions and for all audit reports to provide an assessment and a statement regarding the effectiveness of the control environment. For more detail see part 2. of the FRAP Charter.

Refer to **Section 4**, the role of the Board associated with risk management.

2.2. Risk Appetite

The risk appetite is the level and type of risk an organisation is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders.

The risk appetite is implicitly included within the Motorcycling NSW Risk register. The register maintains various risks and control assessment scores which are constructed through multiplying the likelihood and impact to allow a comparison of the relative levels of different risks and their mitigating outcomes.

The tolerance levels of Motorcycling NSW vary dependent upon the nature of the risk and this stretches from risk averse to risk acceptance. As a result, a single risk appetite statement alone will not be as beneficial as recognising and understanding the organisations tolerance levels across each identified risk which has been assessed in the Risk Management document register.

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In determining the Risk Appetite, the Board, FRAP, CEO, may consider but not limited to:
- Current financial statements
- Management experience
- Stakeholder expectations
- Existing capital to support risk taking
- Longer term strategic priorities
- The effectiveness of the control environment.

The determination of the Risk Appetite is reviewed and approved by the Motorcycling NSW Board at least annually.

2.3.   Risk Classifications

The Motorcycling NSW Risk Management Policy has been developed considering the Australian Standards, Industry good practice, policies, and procedures.

Operational risks are acceptable within the business if they are known, registered, managed, and monitored.

2.4.   Mandate for the Risk Management Functions

The Risk Management function exists to support the achievement of business objectives in line with the Board approved strategic plan. The mandate of the policy is to:
- Support management with raising of risk awareness and insight.
- Increase transparency.
- Improve early warning information.
- Follow-up on identified control weaknesses.
- Allocate risk ownership and responsibilities.
- Support management to implement the approved Risk Management Policy.

Risk management reflects a commitment that is practised by the CEO, the Board, unit Managers and staff.

3.   Roles and Responsibilities

An organisation's risk management policy should set out responsibilities for risk management throughout the organisation.

To work effectively, the risk management process requires:
- Commitment from the chief executive and executive management of the organisation
- Assignment of responsibilities within the organisation
- Allocation of appropriate resources for training and the development of an enhanced risk awareness by all stakeholders.

Risk management operates at various levels within Motorcycling NSW. Various tasks have been allocated, so that risks are managed by the appropriate position.

3.1. Role of the Motorcycling NSW Board

The Board has responsibility for determining the strategic direction of the organisation and for creating the environment and the structures for risk management to operate effectively.

The Board should, as a minimum, consider, in evaluating its system of internal control:
- The nature and extent of downside risks acceptable for the company to bear
- The likelihood of such risks becoming a reality
- How unacceptable risks should be managed
- The company's ability to minimise the probability and impact on the business
- The costs and benefits of the risk and control activity undertaken
- The effectiveness of the risk management process
- The risk implications of board decisions

3.2. Role of the Chief Executive Officer

The Chief Executive Officer has overall responsibility for ensuring implementation and compliance with the Risk Management Policy.

The CEO has responsibility for reporting to the Board as soon as is practical on any significant risk issues. Significant risk is deemed to be:
- An item for which the overall risk assessment as per Table 3 of this policy, escalates to "Significant" or greater; or
- If a risk event occurs and its consequence as per Table 2 is category C (Possible) or greater

Any actual or potential legal or criminal proceedings are to be reported to the Board.

In the event of any uncertainty regarding the appropriate classification of a risk or event, the event should be classified as falling within the higher risk or event category.

The CEO's responsibility includes:
- Conducting an annual review of this Policy to maintain its currency with legislative and organisational requirements
- Developing and maintaining a communication strategy and training plan to enable ongoing awareness of this Policy
- Monitoring of the processes, procedures and controls which facilitate compliance with this Policy

3.3. Role of the Operation/Sport Unit Managers

Operations Managers or Sport Managers play a critical role in the risk management program.

This includes the following:
- The Operations/Sports units have primary responsibility for managing risk on a day-to-day basis

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- Operations/Sports unit management are responsible for promoting risk awareness within their operations; they should introduce risk management objectives into their areas of the business
- Risk management should be a regular management-meeting item to allow consideration of exposures and to reprioritise work in the light of effective risk analysis
- Operations/Sports unit management should ensure that risk management is incorporated at the conceptual stage of projects as well as throughout a project

3.4. Role of the Risk Management Function (CEO in absence of this function)

The role of the Risk Management function includes the following:
- Testing controls
- Primary champion of risk management at both the strategic and operational level
- Building a risk aware culture within the organisation including appropriate education
- Establishing internal risk policy and structures for business units
- Designing and reviewing processes for risk management
- Co-ordinating the various functional activities which advise on risk management issues within the organisation.
- Developing risk response processes, including contingency and business continuity programmes.
- Preparing reports on risk for the board and the stakeholders.

3.5. Role of the Finance, Risk, Audit & Properties Subcommittee

The Committee's responsibilities in this area include:
a) overseeing the risk profile for MNSW encompassing both financial and non-financial material risks facing MNSW;
b) ongoing review of the risk management framework of MNSW; including regular review of the Risk Register;
c) reviewing the effectiveness of MNSW'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) as the Committee considers appropriate, require management to address key risk areas and internal control systems;
e) ensuring that the Chief Executive Officer state in writing to the Board annually that:
   i. the statement given to the Board that MNSW's financial reports present a true and fair view, in all material respects, of MNSW'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 control which implements the policies adopted by the Board;
   ii. MNSW's risk management and internal compliance and control system are operating efficiently and effectively in all material respects.

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3.6.   Role of External Audit

External Auditors provide regular and independent assurance on the effectiveness of the internal control environment and provide management with insight regarding the overall effectiveness of their risk management processes and risk profiles. The audit function plays a vital role within the Risk Management Framework as independent assessors of its effectiveness.

Audit reports are provided to the Finance, Risk, Audit & Properties Subcommittee (FRAP) and the Board.

3.7.   Role of Motorcycling NSW Staff

It is the responsibility of all staff to understand, identify and effectively manage risk within Motorcycling NSW. Identified risks or improvements to controls need to be brought to the attention of the Executive Management.

It is the responsibility of Executive Management to make staff aware of, and to comply with the Risk Management Policy and supporting framework. Non-compliance with obligations under the Risk Management Policy by an employee will be treated as serious misconduct.

All staff are responsible to ensure that the Motorcycling NSW risk management policy is always adhered to.

4.   Internal Reporting and Communication

The communication of risks and reporting of risks forms an integral part of the risk management framework. Different levels within an organisation need different information from the risk management process.

4.1.   The Board of Directors need to:
- Know about the most significant risks facing the organisation
- Know the possible effects on stakeholder value of deviations to expected performance ranges
- Ensure appropriate levels of awareness throughout the organisation
- Know how the organisation will manage a crisis
- Know how to manage communications with the community where applicable
- Be assured that the risk management process is working effectively
- Publish a clear risk management policy covering risk management philosophy and responsibilities

4.2.   The FRAP need to:
- Understand and ensure the Risk Registrar is current and encompasses all salient risks to MNSW
- Work with management to ensure all risks are both understood and where possible managed in accordance with this policy
- Provide reporting to the Board of the risk registrar as per policy.

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4.3.   Operation/Sport Units need to:

- Be aware of risks which fall into their area of responsibility, the possible impacts these may have on other areas and the consequences other areas may have on them
- Have performance indicators which allow them to monitor the key business and financial activities, progress towards objectives and identify developments which require intervention (e.g. forecasts and budgets)
- Report systematically and promptly to senior management any potential new risks or failures of existing control measures

4.4.   Individuals need to:

- Understand their accountability for individual risks
- Understand how they can enable continuous improvement of risk management response
- Understand that risk management and risk awareness are a key part of the organisation's culture
- Report systematically and promptly to senior management any potential new risks or failures of existing control measures

5.   Risk Management FRAMEWORK

Risk management takes place in the context of the wider goals, objectives and strategies of the organisation and drills down to basic processes and procedures.

The objective of the Framework is to facilitate the identification, assessment, mitigation, and monitoring of risks across the organisation, ensuring enterprise-wide risk management is achieved.

The management of risk is an integral part of Motorcycling NSW's management process. Risk management is a multifaceted process, the aspects of which are often best carried out by a multi-disciplinary team utilising the various skills available across the organisation.

5.1.   Risk Analysis & Evaluation

Analysis of risks will be based on a combination of the impact on the organisation (consequences) and the likelihood of those consequences occurring. This will be considered in context with the activity, the organisation, and any existing controls or other factors that may modify the consequences or likelihood.

5.2.   Consequence Ratings

A risk consequence is defined as the outcome or impact of an event expressed qualitatively or quantitatively. Table 1 provides broad descriptions used to support risk consequence ratings:

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TABLE 1:

RISK REFERENCE	RISK IMPACT	CONSEQUENCE
5	Intolerable	Risk that could end the business and should either not be exposed to it or needs clear mitigants irrespective of the likelihood
4	Major	Risk that would have a serious impact of the ability of MNSW to continue to deliver its strategy
3	Significant	Risk that could have a material impact on the effective delivery of the strategy, so mitigation strategies required
2	Moderate	Risk could have an impact on the effective delivery of strategy and level of risk that can be accepted with regular monitoring
1	Minor	Level of risk that can be accepted

5.3. Likelihood Ratings

Table 2 below provides broad descriptions used to support risk likelihood ratings:

TABLE 2:

RISK REFERENCE	RISK PROBABILITY	LIKELIHOOD
A	Highly Likely	> 90%
B	Likely	75% - 90%
C	Possible	50%-75%
D	Unlikely	25%-50%
E	Rare	<25%

5.4. Mitigating Practices and Controls

Mitigating practices and controls include the existing policies, procedures, practices, and processes which aim to provide reasonable assurance over the management of MNSW's activities. Following evaluation, these practices and controls may reduce the likelihood or consequence of a risk. Appropriate risk mitigation strategies will be developed and implemented for all identified risks, including risk avoidance, risk reduction, risk transfer, and/or risk acceptance. The effectiveness of risk mitigation strategies will be regularly monitored and evaluated.

Where mitigating practices and controls exist, but are not being followed or monitored, adequate control does not exist.

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5.5. Level of Risk

The level of risk that remains after consideration of all existing mitigating practices and controls is the agreed risk rating and determines the level of management action and treatment required. The diagram below indicates how the combination of risk likelihood and risk consequence ratings are used to establish the level of risk and subsequent management actions and treatment required.
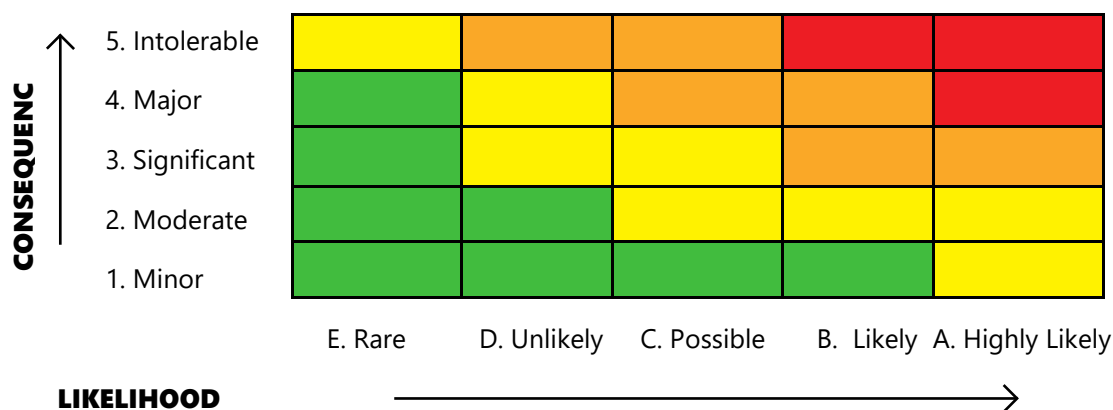
TABLE 3: RISK ASSESSMENT MATRIX

LIKELIHOOD

TABLE 4: MANAGEMENT ACTION AND TREATMENT

MINOR	**Acceptable** - systems and processes managing the risks are adequate. Consider excess or redundant controls.
MODERATE	**Periodic Monitoring** - options to improve controls should be considered. Risk consequences should be monitored to ensure it does not increase over time.
SIGNIFICANT	**Continuous Review** - continued monitoring to ensure controls remain adequate.
MAJOR	**Active Management** - treatment options require immediate implementation, active review, and management on an ongoing basis.
INTOLERABLE	**Unacceptable** - an informed decision should be made not to become involved in the risk situation.

Document utilises risk analysis tools outlined in the Standards Australia 'Guidelines for Managing Risk in Sport '(HB 246-2010)

5.6. Effective Management of Risks

Effective risk treatment involves identifying the range of options for effectively managing the risk, evaluating those options, preparing the risk treatment plans, and implementing those plans in accordance with the Risk Register. It is about considering the options for effective management and selecting the most appropriate method to achieve the desired outcome. MNSW will report on risk

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management to the FRAP periodically through presentation of the updated Risk Register at all scheduled meetings.

5.7.   Monitoring and Review

Few risks remain static. Factors that may affect the likelihood and consequences of an outcome may change, as may the factors that affect the suitability or cost of the various treatment options. Review is an integral part of the risk management plan.

Periodic review of the MNSW Risk Register is to be managed by senior management in consultation with the Finance, Risk, Audit & Properties Subcommittee.

The Risk Register will be presented at each Finance, Risk, Audit & Properties Subcommittee meeting for consideration. The Risk Register will be presented to the Board periodically, as a minimum in conjunction with the Finance, Risk, Audit & Properties Subcommittee updates provided to the Board whenever there is an update to the Board following an FRAP meeting.

5.8.   Risk Communication and Reporting

Information about identified risks, risk assessments, and mitigation strategies will be communicated effectively to relevant stakeholders. Incident and accident reports will be thoroughly investigated to identify underlying causes and implement corrective actions. Regular reports on the overall risk management performance will be provided to the board.

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