**Risk Management Policy**

### Introduction

The Book Café Group (BCG) recognises that risk management is an essential component of good management practice and is committed to ensuring the implementation of risk management processes that focus on the proactive management of risks across the organisation.

This risk management policy forms part of BCG’s internal controls and corporate governance arrangements. The risk management policy is designed to:

* Identify, evaluate, control and manage risks
* Ensure potential threats and opportunities are identified and managed
* Inform directors, senior management and staff members about their roles, responsibilities and reporting procedures with regards to risk management
* Ensure risk management is an integral part of planning at all levels of the organisation.

### Policy

BCG is committed to achieving its vision, business objectives and quality objectives by the proactive management of risk at all levels of the organisation.

BCG will identify, evaluate, control and manage risk throughout the organisation in accordance with the ‘BCG Risk Management Framework’. See *Risk Management Strategy* for framework details.

### Responsibility and Authority

The Board, management and employees of BCG have responsibility for implementing aspects of this policy.

#### Role of the Board

The Board have a governance responsibility in the management of risk. This includes:

* Determining which types of risk are acceptable and which are not
* Setting the standards and expectations of staff with respect to conduct
* Approving major decisions affecting BCG’s risk profile or exposure
* Monitoring the management of significant risks to reduce the likelihood of potential organisational risks and threats or failure
* Being satisfied that risks are being actively managed, with the appropriate controls in place and working effectively
* Annual review of BCG’s approach to risk management and approval of changes or improvements to key elements of its processes and procedures.

#### Role of the Senior Management Team and Café Managers

Key roles of the senior management team are to:

* Implement policies on risk management and internal control where this is deemed appropriate
* Identify and evaluate areas of significant risks potentially faced by BCG for consideration by the Board
* Identify areas where risk management is not adequately addressed and advise the Board accordingly
* Review and update the risk management strategy
* Undertake an annual review of the effectiveness of systems of internal control and provide an annual report to the Board, including a summary review and respective recommendations.

#### Role of Café Employees

Key roles of employees are to:

* Familiarise themselves with the content of the Risk Management Policy and clarify any aspects necessary with a senior team member
* Consider any risks they feel could impact on them meeting their objectives and either manage the risk if it is in their control to do so, or inform a management team member of their concerns
* Advise senior management, in the first instance, or Board members, if concerned about any fraud or unethical behaviour.

### BCG Risk Management Framework

This framework encompasses a number of elements that together facilitate an effective and efficient operation, enabling BCG to respond to a variety of operational, financial, commercial and strategic risks. These elements include:

* Policies and procedures
* Monthly reporting
* Business planning and budgeting
* Risk management review
* External audit.

#### Policies and Procedures

A series of policies underpin the internal control process. These policies are endorsed by the Board and are implemented and communicated by the senior management team to all staff. These policies include:

* Human Resources Policies:
  + Staff Travel Policy
  + Harassment Policy
  + WHS Policy
  + Return to Work Policy
  + Work–Life Balance Policy
  + Equity/Discrimination/Diversity Policy
  + Parental Leave Policy
  + Organisational Culture Policy
* Financial Policies:
  + Bad Debt Policy
  + Cash Reserving Policy
  + Revenue/Expenditure Recognition Policy
  + Finance, Audit and Risk Management (FARM) Committee Terms of Reference, including delegations
* Corporate Governance Policies:
  + Board Protocol
  + Sitting Fees Policy
  + Directors Remuneration Policy.

#### Monthly Reporting

Decisions to rectify problems are made at regular meetings of the senior management team. Comprehensive reporting at Board and Sub-committee meetings is designed to monitor key risks and their controls.

#### Business Planning and Budgeting

The business planning and budgeting process is used to set objectives, agree on action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly by the senior management team and by Directors at Board meetings.

#### Risk Management Review

The Finance, Audit and Risk Management (FARM) Committee is required to report at Board meetings on internal controls. The FARM Committee pays particular attention to risk management. It is the CEO’s responsibility to brief the Board periodically and as appropriate on the development of policies and procedures to ensure effective and efficient operations, risk management strategies and implementation. In addition, the FARM Committee oversees internal audit, external audit and management as required in its review of internal controls. The committee is therefore well placed to provide advice to the Board on the effectiveness of the internal control system, including BCG’s strategy for the management of risk.

#### External audit

The final audit of financial statements is controlled by an external chartered accountant who provides feedback to the Board through the FARM Committee.

### Procedure: Development of a Risk Management Profile

The following outlines the process for developing a risk management profile.

#### 1. Establish the Context:

* Define and identify the environment, characteristics and stakeholders, their goals and objectives, and the scope of the specific risk management process.
* Develop criteria against which risks are evaluated and identify the structure for risk management.

#### 2. Identify and describe Risks:

* Risks are best identified through a collaborative approach involving a cross-section of stakeholders.
* All conceivable risks must be considered. Ensure any certainties are identified as problems and addressed in the risk management profile.

#### 3. Conduct current Risk Analysis:

* An analysis of the risks is conducted to determine their causes, and estimate their probability and consequences. This analysis provides the basis for working on the ‘right’ risks.

#### 4. Conduct Risk Evaluation:

* Risks are considered and prioritised according to their potential impact, and each risk is assessed to determine its level of acceptability.

#### 5. Develop and Implement Proposed Risk Treatments:

* Risk treatments are developed to cost-effectively reduce, contain and control risk.
* Formal risk management reporting mechanisms are defined and documented.
* Categorise the risk likelihood.

#### 6. Monitor, Report, Update and Manage Risks:

* As risks change constantly, the risk profile is continuously monitored, reviewed and updated by management. New risks may be identified as more information becomes available and existing risks may be eliminated through the effectiveness of the risk treatments/actions.
* Identified risks, and monitoring and management activities should be recorded and stored as follows:
  + Risks identified through regular audit should be recorded on the Risk Audit Log
  + Risk management activities should be recorded on the Risk Management Register. BCG’s Risk Areas.

The following are four broad areas where potential for risk to BCG has been identified. Under each area, examples of possible risks are detailed.

#### Operational/organisational:

* Legal and regulatory compliance
* Technology
* Insurance
* Resources: human, physical
* Logistics
* Marketing
* Product quality
* Communications
* Infrastructure, plant and equipment
* Customer interaction
* Market needs.

#### Financial:

* Accountability
* Fraud or theft
* Capital investment
* Interest rates
* Loss of income, funding/finance.

#### Governance:

* Conduct of Board
* Conflict of interest.

#### Project management:

* Procedures and tools for project management
* Stakeholders – strength of relationships/conflict of interest
* Human resources
* Financial resources.