

## 1. Introduction

### 1.1. Document Review Timetable

This document will be reviewed and updated annually or earlier as required.

Updates to this document will follow requests from the business, as a result of legal, statutory or industry changes, or, in response to changes in the Football NSW strategy.

### 1.2. Policy Background

Football NSW (FNSW) is the governing body for association football (soccer) and Futsal in the Australian state of New South Wales, with the exception of the northern regions of NSW (the governing body for which is Northern New South Wales Football). Football NSW is a member of the national governing body, Football Federation Australia (FFA).

Prior to 1 April 2007 Football NSW was known as Soccer NSW.

FNSW operates in a regulated environment, further as the governing body is responsible for setting and enforcing of regulations. FNSW needs to be seen as a best practice organisation by our stakeholders. The aim of this policy is not to eliminate all risks, but to identify and manage known risks.

FNSW has sought to foster a strong corporate governance focus, through an independent Board of Directors with a broad skill set, an Audit & Risk Committee who have appointed an independent risk expert, and a Legal & Regulatory Committee. 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 Football 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 FNSW and its branches (Riverina, Southern and Western) and derives

its authority from the Football NSW Board. The Policy is effective from the date of the Board approval (displayed on the cover of the Policy).

### 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.

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 in particular, future.

Risk Management must be integrated into the culture of the organisation with an effective policy and a programme 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
- Optimising operational efficiency

### 1.5. Risk Management Oversight - Governance

Football 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 |
| Executive/ Business Unit Managers | Manage, identify, address and report risks                          |
| Audit and Risk Committee          | 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.

## 2. Corporate Governance

The identification, assessment, mitigation and monitoring of risks provides relevant information to the Football NSW Board to enable decisions regarding the future direction of Football 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. Football NSW Board

The Football 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 framework 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 particular reference to financial, reputational and regulatory risk.

The Board has also delegated to the Audit and Risk Management Committee the responsibility for 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.

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 Football 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 Football 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.

In determining the Risk Appetite the Board, ARC, CEO, Head of Finance may consider:

- Current financial statements
- Management experience
- Stakeholder expectations
- Expected performance (return on capital)
- Existing capital to support risk taking
- The culture of the organisation
- Longer term strategic priorities
- The effectiveness of the control environment.

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

### 2.3. Risk Classifications

The Football NSW Risk Management Policy has been developed taking into account the Australian Standards, Industry good practice, policies and procedures.

Operational risks are acceptable within the business as long as 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, Executive 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 Football NSW. Various tasks have been allocated, so that risks are managed by the appropriate position.

### 3.1. Role of the Football 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 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 Business Units/Executive Managers**

Business Unit Managers or Executive Managers play a critical role in the risk management program. This includes the following:

- The business units have primary responsibility for managing risk on a day-to-day basis
- Business unit management is responsible for promoting risk awareness within their operations; they should introduce risk management objectives into their 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
- Business 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**

The risk champion for Football NSW is the In House Legal Counsel, in collaboration with the Head of Finance. 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 Audit and Risk Committee**

The Committee's responsibilities in this area include:

- (a) overseeing the risk profile for FNSW encompassing both financial and non-financial material risks facing FNSW;
- (b) ongoing review of the risk management framework of FNSW; including regular review of the Risk Register
- (c) reviewing the effectiveness of FNSW'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 and Head of Finance state in writing to the Board annually that:
  - (i) the statement given to the Board that FNSW's financial reports present a true and fair view, in all material respects, of FNSW'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) FNSW's risk management and internal compliance and control system are operating efficiently and effectively in all material respects.

### **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 Audit and Risk Committee (ARC) and the Board.

### 3.7. Role of Football NSW Staff

It is the responsibility of all staff to understand, identify and effectively manage risk within Football 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 Football NSW risk management policy is adhered to at all times.

## 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. Business 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

### 4.3. 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 Football 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 on page 6 provides broad descriptions used to support risk consequence ratings:

**TABLE 1:**

| <b>RISK REFERENCE</b> | <b>RISK IMPACT</b> | <b>CONSEQUENCE</b>  |
|-----------------------|--------------------|---|
| 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 FNSW 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:**

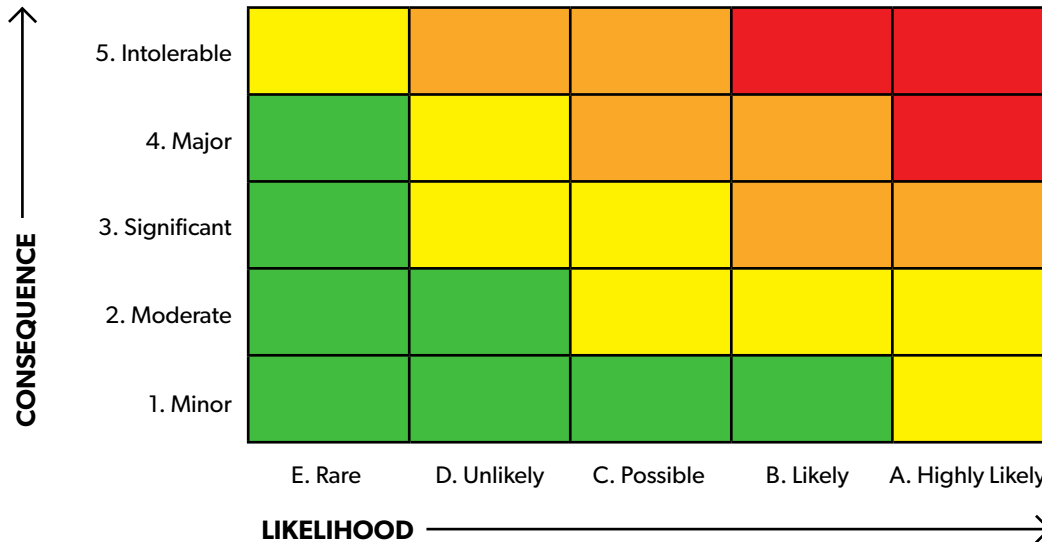
| <b>RISK REFERENCE</b> | <b>RISK PROBABILITY</b> | <b>LIKELIHOOD</b> |
|-----------------------|-------------------------|-------------------|
| A                     | Highly Likely           | > 90%             |
| B                     | Likely                  | 75% - 90%         |
| C                     | 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 FNSW's activities. Following evaluation, these practices and controls may reduce the likelihood or consequence of a risk. Where mitigating practices and controls exist, but are not being followed or monitored, adequate control does not exist.

### 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**

**TABLE 4: Management Action and Treatment**

|                    |   |
|--------------------|---|
| <b>MINOR</b>       | <b>Acceptable</b> - systems and processes managing the risks are adequate. Consider excess or redundant controls.   |
| <b>MODERATE</b>    | <b>Periodic Monitoring</b> - options to improve controls should be considered. Risk consequence should be monitored to ensure it does not increase over time. |
| <b>SIGNIFICANT</b> | <b>Continuous Review</b> - continued monitoring to ensure controls remain adequate.   |
| <b>MAJOR</b>       | <b>Active Management</b> - treatment options require immediate implementation, active review and management on an ongoing basis.                              |
| <b>INTOLERABLE</b> | <b>Unacceptable</b> - 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. FNSW will report on risk management to the ARC periodically through presentation of the updated Risk Register at 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 FNSW Risk Register is to be managed by senior management in consultation with the Audit and Risk Committee.

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