



Australian Government



Northern Australia Infrastructure Facility

# Risk Management Policy

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## Document Review and Approval

Version	Author/Reviewer	Revision	Approval	Date of approval	Next review date
1.0	NAIF Management	Original	Board	September 2016	September 2017
2.0	Manager, Governance, Compliance and Risk	Annual review	Board	February 2018	February 2019
3.0	Manager, Risk & Compliance	Annual review	Board	October 2019	October 2020
4.0	Acting Manager, Risk	Annual Review	Board	September 2020	September 2021

## Document Purpose

The NAIF Act and NAIF's Investment Mandate (s17) states that NAIF must have regard to Australian best practice government governance principles and Australian best practice corporate governance for Commercial Financiers when performing its functions, including developing and annually reviewing policies with regard to governance issues. Best practice governance includes effective risk management. The primary goals of NAIF's risk management policy are to:

- a) increase the probability of success of NAIF achieving its objectives, and reduce both the potential of failure and the level of uncertainty associated with achieving that success; and
- b) enhance the understanding of the potential positive and negative risk factors that can affect the organisation.

# 1. Background

In seeking to achieve its strategic objectives, NAIF faces internal and external factors and influences that create risks with the potential to be both opportunities and threats. These risks are managed by identifying, analysing and evaluating how the risk can be appropriately mitigated in order to meet NAIF's objectives.

The purpose of this Policy is to guide the development, implementation and continuous improvement of a risk management framework which is embedded in NAIF's overall governance, strategy, business planning, management, reporting processes, policies, values and culture. The adoption of consistent processes within a risk management framework assists in the effective and efficient management of risk coherently across NAIF. Communicating the accountabilities, responsibilities and expectations within a risk management policy is important to ensure a common understanding of risk across the organisation.

Risk management requires an understanding of context. The objectives of NAIF, the environment in which it pursues those objectives, the identity and diversity of its stakeholders and the diversity of risk criteria frames the nature and complexity of the risks it faces.

# 2. Policy Statement

Principles that guide NAIF's risk management approach are:

- i) Risk management creates and protects value;
- ii) Risk management is an integral part of all organisational processes;
- iii) Risk management assists informed decision making and the prioritization of actions;
- iv) Risk management must try to address uncertainty around achievement of objectives explicitly;
- v) Risk management is systematic, structured and timely, as this contributes to efficiency and to consistent, comparable and reliable results;
- vi) Risk management is based on the best available information. Decision makers should inform themselves of, and should take into account, any limitations of the data or modelling used or the possibility of divergence among experts;
- vii) Risk management is aligned with NAIF's external and internal context and risk appetite;
- viii) Risk management takes human behaviour and cultural factors into account;
- ix) Risk management is transparent and inclusive of input from stakeholders;
- x) Risk management is dynamic, iterative and responsive to change as the external and internal environment of NAIF is dynamic; and
- xi) Risk management is used to facilitate continual improvement of the organisation.

# 3. Definitions

**Executive Management** means

all senior positions within NAIF including the Chief Executive Officer, Chief Operating Officer, Executive Directors and other Staff that may be delegated as Executive Management from time to time.

**Staff** means persons employed by, or operating under, an employment or similar contract with NAIF including full time or part time employees, consultants, contractors and Export Finance Australia personnel working on NAIF matters under the Export Finance Australia Service Level Agreement.

**Risk Appetite Statement (RAS)** provides a clear understanding of the Board’s acceptable risk limits within which the business must operate in pursuit of strategic objectives.

Unless otherwise stated, definitions in the *Northern Australian Infrastructure Facility Act 2016 (NAIF Act)* and the *Northern Australia Infrastructure Facility Investment Mandate Direction 2018 (Investment Mandate)* apply.

## 4. Review and Approval

This Policy will be reviewed annually or more frequently if required, by or on behalf of Executive Management to ensure that it remains aligned with governing legislation. The Board approves all material changes and reviews the Policy at least every year.

The Manager, Risk & Compliance ensures material changes to the Policy are communicated to Staff in a timely manner.

## 5. Roles and Responsibilities

Role	Responsibility
<b>Board and Board Audit &amp; Risk Committee (BARC)</b>	<p>The Board is responsible for approving this Policy in line with Section 4 of this Policy.</p> <p>The Board is responsible for setting NAIF’s risk appetite and satisfying itself that Executive Management has developed and implemented an effective risk management framework which meets the requirements of this Policy.</p> <p>The BARC is responsible for reviewing this Policy and endorsing it for Board approval.</p> <p>The BARC is responsible for assisting the Board in fulfilling its governance responsibilities in regard to risk management, including overseeing the development of the risk appetite statement and risk management framework, risk policies, systems, processes and controls, and reviewing the effectiveness of the risk management framework.</p>
<b>Executive Management</b>	<p>Executive Management, supported by services provided by any external service provider (including Export Finance Australia), is responsible for developing and implementing, under the direction of BARC, the risk appetite statement and risk management framework, risk policies, systems, processes and controls, and fostering a risk-aware culture.</p> <p>Executive Management will report to the BARC and the Board on the effectiveness of the risk management framework and the management of NAIF’s material business risks.</p>
<b>Manager, Risk</b>	<p>The Manager, Risk is responsible for:</p> <ul style="list-style-type: none"> <li>• arranging training for Staff on this Policy including the consequences of a breach</li> <li>• providing advice to Staff on compliance with this Policy</li> <li>• reporting any known breaches of this Policy</li> <li>• ensuring annual review of this Policy</li> </ul>
<b>All Staff</b>	<p>Staff are responsible for complying with this Policy including by:</p> <ul style="list-style-type: none"> <li>• attending relevant training and understanding obligations;</li> <li>• assisting Executive Management and the Manager, Risk where required</li> <li>• raising any compliance issues with the Manager,</li> <li>• following relevant procedures and providing feedback for continuous improvement</li> </ul>

## 6. Risk Accountability

Enhanced risk management includes comprehensive, fully defined and fully accepted accountability for risks, controls and risk treatment tasks. Designated individuals must accept accountability, be appropriately skilled and have adequate resources to check controls, monitor risks, improve controls and communicate effectively about risks and their management to external and internal stakeholders.

Risk accountability is recorded in Executive Management key performance indicators, position descriptions and information systems.

## 7. Integration

Risk management is viewed as central to NAIF's management processes, such that risks are considered in terms of effect of uncertainty on objectives. NAIF's governance structure and processes are based on the management of risk. Effective risk management is regarded by Staff and EFA as essential for the achievement of NAIF's objectives.

Risk management is embedded in NAIF's organisational practices and processes in a way that it is relevant, effective and efficient. Risk management is part of, and not separate from, those organisational processes. In particular, risk management is embedded into policy development, business and strategic planning and review, and key decision making within the organisation.

The Risk Management Framework provides a structure and approach for specific risk management processes suitable to NAIF's context and objectives. In implementing its risk management framework, NAIF:

- a) defines the appropriate timing and strategy for implementing the framework;
- b) applies this policy to the organisational processes;
- c) complies with legal and regulatory requirements;
- d) holds information and training sessions; and
- e) communicates and consults with stakeholders.

NAIF allocates and budgets for appropriate resources for risk management, and supports the required development of capability in people, systems and processes.

## 8. Risk Appetite Statement & Tolerance

NAIF's Risk Appetite Statement (RAS) provides a clear understanding of the Board's acceptable risk limits within which the business must operate in pursuit of strategic objectives. RAS is based upon the following key principles:

1. NAIF must not knowingly breach or have reckless disregard for the mandatory investment criteria or any other considerations it is required to have regard to or consider under the NAIF Act or Investment Mandate
2. Risk appetite and tolerance are measured in accordance with NAIF's risk management framework
3. NAIF's tolerance measures embed the Board's risk appetite in operational procedures

The acceptable level of risk, after taking into account the controls in place, is expressed in terms of a target residual risk rating. Tolerance measures include one or more quantitative risk limits and indicate whether or not a risk is likely to breach the Board's approved risk appetite.

## 9. Policy Communication

Effective risk management includes ongoing communication with external and internal stakeholders, including reporting of risk management performance. Communication with stakeholders is an integral and essential component of risk management such that properly informed decisions can be made about the level of risk exposure and the need for risk treatment against properly established and comprehensive risk criteria.

NAIF has communication and reporting mechanisms in order to support and encourage accountability and ownership of risk.

## 10. Risk Monitoring

Ongoing monitoring and review is necessary to ensure that the context, the outcome of the risk assessment and risk treatment, as well as management plans, remain relevant and appropriate to the circumstances.

Executive Management uses communication and reporting mechanisms to provide assurances to the Board that risk assessment and risk treatment resources are appropriate, and to address new or changed threats or vulnerabilities.

## 11. Continuous Improvement

An emphasis is placed on continuous improvement in risk management through the setting of performance goals, measurement, review and the subsequent modification of processes, systems, resources, capability and skills. Effective risk management is one of eight performance criteria described in the Corporate Plan with associated measures and targets.

This is supported by an annual review of performance and revision of processes, and the setting of revised objectives for the following period.