

Refurbiz
Draft Risk Management Policy
Last Revised August 2008

Contents:

Section	Page No.
1. Purpose of this document	2
2. Underlying approach to risk management	2
3. Role of Refurbiz Board	3
4. Role of management	3
5. Risk management as part of the system of internal control	4
6. Risk evaluation and classification	5

1. Purpose of this document

This risk management policy (the policy) forms part of the organisation's internal control and corporate governance arrangements.

The policy explains the organisation's underlying approach to risk management, and documents the roles and responsibilities of *Refurbiz* Board, management, and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

2. Underlying approach to risk management

The following key principles outline the organisation's approach to risk management and internal control:

- *Refurbiz* Board has responsibility for overseeing risk management within the organisation as a whole
- the organisation encourages awareness and internal disclosure of the financial and non-financial implications of risks
- an open and receptive approach to solving risk problems is adopted by *Refurbiz* Board
- the management team, advise and implement policies approved by *Refurbiz* Board
- the operations manager is responsible for encouraging good risk management practice within the workshop, logistics and sales areas.
- key risk indicators will be identified and closely monitored on a regular basis
- a framework of risk identification and assessment will be developed which is embedded into roles, activities and processes throughout the organisation
- the risk identification and assessment framework will be developed and sustained through communication with staff throughout the organisation
- the operations manager is responsible for compiling and maintaining the operational risk register.

3. Role of *Refurbiz* Board

Refurbiz Board has a fundamental role to play in the management of risk. Its role is to:

1. Set the tone and influence the culture of risk management within the organisation. This includes:
 - determining what types of risk are acceptable and which are not
 - assessing the appropriate degree of risk that is acceptable on any relevant individual issue.
2. Approve major decisions affecting the organisation's risk profile or exposure.
3. Monitor the management of significant risks to reduce the impact and likelihood of adverse events.
4. Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
5. Annually review the organisation's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

4. Role of management

Key roles of management are to:

1. Implement policies on risk management and internal control.
2. Identify and evaluate the significant risks faced by the organisation for consideration by *Refurbiz* Board.
3. Provide adequate information in a timely manner to *Refurbiz* Board and its committees on the status of risks and controls.
4. Undertake an annual review of effectiveness of the system of internal control and provide a report to *Refurbiz* Board.

5. Risk management as part of the system of internal control

Refurbiz is continually reviewing the risk management policy and processes and the further development of procedures in the area of risk management and internal control.

1. *Refurbiz* Board is responsible for the system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objects and can only provide reasonable and not absolute assurance against material misstatement or loss.
2. *Refurbiz* Board has responsibility for reviewing the effectiveness of *Refurbiz's* system of internal control.
3. Managers and Directors are responsible for compiling a risk analysis report to facilitate the identification, assessment and ongoing monitoring of risks significant to the organisation. *Refurbiz* Board will be responsible for approving this document and for agreeing the process to be used in the Board's annual review of the effectiveness of internal control of the organisation.
4. Managers and Directors will be responsible for ongoing monitoring of significant risks and for reviewing improvement actions and risk indicators. They will also be responsible for monitoring progress towards meeting *Refurbiz's* strategic objectives.
5. Managers and Directors will develop a framework of risk identification and assessment which will be communicated to all staff, embedded in business processes and responsive to evolving risks.

6. Risk evaluation and classification

Every identified risk should be rated on a scale of 1-5 (1=lowest, 5=highest) against two key measures:

1. The likelihood of the risk occurring
2. The impact if the risk should occur

Each risk is then given a risk score which is calculated by multiplying the impact rating by the likelihood rating. The risk can then be allocated a status of Red, Amber, or Green where risk scores of 15 or higher are Red, those with a score of 5 -14 are Amber and those with scores of 4 or less are Green. This is shown on the evaluation grid shown below.

		IMPACT				
		5	4	3	2	1
L I K E L I H O O D	5	R	R	R	A	A
	4	R	R	A	A	G
	3	R	A	A	A	G
	2	A	A	A	G	G
	1	A	G	G	G	G

Every 'Red' risk should have a plan with a designated manager responsible for carrying it out. This plan should detail the steps to be taken to manage the

risk with an objective of reducing the impact and/or likelihood to the point where the risk is no longer classed as 'Red'. The status of 'Red' risks should be monitored continually and re-evaluated and reclassified as necessary until the risk is no longer classified as red.

'Amber' risks should have a contingency plan drawn up detailing what to do in the event of the risk occurring. The status of 'Amber' risks should be monitored at least six monthly.

'Green' risks should have a contingency plan drawn up detailing what to do in the event of the risk occurring. The status of 'Green' risks should be monitored at least annually.

All red risks should be reported on at each trustee meeting as should all adverse movement in rating.

Refurbiz Board of Trustees
Last Revision: August 2008