



RISK MANAGEMENT

Approved by Board Minute: 5247

Date: 11/1/08

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Board Secretary

PURPOSE:

To manage the exposure of PCQ to risk by ensuring a well informed, proactive approach to risk management.

POLICY FRAMEWORK:

PCQ is exposed to risks in all areas including public liability, environmental, property, Workplace Health and Safety, statutory, security, contractual and financial risks. These risks are managed by identifying and quantifying them and then ensuring appropriate policies, procedures and insurances are in place.

APPLICATION:

This policy applies to all PCQ employees.

POLICY:

PCQ's risk management program is to:

- minimise and control any risk to the health and safety of staff, stakeholders and the public;
- minimise and control any risk to the environment introduced by the port operations or developments;
- ensure a suitable reliability and continuity of operations for stakeholders;
- minimise the risk of damage to the assets of PCQ;
- minimise the risk of damage, introduced by the port operations, to the property of port users;
- provide suitable recovery plans to most efficiently continue operations after a disaster;
- put in place suitable financial mechanisms (such as foreign exchange hedging and provision of financial guarantees of throughput by users) to fund any losses that do occur without relying on unbudgetted allocations from state or federal governments; and
- minimise adverse consequences for PCQ in terms of community or political reaction.

Risk management is the responsibility of all employees of PCQ. In risk management, prevention is better than cure. PCQ will take a proactive and well informed approach to risk management.

PCQ's risk management program will generally conform to the guidelines laid down by the AS 4360 Standard on Risk Management.

Roles and Responsibilities

Board

The Board's role, on behalf of its shareholders who have entrusted the organisation and its assets in their hands, is to ensure

- the quality of the overall risk management framework including internal processes, management information and reporting
- oversight of actions to ensure compliance with the legislative and regulatory framework including relevant guidelines issued for GOCs
- monitoring of the effectiveness of the portfolio's risk management system including reviewing the:
 - business continuity safeguards
 - workplace health and safety, environmental and security systems, audit reports and follow up action to incidents
 - asset management systems ensure assets throughout their planned life remain fit for purpose
 - reviewing the legal compliance systems and board reports.

Corporate Governance and Planning Committee

Part of PCQ's Corporate Governance and Planning Committee's role is to provide independent and expert advice and support to assist the Board to discharge its risk management responsibilities. The committee's charter details its role in relation to the Board's responsibilities in risk management. Specific detail is documented in the committee's terms of reference and in their reporting responsibilities to the Board.

Management

The General Manager Environment and Risk is responsible for management co-ordination of the Risk Management Program and the Security and Risk Superintendent is responsible for co-ordinating the Risk Management System and implementing measures required by the system.

The management group is responsible for considering and developing responses to risks. Individual managers are responsible for developing appropriate management systems and preparing and achieving programs to implement agreed outcomes of risk management in their areas of responsibility. Risk management reports detailing the identified high risk areas of PCQ are prepared for monthly Board meetings. Quarterly the management, as a whole, sign the risk report which goes to the Board through the Corporate Governance and Planning Committee. This ensures that management as a whole operates with diligence and accountability.

Employees

Risk management is the responsibility of all PCQ employees. Employees are often at the front line of many activities and should report risk circumstances and play their role in mitigating risks by delivering actions in accord with the documented risk treatments or by identifying opportunities for further improvement.

External review

PCQ will engage an appropriately qualified risk management consultant at regular intervals (approximately three yearly) to undertake a strategic risk management review.

Assessment of risk related to individual projects

In addition to the above process, there will be times when an assessment of the risks associated with an individual action (eg the awarding of a contract) is required where PCQ can potentially be exposed to risk. Those risks should be assessed by the manager responsible in accordance with the Australian Standard AS/NZS 4360 and the definitions contained in PCQ's Strategic Risk Management Review.

Third party contractors

Where third party contractors are used, PCQ will seek to transfer as far as reasonably practical any risks associated with the contract to the contractor or insurer.

Managing risk associated with standards of supply

For purchases of goods or services valued at \$10 000 or more, the individual will examine the level of risk associated with that purchase and specify performance requirements depending on that level of risk to ensure appropriate outcomes for PCQ. A guarantee of the appropriate level of compliance must be sought from the supplier for work they are engaged to perform. Typically, this should involve a Security Deposit and Retention Monies, both of which should amount to approximately 5% of the value of the contract.

Foreign exchange and derivative exposures

PCQ will manage this risk by seeking to have all agreements, tenders and contracts denominated in Australian dollars, requiring the other party to address any foreign exchange exposure. However, it is acknowledged that some successful tenderers will only offer their services if PCQ accepts this risk. All foreign exchange exposures greater than \$1 million must be hedged unless the Board explicitly determines otherwise. Written advice will be provided to PCQ's foreign exchange hedge provider outlining PCQ's requirements and seeking professional advice as to the most appropriate mechanism to achieve an effective hedge.

PROCEDURAL IMPLICATIONS:

Related policies:

- Media Management
- Public Consultation
- General Insurance
- Evaluation of Major Investments
- Financial Policies
- Health and Safety
- Standards of Construction
- Maintenance of Port Facilities
- Environment
- Security Policy

REVIEW DATE:

This policy should be reviewed by 1 July 2011.

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