



RISK MANAGEMENT FRAMEWORK

Version 5.0 – 7 July 2009

Vision

CoINVEST's vision in relation to Risk Management is:

CoINVEST will be an organisation that instinctively and consistently balances risk and commercial implications in the planning, execution and monitoring of strategy and operations.

CoINVEST recognises and aims to adapt the principles in the joint Australian/New Zealand standard, AS/NZS 4360:2004, *Risk Management*. CoINVEST's Risk Register and the underlying risk analysis tables are derived directly from the Standard.

Risk Management Approach

CoINVEST's approach is to assess and manage the risks which may affect the delivery of the Company's four aspects of its mission statement:

1. **Security** – to keep the Fund's assets, legal status and data secure and appropriately governed.
2. **Accuracy** – to ensure the Fund's data is correct, up to date and complete, with appropriate controls and audit trails in place.
3. **Responsiveness** – to ensure that information is quickly accessible to those authorized to use it, supported by appropriate technology and human resources. Also ensuring that the industry complies with its obligations to the Fund.
4. **Cost Effectiveness** – managing costs to be commensurate with the degree of service required by the industry, underpinned by appropriate controls and procedures over spending.

Responsibilities

The Board is responsible for reviewing and approving CoINVEST's risk management strategy, policies and key risk parameters as well as determining CoINVEST's appetite for risk.

Management is responsible for implementing the Board-approved risk management approach, including: developing policies, controls, processes and procedures to identify and manage risks in all of CoINVEST's activities.

Specific responsibilities for managing each risk item on the risk register have been assigned to a Manager. Managers nominated are responsible for ensuring that the mitigating controls are effective and operating as intended.

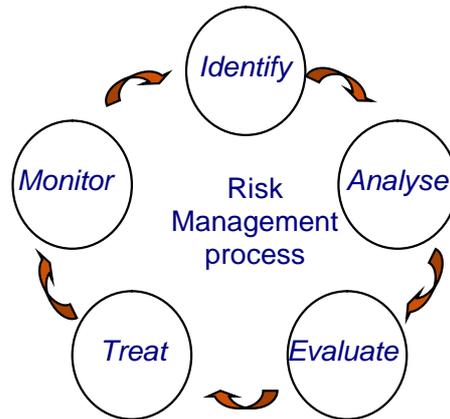
Management has the responsibility for fostering a risk management culture in all levels of the organisation; decision making and recommendations to the Board and its Committees should explicitly cover risks associated with the decision and mitigating factors.

The Audit Committee has responsibility for conducting detailed reviews of risk management matters, including the risk register, and making recommendations to the Board.

The Manager, Corporate Strategy is responsible for the maintenance of the Company's Risk Register, the reports derived from it and other documentation associated with the risk management framework.

Risk Management Process

CoINVEST's Risk Management process is based on the elements described in AS 4360.



Identifying Risks

Identification of risks will be performed by Management as part of its day to day management of the Scheme and the Company. In addition to this day to day process, the risk identification processes will be formalised in the following forums:

1. Risk will be formally assessed each month by Senior Management , with a summary of high risk items included on the CEO's monthly report to the Board/Committee.
2. An Audit Committee workshop will be held every three years, involving Management and the Internal Auditors, with directors invited.
3. Risk will be a standing agenda item on the Board's and Management's annual Strategy meetings
4. Management attend all Board and Committee meetings, which ensures that any new risk issues that arise can be fed back into the Risk Register and assigned to the appropriate Manager to action.

Analysing Risks

CoINVEST has adapted the methodology for Risk Analysis as provided in AS 4360, using a pre-defined “scale” to consistently rate risks.

The standard states that *Risk* is a function of *Likelihood* and *Consequences*. This can be represented as follows, with the Risk Rating appearing in the centre of the table:

Table 1 – Risk Rating Scale

		Consequences (if the risk occurs)				
		Negligible	Minor	Moderate	Major	Severe
Likelihood (given existing controls)	Rare	Low	Low	Medium	Medium	Medium
	Unlikely	Low	Low	Medium	Medium	High
	Possible	Low	Medium	Medium	High	Very High
	Likely	Medium	Medium	High	Very High	Very High
	Almost Certain	Medium	High	Very High	Very High	Very High

As a guideline, the Consequences can be further defined as follows:

Table 2- Consequences Scale

Level	Label	Financial Impact	Legal Impact	Customer impact	Reputation impact
5	Severe	> \$5m	Significant prosecution and fines. Very serious litigation including calls action. Threat to future of fund.	Long term interruption to service	Newsworthy public relations issue; media outcry
4	Major	\$1m - \$5m	Major breach of regulation. Litigation or challenge to Fund	Short term interruption to service	Significant adverse media
3	Moderate	\$500 - \$1m	Serious breach of regulation requiring report to or investigation by authority.	Disruptive service. Large number of customers experience impact.	Serious complaints involving industry lobbying
2	Minor	\$200k – 500k	Minor legal issues, non-compliances and breaches of regulation	Small number of customers experience impact.	Large volume of complaints dealt with by staff
1	Negligible	< \$200k		Inconvenience or nuisance	Minor, isolated complaints dealt with by staff

Where the Risk impacts several of the areas above, the highest rating area should appear on the Company’s risk register.

When assessing *Likelihood*, CoINVEST considers the existing controls in place, then uses the following guidelines:

Level	Label	Description
5	Almost certain	The event will occur on an annual basis
4	Likely	The event has occurred several times in recent years
3	Possible	The event might occur once in your career
2	Unlikely	The event does occur somewhere from time to time
1	Rare	Conceivable but highly unlikely to occur.

Evaluating Risks

Evaluating risks involves assessing which risks require treatment, then establishing the priorities to treat.

As a general rule, all risks rated as *Very High* (see Table 1) should require treatment. Then the Audit Committee and Management will use their discretion to treat other risks, with *High* rated risks more likely to necessitate treatment than *Low* rated ones.

Treating Risks

Where a risk is evaluated and judged as one which should be treated, the risk register should reflect the specific task required. The existing “Business Arising” reports presented at each Board and Committee meeting are used to further elaborate on the task, set a deadline and assign responsibility.