



Western Rock Lobster Council Inc.

Western Rock Lobster Industry

Risk Management Framework Summary

October 2016

WRLC's Risk Management Framework will adopt the risk management processes in accordance with *AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines* and the Western Australian Government *Risk Management Guidelines, RiskCover*, Third Edition January 2014.

Western Rock Lobster Industry - Risk Management

The Western Rock Lobster Council decided in 2016 to consult widely across the supply chain to develop a Risk Management Framework as good practice for the Western Rock Lobster Industry. The Industry is demonstrating responsible leadership and innovation through identification and management of all risks associated with long term management of the fishery. This summary outlines the key steps to developing the Risk Management position adopted by the Western Rock Lobster Council.

An Overview of Risk Management

Effective risk management is an integral part of the success of any organisation. The Western Rock Lobster Council (WRLC) recognises risk management as a key part of its culture and is seeking to encourage the Western rock lobster industry to acknowledge that risks can be embraced, recognised and managed correctly to ensure the strategic objectives of the Industry are met.

What is Risk Management



Risk management involves managing to achieve an appropriate balance between realising opportunities for gains while minimising losses. It is an integral part of good management practice and an essential element of good governance.

WRLC as the Industry body is taking a holistic approach to risk management, in that the effective identification, communication and treatment of risks are the responsibility of all Industry. Risks must be systematically considered as part of day-to-day decision making.

Investment and leadership of the Marine Stewardship Council (MSC) certification has provided the Industry with a sound platform from which to develop a strong risk management process.

The WRLC's Risk Management Framework provides the foundations for designing, implementing, monitoring, reviewing and continually improving risk management. The overall objective of the Framework is to instil the appropriate behaviours and processes within the industry to drive consistent and effective application of risk management at an operational and industry level.

WRLC is committed to developing a risk-aware culture, which will form the basis of its holistic, integrated Risk Management Framework. The management and identification of risks will not be isolated to particular personnel, with the key message communicated across the Industry being:

“Risk is everyone’s business.”

Developing a Risk Management Framework for the Western Rock Lobster Industry

Risk Management needs to be integrated into strategic planning and operational management responsibilities. Every member of the Industry has a role and responsibility in risk management to be vigilant in the identification and treatment of risks and is invited and encouraged to participate in this process. This responsibility extends from the Minister, WRLC and Processors to the Industry individual's requirements to operate in a safe, healthy and effective workplace. Risk will only have a potentially negative impact if it is mismanaged, misunderstood, poorly controlled or not identified or communicated correctly.

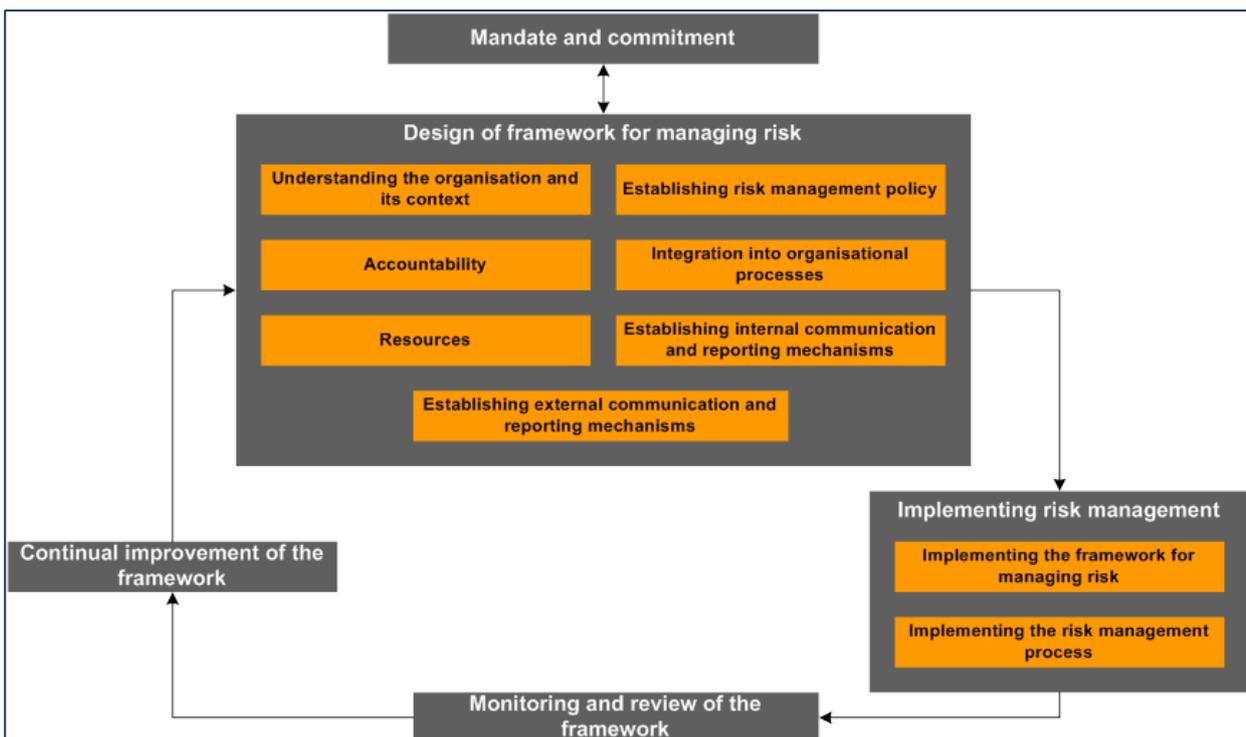
The Risk Management Framework needs to be adopted in an effective manner throughout the Industry value chain:



The benefits of embedding risk aware behaviours and continuous application and development of the Framework will be:

- ✓ Improving stakeholder relationships through proper consultation and communications.
- ✓ Improving decision making capability and reliability.
- ✓ Improving commercial confidence, business resilience and reputation.
- ✓ Protecting the health and safety of all stakeholders.
- ✓ Providing the basis for continuous improvement of processes through innovation.
- ✓ Achieving greater accountability and industry performance.
- ✓ Improving the effectiveness of WRLC's corporate governance structure.

RISK MANAGEMENT FRAMEWORK



Risk Management Policy

For Risk Management to become part of the Industry's culture, the following policy is adopted by the WRLC: supported by the Framework and processes the goal is effective management of uncertainty in the Western Rock Lobster Industry. Through the risk management process, the WRLC can deliver better business outcomes and meet corporate governance requirements. The approach is consistent, integrated and applicable across the whole of Industry.

To realise the risk management goal, WRLC will allocate the resources necessary to implement this policy and will:

- Identify, understand and evaluate internal and external threats and opportunities.
- Define, implement and take responsibility for effective management action that actually changes the risk outcome.
- Ensure that we have an appropriate risk management framework, procedures and approaches to risk, aligned to our business strategy and which evolves as our business develops.
- Maintain and review an industry organisational structure that ensures responsibility and accountability for risk management throughout all levels of the industry.
- Acknowledge good risk management behaviours and correct those behaviours that do not actively contribute to good risk management.
- Ensure that all our personnel have the skills and motivation to fulfil their obligations within the risk management framework.
- Communicate material risk information through an efficient and effective reporting process.

The effective implementation and maintenance of this policy will enable more informed business decisions and add value to the industry by providing stakeholders with assurance that risk is mitigated to an acceptable level.

Risk Assessment

The range of risks identified during the Industry Consultation generated a comprehensive list of threats and opportunities based on events that might enhance, accelerate, prevent, or delay the achievement of objectives. Based on the stakeholder contributions the key areas that the WRLC will further address to reduce the risks include:

- 1. Work in collaboration with industry and government to understand and mitigate the risk of reliance on a single market.**
- 2. Invest, manage and cultivate a strong social licence to operate the industry.**
- 3. Invest in a total industry responsibility to actively manage the chain of custody.**
- 4. Develop a high standard of occupational health and safety in the industry.**
- 5. Industry to actively manage the Total Allowable Commercial Catch.**
- 6. Collaborate and invest in targeted research for future security and productivity.**
- 7. Develop the WRLC as a key policy and governing body for the industry.**

The next steps in the Risk Framework mean the Industry will **identify** the risks; where, when, why and how events could prevent, degrade, delay or enhance the achievement of the Industry's objectives; **analyse and evaluate** the risks to determine consequences and likelihood and hence the level of risk; and then **treat** the risks by developing and implementing specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs.

Risk Reference Tables

The Risk Reference Tables are a guide to evaluating, measuring and reporting risks within the Industry along with organising risks into likelihood, consequence, existing controls and risk criteria. These assessments will be used to create the **Risk Register** which in turn will enable the WRLC to document, manage, monitor, review and update strategic, corporate and project risk information in alignment with the strategic plan.

Risk Analysis Criteria

Risks are analysed based on assessments of the consequences chosen to characterise the risk, the existing mitigation in place, their effectiveness and the likelihood of those consequences arising.

Consequences Assessment

The realistic worst-case impact of the risk event should be assessed when analysing consequences. The choice of how to mitigate the risk (if at all) should be made once impacts are reviewed so that the risk aligns with the industry context.

Risk Consequence Matrix

Level	Rank	OH&S Incidents	Stewardship of resource	Access to resources Reputation and Image	Industry performance
1	Insignificant	Minor incident or near miss report but no sign of injury or illness.	The DoF 'Weight of Evidence' model monitoring biomass, egg, and puerulus values and tracked against catch rates has a 10% year to year variance.	Isolated individual's issue-based complaint. No media, news coverage or government correspondence.	Up to 10% variance against key performance indicators or objectives.
2	Minor	Injury or illness requiring first aid treatment only.	The DoF 'Weight of Evidence' model monitoring biomass, egg, and puerulus values and tracked against catch rates has a 10-20% year to year reduction.	Local community impacts or issue-based concerns. Some local or industry media, and or news coverage or government correspondence.	10-20% variance against key performance indicators or objectives.
3	Moderate	Medical treatment required, rehabilitation or lost time injury or illness.	The DoF 'Weight of Evidence' model monitoring biomass, egg, and puerulus values and tracked against catch rates has a 20-30% year to year reduction.	Widespread community impacts and concerns publically expressed. Reduced confidence by community and stakeholders. State media and or news coverage. Ministerial correspondence.	20-30% variance against key performance indicators or objectives.
4	Major	Substantial injury, temporary disability or life threatening injury or illness.	The DoF 'Weight of Evidence' model monitoring biomass, egg, and puerulus values and tracked against catch rates has a 30-50% year to year reduction.	Widespread, considerable and prolonged community impact and dissatisfaction publically and repeatedly expressed. Criticism and loss of confidence and trust by community and stakeholders in the industry, processes and capabilities. Industry and /or organisation's integrity in question. Significant national and state media attention.	30-50% variance against key performance indicators or objectives.
5	Catastrophic	Loss of life. Permanent disability. Potential criminal liability charge.	The DoF 'Weight of Evidence' model monitoring biomass, egg, and puerulus values and tracked against catch rates greater than 50% year to year reduction.	Widespread, persistent and ongoing adverse community condemnation with substantial irrecoverable industry 'brand' damage. Wholesale loss of confidence/trust in the Industry's capabilities and intentions. Ministerial intervention at Board level. Widespread national/international media coverage.	Greater than 50% variance against key performance indicators or objectives.

Likelihood Assessment and Matrix

The descriptors of likelihood are designed to answer the question of how likely the described risk event is to cause the consequences at the level. The likelihood and consequence ratings for Strategic and Operational Risks must be considered *with* Key Controls in place (Residual Risk - *the threat that remains after all efforts to identify and eliminate risk have been made. There are four basic ways of dealing with risk: reduce it, avoid it, accept it or transfer it.*)

Level	Descriptor	Comment
1	Rare	Less than once in 5 years, or at all.
2	Unlikely	Controls and consideration provide confidence.
3	Moderate	Lack of diligence and external input.
4	Likely	Compliance and monitoring will break at some stage.
5	Almost certain	History and events suggest this will happen, when is the question.

Risk Measurement Criteria and Matrix

This process combines consequence, likelihood and the performance measurement for applied risk controls to provide a *risk assessment rating* which can be used as a foundation for prioritisation based on WRLC risk tolerance. The Table reflects the Risk Measurement Criteria adopted by WRLC.

Level of Risk	Criteria for Management of Risk		Responsibility/Risk Ownership	Review period
1 - 3	Low	Individual responsibility	Industry and individual participants	12 months
4 - 7	Minor	Acceptable with adequate controls	Executive oversight	12 months
8 - 9	Moderate	Only acceptable with adequate controls	Executive and Board oversight	6-12 months
10 - 15	High	Not acceptable without consultation	Executive and Board oversight	3-6 months
16+	Extreme	Not acceptable – intervention necessary	Board intervention and oversight	3-6 months

Control Status and Effectiveness and Matrix

A control is implemented, planned or identified as a *potential further action* as a result of the risk review process. All controls utilised should be relevant, documented, effective and current.

	Status	Description
E	Excellent (Implemented)	Control has been fully implemented and there is documentation evidencing the use of the control.
A	Adequate (Planned)	The control is not fully implemented but there is a documented plan of action which specifies tasks, responsibilities and completion date.
I	Inadequate (Action Required)	Control has not been identified or documented and should be considered to improve on/impact the assessed risk.

Western Rock Lobster Industry Risk Register

Following identification of the Industry risks each has been analysed using the Risk Reference Tables. Further investigation into the consequences allows the WRLC to recognise the degree of risk and apply key control management strategies and tactics and develop the **Risk Register**.

Risk register reporting allows management to monitor and review risks in alignment with the strategic plan. There will be an annual review of the Risk Register, with a summary presented as the **Risk Dashboard** (below) to be updated and reviewed bi-annually (March and September) at WRLC Board meetings.

RISK DASHBOARD

as at September 2016

#	Risk	Likelihood	Consequence	Level of Risk	Highest Consequence	Key Controls	Bi-annual change
1.	China as the sole outlet for Western Rock Lobster.	4	4	16	Industry Performance	A	GFC investment in in-country facilities taking shape. FTA emerging. China continues at 6% growth. 
2.	Loss of the right to fish.	3	4	12	Access resources	A	In house activities are in order. Significant gap with conservation movement. 
3.	Breakdown in the Chain of Custody.	3	4	12	Stewardship of resource	E	MSC renewal imminent. Solid relationship with DoF. Industry cohesion required. 
4.	Significant year to year reduction in puerulus monitoring.	2	5	10	Stewardship of resource	E	Significantly improved DoF rigour and input. Weight of Evidence modelling strengthening. Good outlook. Rogers Review imminent. 
5.	Lack of political support at State and Federal levels.	3	3	9	Access resources	A	Good relationship with WA Minister's office, but be aware of 2017 election. Federal sphere not clear. 
6.	A significant OH&S event occurs.	3	3	9	OH&S Incidents	A	Change of culture and training required. 
7.	Capital costs for Quota and Pot leases escalate and drive a number of fishers from the industry.	3	3	9	Stewardship of resource	I	Raised as a significant risk and issue across the industry. Countered by the increase in asset value a positive. Needs attention. 
8.	Insufficient funding to run the Industry. Both the Industry body and DoF.	3	3	9	Industry performance	I	Current position is sound for the DoF, however for the WRLC a significantly underfunded risk. 
9.	Reduced confidence in the WRLC.	2	3	6	Industry performance	A	Current corporate changes, communications inside the industry are positive. Relationship with WAFIC is a concern. 
10.	Aquaculture production of lobster takes off. e.g. abalone.	1	3	3	Industry performance	A	Not a relevant risk at this time – watching brief, or managed investment? 

NOTE: Key Controls:

Excellent - control has been fully implemented.

Adequate - control is not fully implemented but there is a plan of action.

Inadequate - Control has not been identified.