

G8 Education Limited

ABN: 95 123 828 553

Risk Management Framework

<i>Last Reviewed</i>	<i>November 2024</i>
<i>Next Review</i>	<i>November 2025 (ARM/Board)</i>

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1. Introduction

1.1 Purpose

This Framework provides practical advice on the management of risks, links to all relevant tools and templates within G8 Education Limited (“G8” or “Company”) that may assist team members to understand their responsibilities, access the resources necessary to manage risk and continually improve the management and communication of risk across the organisation.

The Framework is intended to be a useable document that provides a summary of the risk management activities that occur within G8. It is designed to build the understanding among team members of the importance of risk management and provide practical direction on how to comply with the intent of G8’s Risk Management Policy.

G8 team members should feel enabled, not constrained, by the Framework. It is not intended to comprehensively capture all the risk management activities across the organisation but to provide guidance and support to enhance, embed and further integrate sound risk management practices and culture across G8.

1.2 Intended use of the framework

In order for G8 to appropriately manage risk across all areas of operations, it is necessary for the Framework to outline four distinct levels of risk management activities: enterprise, functional area, operational and project. This brings together each element of risk management relevant to G8’s enterprise risk management context. A multi-layered approach to managing risk and effective control environments is dependent on a process that recognises specific ‘objectives’ at each level.

This Framework therefore incorporates:

- At the **Board and Executive** levels, a focus on enterprise risks related to achieving G8’s strategic objectives;
- At the **Executive Leadership** level, a focus on operational risks related to functional areas and the delivery of business wide functional requirements;
- At the **operational level**, a focus on operational risks related to the day-to-day operation of G8 early education and childcare centres; and
- As part of **project** delivery, a focus on risks related to the delivery of project outputs within scope, time, budget and quality requirements.

1.3 What is risk?

The International Standard on Risk Management ‘AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines’ defines risk as: “the effect of uncertainty on business objectives”. This definition addresses both the upside and downside of risk (i.e. preventing harmful things from happening or failing to ensure

beneficial things happen). For G8’s purposes, for an event to be considered a risk, it must meet certain criteria, including the following:

- The event has the potential to negatively impact objectives, be they enterprise, operational or otherwise;
- There is the potential for loss due to the event;
- There is uncertainty as to the outcome, i.e. it is an event in the future that may or may not occur;
- A decision is required i.e. to accept or reject the risk or identify a course of action to influence either the likelihood of the event occurring or the consequence if it were to occur; and
- Present an opportunity to achieve objectives, and if not assessed appropriately would be considered to be a lost opportunity.

Risk Management, therefore, is the systematic application of policies, procedures and practices that identify the likelihood or consequence of risk events to enable informed decision making.

1.4 Risk Appetite

G8’s risk appetite is defined through risk appetite statements and risk tolerance ranges that set boundaries for how much risk G8 is willing to accept. To achieve our objectives, G8 engages with risk decision making and manages risk within acceptable levels. While some risks are acceptable, others are not. Where the level of risk is deemed unacceptable, G8 invests additional resources to manage the risk, and undertakes assurance activities to confirm that risk management is acceptable and effective.

Setting risk appetite zones:

Appetite Levels	Meaning and required escalation and response
Zero	G8 is not willing to accept any instances of this risk occurring. It does accept that sometimes these risks could occur and if they do, they will always be actioned and any weaknesses identified will be rectified.
Low	G8 accepts a low amount of this risk occurring. Risks occurring greater than a low level will be risk mitigated and any weaknesses identified will be rectified.
Medium	G8 accepts a medium amount of this risk occurring. Risks occurring greater than a medium level will be risk mitigated and any weaknesses identified will be rectified.
High	G8 accepts a high amount of this risk occurring. Risk occurring will only be risk mitigated and any weaknesses identified, rectified where they fall outside of the high tolerances.

G8's Risk Appetite Statement describe the level of risk that the Board have deemed as broadly acceptable, while our risk tolerance is the amount of risk related to a specific objective. The risk appetite statements are reviewed by the Board at least annually.

1.5 Risk Management Framework

This Risk Management Framework is one part of the policy and procedural guidance that supports risk management activity at G8. Enabling this framework is a suite of other risk management materials, designed to guide and/or operationalise its various components.

These include:

- **Risk Management Policy** – Introduces G8's vision and objectives for the management of business risks. It sets the tone for risk management and is a reflection of the Board's intent.
- **Enterprise Risk Register and Dashboard** – A tool for collecting, reporting, and monitoring G8's enterprise risks.
- **Functional/Operational Risk Register** – A tool for collecting, reporting, and monitoring the operational risks of the functional areas within G8 (People, Finance, Information Technology, Marketing etc.).
- **Centre Based Risk Assessment** – A tool that identifies the risks faced by a centre, assesses the risk, implements controls and reviews the control measures to manage those risks.
- **Project Risk Registers** - A tool for collecting, reporting, and monitoring the risks of each strategic project.
- **Risk Management Training**
- **Governance Committee, escalation, and meeting forums**
- **Legal, Quality and Risk reporting processes and internal audit activities.**

2. Risk Management at G8

It is important for G8 to apply rigorous risk management processes at all levels of the business. G8 is firmly dedicated to the duty of care it holds to its team members, children attending its centres or other stakeholders in the conduct of its business; and its commitment to robust enterprise risk management is part of this dedication. The sector within which G8 operates is, and will continue to be, in the public spotlight, as operators continue to strive towards making Early Childhood Education and Care safe and secure environments for children, team members, visitors and volunteers that support children to be the best they can be.

Additionally, robust enterprise risk management processes are key to successfully managing G8's operations and understanding the threats and opportunities that the business faces. The dynamic, geographically dispersed way in which G8 operates, further adds to the importance of this mechanism.

G8's operating model requires a strong culture of risk awareness and fit-for-purpose risk monitoring mechanisms, to keep the business abreast of potential risk exposures.

2.1 Risk Culture

Risk culture is the glue that binds all elements of risk management together. Risk culture is the reflection of G8's values, goals, practices, and mechanisms that embed risk into decision making and operating processes. Risk culture is everyone's responsibility, starting with a constant and consistent tone from the Board and Executive Leadership Team.

A proactive risk culture is one where team members at every level appropriately manage risk as an intrinsic part of their day-to-day work. Such a culture supports an open discussion about uncertainties and opportunities, encourages team members to express concerns, and maintains processes to elevate concerns to appropriate levels.

Through the application of quality principles and risk management processes, G8 aims to have "no surprises" at the enterprise, operational, functional area or project level.

Operationally, critical to the success of implementing and embedding any centre level change is the G8 network of Regional Managers and Area Managers. As the conduit for information flow between the Support Office and Centre Managers, and mentors for how practical risk management might occur, the operational Regional Manager and Area Manager network is crucial in enabling and guiding a risk focused culture.

Quality Assurance Partners and People & Culture Business Partners will provide support and guidance to Regional Managers, Area Managers and Centre Managers with respect to operational level risk management.

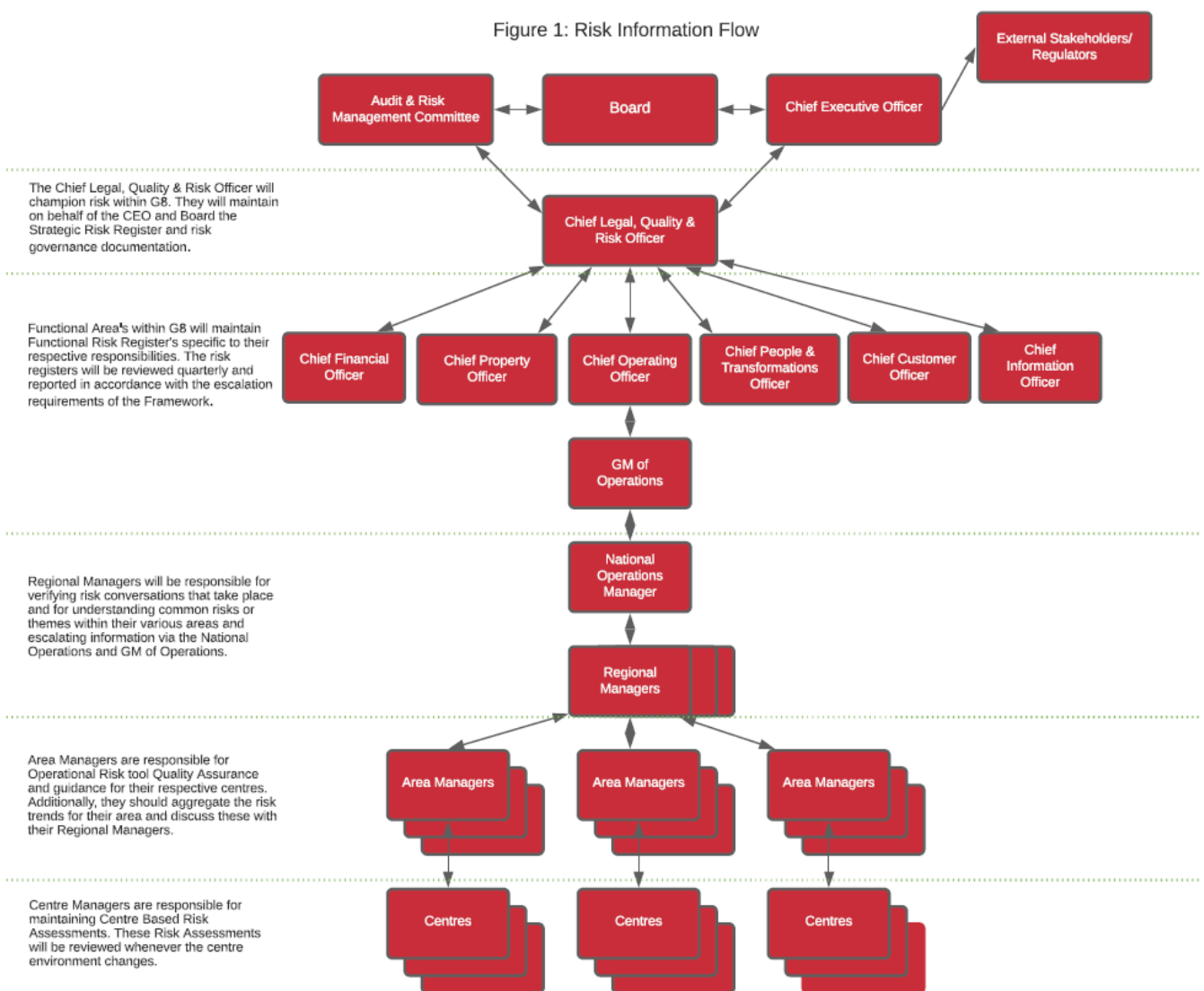
The practical steps that G8 has implemented to build and maintain a positive risk management culture are:

- The adoption of expected risk management practices. Operationally, this includes use of the Centre Based Risk Assessments. For the Support Office, this includes use of the Functional Area Risk Register and the Enterprise Risk Register;
- Establishing regular forums (at all levels of the organisation) for the discussion of risks, controls and treatment actions;
- Reviewing data and reports at defined forums to ensure decision making, action and evaluation within a continuous improvement program that includes escalation of communication protocols; and
- Continuous monitoring of what is or isn't working, with gradual improvement in the way in which G8 manages and reports on risk.

2.2 G8 Risk Management Hierarchy

The G8 risk management framework is comprised of a top down and bottom-up process that links enterprise, functional areas, operational and project risk assessments. The flow of risk information in both directions ensures that risk is appropriately recognised and treated at all levels across G8. This effective information flow allows all levels of G8 operations from Centre Managers to the Board to make informed decisions that support G8’s strategic and operational objectives.

Figure 1 (below) illustrates the risk reporting and monitoring requirements across the operational, project, functional and strategic risk environments.



2.3 Risk Management Accountabilities

The following section outlines the baseline expectations and accountabilities of roles across G8 that incorporate risk management accountabilities.

Centre Managers – each centre will maintain Centre Based Risk Assessments. The Risk Assessments will be reviewed whenever the centre environment changes. Environmental changes can stem from a number of events, such as regulatory or team member changes and should not be thought of as only changes to the physical environment of the centre. Centre Managers will maintain copies of their completed Risk Assessments on file and will make them available to Area Managers and Quality Assurance Partners (as part of the audit review process) who will deliver feedback and guidance.

Area Managers – have two primary roles within the risk management process:

- Quality assurance over adequate completion of the Centre Based Risk Assessments; and
- Providing training, development, and risk management cultural guidance to Centre Managers.

Area Managers will review Centre Based Risk Assessments, providing guidance and feedback in order to ensure the risk assessment completed by Centre Managers meets the quality standards of G8. Additionally, Area Managers are to conduct training and development for Centre Managers, to ensure they are continually learning and developing their risk assessment capability. Area Managers should regularly discuss risk management activity with their network of Centre Managers, forming a view of ‘risk trends’ that can be shared with their respective Regional Managers.

Regional Managers – is to coordinate regular meetings with their respective networks of Area Managers, Quality Assurance Partners, P&C Business Partners, and Practice Partners and, through risk-based discussion, form a view of:

- New risks identified within the region;
- New or existing risks that are rated high or extreme across the areas within the region; and
- Allow Area Managers, Quality Assurance Partners, P&C Business Partners, and Practice Partners to share better practice on additional controls utilised, to contribute to knowledge sharing across the network.

Regional Managers should provide high level feedback to the GM Operations Network regarding the effectiveness of the operational risk management process and inform them of the new extreme and high risks within their respective regions which are to be escalated through to the Chief Operating Officer.

Executive Leadership Team – each functional area of the business will maintain a risk register for their area, specific to their functional objectives and accountabilities. The purpose of the Functional Risk Register’s is to allow each Functional Area Executive to effectively communicate the risks, controls and

additional treatments that effect their specific objectives. This in turn informs organisational decision making and allows for the appropriate allocation of resources in accordance with G8’s risk appetite. The contents of Functional Area Risk Registers will assist the Chief Legal, Quality & Risk Officer/Head of Risk & Investigation in maintaining the Enterprise Risk Register, with significant risks identified within the functions to be included in the Strategic Risk Register. Functional Risk Registers are to be reviewed and reported to the Chief Legal, Quality & Risk Officer/Head of Risk & Investigation a minimum of quarterly.

Chief Legal, Quality & Risk Officer – the Chief Legal, Quality & Risk Officer and Head of Risk & Investigation are responsible for championing risk management within the organisation and guiding the rest of the Executive Leadership in following the requirements of the G8 Risk Management Framework. At the strategic level, this activity includes following up with Risk Owners on updating the risks within the Enterprise Risk Register, eliciting information on status, control effectiveness and progress in implementing further treatments. The Chief Legal, Quality & Risk Officer is also responsible for reporting to the Board on a monthly basis any material impacts and/or changes to, or new emerging, enterprise risks, reporting to the ARMC on a quarterly basis with an updated enterprise risk management dashboard, and otherwise summarising the enterprise risk environment of G8 for the CEO, ARMC and Board, as appropriate.

2.4 Four Lines of Defence

The risk landscape of any organisation constantly changes. It is important for any mature risk management function therefore to assign appropriate accountabilities for monitoring the effectiveness of its risk management practices. G8 has adopted the following four lines of defence model, which outlines accountabilities for the governance and improvement of risk management.

LINE	WHO IS RESPONSIBLE	RESPONSIBILITIES
First Line	Leadership Teams (CM, AM, RM, NOM, SLT)	<ul style="list-style-type: none"> • Monitor and manage all material risks consistent with the strategic objectives, risk appetite statement and policies approved by the Board. • Identify and manage risk within day-to-day operations. • Ownership and responsibility for maintaining effective internal controls. • Comply with risk management policies and processes. • Foster and demonstrate positive risk culture. • Implement corrective actions to address process and control gaps.

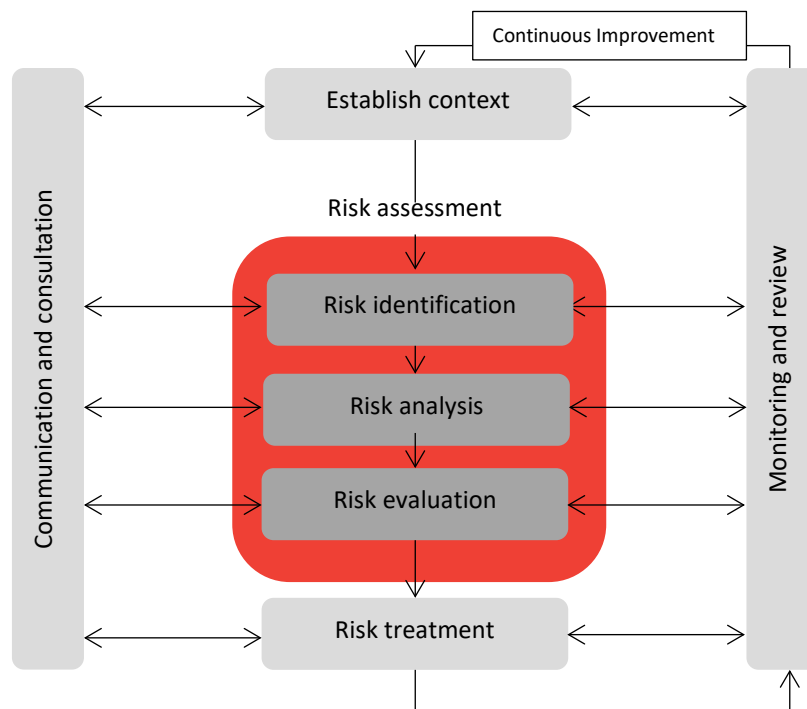
Second Line	Executive Leadership Team (ELT)	<ul style="list-style-type: none"> • Implementation and maintenance of the risk management framework. • Provide advice to leadership teams regarding the management and reporting of risk. • Verification and oversight of the first line, that risks are being managed against agreed processes and controls. • Provide transparent reporting on the management of risk to the Board. • Provide assurance that compliance mechanisms are in place. • Monitor risk registers for alignment within the approved risk appetite and strategy.
Third Line	Audit & Risk Management Committee (ARMC) and the Board	<ul style="list-style-type: none"> • Establishment and maintenance of the risk management framework. • Provide advice to ELT regarding the management and reporting of risk. • Verification and oversight of the second line, that risks are being managed against agreed processes and controls within the approved risk appetite and strategy. • Develop, refine, and approve risk appetite statements, risk framework and policy.
Fourth Line	External Audit / Internal Audit	<ul style="list-style-type: none"> • Provide independent review on the management of risks and key internal controls systems, monitoring and testing that business units and operational functions comply with policies and procedures. • Independent evaluation of the design, adequacy and effectiveness of the risk management framework and internal control framework. • Internal Auditor to report directly to the Chief Legal, Quality and Risk Officer (CLQRO), with the CLQRO reporting to the ARMC Chair for oversight and governance. • Internal Auditor to meet periodically with the ARMC Chair and ELT. • External Auditor to report directly to the ARMC Chair.

3. Risk Management Process

3.1 Methodology

Risk management processes at G8 are based on the International Standard for Risk Management (AS/NZS ISO 31000:2018 Risk management - Principles and guidelines) shown in Figure 2 below:

Figure 2: Risk management



3.2 Communication and Consultation

Communication and consultation are a continual activity across all stages of the risk management process to provide, share or obtain information, and to engage in dialogue with internal and external stakeholders regarding the management of risk.

Consultation with relevant stakeholders should take place during all stages of the risk management process to ensure those accountable for implementing the risk management process understand the basis on which decisions are made and the reasons why particular actions are required.

This will also ensure:

- The interests of stakeholders are understood and considered;
- Risks are adequately identified; and

- Endorsement and support for key risk control treatment plans

G8 values the view and opinions of team members and has established both formal and informal consultation and communication structures, with informal processes empowering and encouraging the team to report risk issues or ideas directly to their line manager.

The G8's risk reporting and communication framework provides for formal consultation and communication and ensures team members at all levels and locations have a forum in which to raise issues, receive and to share information and express their views and opinions to assist management in making informed and justifiable decisions.

The Governance Committees are in place to ensure compliance to G8 systems through the analysis of data including quality, risk, compliance, and audit outcomes to identify opportunities for improvement.

Furthermore, the communications framework ensures consistent messaging and prioritisation of communications that also provides a formal record of communication and action that is required to be undertaken as a result of the communications. Any safety alert to be addressed is filtered through the communications framework.

3.3 Establish Context

Risk management is integrated in management processes to ensure the goals and objectives of G8 are met. Therefore, risk management must be placed into both an enterprise and operational context and consideration must be given to both internal and external factors.

Enterprise context

Enterprise risk identification involves the relationship between G8 and the broader internal and external environment. A range of issues should be considered in examining the enterprise content, including:

- Opportunities and threats associated with the local, regional, state and global economic, social, political, cultural, financial, technological, regulatory and competitive environments;
- Relationships with and values of external stakeholders;
- Key drivers and trends having impact on the objectives of the organisation; and
- Strengths and weaknesses of the organisation in attaining corporate objectives and exercising a state of influence within the sector.

Operational context

Operational risk identification involves gaining an understanding of the organisation's capabilities, goals, objectives, strengths and weaknesses by considering:

- Governance, organisational structure and culture;
- Geographic/demographics;
- The identity and nature of interaction with key stakeholders;

- The existence of any operational constraints;
- Objectives and key performance indicators;
- Relevant issues relating to recent change management, performance or audit reviews;
- Relevant stakeholder community concerns or requirements;
- Organisational roles, responsibilities and accountabilities;
- Resource and knowledge capabilities;
- Standards, guidelines and models adopted by the organisation;
- Regulatory and contractual requirements and constraints;
- Business management systems; and
- Annual budgeting, capital expenditure business cases and operational performance margins.

Project context

All strategic projects are managed to provide project governance and the consistent application of a G8's project management methodology, based on the PRINCE2 method, to support the achievement of project objectives and ensure any risk of achievement is minimised.

This is undertaken through a number of processes, including project concept planning and Executive Steering Group approval that leads to detailed project scoping and objective specification to ensure G8 knows what success looks like.

Project documentation and process ensure:

- Adequate resource planning;
- Scheduling and project alignment;
- Risk identification and mitigation; and
- Decision approvals through 'stage gates' of project development and execution.

Regular working group (as well as the use of consultation and pilots with Centres where appropriate), Steering Committee meetings and Executive Steering Group approvals and reporting provides oversight and ensures a focus on alignment and delivery of strategic projects.

A Project Risk Register is maintained for each project with each register being managed by the relevant program manager for that stream of work. Risk ratings aligning with the G8's Risk Matrix which rates risks based on consequence and likelihood from low to extreme. A project-specific Risk Matrix has been developed which covers the key project-related categories of time, budget, and scope.

For each risk identified, ratings are given across both the project and strategic risk areas, which provides oversight for management action across both project and enterprise risk management processes.

Each project will escalate risks internally as appropriate based on the ratings as followed:

- **Project moderate risk rating** – raised with program manager, discussed at project team meetings.
- **Project high or extreme risk rating** – included on regular (fortnightly) steering committee pack for ELT oversight.
- **Project high or extreme risk rating with no mitigation/controls noted** – mandatory inclusion as discussion point at Steerco for ELT oversight.

3.4 Risk Assessment

Risk assessment is a structured process that includes the following three steps:

- **Identification of Risk and Opportunities:** Enabling an understanding of how particular objectives may be impacted by risk.
- **Risk Analysis:** Assessment of risk in terms of the likelihood and consequences or a particular impact.
- **Risk Evaluation:** Assessing the results of risk analysis against acceptance or risk tolerance criteria.

When assessing risk, it is necessary to ensure:

- There is an adequate understanding of the risk and its potential impact on objectives;
- Adequate information is being provided to decision makers;
- The issues that contribute to risk is clearly identified, therefore assisting to identify system deficiencies or weakness;
- Information is provided that will help evaluate whether risk should be accepted when compared to risk tolerance or acceptance criteria; and
- Risk control, treatment of improvement action contributed toward adverse incident prevention based upon incident investigation results.

Risk assessment seeks to answer the following fundamental questions:

- What can happen and why?
- What are the consequences?
- What is the likelihood, or probability of any future occurrence, or recurrence in the event of an incident?
- Are there factors or control measures in place that mitigate the consequence of the risk, or that can reduce the likelihood of the event occurring?
- What is G8's risk appetite, particularly for taking opportunities?
- Is the risk tolerable or acceptable, within predefined limits?
- Do further control measures need to be implemented?

- Have previously planned control measures or actions been completed?
- Are the current control measures effective? This may be determined from monitoring of trend data, internal audit results, key performance indicators, targets and tolerances.
- Has sector best practice principles been applied?

The outcomes of the risk assessment process provide an input to various decisions including:

- Whether an activity should be undertaken.
- How to maximise opportunities.
- Whether risks need risk control and choosing between and prioritising risk control options.
- System monitoring, outcome reporting and internal audit processes requirements.
- Resource requirements.
- Further strategies or projects.

3.4.1 Risk Identification

A risk that has not been identified cannot be managed. Risk identification is a critical activity at both an enterprise, functional, project and operational level. It needs to be comprehensive and include the significant sources of risk, including those beyond G8's control. The aim of the risk identification step is not to create an onerous and lengthy list of all possible risks, but to identify all significant risks that might create, enhance, prevent, degrade, accelerate, or delay the achievement of G8's objectives and to document these risks in a register. If a risk is not identified, there can be no strategy to defend against it. The descriptions need to include detailed causes and impacts of each identified risk.

How to identify risks

Risk can be identified through:

- Formal workshops;
- Focus groups (using brainstorming approaches, SWOT, PESTLE analysis techniques or What If Analysis, service offering categories or broad business categories);
- Process mapping, flowcharts, critical path analysis, cause and effect analysis, past experience and sector knowledge;
- Discussions with stakeholders (e.g. internal and external, including legal advisors, consultants and technical advisors);
- Sector trends;
- Media coverage;
- Economic and social factors;
- Incident reporting;

- Receipt of family feedback, including complaints and opportunities from compliments
- Hazard reports;
- Non-compliance to Standards;
- Internal and External Audit;
- Workplace and environmental inspections;
- Monitoring activities including analysis of attainment of key performance indicators or metrics;
- Reporting, trend and Business Intelligence insights;
- Innovation ideas and continuous improvement actions;
- Technical and topical risk assessments;
- Demographic analysis;
- Competitor analysis;
- Consideration of Change Management processes;
- Monitoring changes to legislation and measuring compliance;
- Project planning, monitoring and outcome analysis; and
- Procurement and external contracting processes.

Enterprise risks are identified and reviewed at least annually by the Board, with monthly reporting to the Board regarding any impacts or changes to enterprise risk ratings or new risks and more indepth enterprise risk quarterly reporting to the ARMC. The Executive Leadership Team review the enterprise risks quarterly to verify they still accurately reflect the organisational risk environment.

The Chief Legal, Quality & Risk Officer will hold the Executive Leadership Team accountable for ongoing Functional Area risk reviews to assist in the development and maintenance of their respective Functional Area Risk Registers (and associated treatment plans).

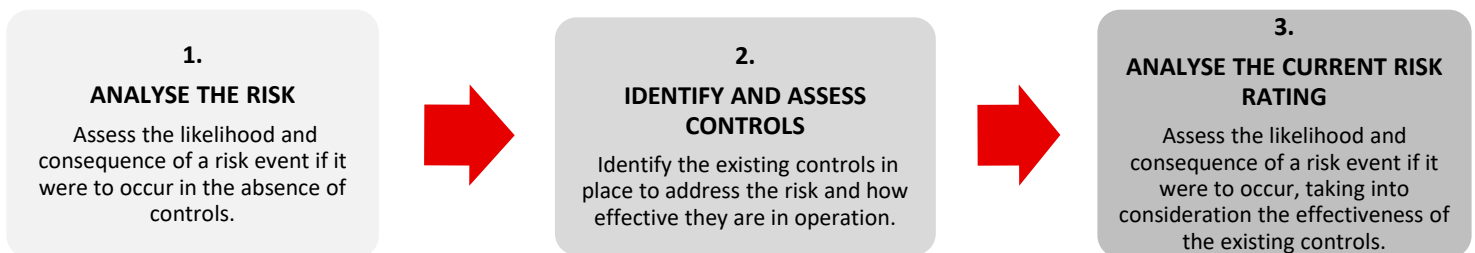
Additionally, a formal risk assessment is required whenever material decisions are made. For example:

- The decision to undertake a new business activity or strategy;
- Project management activity;
- Legal contracts/agreements/licenses;
- Upgrading or the acquisition or development of new facilities;
- Design changes or modifications that could in any way impede the safety, reliability, or operating performance of a business system; and
- Changes in an operating method or process.

3.4.2 Risk Analysis and Evaluation

As a component of risk assessment, risk analysis is about developing an understanding of the risk. It provides an input to the decision-making process about whether risks need to be controlled and the most appropriate control strategies or risk treatments methods.

Risk analysis involves the consideration of the causes and sources of risk, their positive and negative consequences, and the likelihood that the risk event may occur. Controls represent any process, policy, device, practice or other actions taken by management which reduce the likelihood of a risk occurring and/or the potential damage arising from the risk. The risk analysis process follows these steps:



Key Control

A key control is defined as a process, policy, device, practice, or other action that acts to minimise the negative impacts of a risk and/or reduce the likelihood of a risk occurring. In other words, a key control is any action taken by the business, the Board and other parties to enhance risk management and increase the likelihood that established objectives and goals will be achieved. It is important that key controls are adequately documented, as documentation of the design of controls provides evidence that such controls have been identified and are capable of being tested and monitored. A key control must clearly articulate "who does what, with what, how, when and what is the evidence: so, there is no ambiguity while performing the control.

Risk Owner

The ELT member or Business Leader primarily responsible for the management of a risk, including from a risk identification to control treatment and ongoing monitoring and review.

Key Control Owner

Key Control Owner is a person primarily responsible for the ongoing design and operation of a control.

Key Control Methods

Key controls can be categorised based on how they are performed. The two different methods are:

Automated	Key controls that do not require manual intervention to operate apply to all transactions and are formally documented. These key controls tend to be preventive in nature.
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Manual

Key controls that are manually performed by control owners without making use of automated systems.

Key Control Types

The different types of key controls are Preventive, Detective and Recovery.

Preventive

These key controls are designed to reduce the likelihood of undesirable errors, events, transactions, incidents (eg. role-based security access controls and appropriate password controls).

Detective

These key controls are designed to reduce the impact potentially, but not the likelihood and promptly reveal undesirable transactions and events which have occurred (eg. review of exception reports, follow-up on outstanding items, quality assurance of data entry into systems).

Recovery

These key controls are designed to reduce the impact should the risk materialise (eg. business continuity plans).

Key Risk Indicators (KRIs)

KRIs are metrics used by management that enable them to better understand the nature, scale and size of the risks that they are exposed to and the adequacy and effectiveness of controls. KRIs are used to monitor the risk and key control environment and identify any favourable or unfavourable trends and issues. They are also used to provide confidence that risks are being managed in accordance with approved policy and within risk appetite. Tolerances and target ranges are determined and approved by the Board to define the acceptable amount of risk they are willing to accept. This enables the triggering of management (treatment) actions when a KRI tolerance is reached.

ELT and Senior Management are responsible for:

- Identifying a set of KRIs that enable them to monitor each material risk and health of the key control environment;
- Setting tolerances for each KRI that will act as a trigger when the metric reaches a certain point where action is required;
- Setting target range for each KRI where the optimal level/range of risk that G8 want to take in pursuit of specific business goal. Target ranges are within tolerance;
- Monitoring and regularly reporting against KRIs to ensure they remain within expected boundaries including trend analysis to identify improving or deteriorating metrics;
- Escalate any breaches of tolerance or adverse trends that may require action and ensuring actions are completed; and
- Oversight of KRI processes including data completeness, accuracy and issue management.

Key Control Effectiveness

Key control effectiveness is an assessment on how effective the control is at reducing the likelihood of the risk occurring and/or reducing the impact if the risk should occur. Control effectiveness has two components: Design Effectiveness and Operating Effectiveness.

Design Effectiveness refers to whether key controls are appropriately designed to prevent or detect the risk. Operating Effectiveness refers to whether the controls is operating to prevent or detect the risk.

An assessment of the control’s current operating effectiveness should be determined using the criteria below.

Rating	Definition	Characteristics
Effective	The control is operating effectively to reduce, mitigate or detect unexpected risk in most circumstances.	<ul style="list-style-type: none"> Control is formally documented and understood by all team members. Control is occurring on a regular basis but less structured. Control will mitigate an inherent risk to an acceptable level of current risk in most circumstances.
Partial Effective	The control in place is partly functional and needs to be improved for it to mitigate or detect basis risk.	<ul style="list-style-type: none"> Control is not formally documented although it is reasonably understood by team members. Control is informal and tends to occur on an ad hoc basis. Control will mitigate the inherent risk to some extent.
Ineffective	The control is not operating effectively as such there is no assurance that the risk will be controlled.	<ul style="list-style-type: none"> Team members are not aware of or do not understand the control. There is no control monitoring in place. The control will not mitigate the current risk to an acceptable level.

Measuring Likelihood

The table below is used to determine the likelihood of a risk event occurring.

RATING	DESCRIPTION (QUALITATIVE ESTIMATE)	LIKELIHOOD
5 Almost Certain	Is expected to occur in most circumstances	<yearly
4 Likely	Will occur in most circumstances; not surprised if it happens	1-2 years
3 Possible	Might occur in some circumstances	2-5 years
2 Unlikely	Could occur in some circumstances; surprised if it happens	5-10 years
1 Rare	May occur in exceptional circumstances; may happen but it would be highly unexpected	>10 years

Measuring Consequence

Consequence analysis determines the nature and type of impact which could occur and provides a simple description of the outcomes. The consequence criteria is set out in the consequence table as part of the G8 Risk Matrix . The descriptors are applied across a number of ‘consequence categories’ that reflect the different ways in which risks could impact G8’s operations.

3.5 Risk Treatment

Risk treatment involves identifying the options for treating each risk (to reduce the risk rating to the ‘target risk rating’, evaluating those options, assigning accountability, preparing risk treatment plans, implementing, and monitoring them. Assumptions, methods, data sources and reasons for decisions should all be recorded. The records of such processes are an important part of good corporate governance. Risk treatment plans must be recorded in the Risk Register and assigned a person responsible for completing the action and a due date.

The following options are available for treating risks and may be applied individually or in combination, with due consideration of risk appetite:

TREATMENT OPTION	ACTION/OUTCOME
Avoid the risk	<ul style="list-style-type: none">Not to proceed with the activity or choosing an alternative approach to achieve the same outcome.Note: Aim is risk management, not aversion.
Reduce/Mitigate	<ul style="list-style-type: none">Reduce the likelihood - Improving management controls and procedures.Reduce the consequence - Putting in place strategies to minimise adverse consequences, e.g. contingency planning, Business Continuity Plan, liability cover in contracts.
Share/ Transfer the risk	<ul style="list-style-type: none">Shifting responsibility for a risk to another party by contract or insurance. Can be transferred as a whole or shared.Note: contractual transference of risk is rarely absolute - there will commonly be some impact to G8.
Retain/ Accept the risk	<ul style="list-style-type: none">Controls are deemed appropriate.These must be monitored, and contingency plans developed where appropriate.

The risk of an undesirable outcome (consequence) should be reduced wherever practicable, irrespective of the overall risk rating. In all cases, if the consequences of an incident or event are significant to people (i.e. safety) then all feasible measures should be adopted so that the likelihood of such an event or incident occurring is made low. This necessitates the identification of all contributors to the resultant risk and the consequences of each potentially undesirable outcome. The assessment process should address the adequacy and relevancy of controls as they relate to each risk contributor.

Risk Owners should seek endorsement and support for their treatment plans, particularly where those plans impact or require involvement from stakeholders. Combinations of treatment plans should be considered and a mechanism to evaluate the success of risk treatments should be included in each plan. Selecting the most appropriate option involves balancing the costs of implementation of each option against the benefits derived.

Prioritising Risks and Action Required

The purpose of risk evaluation is to assist in making decisions based on the outcomes of risk analysis, as to the risks that need treatment, and the implementation priority for these treatments. The following matrix guides the communication escalation and risk management actions required for risks based on their overall risk rating.

In summary:

1. **Extreme Risk** is intolerable whatever the benefits of the activity may be and risk control is necessary to reduce the risk to a more tolerable level.
2. **High Risk** will require risk control strategies, as will **medium** level risk, however the extent of which may depend on the cost benefit analysis of both the activity and the control measures.
3. Risk that has been determined **low** may be regarded as negligible and managed at an operational level and may not warrant further risk control strategies, however, for child safety or work health and safety risks there is a requirement to reduce the risk so far as is practicable.

Risk Action Response and Escalation Table

RISK RATING	NEWLY IDENTIFIED RISK OR EXISTING RISK RATING CHANGES	
	NOTIFICATION	ACTION
Extreme	Reported immediately to the CEO and Chief Legal, Quality & Risk Officer who will then notify the Board within 24 hours (as appropriate)	<ul style="list-style-type: none"> • Immediate and urgent Executive management action required. • Monitor daily. • Cease activity until risk can be reduced to an acceptable level. Activity shall not be undertaken without the express approval from CEO, ratified by the Board Chair within a reasonable time.
High	Reported to relevant Executive within 48 hours who will notify the CEO and Chief Legal, Quality & Risk Officer	<ul style="list-style-type: none"> • Executive Leadership attention required immediately. • Weekly monitoring. • The activity shall not be undertaken without the express approval of Executive Leadership.
Moderate	Reported to the Responsible Manager then reported to the relevant Executive	<ul style="list-style-type: none"> • Executive Management attention required. • Action plans developed and implemented, and accountability specified. • Manage by routine procedures and business-as-usual processes.
Low	Reported to the Responsible Manager	<ul style="list-style-type: none"> • Manage by routine procedures and business-as-usual processes. • Unlikely to need specific application of resources. • Monitor as appropriate

3.6 Monitoring and Review

Monitoring, measuring, reviewing, and evaluating risk is a component of good management and ensures G8 maintains an understanding of risk and changing risk profile to enable adequate and informed responses to a changing and dynamic operating environment. The intervals in which risk is reviewed and evaluated is determined when undertaking the initial assessment and is adjusted when new information becomes available from various monitoring activities. The parameters in which risk is managed including the risk consequences and risk tolerance levels may also change in response to various factors including strategic planning obligations, opportunities that may present, incidents or events that have eventuated.

Monitoring and Review Schedule

RISK CATEGORY	MONITORING SCHEDULE
Enterprise Risks	<ul style="list-style-type: none"> • ELT to raise and discuss any material changes to Enterprise Risk Register at Monthly ELT meeting or at one-on-one meetings with Chief Legal, Quality & Risk Officer • Monthly reporting to Board of material changes to Enterprise Risk Register (Extreme/High) • Quarterly review by ELT of Enterprise Risk Register • Quarterly report to ARMC of proposed changes to Enterprise Risk Register & Action Plans • Annual review by ARMC of with recommendation to the Board of enterprise-wide risk management documents (Policy, Framework, Matrix, Appetite, Risk Registers)
Project Risks	<ul style="list-style-type: none"> • Reviewed at monthly Steerco Meeting for each project • Quarterly review by Executive Steering Group of each Project Risk Register
Functional Areas Risks	<ul style="list-style-type: none"> • Reviewed at monthly Departmental meetings • Quarterly review by ELT of Extreme and High Functional Risk Register risks
Operational Risks	<ul style="list-style-type: none"> • Quarterly review by GM Operations Network and Chief Operating Officer

Appendix 1 - Glossary of terms

Consequence	<p>G8's assessment of the impact or outcome of an event.</p> <p>There can be more than one consequence from one event.</p> <p>Consequences can range from positive to negative.</p> <p>Consequences can be expressed qualitatively or quantitatively.</p> <p>Consequences are considered in relation to the achievement of objectives.</p>
Control	<p>Any process, policy, device, practice, or action taken by management, the Board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.</p>
Cost	<p>Of activities both direct and indirect, involving any negative impact, including money, time, labour, disruption, and goodwill, political and intangible losses.</p>
Contingency	<p>Budget (cost benefit) or time (duration) that may be used in the event of a risk occurrence.</p>
Enterprise risk	<p>Risks which have the ability to impact the achievement of the organisation's strategic objectives.</p>
Event	<p>An incident or situation, which occurs in a particular place during a particular interval of time.</p> <p>The event can be certain or uncertain.</p> <p>The event can be a single occurrence or a series of occurrences.</p>
Frequency	<p>A measure of the rate of occurrence of an event expressed as the number of occurrences of the event in a given time. See also Likelihood and Probability.</p>
Hazard	<p>A source of potential harm or a situation with a potential to cause loss.</p>
Incident Management	<p>Systems and processes that provide for an organisational structure capable of responding to all levels of emergency from simple to complex.</p>
Likelihood	<p>Used as a qualitative description of probability or frequency of a risk occurring.</p>
Loss	<p>Any negative consequence financial or otherwise. Can be differentiated as follows:</p> <ul style="list-style-type: none"> • Maximum foreseeable loss – highest possible loss after considering key controls. • Maximum possible loss – highest possible loss without considering key controls.
Monitor	<p>To check, supervise, observe critically, or record the progress of an activity, action, or system on a regular basis in order to identify change.</p>
Organisation / Enterprise	<p>Group of people and facilities with an arrangement of responsibilities, authorities, and relationships. In this document, 'organisation' or 'enterprise' refers to G8 Education.</p>
Policy	<p>G8 documented policy including overarching governance principles and approach.</p>
Probability	<p>The likelihood of a specific event or outcome, measured by the ratio of specific events or outcomes, to the total number of possible events or outcomes.</p>

Procedure	G8's documented procedures including flowchart of steps/tasks, timing of steps/tasks, who is responsible for steps/tasks. All G8's procedures are linked to and reference a G8 Policy.
Reasonable Assurance	The concept that enterprise risk management, no matter how well designed and operated, cannot guarantee that an entity's objectives will be met. This is because of inherent limitations in all risk management systems.
Risk	The effect of uncertainty on objectives. Risk may have a positive or negative impact. Risk is measured in terms of impact and likelihood.
Risk acceptance	An informed decision to accept the consequences, and the likelihood of, a particular risk.
Risk acceptance criteria	Management's formal establishment of criteria or boundaries designed so that the residual risk does not exceed the selected range of financial and operating outcomes.
Risk analysis	A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.
Risk appetite	The amount of risk, on a broad level, that G8 is willing to accept in pursuit of objectives.
Risk assessment	The overall process of risk identification, analysis and evaluation.
Risk avoidance	An informed decision not to become involved in a Situation or activity that presents risk.
Risk category	Commonly grouped risks, e.g. reputation, operations, financial.
Current risk	The remaining risk after management has taken action to alter the risk's likelihood or impact. The rating of risk once existing controls has been taken into account.
Risk evaluation	The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria.
Risk identification	The process of determining what can happen, why, when where and how.
Risk Management	Co-ordinated activities to direct and control an organisation with regard to risk.
Risk Management Framework	The set of elements of an organisation's management system concerned with managing risk. Also, the document established by policy which provides the detailed explanation of processes, tools and roles and responsibilities.
Risk Management Process	The systematic application of policies, procedures, and practices to establish context, identify, analyse, evaluate, treat, monitor and communicate risk.
Risk Management System	The totality of the culture, structures, methodology, procedures, and definitions that an organisation has chosen to use to implement its Risk Management processes.

Risk Register	The summary report of all individual risks within each assessment, which include risk ratings (current and target), level of control, risk decision, risk owner and summary of key controls and/or mitigating actions.
Risk Tolerance	The maximum level of risk that is acceptable to the board or management. This may be set for the organisation as a whole, for different groups of risks or at an individual risk level.
Risk Treatment	Process of selection and implementation of measures to modify risk.
Stakeholders	Those people and organisations who may affect, be affected by, or perceive themselves to be affected by, a decision or activity.
SWOT	Strengths, Weaknesses, Opportunities and Threats.
Target risk	The level of risk G8 plans to achieve with the implementation of additional or different controls.

Appendix 2 - Risk accountabilities and responsibilities

PARTY	ROLES
Board	<ul style="list-style-type: none"> Review and approve strategic risks annually. Approve strategic opportunities annually.
Audit and Risk Management Committee (ARMC)	<ul style="list-style-type: none"> Oversee the development and implementation of the enterprise-wide risk management framework. Oversee the system of risk management and internal controls that management has established, including safety, health, environment, and quality practices. Review and endorsement of the Risk Management Policy. Monitor strategic risks and opportunities and extreme and high group risks and emerging, new, and amended risks.
Chief Executive Officer	<ul style="list-style-type: none"> Set the tone for the Group to assist in embedding the risk management approach. Hold Executive Leaders accountable for implementing the enterprise-wide risk management framework within their functional area, strategic projects and as an executive team responsible for delivery of the strategy.
Chief Legal, Quality & Risk Officer	<ul style="list-style-type: none"> Champion the organisation-wide risk management framework implementation. Support and enable risk management reporting to the Executive Leadership Team and Board. Review (and provide comment to ARMC and/or Board on) strategic risks and functional area extreme risks, including action plans for improved mitigation.
Executive Leadership Team	<ul style="list-style-type: none"> Implement the enterprise-wide risk management framework. Approve functional risks, including any action plans for improved mitigation. Ensure strategic risks and functional area risks are appropriately managed and reported with action plans for improved mitigation implemented. Ensure that controls that mitigate risk are in existence, being used and are rated appropriately within risk assessments. Note and endorse the Risk Management Policy. Review the status of action plans for improved mitigation. Notify and report to the Chief Legal, Quality & Risk Officer any new/emerging or changes to the risk rating of strategic, functional or project risks (as applicable).
Risk Owners	<ul style="list-style-type: none"> Have accountability and authority to manage risks. Chief Executive Officer or Executive Leadership Team member for strategic risks. Direct report to the Executive Leadership Team member for functional risks. Describe and assess risks. Identify controls and confirm existence, usage, and effectiveness. Ensure risks are appropriately managed, including adequate testing of incident related controls. Implement action plans for improved mitigation.
Control Owners	<ul style="list-style-type: none"> Develop and apply the internal control environment in the course of daily work to mitigate risk. Provide accurate information to risk owners about control existence, usage, and effectiveness at reducing risk.

Regional Managers	<ul style="list-style-type: none"> • Champion risk culture in their respective region and drive positive risk culture. • Discuss risk trends at monthly meetings with Area Mangers and GM Operations Network respectively. • Collect new or changing risks and controls from Area Managers and communicate those which may be applicable to other regions to GM Operations Network.
Area Managers	<ul style="list-style-type: none"> • Champion risk culture in their respective area and drive positive risk culture. • Discuss risk trends at monthly meetings with Centre Managers and Area Managers respectively. • Collect new or changing risks and controls from Centre Managers and communicate those which may be applicable to other areas or regions to the Regional Manager. • Provide risk assessment quality assurance and development to Centre Mangers.
Centre Managers	<ul style="list-style-type: none"> • Champion risk culture in their respective centre and drive positive risk culture. • Discuss risk trends at monthly meetings with their Area Manager. • Identify new or changing risks and controls in Centre Based Risk Assessments. • Review Centre Based Risk Assessments when the environment changes. Sign and send the reviewed tool to Area Managers monthly.