

## Thorne Harbour Health - Risk Appetite Statement

### 1. Purpose

- 1.1. This document sets out the Board's appetite regarding the degree of risk that Thorne Harbour Health (THH) is permitted to take.
- 1.2. Management of risks is an essential component of THH's governance framework. Effective risk management increases the likelihood of successful outcomes, protecting the reputation and sustainability of the organisation.
- 1.3. Management and the Board are expected to operate within the approved risk appetite levels at all times, including avoiding any actions that could result in exceeding the approved risk appetite levels. THH Executive (President, Vice President, Treasurer and CEO) must be informed as soon as practicable upon awareness of any risks that arise or issues that eventuate which have caused or could cause the approved risk appetite to be breached.

### 2. Key Definitions

- 2.1. **Risk** is defined as the effect of uncertainty on objectives. Risk is neither inherently good, nor bad. A level of risk is required to change and grow, and to survive as an organisation.
- 2.2. **Risk Appetite** is defined as the degree of risk that is acceptable in day-to-day activities and the pursuit of strategic objectives, considering the interests of its members, staff, clients, funding bodies and THH's broad sex, sexuality and gender diverse communities.

Risk appetite is set by the Board and directs management in the execution of its day-to-day operations and the achievement of its strategic objectives.

### 3. Informing THH's risk appetite – who are we?

- 3.1. THH is a community-controlled organisation, governed by members, and working for our sex, sexuality and gender diverse communities. As a not-for-profit organisation, THH aims to improve the health and social and emotional well-being of these communities in Victoria and South Australia; particularly those living with or affected by HIV (PLHIV), with emphasis on bringing the HIV/AIDS epidemic to an end.
- 3.2. THH has a proud history of direct action. The many services and programs we offer today grew from unique partnerships between community activists, key clinicians and some politicians.

Established in 1983 after inaction over an emerging health issue, the direction of a community and clinical response was driven by those infected and affected by HIV. Led essentially by the gay community, people were mobilised and engaged directly with governments, hospital administrators and allied health services to create a world-first model of care. THH began as a genuinely community-driven and vocal organisation where most work was done by people volunteering their time.

THH's structure and issues have changed over time, but its volunteers remain a most valued resource in the delivery of its services.

3.3. THH's mission is to devise and deliver effective community-driven health and wellbeing programs. We also advocate to reduce stigma and discrimination. THH envisions a healthy future for its communities, including a future without HIV, where all people live with dignity and wellbeing.

3.4. THH provides a range of services and supports which include health promotion and prevention education, treatment and care of PLHIV, therapeutic counselling services, clinical services, a trans and gender diverse people's clinic, a rapid HIV testing clinic, alcohol and drug programs and support, family violence support services, the PLC community centre and community support programs, such as in-home care, client transport, housing, financial counselling and financial aid for PLHIV.

3.5. **THH's values are:**

- **Leadership** - we are responsive to our communities and encourage leadership at all levels of our work;
- **Diversity** - we respect and celebrate the diversity within our communities;
- **Inclusion** - we value being inclusive in all aspects of our work;
- **Justice** - we are committed to equal rights, health equity and recognition of social and economic inequality;
- **Courage** - we stand up for what is right and take considered risks to learn and grow; and
- **Optimism** - we are optimistic for each other and for the future.

#### **4. Assessment of THH Risk Appetite**

4.1. A key challenge in determining risk appetite includes an appropriate balance amongst:

- 4.1.1. ethical and effective governance and practices including responsible stewardship of THH's resources;
- 4.1.2. pursuit and realisation of opportunities, allowing innovation and avoiding unnecessary bureaucracy; and
- 4.1.3. avoidance of a risk averse organisational culture, which could stifle innovation rather than support growth.

4.2. **This Risk Appetite Statement applies to the following Key Risk Areas:**

- 4.2.1. **Strategic Growth Risk** - These are the risks from acting on strategic growth objectives. The risk might materialise and become an issue following pursuit of an unsuccessful business plan, including due to poor strategic decisions, substandard execution of decisions, inadequate or excessive resource allocation and/or failure to respond to changes in the internal and/or external environment. A certain level of strategic growth risk is considered necessary to grow, remain

innovative (e.g. new therapeutic experiences) and ensure ongoing engagement and impact.

- 4.2.2. **Operating Risks** - The risks of financial loss and/or non-compliance with laws due to inadequate or failed processes, people and/or systems, or from external events. It includes legal risk. Sub categories of operating risk that are particularly important for THH include:
  - 4.2.3. **Financial Risk** - the risk to our short, medium and long-term financial viability and overall financial strength. Financial risks can result from expenditure decisions, failure to retain key staff and/or effectively manage change. This includes the risk of being unable to meet payment obligations as they fall due and/or the ability to fund programs and services on an ongoing basis.
  - 4.2.4. **Compliance Risk** - the risk of failure to act in accordance with the laws, regulations, industry standards and codes, internal policies and procedures and general principles of good governance. This includes risks relating to ethical decision making and prevention of bribery and fraud. Managing this risk well is often vital to funding.
  - 4.2.5. **Safety & Health Risk** - the risk of illness, injury or loss due to the wellness of staff, volunteers, clients and other visitors and includes relevant physical safety standards, including for accreditation.
  - 4.2.6. **Service Disruption Risk** - the risk to the efficient and effective delivery of programs and services, including high operating standards. This also includes the risk of a loss in confidence by key stakeholders, including members, government/funding bodies and our community, as well as staff retention.
  - 4.2.7. **Technology Risk** - the risk specifically due to inadequate, unavailable or failed technology that can directly cause financial loss, non-compliance or service disruption, including impacts on client privacy/confidentiality due to any data breach or other unauthorised access to information.
  - 4.2.8. **Reputation Risk** - The risk to our reputation as passionate advocate and provider of programs and services to improve the health, social and emotional well-being of our sex, sexuality and gender diverse communities. Our reputation is reflected in our values, which include leadership, diversity, inclusion, justice and courage and our optimistic, professional approach, which has enabled growth in the organisation and strong contributions to our community.
- 4.3. **The following levels are used to describe the Board's risk appetite levels:**
- 4.3.1. **Averse** – conscientious avoidance of risk and uncertainty. Not willing to accept any negative impact in order to pursue strategy. Risks that cannot be treated are actively avoided.
  - 4.3.2. **Minimal (Conservative)** – a cautious approach to risks. Only willing to accept a small negative impact in order to pursue a strategic goal. Costs to maintain minimal risk can be high.

- 4.3.3. **Neutral (balanced)** – a balanced approach to accept potential negative impact to achieve strategy. Balanced, objective and explicit assessment of cost/benefit and importance/urgency is important in this category.
- 4.3.4. **Tolerant** – willing to consider all options and chose the one that is most likely to result in successful strategy, whilst being mindful of risk/benefit outcomes.
- 4.3.5. **Seeking (entrepreneurial)** – eager to be innovative and aggressively take risks because of the potential reward or the even higher risk of doing nothing. Willing to accept possibility of large negative impacts in order to achieve strategic goals.

These Risk Appetite levels are summarised in the table below:

← lowest <b>RISK APPETITE LEVELS</b> highest →				
AVERSE	MINIMAL	NEUTRAL	TOLERANT	SEEKING
Conscientious avoidance of risk and uncertainty. Not willing to accept any negative impact in order to pursue strategy. Risks that cannot be treated are actively avoided	A cautious approach to risks. Only willing to accept a small negative impact in order to pursue a strategic goal. Costs to maintain minimal risk can be high	A balanced approach to accept potential negative impact to achieve strategy. Balanced, objective and explicit assessment of cost/benefit and importance/urgency is important in this category	Willing to consider all options and chose the one that is most likely to result in successful strategy, whilst being mindful of risk/benefit outcomes	Eager to be innovative and aggressively take risks because of the potential reward or the even higher risk of doing nothing. Willing to accept possibility of large negative impacts in order to achieve strategic goals

**4.4. To ensure an up-to-date assessment of risk appetite, the following should be formally reassessed on at least a semi-annual basis:**

- 4.4.1. Risk Appetite;
- 4.4.2. Likely risk impact of current strategy;
- 4.4.3. Current Risk level;
- 4.4.4. Alignment of Current Risk Levels with Risk Appetite, including any actions required; and
- 4.4.5. Formally note the outcomes of the assessment and actions for approval by the Board.

A reassessment should also be completed to coincide with any proposed change in strategy, to be approved by the Board.

The outcome of each reassessment should be included in the minutes of the next available FRAC meeting and Board meeting, including copies of each Addendum (for the above), with clear details of any actions or outcomes required, who is responsible and the future date on which the outcomes will be reviewed and risks reassessed.

**4.5. Risk Appetite Governance**

- 4.5.1. THH is required to always comply with the Board’s risk appetite. If a relevant legal, regulatory or compliance requirement imposes a more stringent standard,

then that legal, regulatory or compliance requirement must be met and would take precedence.

- 4.5.2. Compliance with this Risk Appetite Statement is the responsibility of management, extending to all employees, contracted workers and Board Members of THH.
- 4.5.3. The Risk Appetite does not supplant any legally valid obligation to any party in relation to any contract or commitment, including those that may relate to funding. Management must highlight to the Board any identified or known discrepancies between the Risk Appetite assessment outcomes and any legal, regulatory, compliance or policy requirement.
- 4.5.4. The CEO is responsible for the development and maintenance of a Risk Register of the business risks faced in THH's day-to-day operations and the control framework which is in place to mitigate these risks. The register takes into account risks from within the organisation and external sources and are reviewed throughout the year as part of regular management planning processes. The Risk Register is also updated when there are key changes in policies, structures or functions. That register should be used to inform the Current Risk level (refer 4.4.3).
- 4.5.5. Management must consider changes to risk levels on an ongoing basis as likely/possible risks emerge and as actual issues occur. Based on those changes or at least every six months, management is required to update the Finance, Risk and Audit Committee as to any/all approved risk appetite levels that may have been breached or are likely to be exceeded.
- 4.5.6. Authority to formally approve and amend THH's Risk Appetite rests with the THH Board, based on recommendation from management to the Finance Risk and Audit Committee of the Board.

## **5. Related documents for further reference:**

- BPM-006 Risk and Quality Policy
- Risk Register
- Bpm-009 Delegations of Authority
- Thorne Harbour Health Strategic Plan 2018-2023