



# Managing Risk Policy

## Policy Statement

Risk Management is a critical business discipline that reduces uncertainty in the achievement of business objectives, strengthens and complements other corporate governance initiatives.

## Background

Effective management of risk is essential for us to achieve our goals and objectives and to satisfy key external stakeholder expectations.

Managing risk reduces uncertainty associated with business performance and gives us greater freedom to plan and use resources for innovation and measured risk taking.

Managing risk directly contributes to our profitability by reducing additional costs and assisting to improve certainty around revenue achievement.

## Scope

This policy applies to six Spark New Zealand stakeholder groups. These are: the Board and its sub-committee, the Audit and Risk Management

Committee; the Managing Director and Leadership Team; Business Unit management and staff; Risk Services; Internal Audit; and Corporate Support Groups.

The main objectives of this policy are to:

- Ensure Spark New Zealand personnel are aware of their responsibility to manage the risks that may impair or prevent achievement of our strategic, operational and transformational business goals and objectives.
- Mandate *one* framework for the management of risk in Spark New Zealand. Our framework:
  - integrates risk management into our structures, policies, processes and procedures; and
  - delivers regular Principal Risk profiling.
- Ensure that the Leadership Team and Business Unit management have discretion to select the approach they use to manage risk within the guidance provided in our framework:
  - embedded risk management approaches; or
  - planned risk management

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approaches, using risk registers.

- Mandate regular measurement and reporting on the efficiency and effectiveness of our risk management processes.
- Encourage balancing the level of control implemented to mitigate or manage identified risks to reflect our appetite for risk, and our commitment to comply with external regulation and governance requirements.
- Meet or exceed international best practice standards for risk management and related governance.

## Definitions

**Risk Management:** The culture, processes, structures and systems that are directed towards realising potential opportunities whilst managing adverse effects

**Risk:** The chance of something happening that will have an impact on objectives. A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. It is measured in terms of a combination of the consequences of an event and their likelihoods and may have a positive or negative impact.

## Roles and Responsibilities

The responsibilities of specific groups are:

### **Board and the Audit & Risk Management Committee**

**Oversight** - Establishes and approves the Spark New Zealand Managing Risk Policy. Oversees the risk management framework and monitors compliance with that framework.

**Risk Management** - Articulates Spark New Zealand's risk appetite and ensures alignment with Delegated Authority. Reviews Spark New Zealand's material risks (Principal Risks) and procedures to treat and monitor those risks. Approves the annual report's Risk Factors section

**Assessment of Effectiveness** - Reviews the effectiveness of the implementation of Spark New Zealand's risk management system. Reviews Managing Director and CFO annual certification that Spark New Zealand's risk management system is operating efficiently and effectively in all material respects.

### **Managing Director/ Leadership Team**

**Oversight** - Oversees the business unit processes in place to manage the risks impacting their day to day activities

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and achievement of their business objectives.

**Risk Management** – Leadership Team members participate in and contribute to annual risk profiling activity (interviews and workshops) to prepare Spark New Zealand's Principal Risks profile. Maintain and approve business plans and budgets to implement and maintain the risk treatments and controls cited in the Principal Risks profile.

### **Assessment of Effectiveness -**

Provide the Board with certification that Spark New Zealand's risk management system is operating effectively and efficiently in all material respects (Managing Director & CFO).

### **Business Unit Management and Staff**

**Oversight** – Implementation of processes to manage the risks impacting their day to day activities and achievement of their business objectives.

**Risk Management** - Ensure risk management is embedded into new and existing 'key' processes, and/or maintains risk registers that highlight risks associated with achievement of each business unit's goals and objectives and their treatment plans. Business unit reporting to Leadership Team members supports the

development of the Principal Risks profile. Implements key performance indicators to monitor the management of areas of high risk. Clearly describes the risks and ability to mitigate risk associated with achievement of BU business cases and plans/forecasts. Clearly describes the risks and ability to mitigate risks associated with achievement of projects in accordance with the Project Management Risk Methodology.

### **Assessment of Effectiveness –**

Supports the certification process to the Managing Director and CFO that Spark New Zealand's risk management system is operating effectively efficiently in all material respects.

### **Risk Services**

**Oversight** - Develops and maintains Spark New Zealand's Managing Risk Policy and framework. Provides advice and guidance to the business on the implementation of Spark New Zealand's Managing Risk Policy and framework.

**Risk Management** - Prepares Spark New Zealand's Principal Risk profile for Leadership Team and Board approval. Provides independent reporting to the Audit & Risk Management Committee on the status of Spark New Zealand's material risk management as required.

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Prepares the Annual Report "risk" section for Board approval.

**Assessment of Effectiveness -**

Measures and reports on the effectiveness of management's implementation of Spark New Zealand's risk management system. Provides evidence to support the annual ASX assertion that a sound system of risk management exists in Spark New Zealand.

**Internal Audit**

**Oversight** - Independently reviews the effectiveness of Spark New Zealand's risk management implementation.

**Risk Management** - Uses risk management outputs to prepare the annual audit plan.

**Assessment of Effectiveness -**

Assesses the effectiveness of internal processes and controls for managing risk. Independently assesses and reports on the effectiveness of key controls and treatments cited in the Principal Risks profile. Arranges independent review of Spark New Zealand's Managing Risk framework to ensure it complies with "best practice" requirements.

**Group support functions**

**Oversight** - Maintains Policy framework and publishes "Core Policies".

**Risk Management** - Develops, implements and monitors Core Policies intended to manage certain Spark New Zealand-wide risks.

## Ownership

This is a Board policy that will be maintained on an annual or as directed basis by the Head of Risk and Assurance.

## Publishing Date

November 2016