

RISK REPORT

JULY, 2024



CHAMAN MASTER PLAN

RISK ANALYSIS AND MITIGATION STRATEGY

This report delves into the multifaceted risk landscape surrounding the Chaman Border as well as the proposed facility, categorized into external and internal risks.

By identifying these risks, the report aims to outline targeted mitigation strategies that align with national regional economic and business objectives.

These strategies are designed to enhance the resilience and sustainability of the Chaman Border and proposed facility, ensuring it continues to serve as a pivotal node in Pakistan's trade network.

Through a detailed risk analysis, supported by data and insights from various stakeholders, the report offers actionable recommendations to address vulnerabilities and leverage opportunities for improvement.

By implementing these strategies, stakeholders can foster a secure, efficient, and robust trade environment, driving economic growth and regional integration.

Sr No.	Risk	Impact	Likelihood	Risk Level
External Risks				
1.	High Inflation and Economic Conditions	Medium	High	High
2.	Cross-Border Regulatory and Border Closure Risks	High	Medium	High
3.	Smuggling	Medium	High	High
4.	Security Risk	High	High	High
5.	Utilities shortage and Sustainability Concerns	High	Medium	High
6.	Competition Risk	Medium	Medium	Medium
7.	Reluctance of Transporters to Shift to New Terminal	High	Medium	High
8.	Supply Chain Risk	High	High	High
Internal Risks				
1.	Regulatory Compliance and Legal Risk	High	Low	Medium
2.	Budget Overruns	Medium	Low	Low
3.	Cold Storage Risk	High	Medium	High

Risk Factor	Explanation	Likelihood L	Impact I	Risk level (I*L)	Mitigating Factor
External Risks					
1. High Inflation and Economic Conditions	<p>High inflation erodes the purchasing power of consumers in Pakistan as well as regional countries, reducing demand for imported goods and affecting cross-border trade volumes. Currency devaluation or fluctuations can increase the cost of imported goods for businesses operating at the Chaman border, leading to higher prices and reduced profit margins.</p> <p>Economic instability and high inflation can erode investor confidence, making it difficult to attract and retain investment in the Chaman region.</p> <p>High interest rates and economic uncertainty can also make it difficult for businesses to secure financing.</p> <p>Inflation can have a significant impact on various costs that includes:</p> <ul style="list-style-type: none"> • Cost of maintaining and operating cold storage facilities (energy cost, maintenance and repairs) • Equipment cost (refrigeration units, generators, and other machinery) 	High	Medium	High	<ul style="list-style-type: none"> • Implement cost-saving measures and negotiate favorable terms with suppliers to mitigate the impact of inflation on operating expenses. • Invest in energy-efficient technologies and regular maintenance to reduce operational costs associated with inflation. • Diversify suppliers and contractors to reduce dependency on a single source and leverage competition to negotiate favorable pricing terms. Engage with multiple suppliers and contractors to compare pricing, quality, and delivery terms, ensuring competitive rates and mitigating inflation risks. • Diversify market reach to reduce dependence on any single market, spreading risk and stabilizing trade volumes. Hedge against currency risks through financial instruments such as forward contracts or options to lock in exchange rates for future transactions, stabilizing the cost of imports and preserving profit margins. • Maintain strong relationships with financial institutions for access to favorable exchange rates and financing options. • Develop training programs to enhance workforce productivity and efficiency, offsetting increased labor costs through improved performance.

	<ul style="list-style-type: none"> • Labor Cost (salaries and benefits for employees) 				
2. Cross-Border Regulatory and Border Closure Risks	<p>Political instability, tensions between bordering communities, and armed conflicts, which may disrupt operations at the border. Additionally, changes in customs regulations can lead to revenue loss and additional costs for goods already present in warehouses.</p>	Medium	High	High	<ul style="list-style-type: none"> • Explore opportunities for import and export within the domestic market to mitigate risks associated with cross-border operations. Diversify customer base by targeting local markets in addition to cross-border trade. • Play role in engaging with local communities, tribal leaders, and civil society organizations to address underlying grievances and promote peaceful coexistence along the border. • Maintain proactive communication with relevant government authorities at the local, provincial, and national levels to anticipate regulatory changes and address compliance issues promptly. • Stay updated on regulatory changes, customs procedures, and immigration policies affecting cross-border trade.
3. Smuggling	<p>The Chaman region faces a high risk of smuggling, with significant volumes of goods entering Pakistan without proper taxation and customs clearance. Major items smuggled include clothes, electronics, spare parts, and fresh and dry fruits. Containers destined for Afghanistan, upon crossing the Friendship Gate at Chaman, are frequently offloaded a short distance away at West market. From there, the goods are transported back to Chaman,</p>	High	Medium	High	<ul style="list-style-type: none"> • Government should enforce stringent laws and penalties against smuggling offenses to deter individuals and criminal organizations from engaging in illegal trade activities. • Implement asset forfeiture laws to confiscate proceeds from smuggling operations and disrupt criminal networks financially. • Government should raise public awareness about the harmful effects of smuggling on national security, public safety, economic development, and consumer health. Launch public awareness campaigns, educational programs, and community outreach initiatives to mobilize public support and encourage reporting of suspicious activities. • Dedicated control points to be established equipped with scanning equipment and inspection

	Pakistan, without undergoing taxation. Thousands of cart pullers, referred to as lughari, are involved in transporting these cheaper goods and edibles to Chaman. Residents of Chaman often visit West market to purchase these items at discounted rates and then return them to Pakistan.				<p>facilities to thoroughly examine vehicles and cargo entering and leaving the border area.</p> <ul style="list-style-type: none"> • Invest in the modernization of customs procedures and infrastructure, including the adoption of electronic customs clearance systems and risk-based inspection protocols. • Customs procedures at the border crossing to be streamlined to reduce congestion and minimize opportunities for smuggling.
4. Security Risk	Boarder area prone to unrest and security threats such as theft, terrorism and tribal conflicts can reduce businesses and individual investors interest for investment in Chaman master plan	High	High	High	<ul style="list-style-type: none"> • Foster collaboration with local law enforcement agencies and security forces to enhance intelligence gathering, rapid response capabilities. • Implement robust security measures, including the deployment of trained security personnel and the installation of advanced surveillance systems along critical routes and strategic locations. • Establish a central control system to monitor security issues in real-time and coordinate response efforts effectively. • Install entrance and exit gates equipped with a valid verification system to regulate access to the trade facilitation center. This system should include biometric verification and vehicle inspection to ensure the security of goods and personnel. • Invest in social and economic development programs for local communities to build trust and reduce the incentive for involvement in criminal activities. • Advocate for stronger legal enforcement against smuggling, terrorism, and other illegal activities in the border area, including harsher penalties and more efficient judicial processes.

5. Utilities shortage and Sustainability Concerns	<p>Reliable access to essential utilities such as electricity, gas, and water is critical for the smooth operation of the Chaman facility. Any disruptions in these utility supplies can lead to significant operational challenges, including reduced inventory value, warehousing issues, transportation problems, and potential loss of business. Sustainability concerns include energy consumption, water usage, and waste management.</p>	<p>Medium</p>	<p>High</p>	<p>High</p>	<ul style="list-style-type: none"> • Maintain relationships and any agreement with related utility authorities for smooth supply of utilities. • Consider investing in sustainable utility sourcing options such as installing solar power systems and exploring biothermal energy solutions to reduce dependency on conventional utility sources. • Install and maintain backup power systems like generators and Uninterruptible Power Supplies (UPS) to provide continuous electricity during outages. • Maintain proper backup for shortage of electricity like generators and UPS. • Investment in water facility and water storage tanks to avoid any water shortage • Implement programs to monitor and optimize the use of utilities, reducing wastage and ensuring efficient usage. • Implement water conservation measures and wastewater treatment systems.
6. Competition Risk	<p>Operating the Master Plan in Chaman exposes to significant competition risks from various fronts. Established businesses in the region and beyond, along with smugglers and competitors from other exporting countries to Afghanistan and Central Asia, pose formidable challenges. These adversaries may leverage existing networks, infrastructure, and illicit means to capture market share and disrupt operations.</p>	<p>Medium</p>	<p>Medium</p>	<p>Medium</p>	<ul style="list-style-type: none"> • Offering competitive rental rates for shop / warehouse spaces can attract businesses seeking cost-effective storage solutions, thereby increasing occupancy rates and bolstering revenue streams. • Implement robust security measures to deter smuggling activities and safeguard the integrity of goods stored within the distribution center hub. • Differentiate the facility by offering value-added services such as inventory management, packaging, labeling, and order fulfillment. Tailoring services to meet the specific needs of customers can enhance competitiveness and foster long-term partnerships. • Forge strategic partnerships with local authorities, trade associations, and industry stakeholders to

	Moreover, the presence of already established businesses compounds the competitive landscape, intensifying pricing pressures and customer acquisition efforts.				strengthen market positioning and gain access to valuable resources, market intelligence, and regulatory support.
7. Reluctance of Transporters to Shift to New Terminal	Existing transporters of buses and taxis may be reluctant to move their operations to a new terminal located 5 km away from the main city, due to increased time and cost implications. This resistance could impact the success of the Chaman Master Plan, which hinges on the effective operation of this terminal.	Medium	High	High	<ul style="list-style-type: none"> • Provide modern infrastructure and amenities at the new terminal, including convenience stores, repair services, driver rest areas, health clinics, and comfortable resting areas, to make the location more attractive and convenient for transporters. • Collaborate with the government to develop regulations that incentivize or eventually mandate the use of the new terminal. This should be coupled with clear communication and a transition period to avoid abrupt changes. • Implement a phased approach to encourage gradual movement to the new terminal, minimizing disruption for existing operations.
8. Supply Chain Risk	Delays in transportation due to land sliding, road closures or strikes, lengthy customs clearance procedure, inconsistent quality of goods or unexpected demand fluctuations or inaccurate demand forecasting could lead to inventory shortages or excess stock.	High	High	High	<ul style="list-style-type: none"> • Advocate for government investment in infrastructure development, including road improvements and border crossing upgrades. • Provide tenants with robust inventory management systems with advanced demand forecasting capabilities to optimize inventory levels and reduce carrying costs. • Educate tenants renting space within the facility about supply chain risks and encourage collaboration in developing risk mitigation strategies. • Assist in developing comprehensive emergency response and business continuity plans to address supply chain disruptions and minimize operational downtime.

					<ul style="list-style-type: none"> • Maintain open communication channels with customs authorities to stay informed about procedural changes and anticipate potential delays.
Internal Risks					
1. Regulatory Compliance and Legal Risk	Compliance with regulatory requirements, permits, and environmental standards is crucial for the successful implementation of the Master plan. Investors face legal and financial risks if the project fails to adhere to applicable laws and regulations.	Low	High	Medium	<ul style="list-style-type: none"> • Conduct thorough due diligence on regulatory requirements, permits, and environmental standards before initiating the project. • Establish positive relationships with regulatory authorities, seek guidance on compliance requirements, and proactively address regulatory concerns. • Retain legal advisors with expertise in regulatory compliance, land use regulations, and environmental law to navigate legal complexities and mitigate legal risks. • Implement regular compliance monitoring and auditing procedures to ensure adherence to applicable laws and regulations throughout the project lifecycle.
2. Budget Overruns	Poor project cost estimation or unforeseen expenses during implementation can lead to budget overruns. Financiers may face increased financial exposure and reduced returns on investment if project costs exceed initial projections	Low	Medium	Low	<ul style="list-style-type: none"> • Engage experienced estimators to consider all relevant factors (labor, materials, etc.) and allocate a contingency reserve based on risk assessments and historical data to account for unexpected expenses. • Identify, assess, and mitigate potential risks, develop risk response plans, and establish formal change control processes to document and assess all scope changes to prevent budget deviations. • Track actual costs against the budget, establish KPIs and milestones for regular assessment, implement cost tracking and forecasting, and optimize procurement and streamline processes to ensure cost efficiency.

					<ul style="list-style-type: none"> Engage stakeholders in budget management, communicate budget constraints and risks effectively, ensure contracts include clear cost provisions, negotiate favorable terms, and enforce compliance to prevent cost overruns.
3. Cold Storage Risk	<p>Cold storage facilities face several risks that can impact their operations and the quality and safety of stored goods. Some common risks may include temperature fluctuations, equipment failure (malfunction or breakdown of refrigeration equipment), power outages, regulatory compliance (non-compliance with regulatory requirements related to food can result in fines, penalties, or legal action), and contamination risks (contamination of goods due to improper handling, storage, or sanitation can pose health risks to consumers and damage the reputation of cold storage facilities).</p>	Medium	High	High	<ul style="list-style-type: none"> Implement temperature-monitoring systems with alarms to detect and respond to temperature deviations promptly. Perform routine inspections and maintenance of refrigeration systems to identify and address potential issues before they escalate Install backup power systems, such as generators or uninterruptible power supply (UPS) units, to ensure continuous operation of refrigeration equipment during power outages. Implement robust security measures, including access control systems, surveillance cameras, and security personnel, to deter unauthorized entry and monitor facility activities. Stay informed about relevant regulations and standards governing cold storage operations and ensure compliance through regular inspections, audits, and staff training programs. Implement stringent hygiene and sanitation protocols for handling and storing perishable goods. Train staff on proper food safety practices, including temperature control, sanitation, and cross-contamination prevention.

Monitoring, Evaluation and Risk Management (MERM) Framework

1) Monitoring and Evaluation Framework

1. Key Performance Indicators (KPIs) Objectives

- Ensure efficient operations with minimal downtime and maximized output.
- Monitor financial health to ensure profitability and cost-effectiveness.
- Assess market penetration and maintain high customer satisfaction.
- Operate sustainably and comply with all relevant regulations.
- Measure social and environmental impacts
- Assess economic contributions
- Evaluate stakeholder satisfaction

2. Monitoring through Independent Experts and Auditors

- Select independent experts and auditors based on qualifications, experience, and impartiality. Ensure that selected individuals or firms have experience in monitoring PPP projects.
- Define specific areas for monitoring, including operational efficiency, financial audits, customer service quality, compliance, and project progress.
- Ensure transparency, enhance credibility, and provide expert insights for continuous improvement.
- Conduct quarterly reviews with detailed preparation, key focus areas, reporting format, and follow-up actions.

3. Comprehensive KPIs for Chaman Master Plan – Operations, Management and Maintenance

Incorporating the detailed list of KPIs across different operational aspects of the Project, we can outline a comprehensive approach to performance measurement and management. These performance standards will be monitored separately by a Monitoring and Evaluation Team (M&E) reporting to the Implementing Agency.

Sr.No	KPIs Name	KPIs Description	KPIs Minimum Value (if any)	KPIs Measurement/Testing Methodology
01	Facility Occupancy Rate	Percentage of total facility space occupied (warehouses, shops, cold storage, etc.)	As per Financial Model	IT-based tracking of space utilization, monthly occupancy reports
02	Cargo Handling Efficiency	Average time taken to handle and process cargo	2 hours	Field monitoring, cargo handling logs
03	Maintenance Response Time	Average time taken to respond to maintenance requests	24 hours	Maintenance logs, IT-based request tracking

04	Security Incident Response Time	Average time taken to respond to security incidents	15 minutes	Security incident reports, IT-based monitoring
05	Tenant Satisfaction	Percentage of tenants satisfied with the services provided	85%	Tenant feedback surveys, complaint resolution logs
06	Revenue Growth Rate	Annual growth rate of revenue generated from all facility components (warehouses, cold storage, shops,etc.)	10%	Financial reports, annual revenue analysis
07	Facility Cleanliness	Regular maintenance and cleanliness of all facilities (warehouses, terminals, shops)	95%	Field inspections, cleanliness audits
08	Local Employment Ratio	Percentage of local workers employed in the project	60%	Employment records, periodic audits
09	Energy Efficiency	Percentage reduction in energy consumption per unit of output	5% annual reduction	Energy consumption reports, sustainability audits

10	IT System Uptime	Percentage of time the IT systems are operational	99%	IT system logs, uptime reports
11	Waste Management Efficiency	Percentage of waste correctly managed and recycled	90%	Waste management logs, periodic environmental audits
12	Training and Development	Percentage of staff receiving annual training and development	100%	Training records, HR reports

2) Risk Management Framework

Purpose:	This Risk Management Framework provides a comprehensive definition of risk, elaborates on the purpose and essential features of the Framework, and delineates responsibilities for managing risk across all facets of the Project's operations, management and maintenance.	
Scope:	<p>The scope of this framework encompasses all individuals directly or indirectly involved in the operations and management. This includes:</p> <ul style="list-style-type: none"> • Operational and Technical Staff: Both full-time and part-time employees responsible for the day-to-day operation and maintenance of the Facility. • Management and Administrative Personnel: Including permanent, fixed-term, and casual employees involved in the administrative, financial, and operational planning aspects of the Facility. • Contractors and Consultants: External parties contracted for specific tasks or advisory roles critical to the plant's operation, maintenance, or strategic direction. • Interns and Trainees: Persons engaged in health, safety, engineering, environmental management, business administration training, skill development, internships, work experience, or placement programs within the Facility, aiming to gain practical experience and contribute to the plant's goals. • Stakeholders and Partners: Including government officials, local community representatives, business partners, and other stakeholders involved in or impacted by the Chaman Master Plan. 	
Status:		Supersedes: Nil
Authorized by:	Executive Director, RMC	Date of Authorization:
Review Date:	Annually	Next Review Date:
Owner:	PSC	

Policy Statement

Risks inherent to the operation of the Chaman Master Plan will be identified, analyzed, evaluated, and managed in a consistent manner. Risk management procedures that form the core of the Risk Management Framework will be utilized to ensure that risks are monitored and managed to an acceptable level of tolerance, as defined by the board and in alignment with the project's strategic goals. This comprehensive approach allows for proactive mitigation strategies, ensuring the Facility's operations are safeguarded against potential disruptions and losses, while also promoting a culture of continuous improvement and risk awareness.

- **Identify Risks:** Actively pinpoint reasonably foreseeable risks associated with the Facility's operations that may significantly impact its functionality, sustainability, or profitability.
- **Assess Risks:** Thoroughly assess the identified risks to understand their potential impact and the likelihood of their occurrence, prioritizing them accordingly.
- **Implement Controls and Treatments:** Develop and implement appropriate controls and risk treatment measures to mitigate identified risks to a target level aligning with the parties' operational and strategic objectives.
- **Communicate with Stakeholders:** Ensure transparent and effective communication regarding risks and risk management activities with all key stakeholders, including employees, suppliers, regulatory bodies, and the local community, to foster a shared understanding and collaborative approach to risk management.
- **Monitor and Review:** Conduct ongoing monitoring and periodic reviews of key risks and the effectiveness of implemented controls. This includes adapting to changes in the operational environment or emerging risks, ensuring that risk management practices remain dynamic and responsive to the project's needs.

Definitions

Term	Definition
Consequence	The expected outcome or impact of a risk event.

Term	Definition
Current Risk	The risk that remains after mitigating actions or controls have been considered, assigned a rating based on current consequence and likelihood (often considered the residual risk rating).
Inherent Risk	Rating of a risk assuming no controls are in place.
Likelihood	The probability or chance of a risk event occurring.
Operational Risk	Key risks arising from concessionaire's operational activities, which are component risks within each strategic risk.
Residual Risk	The level of risk that remains after assessing the effectiveness of the controls, management strategies, and other mechanisms in place to mitigate a particular risk.
Risk	Often characterized by reference to any event that will have an impact on the Chaman Master Plan or any of its activities, measured in terms of consequences that could arise and the likelihood of that consequence occurring. Risks to Chaman Master Plan are assessed in terms of their impact on people, reputation, business operations, governance, financial, and operational outcomes.
Risk Appetite	The amount and type of risk that the parties' are willing to take to meet their strategic objectives.
Risk Identification	The process of determining what, where, when, why, and how something could happen.
Risk Rating	The categorization or prioritization of risk combining likelihood, consequence, and mitigating actions. Includes current risk and target risk.
Risk Register	Register that defines and assesses key components of each risk.
Risk Treatment	The process of implementing measures to modify risk.
Strategic Risk	Risk categories that represent the key risk areas impacting the achievement of the organization's strategic objectives.

Risk Management Committee

A Risk Management Committee is to be established by the concessionaire comprising of the following officials in the organization:

- Executive Director (ED)
- Chief Operating Officer (COO)
- Chief Financial Officer (CFO)

This committee is mandated to oversee the Project's risk management processes. Functions of this role include:

- Ongoing review and approval of risk register in accordance with the Risk Reporting Protocol.
- Annually reviewing and recommending to the PSC any proposed changes to the Risk Management Framework.
- Monitoring adherence to the Risk Management Framework.
- Promoting awareness of the Risk Management Framework throughout the period; and
- Providing any relevant risk information (e.g., independent appraisals of the Risk Management Framework or external disclosures) to the PSC for approval.

Chief Operating Officer (COO)

COO shall be responsible for:

- Ensuring all risk owners adhere to the Risk Management Framework.
- Reviewing and endorsing any information provided by the Risk Management Committee to the PSC.

Management Team

The Management Team has responsibility for communicating and consulting with staff to ensure risks are identified, appropriate controls are in place and any necessary actions required are addressed in relation to the operational activities.

The Field Management Team comprises those persons incumbent in the positions of:

- COO
- Administrator

- Managers / Experts (Finance/HR/Marketing)

Risk Owners

Risk Owners are individuals who have been allocated ownership of strategic or operational risks and are responsible for managing, monitoring, and reporting on the status of the risk to the PSC and Risk Management Committee. Risk Owners should follow the Risk Management Framework in fulfilling their obligations which include:

- Monitoring and updating risks and their associated ratings on at least a quarterly basis;
- Reporting any new or re-rated risks in accordance with the Risk Assessment Protocol; and
- Reviewing all risks in their area at least once per year.

Risk Consequence

In assessing risk, the most appropriate consequence descriptor or combination of descriptors to determine the consequence rating will be selected.

Risk Reporting Protocol

Risk reporting allows to manage and monitor key risks at all levels of the organization. It represents how risk management is communicated and helps ensure that the appropriate people receive timely risk information to make informed decisions and take appropriate risk management actions.

	Strategic Risks	Operational Risks	Responsible to
PSC	<ul style="list-style-type: none"> - Ensure that the strategic risk profile is reviewed annually. - Monitor the business plan and objectives. - Review and approve risk information 	<ul style="list-style-type: none"> - Oversight of all operational risks through the Management Team 	

	Strategic Risks	Operational Risks	Responsible to
Risk Management Committee	<ul style="list-style-type: none"> - Oversight of all strategic risks – implementation, monitoring, review, and approval - Review annually and monitor adherence to the Risk Management policy 	<ul style="list-style-type: none"> - Oversight of all operational risks through the COO and the Field Management Team 	<ul style="list-style-type: none"> - Report to PSC quarterly on all operational and strategic risks with a high or very high-risk rating
COO	<ul style="list-style-type: none"> - Action plans and management responsibility allocated for all high and very high-risk areas 	<ul style="list-style-type: none"> - Ensure all risk owners adhere to the Risk Management policy 	<ul style="list-style-type: none"> - Report to Risk Management Committee on changes to strategic and operational risk areas quarterly and on any new, changed or re-rated risk as needed
Management Team	<ul style="list-style-type: none"> - Action plans and management responsibility allocated for all high and very high-risk areas 	<ul style="list-style-type: none"> - Responsible for identification, monitoring and reporting of all operational risks 	<ul style="list-style-type: none"> - Report to Risk Management Committee via COO on changes to strategic and operational risk areas quarterly and on any new, changed or re-rated risk as needed
Risk Owners	<ul style="list-style-type: none"> - Responsible for identification, monitoring, review and reporting on specific strategic risk area 	<ul style="list-style-type: none"> - Responsible for identification, monitoring, review and reporting on specific risk area 	<ul style="list-style-type: none"> - Report to the Field Management Team quarterly. - Report on any new, changed, or re-rated risk as needed

Strategic Risk Assessment and Reporting

Risk registers are maintained to identify, rate, and monitor risk. A strategic risk register sets out identified strategic risks within the whole of project's context. These risks underpin organizational strategy and are reviewed by the Risk Management Committee, reporting through to the Board on a quarterly basis.

The Board is active in monitoring the effectiveness of the controls to ensure that the residual risk remains within prudent limits. Appendix A outlines the standard reporting for strategic risk.

Operational Risk Assessment and Reporting

The Management Team, as risk owners, is responsible for identification, monitoring and reporting on operational risks. Each business area will identify, document, monitor and report on operational risks. Appendix B is the template register for operational risks.

Operational Risk Documentation

Each Risk Owner conducts a risk management review which is documented on its:

- Risk Register; and
- Risk Treatment Action Plan.

The Risk Register provides information on the identified risks, including material risks, of the school. The Risk Owner for each risk area is responsible for development of a Risk Register and Risk Treatment Action Plan which follows the risk identification and evaluation methods set out in this Framework. The Risk Management Committee is active in monitoring the effectiveness of the controls to ensure that the residual risk remains within prudent limits.

Operational Risk Monitoring and Review

The COO and the Management Team shall report on their respective delegated areas of responsibility, to the Risk Management Committee on a quarterly basis, but additionally at any other time when there is a significant change in the

risk exposure. The reports will provide details on:

- The status of risks and risk treatments with an inherent risk rating of high or extreme in the risk register; and
- Any additional action required.

High risks will be monitored by the COO. Very high risks will be managed by the COO on an ongoing basis and will be monitored closely by the Board through the Risk Management Committee. Where any risk is rated “high” a comprehensive risk treatment plan is to be in place. Any worsening of the risk is to be immediately reported to the PSC.

Risk Update

- Provide a short description of any significant control breakdowns that have been detected, and whether these led to an incident. When accidents or losses have occurred, provide a summary of the incident and the key outcomes from the investigation.
- Describe any changes that may affect risk profile either now or in the foreseeable future. This may include information on competitors’ actions, and even speculative comments on the possible impact of upcoming changes e.g., changes to legislation, government policy etc.
- Provide updates on significant changes to risk management activities and any other relevant events e.g., status report on on-going projects, progress reports on the implementation of changes following incident investigations etc.

Appendices

- Appendix A – Reporting Strategic Risk
- Appendix B – Risk Register and Risk Update

APPENDIX - A: STRATEGIC RISK REPORTING

Risk Description:

Risk Owner:

Inherent Risk Rating			Internal Controls	Residual Risk Rating		
Likelihood	Consequence	Rating		Likelihood	Consequence	Rating
Risk Owner	Proposed further action/treatment					

APPENDIX - B: RISK REGISTER

Area:

Section:

[illegible]

