



RISK APPETITE STATEMENT

PRO665

1. PURPOSE

The purpose of Urban Utilities' Risk Appetite Statement (RAS) is to articulate, from the Board's perspective, how much risk is acceptable in pursuing our strategic direction as set by the Statement of Strategic Intent (MP44) and as articulated by our critical few priorities, programs and outcomes.

2. URBAN UTILITIES' RISK APPETITE

Urban Utilities' RAS outlines the business' approach and attitude to risk in general and guides management in making decisions that balance risk and opportunity. The overall intent is to promote a responsible approach to risk management; meaning that the organisation is focussed on complying with all laws and regulations, places a high priority on service delivery, public, employee and partner safety, and manages the organisation in a financially prudent manner, but accepts a level of risk where risk mitigation costs are disproportionate or excessive. The overall objective is not to eliminate risk, but to ensure that risk is actively monitored and maintained at a level where the organisation can be confident in achieving its critical outcomes.

The four risk appetite settings below indicate the attitude that executives, leaders, employees and delivery partners should adopt in managing risks at Urban Utilities.

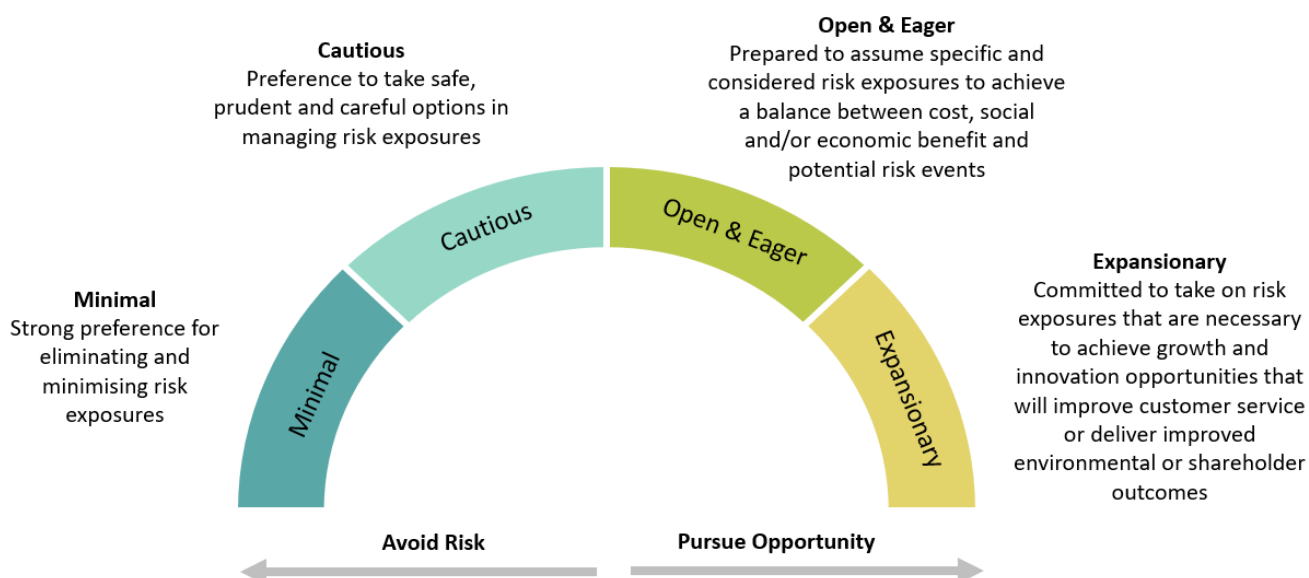






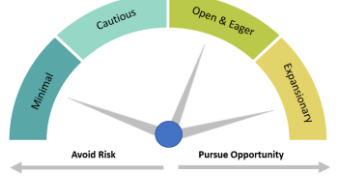


Figure 1 - Urban Utilities Risk Appetite Settings





The following table outlines Urban Utilities' risk appetite across various key areas of risk. It articulates our risk tolerance through a series of 'Will Tolerate' statements (within appetite) and 'Will Not Tolerate' statements (outside of appetite) developed by Executives. The RAS links to critical outcomes and key related documents. Note that the general rules for accepting a risk, as set out in the Risk Management Procedure (PRO84), apply when conducting a risk assessment. The risk tolerance and appetite statements below are to be used as guidance for management in applying those rules.



Risks outside of appetite are required to be escalated to ensure that effective Risk Management responses are enacted in a timely manner to bring the risk within appetite, wherever possible and cost effective. Refer to PRO84, *Appendix 2.6 – Risk Acceptance and Management Actions* for authorisation and reporting requirements.

The risk appetite can also be employed to consider opportunities associated with Urban Utilities' regulated business activities. For opportunities of a commercial nature, Urban Utilities' Opportunity Appetite Statement (PRO788) applies.

KEY RISK AREA	APPETITE STATEMENT	RISK TOLERANCE		CRITICAL OUTCOMES
		WITHIN APPETITE (Will Tolerate)	OUTSIDE OF APPETITE (Will Not Tolerate)	
All Key Risk Area	Defined below for each Key Risk Area.	Low and Medium rated risks under active management.	Extreme rated risks, where Executives are not confident that Target Risk Ratings can be achieved, and risks brought within appetite in a timely manner. High rated risks are generally outside of appetite, however, are Conditionally Acceptable if any further treatment is grossly disproportionate to the risk reduction gained.	Defined below for each Key Risk Area
Health, Safety & Wellbeing 	<p>Urban Utilities is committed to providing a safe and healthy work environment and a culture of physical and psychological safety.</p> <p>It has a minimal appetite for risks to the health, safety and wellbeing of workers and members of the public and risks to the HSW Management System, with all risks to be managed So Far As Is Reasonably Practicable (SFAIRP).</p>	<p>The acceptance of risk with suitable risk mitigation plans and controls to a level of So Far As Is Reasonably Practicable (SFAIRP).</p> <p>Work delays and costs associated with workers carefully planning, identifying and assessing workplace safety risks and hazards.</p> <p>Actions and reporting that are taken to prioritise safety and learning ahead of production or associated costs and encourage action to stop work when workers feel it's unsafe to proceed.</p>	<p>Actions or behaviours that are deliberately in breach of Urban Utilities' Standards and agreed Safety Management System.</p> <p>Activities and behaviours that result in reasonably foreseeable and preventable fatalities, serious harm, injuries or illnesses to our customers or workers.</p>	<p><i>Safety – We protect the safety of our people and the public</i></p> <p><i>Public Health – We protect the public health of the communities we serve</i></p>
Public Health 	<p>Urban Utilities is committed to protecting the public health of the communities we serve. It has a minimal appetite for risks pertaining to the potential adverse impact on the health of the public including customers, communities and individuals.</p>	<p>Drinking and recycled water quality outside management plans and related guidelines, where drinking water remains safe for consumption and recycled water remains fit for purpose.</p> <p>Releases to the environment, including sewage spills, effluent releases, biosolids products and other emissions (eg, air and nuisance), where public health can be maintained.</p>	<p>Activities and behaviours that result in reasonably foreseeable and preventable illnesses to the public including customers, communities or individuals.</p> <p>Supply of Drinking Water that is not safe for consumption.</p> <p>Supply of Recycled Water that is not fit for purpose.</p> <p>Failure to adequately plan and act to minimise risks as far as reasonably practicable to achieve minimum product quality standards (including effluent) resulting in an impact on human health.</p> <p>Failure to adequately plan and act to meet public or environmental health commitments or legal requirements potentially resulting in regulatory enforcement activity (fines, penalties or adverse directions).</p> <p>Failure to communicate and assist customers and the public in their awareness of existing risks associated with our products including raw sewage in the environment where recreation values are held.</p>	<p><i>Public Health – We protect the public health of the communities we serve</i></p>
People & Performance 	<p>Urban Utilities is committed to enabling our people's performance and safety through leading workspaces, contemporary digital capabilities and sound employee and industrial relations in line with legislation.</p> <p>It has a cautious appetite for risks pertaining to the enablement of our people's performance.</p>	<p>Mistakes or learning opportunities where calculated risks have been taken to evolve our practices or outcomes.</p> <p>Encouraging different perspectives and having conversations that challenge the status quo.</p> <p>Simplification of processes and delegations for more efficient and effective outcomes.</p>	<p>Actions or behaviours that are deliberately in breach of legislation, Code of Conduct and Urban Utilities Policies and Procedures.</p> <p>Failure to address behaviours and customer outcomes that do not align to Urban Utilities' values.</p> <p>Payroll, industrial and/or employment relations breaches.</p> <p>Acts or omissions that are likely to compromise customer or employee privacy.</p>	<p><i>Experience – We deliver a great experience for our customers and our people</i></p> <p><i>Safety – We protect the safety of our people and the public</i></p>
Water Quality & Aesthetics 	<p>Urban Utilities is committed to providing products that meet industry best practice and strives to meet customer aesthetic expectations.</p> <p>Urban Utilities has a cautious appetite for water product risks.</p>	<p>Timely prevention, detection, investigation, response to and remediation of water quality events.</p> <p>Timely detection and remediation of Recycled Water quality incidents in accordance with Hazard Analysis Critical Control Point (HACCP) Plans and Recycled Water Management Plans.</p> <p>Supply of Drinking Water and Recycled Water that do not meet customer expectations on occasion, where customer complaints and concerns are being actively managed.</p>	<p>Failure to meet Drinking Water or Recycled Water commitments or legal requirements resulting in regulatory enforcement activity (fines, penalties or adverse directions).</p>	<p><i>Experience – We deliver a great experience for our customers and our people</i></p>

KEY RISK AREA	APPETITE STATEMENT	RISK TOLERANCE		CRITICAL OUTCOMES
		WITHIN APPETITE (Will Tolerate)	OUTSIDE OF APPETITE (Will Not Tolerate)	
Water Security 	<p>Urban Utilities' aspiration is to reshape the water cycle so that we can enhance the livability of our communities.</p> <p>With climate change and increasing pressure on our water storages, non-climate dependent sources of water will be required. Education and water literacy are vital to enable Urban Utilities strategy.</p> <p>Urban Utilities has a leading role to play in ensuring the water supply for SEQ customers continues to meet the affordability and livability requirements of our communities.</p> <p>It has minimal appetite for the risk of not being able to provide secure supply of water to customers. This drives the commitment to reshaping the water cycle by reusing and recycling to maximise the value of water.</p> <p>Urban Utilities has an open and eager appetite towards the opportunities and solutions which will provide water security into the future.</p> <p>Urban Utilities has an expansionary appetite for the opportunity that our communication strategy holds.</p> <p>Urban Utilities has an open and eager appetite towards the opportunities and solutions which will provide water security into the future.</p>	<p>Risk associated with taking proactive steps to improve the efficient use of water resources including through implementation of new recycled water schemes.</p> <p>The implementation of effective demand management strategies to optimise water security at lowest customer cost.</p> <p>Consideration or exploration of alternative water supply arrangements that meet the evolving needs of our customers.</p> <p>The potential for adverse reaction and activism as a result of Urban Utilities':</p> <ul style="list-style-type: none"> • Leadership in communicating core elements of reshaping the water cycle and water security campaigns, including communications around implementation of Purified Recycled Water and Recycled Water solutions; or • Implementation of smart communication strategies that encourages conversations about "all options on the table" including; <ul style="list-style-type: none"> - Demand Management - Purified Recycled Water - Desalination - Recycled Water 	<p>Failure to adequately plan for and work effectively with stakeholders and manage the risk of drought events and other climatic impacts on water supply to our customers.</p> <p>Failure to adequately plan for and work effectively with stakeholders to appropriately balance cost-effectiveness and reliability of water supply to our customers.</p> <p>Failure to plan and have in place communication plans and social media strategies that address potential adverse reaction and activism.</p> <p>Failure to engage with our communities and stakeholders in a timely way.</p> <p>Long-term loss of trust through failure to act on the core components of Urban Utilities' communications strategies.</p>	<p><i>Cost & Capital – We minimise the cost to service in the long run</i></p> <p><i>Environment – We deliver on the environmental values of the receiving environment</i></p> <p><i>Experience – We deliver a great experience for our customers and our people</i></p>
Asset Management 	<p>Urban Utilities employs a risk-based and sustainable approach to managing its assets, to deliver value to its customers and stakeholders.</p> <p>Urban Utilities takes an open and eager approach to adopting demonstrated technologies and practices from other industries to improve the efficiency or sustainability of our core business and leveraging existing assets in ways that create new value.</p>	<p>Unplanned interruptions due to asset failures, where recovery is managed within targets outlined in the Service Standards.</p> <p>Minor to moderate disruption to major transport connections/routes (closure of a highway, arterial road or rail line).</p>	<p>Extended period of Customer and/or Community disruption impacting >1,000 customers.</p> <p>Significant disruption to major transport connections/routes (closure of a highway or arterial road, rail line or airport).</p> <p>Lack of communication with customers, management of shareholders and/or stakeholders in the event of unplanned service interruptions.</p> <p>Failure to adequately plan for and manage the risk of climatic impacts or hazards on assets.</p>	<p><i>Cost & Capital – We minimise the cost to service in the long run</i></p> <p><i>Experience – We deliver a great experience for our customers and our people</i></p>
Financial Sustainability & Customer Affordability 	<p>Urban Utilities is accountable for the provision of essential services through the spending of public money and is committed to providing services that are affordable and enrich the quality of life.</p> <p>Given Urban Utilities' monopoly status, expenditure must represent value for money in the interests of our customers and demonstrate prudence and efficiency.</p> <p>Urban Utilities applies a cautious appetite to risks which may adversely impact cost to serve.</p>	<p>Minor variations in financial performance, provided long-term financial sustainability and customer affordability are not adversely impacted.</p> <p>Prudent and efficient decisions and financial outlays that deliver an improved service, strategic outcome, or achieve a positive social outcome within budget, achieve minimum or compliant levels of service required by customers, or are supported by customer willingness to pay.</p> <p>Short term negative performance from non-regulated business ventures otherwise within board approved risk appetite.</p> <p>Balanced self-insurance levels with prudent investment in assets to minimise the risk and cost of insurance.</p> <p>Explore support options for vulnerable customers who are having payment difficulties through bill payment schemes and other programs (e.g. pricing relief or improving water efficiency).</p>	<p>Increases in prices to customers that materially worsen affordability outcomes, where the management of such increases is within Urban Utilities' control.</p> <p>Failure to meet shareholder commitment for floor participation returns made under the <i>Participation Agreement</i>.</p> <p>Failure to maintain investment grade credit rating or sufficient liquidity to meet ongoing business requirements.</p> <p>Failure to maintain or implement effective systems, policies, processes and controls which adequately protect Urban Utilities from fraudulent activity. Breaches of financial policies.</p> <p>Investments or costs that do not meet prudence and efficient requirements under economic regulations or value for money outcomes.</p> <p>Changes to customer prices, resulting from annual board pricing decision, outside of standard payment terms and conditions where prior arrangements have not been otherwise agreed.</p>	<p><i>Cost & Capital – We minimise the cost to service in the long run</i></p> <p><i>Experience – We deliver a great experience for our customers and our people</i></p>

KEY RISK AREA	APPETITE STATEMENT	RISK TOLERANCE		CRITICAL OUTCOMES
		WITHIN APPETITE (Will Tolerate)	OUTSIDE OF APPETITE (Will Not Tolerate)	
Legal, Regulatory & Governance 	<p>Urban Utilities is committed to effective and efficient governance and expects the highest standards of professional conduct to ensure its performance measures, public expectations and statutory obligations are consistently met.</p> <p>It applies a minimal appetite to non-compliance with legal, regulatory and governance obligations.</p>	<p>Minor technical compliance breaches that have been reported to both Legal and Compliance Teams and are being appropriately remedied by the business.</p> <p>Temporary non-compliance outside of Urban Utilities' control, provided non-compliance is being appropriately remedied by the business and where necessary, has been notified and discussed with the Regulator.</p> <p>Management of continual improvements or maintaining performance and audit requirements and actions.</p>	<p>Breaches of the Participation Agreement.</p> <p>Breaches of legislation, other than minor technical compliance breaches that are being appropriately remedied by the business.</p> <p>Material breaches of Code of Conduct and Urban Utilities' Policies and Procedures.</p> <p>Fraudulent behaviour or corrupt conduct by Urban Utilities employees, delivery partners and suppliers.</p>	<p><i>Experience – We deliver a great experience for our customers and our people</i></p>
Environment and Heritage 	<p>Urban Utilities recognises the important relationship between the health and well-being of both the communities we serve and the environment in which we operate.</p> <p>It applies a cautious appetite to risks which may adversely impact the environment or the achievement of compliance obligations.</p>	<p>Environmental impacts offset by other activity resulting in a net environmental benefit.</p> <p>Environmental impacts where all reasonable and practicable measures have been taken to reduce any harm or nuisance.</p> <p>Reasonable additional costs in order to avoid long-term or irreversible impact to the natural environment.</p>	<p>Decisions that do not appropriately consider impacts on the environment or cultural heritage and how they could be mitigated.</p> <p>Activities and practices that compromise the environment or cultural heritage where harm or nuisance is reasonably foreseeable and preventable.</p> <p>Failure to adequately plan and act to meet environmental commitments or legal requirements, potentially resulting in regulatory enforcement activity (fines, penalties or adverse directions).</p> <p>Destruction or unlawful harm to items or areas of cultural or heritage significance.</p> <p>Not achieving our environmental targets.</p> <p>Activities or practices that adversely impact Urban Utilities reputation as an environmental custodian.</p> <p>Decisions that do not appropriately consider climate, environmental, social and governance risks.</p>	<p><i>Environment – We deliver on the environmental values of the receiving environment</i></p>
Technology 	<p>As a provider of essential services to the community Urban Utilities must:</p> <ul style="list-style-type: none"> Ensure that its critical systems and processes always remain available; Maintain a risk-based approach to its full portfolio of systems; and Proactively investigate the adoption of digital technologies that address our operational challenges and enhance our core business. <p>Urban Utilities takes an open and eager approach to the provision of technologies to support the business and enable reliable data-driven decision making and drive effective planning, delivery and cost efficiency.</p>	<p>Schedule and planned ICT outages with proactive communication to impacted stakeholders.</p> <p>Unplanned outages for non-critical systems with prompt and ongoing communication to impacted stakeholders.</p>	<p>Poor vendor performance or failure to effectively administer and manage contracts.</p> <p>Prolonged unplanned outages of critical Urban Utilities systems and services.</p> <p>Failure to document and maintain recovery plans, including verifying the efficacy of plans on a regular basis.</p> <p>Failure to implement robust governance processes to manage changes in technology.</p>	<p><i>Cost & Capital – We minimise the cost to service in the long run</i></p> <p><i>Experience – We deliver a great experience for our customers and our people</i></p>
Business Interruption 	<p>As a provider of essential services to the community, Urban Utilities must ensure that its critical services, operations, and business functions remain operable in the face of all hazards.</p> <p>Urban Utilities takes a cautious approach to risks pertaining to business disruption and their effects on core services, our customers and the business.</p>	<p>Minor core service disruptions that are within service standards.</p> <p>Minor business service or function disruptions that are within maximum allowable outage periods.</p> <p>Associated customer, financial, regulatory and reputational impacts from minor business disruptions.</p> <p>Timely and effective implementation of business resilience plans and arrangements to minimise business disruption impacts.</p>	<p>Being unprepared for threats and business disruptions events.</p> <p>Unmitigated threats to our business that don't have resilience plans and arrangements in place.</p> <p>Failure to document and maintain plans, including verifying the efficacy of plans on a regular basis.</p> <p>Activities that result in reasonably foreseeable and preventable harm to Urban Utilities people, assets, systems and information and flow-on impacts to our customers.</p>	<p><i>Cost & Capital – We minimise the cost to service in the long run</i></p> <p><i>Experience – We deliver a great experience for our customers and our people</i></p>

KEY RISK AREA	APPETITE STATEMENT	RISK TOLERANCE		CRITICAL OUTCOMES
		WITHIN APPETITE (Will Tolerate)	OUTSIDE OF APPETITE (Will Not Tolerate)	
Enterprise Security 	<p>Urban Utilities recognises the importance of the security of our people, assets, systems and information in pursuing its objectives.</p> <p>Urban Utilities takes a cautious approach to risks pertaining to external and internal security threats and their effects on core services, data, our customers and the business.</p> <p>Cyber and Data Security</p> <p>Urban Utilities recognises that its information and operational technology assets are vital to both the operation of our business and safeguarding of information and data.</p> <p>Urban Utilities takes a cautious approach to risks pertaining to privacy and confidentiality, external and internal threats, potential for misuse, modification and unintended damage.</p>	<p>Minor security incidents that arise from time to time while undertaking normal activities.</p> <p>Medium level security risks where the likelihood of the event has been mitigated so far as is reasonably practicable.</p> <p>Timely response to, and mitigation of, the effects of security incidents.</p> <p>Work delays and time costs associated with responding diligently to security incidents and hazards in the workplace.</p> <p>Low and Medium rated risks under active management.</p> <p>Cyber and Data Security</p> <p>Minor threats which, if successful, would have a minor or limited impact and would not compromise the integrity, confidentiality or availability of Urban Utilities information, data or systems.</p> <p>Timely remediation of identified cyber security control weaknesses.</p> <p>Timely and effective implementation of tested business response plans in the event of a cyber security incident.</p> <p>Low and Medium rated risks under active management.</p>	<p>Significant unmitigated threats to our business arising from external security threats or incidents.</p> <p>Actions or behaviours that are deliberately in breach of the Protective Security Policy and underpinning security risk controls.</p> <p>Activities that result in reasonably foreseeable and preventable harm to Urban Utilities people, assets, systems and information and the flow on impacts to our customers</p> <p>Unsecured infrastructure and work environments.</p> <p>Lack of due diligence in the application, management of and adherence to security controls</p> <p>Cyber and Data Security</p> <p>Cybersecurity threats or privacy breaches that could have been prevented through reasonable application of controls.</p> <p>Significant unmitigated threats to assets arising from external malicious attacks.</p> <p>Misuse, inappropriate distribution or loss of private, sensitive or confidential Urban Utilities information due to the actions of employees or partners.</p> <p>Lack of diligence in relation to information security at procurement stage and in the implementation of ICT systems and services.</p> <p>Extreme rated risks, where Executives are not confident that Target Risk Ratings can be achieved, and risks brought within appetite in a timely manner.</p> <p>High rated risks are generally outside of appetite, however are Conditionally Acceptable if any further treatment is grossly disproportionate to the risk reduction gained.</p>	<p><i>Safety – We protect the safety of our people and the public</i></p> <p><i>Experience – We deliver a great experience for our customers and our people</i></p>
Brand & Reputation 	<p>Urban Utilities recognises the importance of enhancing and protecting its reputation, developing and maintaining trust with its customers and employees and retaining the support of stakeholders in pursuing its objectives.</p> <p>It also recognises the interests of the community and media in its operations and takes an open and eager approach to maximise that interest and promote its objectives.</p>	<p>Short to medium-term adverse media coverage, social media scrutiny or complaints related to operational activities that;</p> <ul style="list-style-type: none"> Are conducted within risk appetite; Urban Utilities deems to be in the public interest; or Where the consequence of inaction is greater than the anticipated reputational impact. <p>Receiving complaints provided they are managed through a fit-for-purpose complaints handling framework.</p>	<p>Acts or omissions that are likely to result in a withdrawal of shareholder support for Urban Utilities.</p> <p>Acts or omissions that are likely to substantially impair brand, trust and customer satisfaction targets set in the Statement of Strategic Intent.</p> <p>Acts or omissions including corrupt conduct, fraud, maladministration, bribery and other criminal conduct.</p> <p>Acts or omissions that are likely to compromise customer or employee privacy.</p>	<p><i>Experience – We deliver a great experience for our customers and our people</i></p>
Growth & Commercial Opportunities	<p>Urban Utilities' appetite for growth and commercial opportunities is detailed in Urban Utilities' Opportunity Appetite Statement (PRO788).</p>	<p>As described in PRO788.</p>	<p>As described in PRO788.</p>	<p><i>Experience – We deliver a great experience for our customers and our people</i></p>

NOTE: All risk assessments are required to be conducted in accordance with the following Board-approved policies and procedures:

Risk Management Policy (POL11); Risk Management Framework (MP296); Risk Management Procedure (PRO84); Corporate Compliance Policy (POL80); and Opportunity Appetite Statement (PRO788).

Key Related Documents

Health, Safety & Wellbeing - Health and Safety Policy (POL33, Health, Wellbeing Rehabilitation and Return to Work Policy (POL92)

Public Health - Including Acts and subordinate Regulation/ Policy, Water Supply (Safety and Reliability) Act 2008, Environmental Protection Act 1994, Waste Reduction and Recycling Act 2011, Public Health Act 2005

People & Performance - Urban Utilities Code of Conduct (GP54), Anti-discrimination Bullying and Harassment Policy (POL83), Diversity Equity, Inclusion & Belonging Strategy, Fair Work Act 2009, Enterprise Agreements

Water Quality & Aesthetics - Drinking Water Quality Policy (POL38), Drinking Water Quality Management Plan (MP76), Recycled Water Policy (POL39)

Water Security - Water Security Executive Charter (CHA43), Strategic Communication & Engagement Blueprint PRW and Water Security

Influencing our Water Security Strategy - Water Security Executive Charter (CHA43), Strategic Communication & Engagement Blueprint PRW and Water Security

Asset Management - Asset Management Policy (POL62), Emergency Management Plan (CER7), Integrated Plans (including Zone and Catchment)

Financial Sustainability & Customer Affordability - Participation Agreement, Borrowing Policy (POL23), Credit & Liquidity Policy (POL24), Short-term Investment Policy (POL34), Procurement Policy (POL81)

Legal, Regulatory & Governance - Participation Agreement, Urban Utilities Code of Conduct (GP54), Fraud, Corruption and Whistle blower Policy (POL78), Conflicts of Interest Policy (POL20)

Environment and Heritage - Environmental Policy (POL31), Environmental Aspects Impacts Risk Assessment Methodology (PRO249), Board Endorsed Net Zero Target (2032) and Roadmap, Climate Change Risk Model Methodology (PRO802), Relevant End of Waste Codes, Environmentally & culturally relevant legislation, Environmental Protection Act 1994 (including General Environmental Duty)

Technology - Information Management Policy (POL56)

Business Interruption - Organisational Resilience Policy (POL9), Emergency Management Plan (CER7), Business Continuity Management Framework (MP181), Operational Contingency and Shut Plans

Enterprise Security - Protective Security Policy (POL88), People Security Policy (POL95), Physical Security Policy (POL96), Protective Security Framework. | Cyber and Data Security; Information Privacy Policy (POL29), Information and Cyber Security Policy (POL54), Information Management Policy (POL56), ICT Acceptable Use Policy (POL59)

Brand & Reputation - Urban Utilities Code of Conduct (GP54), Complaints Management Policy (POL74), Fraud, Corruption and Whistleblower Policy (POL78), Urban Disclosure Program Procedures (PRO315), Financial Management Practice Manual (MAN12), Strategic Communication & Engagement Blueprint PRW and Water Security

Growth & Commercial Opportunities - Opportunity Appetite Statement (PRO788)