Western Rock Lobster Industry

Risk Management Framework Report

April 2017
CONTENTS
Western Rock Lobster Council – Strategic Background ........................................... 2
An Overview of Risk Management ........................................................................ 4
The Western Rock Lobster Value Chain ................................................................. 5
Developing a Risk Management Framework .......................................................... 5
Western Rock Lobster Industry Risk Dashboard .................................................... 7
Recommended Risk Management Policy ............................................................... 8
Risk Appetite and Tolerance .................................................................................. 9
Risk Management Accountability and Ownership ............................................... 11
Risk Management Process .................................................................................. 11
Risk Management Governance ............................................................................ 12
Risk Assessment .................................................................................................. 13
Risk Reference Tables ......................................................................................... 14
Risk Management Strategy and Tactics .................................................................. 18
WRLC STRATEGIC RISK REGISTER ................................................................... 24
Appendix 1 WRLC - Risk Identification Consultation Report Summary ................. 29
Appendix 2 WRLC – Risk Management Strategy and Tactics .................................. 40
Appendix 3 WRLC - Risk Review Interviews ....................................................... 41
Appendix 4 WRLC - Risk Review Questionnaire .................................................. 42

ACRONYMS
AMSA Australian Marine Safety Authority
DoF Department of Fisheries
GDP Gross Domestic Product
GFC Geraldton Fishermen’s Cooperative
MSC Marine Stewardship Council
OH&S Occupational Health and Safety
PFA Professional Fishermen’s Association
TACC Total Allowable Commercial Catch
WAFIC WA Fishing Industry Council
WRLC Western Rock Lobster Council Inc.
Western Rock Lobster Industry
Risk Management Framework

The Western Rock Lobster Council determined in 2016 to engage agribusiness consultancy Agknowledge® to consult widely across the supply chain and develop a Risk Management Framework against good practice for the Western Rock Lobster Industry. The Industry is seeking to demonstrate responsible leadership and innovation with identification and management of all risks associated with long term management of the fishery. This report provides a summary of the initial consultation process (Page 29) which identified the key risks and informed the building of the Strategic Risk Register (Page 24).

Western Rock Lobster Council – Strategic Background

The Western Rock Lobster Council Inc. (WRLC) is an incorporated non-profit body registered under the Associations Act and was formed to represent commercial licence holders in the Western rock lobster industry. Representation covers a number of different areas including: industry intelligence, advice on rock lobster sustainability, advice and submissions to Government, sourcing funding for industry projects and providing ongoing advice to a number of associated and interested industries.

Organisational Structure

Western Rock Lobster Council – Strategic Background

The Western Rock Lobster Council Inc. (WRLC) is an incorporated non-profit body registered under the Associations Act and was formed to represent commercial licence holders in the Western rock lobster industry. Representation covers a number of different areas including: industry intelligence, advice on rock lobster sustainability, advice and submissions to Government, sourcing funding for industry projects and providing ongoing advice to a number of associated and interested industries.

Organisational Structure

The Industry

Rock lobster fishing occurs from Kalbarri in the north to Cape Leeuwin in the south of WA. The industry currently operates approximately 230 vessels and employs several thousand people both directly and indirectly.

In 2000 the rock lobster fishery in Western Australia was the first in the world to be certified by the Marine Stewardship Council (MSC). In April 2015, at the Brussels seafood expo, the WA fishery was officially recognised for leading the world in sustainability certification and received an award for 15 years of continuous certification. Of the fishing sectors in Western Australia, the rock lobster industry is the major income producing sector (around 70%).
The Western rock lobster fishery makes up around 20% of the total of Australian fisheries and produces in excess of 50% of the Australian lobster production, making the fishery the most valuable wild harvest fishery in Australia. The contribution to the Australian economy is significant. The rock lobster catch in 2013/2014 was 5,600 tonnes representing A$271m in commercial value. The catch for 2014/2015 was 5,943 tonnes representing A$357m.

The export market consumes in excess of 90% of the total Western Australian production, with the product transported live by air freight.

Recent changes to the commercial rock lobster industry include removal of input controls and a limited season, to a full 12 months quota managed fishery. This has facilitated a flatter catch profile, maximised individual fisher’s efficiencies and given the market a consistent and stable supply all year round.

These changes to the management regime have given the industry a significant boost and lifted average beach prices by around 250%, and increased the value of quota by over 500% since the collapse of 2008, improving the bottom line for fishers and also export earnings to Australia.

**Vision Statement**

**The Western Rock Lobster industry will be a confident, viable and well respected industry.**

**Mission Statement**

The WRLC will be the peak industry body representing the views of commercial rock lobster fishers in Western Australia.

We provide the avenue to enable all rock lobster fishers to present any concerns they might have relative to the industry.

We will continue to maintain and grow close working relationships with Government, WAFIC, other peak commercial and amateur fishing bodies to optimise submissions and dialogue with that body for the betterment of all Australians.

**Strategic Objectives**

Key strategies to underpin the Industry will include:

- Co-management of our industry with Department of Fisheries.
- Secure rights of access to resources.
- Stewardship that results in stock abundance.
- Producing a premium product for world markets.
- Profitability for operators.
- Secure returns for investors.
- High public acceptance.
- Working towards opportunity and security for the next generation of the industry.

The WRLC aims to be the ‘go to point of reference’ for all rock lobster fishers in the Western fishery.

By careful lobster resource management and good corporate governance principles, the WRLC will by the year 2020 have a healthy balance sheet and a comfortable cash position to assist its members with any help, guidance and where necessary any financial support they may require.
An Overview of Risk Management

Effective risk management is an integral part of the success of any organisation. The Western Rock Lobster Council (WRLC) recognises risk management as a key part of its culture and is seeking to encourage the Western rock lobster industry (Industry) to acknowledge that risks can be embraced, recognised and managed correctly to ensure the strategic objectives of the Industry are met. The optimising of risks will ensure the commercial viability and sustainability of Industry at all times.

Risk management involves managing to achieve an appropriate balance between realising opportunities for gains while minimising losses. It is an integral part of good management practice and an essential element of good governance.

WRLC as the Industry body is taking a holistic approach to risk management, in that the effective identification, communication and treatment of risks are the responsibility of all Industry. Risks must be systematically considered as part of day-to-day decision making.

Investment and leadership of the Marine Stewardship Council (MSC) certification has provided the Industry with a sound platform from which to develop a strong risk management process.

The WRLC’s Risk Management Framework will provide the foundations for designing, implementing, monitoring, reviewing and continually improving risk management. The overall objective of the Framework is to instil the appropriate behaviours and processes within the industry to drive consistent and effective application of risk management at an operational and industry level.

WRLC is committed to developing a risk-aware culture, which will form the basis of its holistic, integrated Risk Management Framework. The management and identification of risks will not be isolated to particular personnel, with the key message communicated across the Industry being:

“Risk is everyone’s business.”
The Western Rock Lobster Value Chain

Risk in the industry should not be considered a barrier to achieving outcomes, rather an opportunity to be embraced and optimised. In order to achieve the WRLC’s key objectives, risk will be outlined along the Industry Value Chain:

Developing a Risk Management Framework for the Western Rock Lobster Industry

Risk should be seen as a key tool in empowering the Industry to make well-informed and commercially sound business decisions. Risk will only have a potentially negative impact if it is mismanaged, misunderstood, poorly controlled or not identified or communicated correctly.

By adopting the Risk Management Framework in an effective manner throughout the Industry, the benefits of effective embedding of risk aware behaviours and the continuous application and development of the Framework will assist in:

- Improving stakeholder relationships through proper consultation and communications.
- Improving decision making capability and reliability.
- Improving commercial confidence and reputation.
- Protecting the health and safety of all stakeholders.
- Providing the basis for continuous improvement of processes through innovation.
- Improving business resilience.
- Achieving greater accountability and industry performance.
- Improving the effectiveness of WRLC’s corporate governance structure.
Risk Management Framework

Description:
Mandate and commitment

- This component of the framework is about gaining the commitment of WRLC (management) to the risk management framework, resourcing the effort, and assigning accountability and responsibility.

Design of framework for managing risk

- **Understanding the organisation and its context.** Understand the internal and external context of the organisation including regulatory, economic, technology, market factors, organisational structure, strategies and policies, and culture.
- **Establishing risk management policy.** State the objectives for risk management for the organisation including links to objectives and policies, how performance will be measured and reported, and reviewing and improving the risk management framework.
- **Accountability.** Identifying risk owners and who is accountable for the framework.
- **Integration into organisational processes.** Industry-wide plan to incorporate risk management in all processes.
- **Resources.** Allocation of appropriate resources to risk management.
- **Establishing internal communication and reporting mechanisms.** Establish internal reporting and communication mechanisms to support transparent management of risks including: communicating the framework, internal reporting on framework performance, and consultation processes for internal stakeholders.
- **Establishing external communication and reporting mechanisms.** Develop a plan for how WRLC will communicate with external stakeholders including engaging with external stakeholders, reporting to meet regulatory compliance, and building confidence in the organisation and its approach to risk.
Western Rock Lobster Industry – Risk Management Framework

Western Rock Lobster Industry Risk Dashboard

The information contained in this report outlines the development of a Risk Management Framework that will underpin its future development and use.

Once the underlying Risk Reference Tables (p15-18) have been accepted by the Board, the working documents will involve an annual review of the Risk Register (p24-29), and it is recommended the proposed Risk Dashboard (below) will be updated and presented bi-annually (March and September) at WRLC Board meetings.

RISK DASHBOARD as at April 2017

(note the Risk Dashboard is the Executive Summary of the Risk Register p24-29)

<table>
<thead>
<tr>
<th>#</th>
<th>Risk</th>
<th>Likelihood</th>
<th>Consequence</th>
<th>Level of Risk</th>
<th>Highest Consequence</th>
<th>Key Controls</th>
<th>Bi-annual change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>China as the sole outlet for Western Rock Lobster.</td>
<td>5</td>
<td>4</td>
<td>20</td>
<td>Industry Performance</td>
<td>I</td>
<td>GFC investment in in-country facilities taking shape. Beach price&lt;$50 kg. International competition.</td>
</tr>
<tr>
<td>2.</td>
<td>Loss of the right to fish.</td>
<td>3</td>
<td>4</td>
<td>12</td>
<td>Access resources</td>
<td>A</td>
<td>Strategic Plan in place. Significant gap with conservation movement.</td>
</tr>
<tr>
<td>4.</td>
<td>Lack of political support at State and Federal levels.</td>
<td>3</td>
<td>3</td>
<td>9</td>
<td>Access resources</td>
<td>A</td>
<td>Good relationship with WA Minister’s office, but be aware of 2017 election. Federal sphere not clear.</td>
</tr>
<tr>
<td>5.</td>
<td>A significant OH&amp;S event occurs.</td>
<td>3</td>
<td>3</td>
<td>9</td>
<td>OH&amp;S Incidents</td>
<td>A</td>
<td>Priority 2 - Strategic Plan with investment.</td>
</tr>
<tr>
<td>6.</td>
<td>Capital costs for Quota and Pot leases escalate and drive a number of fishers from the industry.</td>
<td>3</td>
<td>3</td>
<td>9</td>
<td>Stewardship of resource</td>
<td>I</td>
<td>Raised as a significant risk and issue across the industry. Countered by the increase in asset value a positive. Needs attention.</td>
</tr>
<tr>
<td>8.</td>
<td>Insufficient funding to run the Industry. Both the Industry body and DoF.</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>Industry performance</td>
<td>A</td>
<td>Current position is sound for the DoF. New levy provides &gt; security.</td>
</tr>
<tr>
<td>10.</td>
<td>Aquaculture production of lobster takes off. e.g. abalone.</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>Industry performance</td>
<td>A</td>
<td>Not a relevant risk at this time – watching brief, or managed investment?</td>
</tr>
</tbody>
</table>

NOTE:
Likelihood and Consequence are rated 1-5.
Level of Risk is calculated by multiplying Likelihood x Consequence.

Key Controls:
Excellent - control has been fully implemented.
Adequate - control is not fully implemented but there is a plan of action.
Inadequate - control has not been identified.
**Recommended Risk Management Policy**

For Risk Management to become part of the Industry’s culture, it is recommended that the following policy is adopted by the WRLC. Supported by the Framework and processes the goal is the effective management of uncertainty. Through the risk management process, the WRLC can deliver better business outcomes and meet corporate governance requirements. The approach is consistent, integrated and applicable across the whole of Industry.

To realise the risk management goal, WRLC will allocate the resources necessary to implement this policy and will:

- Identify, understand and evaluate internal and external threats and opportunities.
- Define, implement and take responsibility for effective management action that actually changes the risk outcome.
- Ensure that we have an appropriate risk management framework, procedures and approaches to risk, aligned to our business strategy and which evolves as our business develops.
- Maintain and review an industry organisational structure that ensures responsibility and accountability for risk management throughout all levels of the industry.
- Acknowledge good risk management behaviours and correct those behaviours that do not actively contribute to good risk management.
- Ensure that all our personnel have the skills and motivation to fulfil their obligations within the risk management framework.
- Communicate material risk information through an efficient and effective reporting process.

The effective implementation and maintenance of this policy will enable more informed business decisions and add value to the industry by providing stakeholders with assurance that risk is mitigated to an acceptable level.

**Key Recommendations from the MSC Benefit Analysis – Agknowledge 2015**

In 2015 Agknowledge conducted a Benefit Cost Analysis of the Western Rock Lobster Industry investment into MSC Accreditation. Following are the Key Recommendations from this analysis which provided significant guidance towards establishment of, and inclusion in the Risk Management Framework.

**KEY RECOMMENDATIONS:**

1. WRLC invests in MSC re-certification for 2017-21.
3. Negotiate a joint marketing and communications strategy with MSC.
4. Make members aware of the potential discount on lending margins.
5. Optimise the R&D investment in the industry.
6. Foster a discussion on animal welfare.
7. Work collaboratively to optimise a long term market in China.
8. Develop a premium ‘Australian Lobster’ brand.
9. Develop a *Western Rock Lobster Festival* with affordable product across WA to create awareness and domestic support.
10. WRLC to look at alternate industry funding by creating a short term collection from harvesters, to create an industry future fund.
Risk Appetite and Tolerance

One of the key ingredients in having a positive and proactive risk culture is having a well-defined organisational risk appetite which in turn drives behaviours and outcomes.

At its simplest, risk appetite can be defined as the amount of risk, on a broad level, that an organisation is willing to seek or accept in the pursuit of value. Or in other words, the total impact of risk an organisation is prepared to accept in the pursuit of its strategic objectives.

WRLC understands the diversity of the Industry carries a degree of risk, which may need to be accepted in order to achieve the strategic and operational objectives. It also understands that risk is not necessarily bad however unidentified, incorrectly assessed and poorly managed risk can impact the Industry negatively. As such, WRLC commits to the proper identification, assessment and management of risk through a robust framework so that all risks are managed and controlled effectively in order for Industry to meet its goals.

To determine risk appetite the following criteria has been applied:

Levels of Risk Appetite

<table>
<thead>
<tr>
<th>Zero</th>
<th>No tolerance for risk in this area and no appetite for any breaches of controls or standards.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Some tolerance of low risks in this area however no appetite for substantive risks at any time.</td>
</tr>
<tr>
<td>Moderate</td>
<td>Medium levels of risk are tolerated subject to there being a full understanding of the potential benefits and risks, and the controls are fully in place and effective.</td>
</tr>
<tr>
<td>High</td>
<td>Higher levels of risk are tolerated subject to there being a full understanding of the potential benefits and risks, the required authorisation is obtained and the controls are fully in place and effective.</td>
</tr>
</tbody>
</table>

As a general rule, the Industry has a ‘low’ to ‘moderate’ risk tolerance subject to a full understanding of the potential benefits and risks, and effective controls being fully in place. There is some appetite for ‘high’ risks within the Industry currently related to the marketplace and industry cohesion. The following table provides a high level synopsis of varying levels of risk appetite determined during the consultation process within the Industry.

Synopsis of Risk Appetite Levels across the Western Rock Lobster Industry

<table>
<thead>
<tr>
<th>Zero Tolerance</th>
<th>Low Tolerance</th>
<th>Moderate Tolerance</th>
<th>High Tolerance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Safety</td>
<td>Reputation and Image</td>
<td>Financial Risks</td>
<td>Local awareness</td>
</tr>
<tr>
<td>Fraud and Corruption</td>
<td>Environment</td>
<td>Partnering arrangements</td>
<td>Market positioning</td>
</tr>
<tr>
<td>Misconduct</td>
<td>Importance of science</td>
<td>Market Leadership</td>
<td>Processor capability</td>
</tr>
<tr>
<td>Wilful Breaches of Confidentiality</td>
<td>Lack of Transparency in Reports</td>
<td>Operational Efficiency</td>
<td>Financial security</td>
</tr>
<tr>
<td>Government relationships</td>
<td>Animal welfare</td>
<td>Communications</td>
<td>Industry independence</td>
</tr>
</tbody>
</table>
Risk Appetite Discussion

The Industry will not tolerate unsafe or unhealthy work practices. The safety and health of Industry fishermen, processors and their employees, contractors, consultants and third parties is paramount. The WRLC has ‘zero’ tolerance for consent, connivance or neglect that jeopardises the health or safety of Industry fishermen, processors and their employees, contractors, consultants and third parties. The Industry expects zero or a reducing injury and incidence rate from the parties it partners with, supported by adequate controls to manage those risks.

“Industry needs to keep OH&S on the radar and develop industry standards/best practice and new training programs for young people and develop a benchmark code of practice. Industry mustn’t be complacent as it is tarred with a reputation of being dangerous. Where there is risk, there is always opportunity.”

Source: Respondent quote – Agknowledge Risk Survey June 2016

From a financial perspective, WRLC has ‘zero’ tolerance for fraud, corruption or acts or decisions that put the financial stability of the organisation or Industry at risk. As such, WRLC expects to have adequate controls in place to manage those financial risks.

From a reputation and image perspective, the Industry has a ‘low’ appetite except in looking to achieve ‘Market Leadership and Innovation’ where the appetite is ‘moderate’. All WRL Industry members, staff, suppliers and partners are expected to operate in an ethical, accountable and responsible manner to meet this objective. In particular, it is imperative that the Industry maintains a positive reputation and image in order to ensure its continuing licence to operate is maintained.

The Industry recognises that activities in relation to the environment may have to assume a low, rather than zero level of downside risk to achieve objectives, especially when the challenging circumstances of nature and the ocean are present.

The environment in which we operate can be extremely unpredictable. From an operational efficiency perspective, the Industry expects the application of continuously improving best practice harvesting and processing methodology, and has a ‘moderate’ appetite driven by the need for maximum economic yield.

*Geraldton Fishermen’s Co-operative is committed to a Quality Management System designed for continuous improvement and continually strives to understand and meet the needs of the customer. GFC’s processing facilities are all AQIS Registered Processing Establishments and are approved to export to all markets, including the EU. All products are processed to the highest standards according to the principles of HACCP and Good Manufacturing Practice.*

*Geraldton Fishermen’s Co-operative is fully committed to the receipt, handling, storage and dispatch of safe, sustainable high quality seafood. Only live lobsters are received from fishermen/shareholders. Each member vessel has Approved Supplier status and is audited regularly for adherence to GMP. Only lobsters from a Marine Stewardship Council certified fishery are received in accordance with GFC’s MSC Chain of Custody certification. All products comply with the FSANZ Food Standards Code and full traceability of all products is maintained.*


From a compliance perspective, WRLC has ‘zero’ tolerance for fraud, misconduct or wilful breaches of confidentiality, and a ‘low’ tolerance for errors, inaccuracies or lack of transparency in our reports to government and stakeholders that might impact our compliance. WRLC recognises that in the drive to adopt best practices, innovate and embrace disruption and new entrants into the sector, regulatory barriers and hurdles will be appropriately challenged. As such, a ‘moderate’ risk profile will be adopted in these areas.
Risk Management Accountability and Ownership

Risk Management needs to be integrated into strategic planning and operational management responsibilities. Every member of the Industry has a role and responsibility in risk management to be vigilant in the identification and treatment of risks and is invited and encouraged to participate in this process. This responsibility extends from the Minister, WRLC and Processors to the Industry individual’s requirements to operate in a safe, healthy and effective workplace.

WRLC expects all members of the Industry to be disciplined, determined and accountable for the actions taken to manage risk. It is expected that Industry fishermen, processors and their employees, all contractors, consultants, and third parties will:

- Behave in a manner that reflects the Industry risk management culture.
- Recognise and manage risks which are important to the Industry.
- Be proactive in identifying, communicating and acting to manage risk.
- Participate in formal risk processes where required.
- Acknowledge ownership of risks and accountability for implementation, monitoring and improvement of controls and integrate risk management activities in day-to-day functions.
- Recognise risk aware behaviour and be proactive correcting inadequate risk management practices.
- Reporting or escalating risk issues to relevant levels of Industry management for assurance and governance purposes.

*In order to embed these principals into the Industry, the WRLC will need to consider how best to attribute the responsibility for the identification assessment, and control of risk issues and relevant performance of these key functions throughout the industry.*

Risk Management Process

The WRLC’s risk management process is designed to ensure that risk management decisions are based on a robust approach, assessments are conducted in a consistent manner and a common language is used and understood throughout the Industry.
The main elements of the risk management process illustrated above are as follows:

- **Establish the context.** Establish the external, internal and risk management context in which the rest of the process will take place. Criteria against which risk will be evaluated should be established.

- **Communicate and consult.** Communicate and consult with internal and external stakeholders as appropriate at each stage of the risk management process.

- **Identify risks.** Identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of the Industry’s objectives.

- **Analyse risks.** Identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. This analysis should consider the range of potential consequences and how these could occur.

- **Evaluate risks.** Compare estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.

- **Treat risks.** Develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs.

- **Monitor and review.** Monitor the effectiveness of all steps of the risk management process. This is important for continuous improvement. Risks and the effectiveness of treatment measures need to be monitored to ensure changing circumstances do not alter priorities.

### Risk Management Governance

Demonstrated Board and Executive leadership support and a robust governance structure are essential components of WRLC’s Risk Management Framework. The risk governance structure ensures that the Board and Executive are actively engaged and drive a risk management based culture.

The WRLC Board will take responsibility for determining and providing a focus on the risk management activities and development. The key objectives of the Board include:

- Ensuring appropriate risk management strategy, processes and procedures are operating effectively throughout the organisation and industry.

- Defining and recommending the risk appetite as represented in risk assessment criteria.

- Reviewing the control assurance program as defined in the various Risk Management Plans including identification of common areas of concern that may require Industry wide responses.

- Reviewing the Industry’s project risk assessment and profile as necessary.

The Board maintains a level of awareness and accountability for the risks across the organisation and industry and reinforces risk management as part of the Industry culture.

A Risk Management Update will be conducted at least twice a year.

**Risk Assessment**

WRLC’s risk assessment system will cascade from the strategic plan through to operational and project plans and integrated into key performance indicators and Industry performance plans. Political, economic, stakeholder and regulatory legislative factors are considered when assessing strategic risks while corporate objectives and organisational structures are considered for operational and corporate risk analysis.

Three levels of risk are considered for the Industry namely:

1. **Strategic risks**: Strategic risks are considered ‘high level’ and are associated with achieving corporate objectives and threats to long term sustainability of the industry. These risks are often as a result of changes to government policy or varying economic conditions and may be outside the direct control of WRLC. These high level risks are continually updated and controls revisited by the Board. Additionally, a Strategic risk assessment will be conducted annually at an Executive Management level and integrated with WRLC’s strategic planning process through the Strategic Plan.

2. **Operational risks**: Operational risks impact the Industry as a whole and are associated with threats to the overall business plan and business functions. Operational Risks are to be considered in the Strategic Risk Assessment by the Board and Executive Management.

3. **Project risks**: All projects have a life cycle from conception through to planning, contracting, design, delivery and require risk identification and management to ensure successful completion. High level project risks are to be identified and analysed for each project. These may not necessarily be a part of the overall Risk Framework.
Risk Reference Tables

The Risk Reference Tables are a guide to evaluating, measuring and reporting risks within the Industry along with organising risks into likelihood, consequence, existing controls and risk criteria. The following tables have been developed during the Risk Consultation process and are subject to Board and Industry acceptance.

Risk Identification

The risk identification process undertaken by Agknowledge® through the Industry Consultation process has generated a comprehensive list of threats and opportunities based on events that might enhance, accelerate, prevent, or delay the achievement of objectives.

Identified Industry Risk

1. Aquaculture is coming
2. Chain of custody risk
3. Competitors
4. Confidence in WRLC
5. Consumer risk on access
6. Disenfranchised members
7. Failure to promote in schools
8. Funding to run the industry
9. Insufficient funding for DoF
10. Lack of community support
11. Lack vision on conservation groups
12. Lose MSC accreditation
13. Loss of right to fish
14. Marketing risk – one market
15. Occupational health and safety
16. Political risk
17. Recruitment failure

Risk Analysis Criteria

Risks are analysed based on assessments of the consequences chosen to characterise the risk, the existing mitigation in place, their effectiveness and the likelihood of those consequences arising.

Consequences Assessment

The realistic worst-case impact of the risk event should be assessed when analysing consequences. The choice of now to mitigate the risk (if at all) should be made once impacts are reviewed so that the risk aligns with the industry context.

Risk Consequence Matrix
### Western Rock Lobster Industry – Risk Management Framework

#### Level 1: Insignificant
- **Rank:** Insignificant
- **OH&S Incidents:** Minor incident or near miss report but no sign of injury or illness.
- **Stewardship of resource:** The DoF ‘Weight of Evidence’ model monitoring biomass, egg, and puerulus values and tracked against catch rates has a 10% year to year variance.
- **Access to resources Reputation and Image:** Isolated individual’s issue-based complaint. No media, news coverage or government correspondence.
- **Industry performance:** Up to 10% variance against key performance indicators or objectives.

#### Level 2: Minor
- **Rank:** Minor
- **OH&S Incidents:** Injury or illness requiring first aid treatment only.
- **Stewardship of resource:** The DoF ‘Weight of Evidence’ model monitoring biomass, egg, and puerulus values and tracked against catch rates has a 10-20% year to year reduction.
- **Access to resources Reputation and Image:** Local community impacts or issue-based concerns. Some local or industry media, and or news coverage or government correspondence.
- **Industry performance:** 10-20% variance against key performance indicators or objectives.

#### Level 3: Moderate
- **Rank:** Moderate
- **OH&S Incidents:** Medical treatment required, rehabilitation or lost time injury or illness.
- **Stewardship of resource:** The DoF ‘Weight of Evidence’ model monitoring biomass, egg, and puerulus values and tracked against catch rates has a 20-30% year to year reduction.
- **Access to resources Reputation and Image:** Widespread community impacts and public concerns expressed. Reduced confidence by community and stakeholders. State media and or news coverage. Ministerial correspondence.
- **Industry performance:** 20-30% variance against key performance indicators or objectives.

#### Level 4: Major
- **Rank:** Major
- **OH&S Incidents:** Substantial injury, temporary disability or life threatening injury or illness.
- **Stewardship of resource:** The DoF ‘Weight of Evidence’ model monitoring biomass, egg, and puerulus values and tracked against catch rates has a 30-50% year to year reduction.
- **Access to resources Reputation and Image:** Widespread, considerable and prolonged community impact and dissatisfaction publically expressed. Criticism and loss of confidence and trust by community and stakeholders in the industry, processes and capabilities. Industry and/or organisation’s integrity in question. Significant national and state media attention.
- **Industry performance:** 30-50% variance against key performance indicators or objectives.

#### Level 5: Catastrophic
- **Rank:** Catastrophic
- **OH&S Incidents:** Loss of life. Permanent disability. Potential criminal liability charge.
- **Stewardship of resource:** The DoF ‘Weight of Evidence’ model monitoring biomass, egg, and puerulus values and tracked against catch rates greater than 50% year to year reduction.
- **Access to resources Reputation and Image:** Widespread, persistent and ongoing adverse community condemnation with substantial irrecoverable industry ‘brand’ damage. Wholesale loss of confidence/trust in the Industry’s capabilities and intentions. Ministerial intervention at Board level. Widespread national/international media coverage.
- **Industry performance:** Greater than 50% variance against key performance indicators or objectives.

### Likelihood Assessment
The qualitative descriptors of likelihood are designed to answer the question of how likely the described risk event is to cause the consequences at the level. The likelihood and consequence ratings for Strategic and Operational Risks must be considered with Key Controls in place (Residual Risk - the threat that remains after all efforts to identify and eliminate risk have been made. There are four basic ways of dealing with risk: reduce it, avoid it, accept it or transfer it.)

### Risk Likelihood Matrix

<table>
<thead>
<tr>
<th>Level</th>
<th>Descriptor</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rare</td>
<td>Less than once in 5 years, or at all.</td>
</tr>
<tr>
<td>2</td>
<td>Unlikely</td>
<td>Controls and consideration provide confidence.</td>
</tr>
<tr>
<td>3</td>
<td>Moderate</td>
<td>Lack of diligence and external input.</td>
</tr>
<tr>
<td>4</td>
<td>Likely</td>
<td>Compliance and monitoring will break at some stage.</td>
</tr>
<tr>
<td>5</td>
<td>Almost certain</td>
<td>History and events suggest this will happen, when is the question.</td>
</tr>
</tbody>
</table>

### Risk Measurement Criteria
This process combines consequence, likelihood and the performance measurement for applied risk controls to provide a risk assessment rating which can be used as a foundation for prioritisation based on WRLC risk tolerance. The Table reflects the Risk Measurement Criteria adopted by WRLC.

### Risk Measurement Criteria Matrix

<table>
<thead>
<tr>
<th>Level of Risk</th>
<th>Criteria for Management of Risk</th>
<th>Responsibility/Risk Ownership</th>
<th>Review Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 3</td>
<td>Low</td>
<td>Individual responsibility</td>
<td>12 months</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Industry and individual participants</td>
<td></td>
</tr>
<tr>
<td>4 - 7</td>
<td>Minor</td>
<td>Acceptable with adequate controls</td>
<td>Executive oversight</td>
</tr>
<tr>
<td>8 - 9</td>
<td>Moderate</td>
<td>Only acceptable with adequate controls</td>
<td>Executive and Board oversight</td>
</tr>
<tr>
<td>10 - 15</td>
<td>High</td>
<td>Not acceptable without consultation</td>
<td>Executive and Board oversight</td>
</tr>
<tr>
<td>16+</td>
<td>Extreme</td>
<td>Not acceptable – intervention necessary</td>
<td>Board intervention and oversight</td>
</tr>
</tbody>
</table>

### Control Assessment and Risk Treatment

Risk Treatment involves developing a range of options for mitigating the risk, assessing those options, and then preparing and implementing action plans. Typical options are detailed below.

### Control Assessment Criteria

Controls are the appropriate response to the assessed risk (a procedure, system, activity, policy or process) that reduces the likelihood and/or consequences of that risk. The following list describes options to be considered for developing an appropriate response:

- **Avoid or Eliminate**: Decide not to proceed with the activity that introduced the unacceptable risk, choose a more acceptable activity that meets business objectives or choose a less risky approach or process.
- **Reduce**: Implement a strategy to reduce the likelihood or consequence of the risk to an acceptable level, where elimination is considered to be excessive in terms of time or expense.
- **Share or Transfer**: Implement a strategy which ensures that another party bears the cost (insurance) or conducts the work on the organisation’s behalf (contracting). *The third-party accepting the risk should be aware of and agree to accept this obligation.*
- **Retain or Accept**: Make an informed decision that the risk rating is at an acceptable level or that the cost of the mitigation outweighs the benefit. This option may also be relevant in situations where a residual risk remains after other treatment options have been put in place. No further action is taken to treat the risk, however, ongoing monitoring is recommended.

### Control Status and Effectiveness

A control is implemented, planned or identified as a potential further action as a result of the risk review process. All controls utilised should be relevant, documented, effective and current.

### Control Status Matrix
Status | Description
--- | ---
**Excellent** (Implemented) | Control has been fully implemented and there is documentation evidencing the use of the control.
**Adequate** (Planned) | The control is not fully implemented but there is a documented plan of action which specifies tasks, responsibilities and completion date.
**Inadequate** (Action Required) | Control has not been identified or documented and should be considered to improve on/impact the assessed risk.

Risk Register

The risk register will enable the WRLC to document, manage, monitor, review and update strategic, corporate and project risk information. Risk register reporting allows management to monitor and review risks in alignment with the strategic plan.

2016 – WRLC Initial Risk Identification and Assessment

The risk identification process has generated a comprehensive list of threats and opportunities based on events that might enhance, accelerate, prevent, or delay the achievement of objectives. The ‘start up’ list has been generated from the Industry Consultation process and individual interviews.

<table>
<thead>
<tr>
<th>Identified Industry Risk</th>
<th>Risk Likelihood</th>
<th>Risk Consequence</th>
<th>Overall Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing risk – one market</td>
<td>4.0</td>
<td>4.5</td>
<td>18.5</td>
</tr>
<tr>
<td>Lack vision on conservation groups</td>
<td>3.4</td>
<td>3.6</td>
<td>12.4</td>
</tr>
<tr>
<td>Loss of right to fish</td>
<td>2.7</td>
<td>4.7</td>
<td>12.3</td>
</tr>
<tr>
<td>Competitors</td>
<td>3.3</td>
<td>3.3</td>
<td>11.5</td>
</tr>
<tr>
<td>Chain of custody risk</td>
<td>3.0</td>
<td>3.5</td>
<td>11.4</td>
</tr>
<tr>
<td>Occupational health and safety</td>
<td>2.9</td>
<td>3.2</td>
<td>10.8</td>
</tr>
<tr>
<td>Recruitment failure</td>
<td>2.4</td>
<td>4.2</td>
<td>10.4</td>
</tr>
<tr>
<td>Political risk</td>
<td>2.7</td>
<td>3.6</td>
<td>10.2</td>
</tr>
<tr>
<td>Consumer risk on access</td>
<td>3.4</td>
<td>2.8</td>
<td>10.2</td>
</tr>
<tr>
<td>Lack of community support</td>
<td>3.0</td>
<td>3.3</td>
<td>10.1</td>
</tr>
<tr>
<td>Insufficient funding for DoF</td>
<td>2.7</td>
<td>3.2</td>
<td>9.1</td>
</tr>
<tr>
<td>Funding to run the industry</td>
<td>2.7</td>
<td>3.1</td>
<td>9.0</td>
</tr>
<tr>
<td>Aquaculture is coming</td>
<td>2.6</td>
<td>2.7</td>
<td>7.8</td>
</tr>
<tr>
<td>Confidence in WRLC</td>
<td>2.2</td>
<td>2.9</td>
<td>6.5</td>
</tr>
<tr>
<td>Failure to promote in schools</td>
<td>2.5</td>
<td>2.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Disenfranchised members</td>
<td>2.4</td>
<td>2.4</td>
<td>6.1</td>
</tr>
<tr>
<td>Lose MSC accreditation</td>
<td>1.7</td>
<td>3.2</td>
<td>5.8</td>
</tr>
</tbody>
</table>
Risk Management Strategy and Tactics

Based on the stakeholder contributions the seven (7) key areas that the WRLC could investigate to further address to reduce the risks, include the following:

1. Work in collaboration with industry and government to understand and mitigate the risk of reliance on a single market.
2. Invest, manage and cultivate a strong social licence to operate the industry.
3. Invest in a total industry responsibility to actively manage the chain of custody.
4. Develop a high standard of occupational health and safety in the industry.
5. Industry to actively manage the TACC.
6. Collaborate and invest in targeted research for future security and productivity.
7. Develop the WRLC as a key policy and governing body for the industry.

The listing below is the combined views of all interviewed stakeholders and their thoughts on possible solutions or opportunities for the respective identified risks to the industry:

1. **Work in collaboration with industry and government to understand and mitigate the risk of reliance on a single market.**
   - **Marketing risk – one market (19)** *(identified risk and rating)*
   - Competitors (12)
   - Aquaculture is coming (8)
     a. Access the Chinese market through legal channels
        - Fast-track the Free Trade Agreement with Chinese and Australian authorities to improve trade relations and market access.
        - Promote MSC certification and build up the brand of the spiny western rock lobster as a luxury premium product over and above lobster from other countries.
        - Encourage industry to establish marketing channels that enable the product to go directly into China. It will also help to deliver a better quality product as it will not spend as much time in transit.
     b. Diversify markets for Western rock lobster
        - Investigate alternative markets including those countries with Chinese populations.
        - Re-establish original markets in Japan, Korean and the United States.
        - Explore new market lines for product diversity - i.e. freezing, horn meat, leg meat etc.
        - Develop a greater presence in the local market.
        - Seek specialised markets for larger crays.
     c. Encourage the involvement of the processing sector
        - Establish a sub-committee that is representative of processors under the WRLC Board to agree on common interests and allow the WRLC to make direct representation to the Minister in regards to any issues.
        - Ensure that the processing sector is represented on or through the WRLC.

d. **Address industry concerns within the processing sector**
• Investigate the feasibility of more facilities in coastal areas for fishermen to deliver product straight to.
• Investigate the allocation of airspace and how it can be better managed to ensure that the WA rock lobster industry is not devalued.
• Determine if there are other options to access airspace to deliver product at short notice.

2. **Invest, manage and cultivate a strong social licence to operate the industry.**
   
   • Loss of right to fish (12)
   • Lack vision on conservation groups (12)
   • Lack of community support (10)
   • Political risk (10)
   • Consumer risk on access (10)
   • Failure to promote in schools (7)

   a. Engage with non-government organisations (NGOs)
   
   • Develop and maintain relationships with NGOs (conservation and animal welfare groups).
   • Find a credible group/s to work closely with.
   • Ensure it is the role of a WAFIC or WRLC employee (i.e. Chief Executive Officer) to develop and maintain relationships with NGOs.
   • Invite NGOs to sit in on discussions where there are common interests i.e. marine parks.
   • Invite NGOs to attend annual management meetings to voice their concerns about the industry.
   • Further discuss and investigate restoring funding for a position for the Conservation Council in WA.
   • Promote MSC certification.

   b. Demonstrate industry’s social licence to operate
   
   • Continue to promote how industry is dealing with whale entanglement, bycatch and management of access to marine parks.
   • Develop a promotional and educational campaign to manage social licence.
   • Ensure best practice in dealing with sensitive issues through awareness and gear modifications.
   • Promote value of industry to the State in terms of GDP, employment, rural communities etc.
   • Ensure the community have access to purchase western rock lobster.
   • Maintain a presence at community events to promote the industry and raise awareness.
   • Work with a local celebrity to raise community profile.
   • Promote MSC certification – the Western rock lobster was the first fishery in the world to be certified and it reinforces that it is a responsible and sustainable industry.
   • Develop a close working relationship with MSC to raise community awareness and change the perception of the industry.
• Gauge the interest from industry to go carbon neutral to offset carbon emissions from boats etc.
• Ensure industry maintains a good working relationship with the government, relevant ministers and members of parliament along with the Department of Fisheries.

c. Promote the Western rock lobster industry and raise awareness
• Develop a promotional and educational campaign that utilises a number of platforms.
• Engage with consumers and industry via social media.
• Work with MSC to promote industry through support statements, promotional film clips, social media etc.
• Ensure the industry is represented at seafood and community events.
• Research the idea of a specific lobster festival.
• Work in with the school curriculum to educate children and promote the WA fishing industry in general in the classroom.
• Compile brochures to distribute at events that promote the industry.
• Engage an ambassador to promote the Western rock lobster in both the Asian and domestic market.

d. Service the local market
• Build community support through supplying the local market and ensuring the industry continues to have social licence to operate.
• Investigate the feasibility of setting aside quota and selling at a discounted price.
• Alternatively look at options to continuously supply the local market by supplying seconds at a lower price.
• Utilise the MSC branding to promote the sustainability of the industry.
• Supply the local market to reduce the incentive for recreational fishers to sell into the market and get consumers to buy it through legitimate channels.

3. Invest in total industry responsibility to actively manage the chain of custody.
   • Chain of custody risk (11)
   • Lose MSC accreditation (6)

a. Promote the ongoing certification of MSC
• Maintain and continue to fund MSC certification.
• Brand Western rock lobster with MSC and promote it as a premium product from the best managed fishery in the world.
• Promote MSC certification in the Chinese market and build up the brand of the spiny rock lobster as a luxury premium product over and above lobster from other countries.
• Utilise the MSC branding in the domestic market to promote that the industry is responsible and sustainable.
• Reinforce industry has the imprimatur of MSC when dealing with NGOs.
• Develop a close working relationship with MSC to raise community awareness and change the perception of the industry.
• Develop a communications plan to utilise various platforms to communicate MSC activities and good news stories with industry and the community.
• Utilise MSC representatives to engage with the catching sector through attending management meetings and getting on board boats.
b. Address the risks with exporting a live product
   • Develop an industry code of practice for handling rock lobster that will help meet the requirements of animal welfare and protects the quality.
   • Develop an animal welfare plan around crisis management.
   • Establish a key industry spokesperson who is briefed with a pre-constructed message to address any concerns raised.
   • Undertake further research to determine if industry is exporting lobster in the best possible way.
   • Encourage direct access to the Chinese market in order to deliver a quality product and reduce the risk of exposure and mortalities.

c. Promote best handling practices of the Western rock lobster
   • Develop an industry code of practice for handling rock lobster that will ensure the quality is maintained throughout the supply chain including in the market place. The same document will also help industry meet the requirements of animal welfare.
   • Produce a summarised form of the industry code of practice as a brochure that can be distributed, in both English and Chinese, in the market place and at events.
   • Liaise with the Southern Rock Lobster industry in regards to their brochures and develop a similar promotional tool.
   • Develop training workshops to raise awareness and educate the food sector (chefs/retail) that will cover storage, handling and preparation.
   • Organise an international educational study tour to determine if any further improvements can made within industry.

d. Protect the quality of the Western rock lobster
   • Reduce the amount of time the product spends in transit.
   • Encourage all vessels to adopt the industry code of practice to protect the quality and image of the industry.
   • Investigate the feasibility of more facilities in coastal areas for fishermen to deliver product straight to.
   • Promote sustainable wild catch.
   • Lobby government to introduce legislation for food labelling for the Australian seafood industry.
   • Investigate opportunities to provide financial incentives to pay for quality and penalise poor quality and to encourage responsible fishing.

4. Develop a high standard of occupational health and safety in the industry.
   • Occupational health and safety (11)
     a. Promote and raise awareness of occupational, health and safety
        • Develop industry standards / code of practice for safety to protect the reputation of the industry and the brand.
        • Implement training programs to cover fatigue management, first aid, deckhand training, induction etc.
        • Investigate the feasibility of mandatory drug and alcohol testing within the industry.
        • Determine if training to some degree is a requirement under the Australian Maritime Safety Authority (AMSA) and if so promote it. Otherwise enforce and make training mandatory for everyone on board a fishing vessel.
5. **Industry to actively manage the TACC.**
   - **Recruitment failure (10)**
     a. Re-address the quota management system
        - Relaxation of the compliance to enable harvesters to have a period of time to replace any quota they may have exceeded.
        - Investigate alternative automatic quota management systems.
        - Determine the feasibility and possibility for the WRL industry to purchase the quota system and run it under licence to the government.
     b. Investigate an increase in quota
        - Determine if it is feasible to increase quota and maintain stocks at a sustainable level.
        - Explore options to establish secondary markets including the local market at a lower price to protect the premium market in China.
        - Investigate opportunities to attract and retain youth in the industry through extra quota allocation at a reduced price.
     c. Establish a pot register around transfers
        - Investigate registry systems used by other industries.
        - Determine the feasibility and possibility for industry to purchase the software to run its own registry system.
     d. Investigate viable leasing options and encourage the involvement of investors
        - Further investigate leasing options to make it a more equitable system where the risk is shared between fishermen and investor.
        - Determine how the lease price is set.
        - Determine if it is appropriate to put a ceiling on lease quota or a restriction on amount each vessel can carry.
        - Formulate a policy on leasing.
        - Work with investors to protect the long term sustainability of the industry.
        - Ensure that investors are represented through the WRLC.

6. **Collaborate and invest in targeted research for future security and productivity.**
   - **Funding to run the industry (9)**
   - **Insufficient funding for Department of Fisheries (9)**
     a. Seek other funding for research
        - Look for alternative funding sources.
        - Ensure industry maintains a good working relationship with the government and the Department of Fisheries.
        - Increase industry contribution through the industry levy
     b. Invest in industry owned research
        - Fund industry research to ensure independence and reduce reliance on government.
        - Invest in stock assessment sights to give industry a better understanding of the science.
c. Undertake further research
   • Determine the best way to freeze rock lobster to better preserve the quality.
   • Conduct research in regards to seismic surveys and the consequences for the rock lobster industry.
   • Investigate if there is another indicator of stock levels other than puerulus counts?
   • Undertake a Maximum Economic Yield study to determine the benefits.
   • Organise an international educational study tour to determine if any further improvements can be made within industry.

d. Be aware of climate change
   • Further research to gain a better understanding of the impact of climate change.
   • Ensure that stock levels and water temperature continue to be closely monitored.
   • Continue to be conservative in setting the Total Allowable Catch.

7. Develop the WRLC as a key policy and governing body for the industry.
   • Disenfranchised members (7)
   • Confidence in WRLC (6)
     a. Secure property rights for fishermen
        • Liaise with government to strengthen property rights.
        • Push for state legislation to be bought into line with commonwealth legislation similar to the tuna industry.
        • Alternatively engage a consultant to develop industry’s own property rights model to put to the government and the Department of Fisheries.
     b. Change the structure of the WRLC
        • Engage the services of independent and professional directors/chair.
        • Ensure that the WRLC is representative of the whole of the Western rock lobster industry.
        • Focus on both short and long-term strategy and risk.
        • Provide leadership / professional development opportunities for board members and future leaders.
        • Reassess the structure of the PFAs.
        • Further investigate the catch differentiation between zones.
     c. Establish a policy on foreign investment
        • Liaise with government and monitor restrictions on large companies investing in the industry through the introduction of new legislation or the reinforcement of the government’s foreign investment policy.
     d. Consult with other sectors of the rock lobster industry in Australia
        • Determine areas of common interest that the industries can unite to work together:
          • Southern Rock Lobster industry – direct access into China
          • Southern Rock Lobster industry – have developed “Recommended Guidelines” for Managing Live Australian Southern Rock Lobster
          • Tasmanian Rock Lobster industry – compiled a book to educate children with the Tasmania Fishing Industry Council.