

RISK APPETITE STATEMENT

1. Background

This document describes the risk appetite, as prescribed by the Racing Queensland Board, the processes through which we identify and manage enterprise and departmental risks and the role responsibilities of all employees within the Risk Management Framework.

The Board is responsible for setting the overall risk culture at Racing Queensland (RQ) and the Board's risk appetite informs all risk management activity within the organisation. The Audit and Risk Committee has oversight of the Risk Management Framework.

RQ's risk appetite is the degree to which it is prepared to accept risk. Some level of risk is inherent in our activities; however the identification and management of risk is central to achieving RQ's strategic objectives.

Risk may manifest in many forms and has the potential to impact safety, financial, reputation, regulatory and strategic objectives. By understanding and managing risk we provide greater certainty and confidence for the Minister, racing industry participants and key stakeholders.

The Board has determined that Management will take risks, commensurate with its statutory responsibilities, where it has the capacity and capability to manage those risks.

Further, the Board recognises that it is not possible, or necessarily desirable, to eliminate every risk inherent in its activities. Acceptance of some risk is often necessary and some risks arise from external factors beyond our control, such as changes in government policy, economic conditions and community expectations.

Racing Queensland's current risk appetite in its key areas is described below.

2. Objectives

This document defines the amount of risk RQ is willing to accept or retain in order to achieve its objectives based on a risk category and appetite.

3. Statement of Risk Appetite

RQ's approach is to minimise its exposure to risks relating to its compliance, environment, culture and people, while accepting and encouraging an increased degree of risk in pursuit of its vision and strategic goals. The risk appetite varies according to the activity undertaken, and the acceptance of risk is subject to ensuring that potential benefits and risks are fully understood before activities are authorised, and that reasonable measures to mitigate risks are established, as/where required.

The following table summarises the appetite for risk, by risk category.

Refer Appendix A for further detail on each category.

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| Category | Appetite | | | |
|---|----------|-----|----------|------|
| | Zero | Low | Moderate | High |
| 1. Adverse Outcomes – Broadcasting | | | | |
| 2. Adverse Outcomes – Wagering | | | | |
| 3. Government Legislation and Policy | | | | |
| 4. Failure to Capitalise on Opportunities | | | | |
| 5. Strategic Risk | | | | |
| 6. Stakeholder Risk | | | | |
| 7. Innovation Risk | | | | |
| 8. Social License - Wagering | | | | |
| 9. Social License – Animal Care | | | | |
| 10. Senior Executive Retention | | | | |
| 11. Culture | | | | |
| 12. Information Technology | | | | |
| 13. Cyber Security | | | | |
| 14. Climate Change | | | | |
| 15. Board and Club Governance | | | | |
| 16. Customer Retention and Growth | | | | |
| 17. RTO Growth and Compliance | | | | |
| 18. Major Projects | | | | |
| 19. Tier One Race Club | | | | |
| 20. Country Race Clubs | | | | |
| 21. Workplace Health and Safety | | | | |

4. Calculating Risk Appetite by Category

Risk appetite is calculated by determining the likelihood and consequence of a risk and applying that to the tolerance matrix to determine the appropriate treatment.

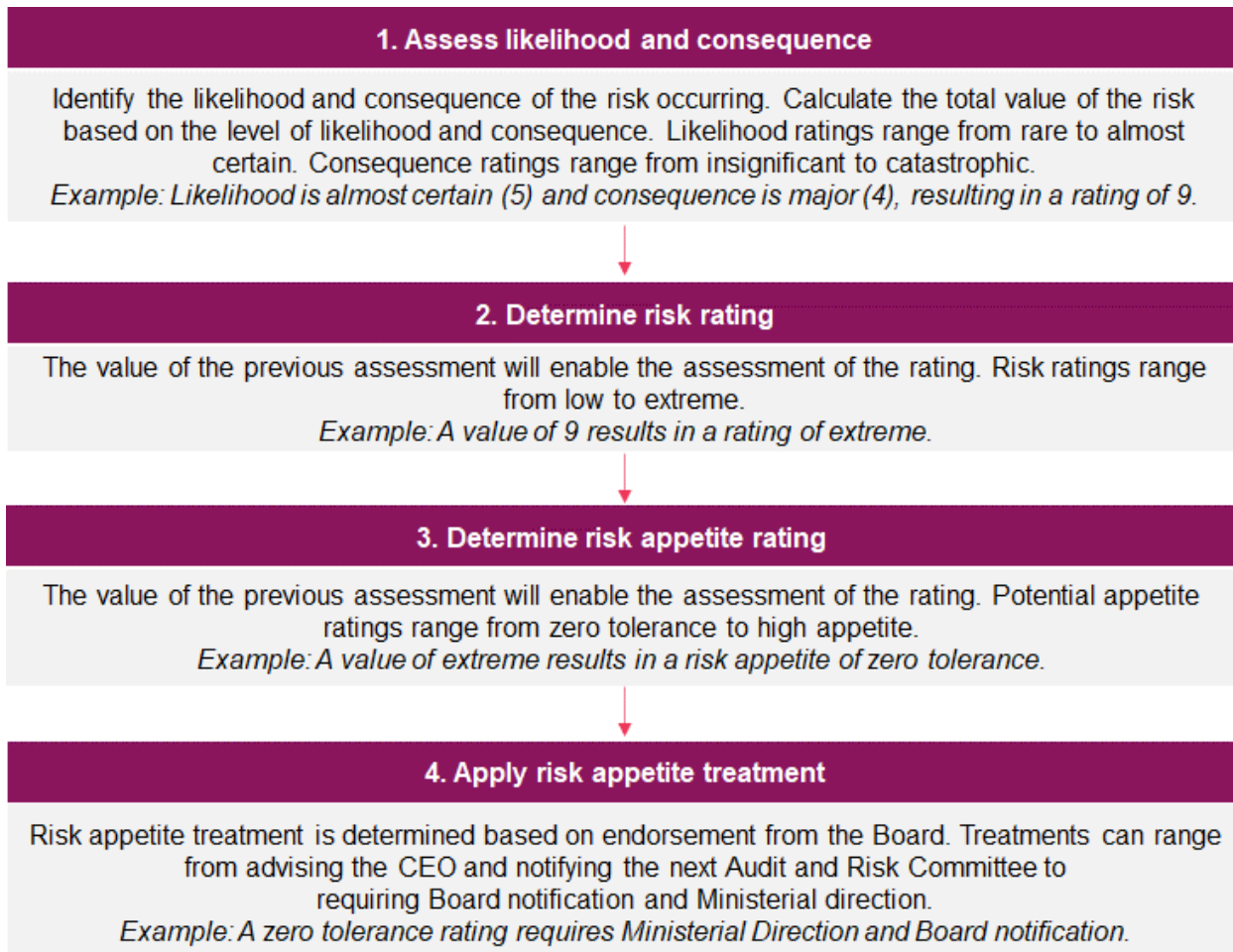
The appetite applications provided in section three are agile, whereby if likelihood or consequence for a category changes, the associated appetite can change. Similarly, if the Board increases or decreases the risk appetite for other reasons (e.g. completion of a major project, legislation change) this can subsequently increase or decrease the risk appetite statement accordingly.



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The following diagram provides a summary of how risk appetite is calculated.

Refer Appendix 2 for the detailed methodology.



5. Risk Appetite Treatment

The following table provides a summary of risk appetite treatments and the associated response/action. The methodology for calculating the risk appetite treatment is outlined above and detailed in Appendix 2.

| Rating | Description of Criteria | Risk Response | Action |
|-----------------------|--|------------------------------------|---|
| Zero tolerance | <i>RQ is not willing to accept risks, threats, opportunities under any circumstances. All reasonably practicable measures to eliminate the risk must be taken.</i> | Unacceptable / No Tolerance | Advise the Board, ELT and monitor. The Board may elect to inform the Minister. |

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| Rating | Description of Criteria | Risk Response | Action |
|--------------------------|--|---|---|
| Low tolerance | <i>Safe approaches should be taken, but the cost of controls / mitigation should be carefully evaluated to ensure they achieve a reasonable outcome. A strong preference for strategies and plans that present minimal risk.</i> | Cautious: Okay to proceed, but only if the likelihood and consequence of the risk can be managed at reasonable cost. | Advise the Board, ELT and monitor. |
| Moderate appetite | <i>Can accept a degree of uncertainty to achieve an intended outcome providing that effective measures are in place to monitor the risk and limit adverse outcomes.</i> | Tolerable: Okay to proceed, providing that losses can be minimised. | Advise the Board and ELT. Monitor as requested by the Board and ELT. |
| High appetite | <i>Comfortable for risks to be taken even if there is a high degree of uncertainty to gain highly valued reward/s.</i> | Acceptable / Opportunity seeking: Okay to proceed, even if our ability to minimise potential losses is limited. | Advise the ELT. Monitor as requested. Board to elect degree of involvement. |

6. Implementation

A Risk Appetite Assessment should be applied to all decisions that require board engagement and endorsement. The Board can provide feedback on the Risk Appetite Statement at any time.

7. References & Related Documents

| Document |
|-------------------------------------|
| Enterprise Risk Management Strategy |
| RQ Risk Register |
| Risk Management Framework |
| Risk Steering Committee Charter |

8. Version History

| | | | | | |
|------------------|----------------------------------|------------|----------------|-----------------|----------------|
| Current Version: | 1 | Date Made: | 31 / 01 / 2023 | Effective Date: | 22 / 02 / 2023 |
| Document Owner: | EGM People and Business Services | | | CEO Approved: | 22 / 02 / 2023 |
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| Version | Effective | Document Owner | Changes Made |
|---------|------------|-----------------------------|------------------------|
| 1.0 | 22/02/2023 | Risk and Compliance Manager | Revised RAS published. |



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Appendix 1 - Detailed Risk Appetite Statements and Ratings

The following table provides further background on the 21 categories outlined in the RAS and the decision making that supports the allocated level of appetite.

| Background | Risk Appetite Assessment |
|--|---|
| 1. Adverse Outcomes - Broadcasting | |
| <p>Sky Racing (Sky) operates four separate television channels and one radio channel. The broadcaster telecasts Queensland race meetings and can pose the following commercial risks:</p> <ul style="list-style-type: none"> Reduction in exposure of Queensland thoroughbred, greyhound and harness racing to both a national and global audience leading to reduction in wagering proceeds. Excessively crowded scheduling, and competition between race organisations contributing to reduction in wagering proceeds. Reduced product exposure leading to downturn in all wagering and media rights revenue streams. <p>Sky is contracted to multiple jurisdictions with competing priorities and size leading to conflicting decision making that misaligns with the contract between RQ and Sky. This can result in Sky's inability to deliver contracted services and benefits.</p> | <p>RQ has a LOW appetite for any reduction in the coverage of racing in Queensland.</p> |
| 2. Adverse outcomes - Wagering | |
| <p>Proceeds from the Employee Betting Tax are RQ's largest source of funding and the actions of wagering providers are central to funding outcomes for RQ, and RQ's ability to fund the Queensland racing industry. Risks include:</p> <ul style="list-style-type: none"> New/alternate gambling products impacting market share. Race field fee and tax changes that encourage de-prioritisation of Queensland product. Arrangements with bookmakers at a club level that are not endorsed by RQ. | <p>RQ has a LOW tolerance for any reduction in the coverage of racing in Queensland.</p> |
| 3. Government legislation and policy | |
| <p>Government legislation and policy risk, also known regulatory risk, is the risk that a change in laws and regulations will materially impact business, industry or market. RQ, as a statutory authority established under the <i>Racing Act 2002</i> (Qld), is subject to the policy decisions of the government. Key risks including tri-code disbandment, funding changes, reduction in mandate, changes to racing restrictions and machinery of government changes.</p> | <p>LOW tolerance for activities that do not support its primary function under the Racing Act.</p> |
| 4. Failure to capitalise on Olympic opportunities | |
| <p>The Brisbane 2032 Olympic and Paralympic Games have created opportunities for RQ including an alternate demand for the Albion site. RQ is uniquely positioned to take advantage of these opportunities while recognising there will also be risks.</p> | <p>RQ has a MODERATE risk appetite for Olympic opportunity decisions.</p> |
| 5. Strategic Risk | |
| <p>Strategic activities are required to develop and expand the organisation, and to adapt to changes in the regulatory and technological environment and in</p> | <p>RQ considers its risk appetite in</p> |



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| <p>the nature and conduct of RQ’s activities. This will include new programs and initiatives as the need arises. Such activities carry higher risks that need to be managed according to best practice in project management. Consequently, RQ measures their value not just on an individual basis but also relative to all available options including the “do nothing” option.</p> | <p>this area to be MODERATE.</p> |
| <p>6. Stakeholder Risk</p> | |
| <p>Stakeholder risk concerns the various risks posed by an organisation’s stakeholders. Some individual stakeholders will be a source of opportunity, others, a source of risk. Still other stakeholders may “sit on the fence” or even switch sides over time. RQ has a diverse group of stakeholders with competing interests and levels of influence. RQ stakeholders include race clubs, owners, trainers and other racing participants. Actions that may be negatively perceived by key stakeholders such as a failure to engage with and/or respond to reasonable demands are not within appetite.</p> | <p>RQ considers its risk appetite in this area to be LOW.</p> |
| <p>7. Innovation Risk</p> | |
| <p>Innovation risk relates to both the risks associated with innovation and the failure to innovate (e.g., digital transformation) to adapt RQ’s operations to regulatory changes, social changes and changes in the competitive environment. RQ expects innovation activities to align with its purpose and strategic objectives and encourages innovation that enhance operations and long-term sustainability.</p> | <p>RQ considers its risk appetite in this area to be MODERATE.</p> |
| <p>8. Social License - Wagering</p> | |
| <p>Community expectation risk relates to RQ having “social licence” which is an intangible, unwritten and non-legally binding social contract whereby the community or wider society gives a company or industry the right to conduct its business. Harmful gambling has been identified as an important public health issue that affects individuals, families and the broader community, as such betting on races is impacted by this view and the association with illegal betting and poses an “existential threat” on the racing industry should restrictions on wagering be implemented. Therefore, all reasonably practicable measures will be taken to eliminate community expectation risks related to wagering and contribute to responsible gambling initiatives.</p> | <p>RQ considers its risk appetite in this area to be LOW.</p> |
| <p>9. Social License - Animal Welfare</p> | |
| <p>Community expectation risk relates to RQ having “social licence” which is an intangible, unwritten and non-legally binding social contract whereby the community or wider society gives a company or industry the right to conduct its business. With respect to animal welfare, all reasonably practicable measures to eliminate community expectation risks in relation to animal welfare will be taken such as proactive engagement with stakeholders and transparent monitoring of animal welfare outcomes.</p> | <p>RQ considers its risk appetite in this area to be LOW.</p> |
| <p>10. Senior Executive Retention</p> | |
| <p>Senior executive retention risk is the risk to RQ’s operations if the CEO or another critical senior executive leaves the organisation for any reason. RQ is committed to investing in strategies to attract, manage, motivate, develop and retain the CEO and senior executives to achieve its strategic goals.</p> | <p>RQ considers its risk appetite in this area to be LOW.</p> |

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| 11. Culture | |
| Culture risk is created when there is misalignment between an organisation's values and leadership actions, employee behaviours or organisational systems. To be successful, RQ's culture must be linked to its purpose and aligned to its strategy. | RQ has a LOW tolerance for conduct not aligned to its values. |
| 12. Information Technology | |
| Information technology (IT) risk refers to events or circumstances that could improve or compromise the data, processing, security, privacy, stability, capacity, performance, or resilience of IT. RQ's information assets are vital in maintaining its business practices and all reasonably practicable measures will be taken to safeguard its IT systems from both external and internal threats, misuse, modification and unintended damage. | RQ has a ZERO appetite for this risk. |
| 13. Cyber Security Risk | |
| Cybersecurity risk relates to the loss of confidentiality, integrity, or availability of information, data, or information (or control) systems and reflects the potential adverse impacts to RQ's operations (i.e., purpose, functions or reputation) and assets, individuals, other organisations and the Queensland racing industry. All cybersecurity risks must be managed by continually enhancing insider and external threat protection, data loss prevention, system access (both logical and physical), infrastructure / site access and network strengthening. | RQ's risk appetite for this risk is ZERO . |
| 14. Climate Change | |
| Climate change risk refers to the potential negative impacts of climate change on RQ. It includes the potential for adverse effects on lives, livelihoods, health status, economic, social and cultural assets, services and infrastructure due to climate change. Climate change risks are created by a range of hazards. Some are slow in their onset (such as changes in temperature and precipitation leading to droughts, or agricultural losses), while others happen more suddenly (such as cyclones and floods). It is now widely recognised that climate-related impacts are not just a future threat. RQ is open to innovative practices for the betterment of the environment as well as carrying out measures to mitigate exposures to those risks. | RQ considers its risk appetite in this area to be LOW . |
| 15. Club and Board Level Governance | |
| Governance risk includes the risks related to RQ's club and board-level governance and its ethical and legal management, the transparency and accuracy of organisational performance reporting and involvement in strategic decisions important to stakeholders. Governance risk is owned by the board and senior management. RQ is committed to good practice governance, policies, practices and behaviours that reflect good governance principles and meet legislated and regulatory requirements in a consistent and fair manner. | RQ considers its risk appetite in this area to be LOW . |
| 16. Customer Retention and Growth | |
| Customer risk relates to the failure to retain and grow and diversify racing's customer base, which can be due to factors such as not delivering a great customer experience that engages different customer types. RQ is focused | RQ considers its risk appetite in this area to be LOW . |



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| on retaining and growing the customer base and deepening their engagement. | |
| 17. RTO Growth and Compliance | |
| RQ is a Registered Training Organisation (RTO) that delivers qualifications from the Racing and Breeding Training Package. The RTO is registered and regulated by the Australian Skills Quality Authority (ASQA) and is seeking to expand its offering in the local and international market. This brings with it a number of risks that could damage its ability to grow its training program including the risk of a regulatory breach, e.g., by an RQ Educator. | RQ has a LOW appetite for any compliance breaches related to its RTO status. |
| 18. Major Project | |
| RQ is currently implementing multiple major projects. Risk exists that RQ is unable to develop or deliver one or more of its major projects within the stated cost and time objectives. For example, major project risk will eventuate if the Greater Brisbane Greyhound Centre redevelopment does not deliver the agreed outcomes or does so after significant cost over-runs and/or missed deadlines. Refer project risk register for details. | RQ has a LOW tolerance for risks related to major projects. |
| 19. Tier One Race Clubs | |
| Risks related to tier one race clubs include but are not limited to cost overruns, delays, failed procurement or unavailability of financing for infrastructure development and asset upgrades at these clubs. Refer project risk register for details. | RQ has a LOW tolerance for risks related to tier one race clubs. |
| 20. Country Race Clubs | |
| Country and regional race clubs require ongoing repairs and maintenance, along with asset replenishment and replacement, if they are to remain an asset to their communities. Risks related to country clubs include but are not limited to cost overruns, delays, failed procurement or unavailability of financing for infrastructure development and asset upgrades at these clubs. | RQ has a LOW tolerance for risks related to country race clubs. |
| 21. Workplace Health and Safety | |
| WHS risks in the industry have exposed participants and employees to significant risk of traumatic injury with potential for fatality. The most common risk of injury is from a fall or accident as a jockey/rider. | RQ's risk appetite for this risk is ZERO . |

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Appendix 2 – Risk Rating Methodology

The table below is a guide in determining the **likelihood** or frequency of RQ being exposed to a risk.

| Likelihood | | Description | Occurrence | Probability |
|-----------------------|----------|---|--|-------------|
| Almost Certain | 5 | Expected to occur in most circumstances | Multiple times or once every 12 months | >80% |
| Likely | 4 | Will probably occur in most circumstances | Once every 1 to 3 years | 61%-80% |
| Possible | 3 | May occur within the next 3-year time period | Once every 3 to 10 years | 41%-60% |
| Unlikely | 2 | Not specifically expected to occur, but may occur sometime in the future. | Once every 10 years | 10%-40% |
| Rare | 1 | Not expected to occur, but may only occur in exceptional circumstances | Once in a period greater than 10 years | <10% |

The table below is a guide to assess the **consequence** of each identified risk.

| Consequence | | Corporate and Functional Activity | Major Projects |
|---------------------|----------|--|---|
| Catastrophic | 5 | <ul style="list-style-type: none"> Requires Ministerial direction Human fatality or permanent disability (not natural causes) Multiple wagering race meetings lost and prize money not paid >1 week Financial impact greater than \$5million National press coverage | <ul style="list-style-type: none"> >25% of project budget Project halted, major delay and duration increased >50% Legal resource initiated |
| Major | 4 | <ul style="list-style-type: none"> Requires Minister to be informed on contentious issues Extensive injuries or chronic health issue (result in hospitalisation) Major wagering race day cancelled (e.g., Winter Carnival, Magic Millions etc.) and prize money not paid <1 week Financial impact between \$2million to \$5million Widespread reputational loss and/or State-wide press coverage | <ul style="list-style-type: none"> 10% to 25% of project budget Major delay, duration increased >25% Departmental Head intervention is required |

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| Consequence | | Corporate and Functional Activity | Major Projects |
|----------------------|----------|--|--|
| Moderate | 3 | <ul style="list-style-type: none"> Requires CEO involvement and the Board to be informed Lost time injury Non-wagering race day cancelled and prize money not paid <5 days Financial impact between \$1 million to \$2million Regional concern | <ul style="list-style-type: none"> 5% to 10% of project budget increase Significant delay, duration increased >10% Formal complaints and relationship issues require senior management intervention to resolve |
| Minor | 2 | <ul style="list-style-type: none"> Can be dealt with at an organisational level Medical treatment required (no loss time, first aid required) Wagering race day schedule delayed and prize money not paid by 1 day Financial impact between \$250k to \$1 million Local community or code concern | <ul style="list-style-type: none"> 1% to 5% of project budget increase Short delay, duration increased >2% Complaints and relationship issues can be resolved at working level |
| Insignificant | 1 | <ul style="list-style-type: none"> Can be dealt with at a department level Minor incident (no loss time, no injury) Delayed racing process by few hours, minimal disruption to prize money paid Financial impact less than \$250k* Internal concern | <ul style="list-style-type: none"> <1% of project budget increase Little or no delay No formal complaints or relationship issues |

The table below can be used to determine the risk rating based on the application of the likelihood and consequence rating.

| Risk Rating | Classification | Required Action |
|-------------|----------------|---|
| 9 to 10 | Extreme | Seek Ministerial direction. Advise Board and monitoring required by the Board. |
| 7 to 8 | High | Advise Minister and Board. Monitoring required by the Board. |
| 5 to 6 | Moderate | Advise Board and monitoring by Audit and Risk Committee. |
| Below 5 | Low | Advise CEO and notification to Audit and Risk Committee at next meeting. |

The table below indicates the risk ranking once the likelihood and consequence have been assessed.



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|--------------------|----------------------------------|-------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------------|
| CONSEQUENCE | 5 Catastrophic | Moderate (6) | High (7) | High (8) | Extreme (9) | Extreme (10) |
| | 4 Major | Moderate (5) | Moderate (6) | High (7) | High (8) | Extreme (9) |
| | 3 Moderate | Low (4) | Moderate (5) | Moderate (6) | High (7) | High (8) |
| | 2 Minor | Low (3) | Low (4) | Moderate (5) | Moderate (6) | High (7) |
| | 1 Insignificant | Low (2) | Low (3) | Low (4) | Moderate (5) | Moderate (6) |
| | | 1 Rare | 2 Unlikely | 3 Possible | 4 Likely | 5 Almost Certain |
| LIKELIHOOD | | | | | | |

The table below identifies the appropriate risk appetite treatment based on the above risk rating.

| | | | | | | |
|--------------------|----------------------|-------------------|-----------------|-----------------|--------------------------|--|
| CONSEQUENCE | Catastrophic | | | | ZERO TOLERANCE | |
| | Major | | | | LOW TOLERANCE | |
| | Moderate | | | | MODERATE APPETITE | |
| | Minor | | | | MODERATE APPETITE | |
| | Insignificant | | | | HIGH APPETITE | |
| | | Rare | Unlikely | Possible | Likely | |
| | | LIKELIHOOD | | | | |

| Rating | Description of Criteria | Risk Response | Action |
|-----------------------|--|------------------------------------|---|
| Zero tolerance | <i>RQ is not willing to accept risks, threats, opportunities under any circumstances. All reasonably practicable measures to eliminate the risk must be taken.</i> | Unacceptable / No Tolerance | Advise the Board, ELT and monitor. The Board may elect to inform the Minister. |

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| Rating | Description of Criteria | Risk Response | Action |
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| Low tolerance | <i>Safe approaches should be taken, but the cost of controls / mitigation should be carefully evaluated to ensure they achieve a reasonable outcome. A strong preference for strategies and plans that present minimal risk.</i> | Cautious: <i>Okay to proceed, but only if the likelihood and consequence of the risk can be managed at reasonable cost.</i> | Advise the Board, ELT and monitor. |
| Moderate appetite | <i>Can accept a degree of uncertainty to achieve an intended outcome providing that effective measures are in place to monitor the risk and limit adverse outcomes.</i> | Tolerable: <i>Okay to proceed, providing that losses can be minimised.</i> | Advise the Board and ELT. Monitor as requested by the Board and ELT. |
| High appetite | <i>Comfortable for risks to be taken even if there is a high degree of uncertainty to gain highly valued reward/s.</i> | Acceptable / Opportunity seeking: <i>Okay to proceed, even if our ability to minimise potential losses is limited.</i> | Advise the ELT. Monitor as requested. Board to elect degree of involvement. |