

AS/NZS 4360:2004

Australian/New Zealand Standard®

# RISK MANAGEMENT



This is a free 8 page sample. Access the full version online.

# Risk management

AS/NZS 4360:2004



This Joint Australian/New Zealand Standard was prepared by Joint Technical Committee OB-007, Risk Management. It was approved on behalf of the Council of Standards Australia on 21 July 2004 and on behalf of the Council of Standards New Zealand on 20 August 2004.  
This Standard was published on 31 August 2004.

The following are represented on Committee OB-007:

Australian Computer Society  
Australian Customs Service  
Australia New Zealand Institute of Insurance and Finance  
CSIRO (Commonwealth Scientific and Industrial Research Organisation)  
Department of Defence (Australia)  
Department of Finance and Administration  
Emergency Management Australia  
Environmental Risk Management Authority (New Zealand)  
Institute of Chartered Accountants (Australia)  
Institution of Engineers Australia  
Institution of Professional Engineers New Zealand  
Local Government New Zealand  
Massey University (New Zealand)  
Minerals Council of Australia  
Ministry of Agriculture and Forestry (New Zealand)  
Ministry of Economic Development (New Zealand)  
NSW Treasury Managed Fund  
New Zealand Society for Risk Management  
Risk Management Institution of Australasia  
Safety Institute of Australia  
Securities Institute of Australia  
University of New South Wales  
Victorian WorkCover Authority  
Water Services Association of Australia

This Standard was issued in draft form for comment as DR 03360.

Originated as AS/NZS 4360:1995.  
Second edition 1999.  
Third edition 2004

#### **Keeping Standards up-to-date**

Standards are living documents which reflect progress in science, technology and systems. To maintain their currency, all Standards are periodically reviewed, and new editions are published. Between editions, amendments may be issued. Standards may also be withdrawn. It is important that readers assure themselves they are using a current Standard, which should include any amendments which may have been published since the Standard was purchased.

Detailed information about joint Australian/New Zealand Standards can be found by visiting the Standards Web Shop at [www.standards.com.au](http://www.standards.com.au) or Standards New Zealand web site at [www.standards.co.nz](http://www.standards.co.nz) and looking up the relevant Standard in the on-line catalogue.

Alternatively, both organizations publish an annual printed Catalogue with full details of all current Standards. For more frequent listings or notification of revisions, amendments and withdrawals, Standards Australia and Standards New Zealand offer a number of update options. For information about these services, users should contact their respective national Standards organization.

We also welcome suggestions for improvement in our Standards, and especially encourage readers to notify us immediately of any apparent inaccuracies or ambiguities. Please address your comments to the Chief Executive of either Standards Australia International or Standards New Zealand at the address shown on the back cover.

ISBN 0 7337 5904 1

© Standards Australia/Standards New Zealand

All rights are reserved. No part of this work may be reproduced or copied in any form or by any means, electronic or mechanical, including photocopying, without the written permission of the publisher.

Jointly published by Standards Australia International Ltd, GPO Box 5420, Sydney, NSW 2001 and Standards New Zealand, Private Bag 2439, Wellington 6020.

# Preface

This Standard was prepared by the Joint Standards Australia/Standards New Zealand Committee OB-007, Risk Management as a revision of AS/NZS 4360:1999, *Risk management*. It provides a generic framework for establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

This revised Standard incorporates the insights gained through the application of the 1999 edition, and current thinking on risk management.

Some of the changes from the 1999 edition include—

- greater emphasis on the importance of embedding risk management practices in the organization's culture and processes;
- greater emphasis on the management of potential gains as well as potential losses; and
- moving and expanding indicative examples into a new handbook.

HB 436, *Risk Management Guidelines—Companion to AS/NZS 4360:2004* contains specific guidance on the implementation of the Standard. The two documents are intended to be used together.

In addition, Standards Australia and Standards New Zealand have published a range of handbooks on the way the risk management process can be applied in a variety of sectors and a range of subject areas.

# Contents

1	Scope and general .....	1
1.1	Scope and application .....	1
1.2	Objective .....	1
1.3	Definitions .....	2
1.4	Terminology and translation .....	6
1.5	Referenced documents .....	6
2	Risk management process overview .....	7
2.1	General .....	7
2.2	Main elements.....	7
3	Risk management process .....	11
3.1	Communicate and consult.....	11
3.2	Establish the context.....	12
3.3	Identify risks.....	16
3.4	Analyse risks .....	16
3.5	Evaluate risks.....	19
3.6	Treat risks.....	20
3.7	Monitor and review.....	22
3.8	Record the risk management process .....	23
4	Establishing effective risk management .....	25
4.1	Purpose.....	25
4.2	Evaluate existing practices and needs .....	25
4.3	Risk management planning.....	26

# Foreword

Risk management involves managing to achieve an appropriate balance between realizing opportunities for gains while minimizing losses. It is an integral part of good management practice and an essential element of good corporate governance. It is an iterative process consisting of steps that, when undertaken in sequence, enable continuous improvement in decision-making and facilitate continuous improvement in performance.

Risk management involves establishing an appropriate infrastructure and culture and applying a logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable organizations to minimize losses and maximize gains.

To be most effective, risk management should become part of an organization's culture. It should be embedded into the organization's philosophy, practices and business processes rather than be viewed or practiced as a separate activity. When this is achieved, everyone in the organization becomes involved in the management of risk.

Although the concept of risk is often interpreted in terms of hazards or negative impacts, this Standard is concerned with risk as exposure to the consequences of uncertainty, or potential deviations from what is planned or expected. The process described here applies to the management of both potential gains and potential losses.

Organizations that manage risk effectively and efficiently are more likely to achieve their objectives and do so at lower overall cost.

*This page has been left blank intentionally*

# 1 Scope and general

## 1.1 Scope and application

This Standard provides a generic guide for managing risk. This Standard may be applied to a very wide range of activities, decisions or operations of any public, private or community enterprise, group or individual. While the Standard has very broad applicability, risk management processes are commonly applied by organizations or groups and so, for convenience, the term ‘organization’ has been used throughout this Standard.

This Standard specifies the elements of the risk management process, but it is not the purpose of this Standard to enforce uniformity of risk management systems. It is generic and independent of any specific industry or economic sector. The design and implementation of the risk management system will be influenced by the varying needs of an organization, its particular objectives, its products and services, and the processes and specific practices employed.

This Standard should be applied at all stages in the life of an activity, function, project, product or asset. The maximum benefit is usually obtained by applying the risk management process from the beginning. Often a number of discrete studies are carried out at different times, and from strategic and operational perspectives.

The process described here applies to the management of both potential gains and potential losses.

## 1.2 Objective

The objective of this Standard is to provide guidance to enable public, private or community enterprises, groups and individuals to achieve—

- a more confident and rigorous basis for decision-making and planning;
- better identification of opportunities and threats;
- gaining value from uncertainty and variability;





SAI GLOBAL

This is a free 8 page sample. Access the full version online.

The remainder of this document  
is available for purchase online at

**[www.saiglobal.com/shop](http://www.saiglobal.com/shop)**

SAI Global also carries a wide range of publications from a wide variety of Standards Publishers:



SAI GLOBAL



Click on the logos to search the database online.