

AS/NZS 4360:2004

Australian/New Zealand Standard®

RISK MANAGEMENT



Risk management

AS/NZS 4360:2004



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The following are represented on Committee OB-007:

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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
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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.

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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.

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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;