

## RISK MANAGEMENT: POLICY AND PROCEDURES

### 1. INTRODUCTION

IPE Global Centre for Knowledge and Development (CKD) (hereinafter referred to as “the Organisation”) recognises that risk is an integral and unavoidable component of business in the current dynamic environment and is committed to managing the risk in a proactive and effective manner.

We see risk as the effect of uncertainty on our business activities and on projects implemented by us. We measure risk in terms of the consequences of a risk event and likelihood of their occurrence. The consequence of a risk event may be positive or negative. Our risk management culture (beliefs, values and behaviours), processes and structures focus on realising the potential gains whilst avoiding or limiting losses. Our risk management policy enables us to make business decisions by taking better account of the uncertainty implicit in our business and the possibility of future events occurring.

In pursuing the management of risk, we:

- Have established a standard approach for the management of risk and to tolerate the acceptable levels of risk throughout the business;
- Have established a structured and consistent process for identifying, assessing, and managing risk (threats and opportunities) in the achievement of our business objectives;
- Comply with applicable laws, regulations, and governance standards in all areas we operate;
- Encourage a culture of personal responsibility to proactively identify and address risk issues and events;
- Apply our risk management processes to regularly manage and monitor our major areas of exposure;
- Embrace risk opportunities to gain competitive advantage;
- Provide appropriate risk management information and training programmes;
- Measure and monitor the effectiveness of Risk Management performance through various assurance activities.

### 2. PURPOSE

The main purpose of Risk Management: Policy and Procedures (hereinafter referred to as “the Policy”) is to ensure:

- i. Existing and potential material risks that could impact the achievement of corporate objectives are identified, managed, or mitigated.
- ii. Techniques to manage risks (avoidance, reduction, retention, etc.) are applied appropriately.
- iii. Appropriate controls are in place for controllable, accepted risk areas.
- iv. Non-controllable risks are identified, monitored, understood, and mitigated, as appropriate.

### 3. DEFINITIONS

- i. **Risk:** An event or cause leading to uncertainty in the outcome of business operations; measured in terms of impact and likelihood. Though there are various risks involved in any business operations, various categories of risks have been identified under this Policy. The same are enclosed as Annexure A.
- ii. **Risk Management:** Coordinated activities aimed to direct and control the organisation with regards to risk. Risk management is not a standalone activity but is an integral part of all organisational processes including strategic planning and all project processes.
- iii. **Risk Register:** A Risk Management tool for operational risk assessments. It acts as a central repository for all risks identified by the project or organisation and for each risk, includes information such as risk probability, impact, countermeasures, risk owner and so on. The format of Risk Register along with probability and impact setting is enclosed as Annexure B.

### 4. REFERENCES

- i. IS/ ISO 9001:2015 – Requirements
- ii. IS/ ISO 31000:2018 – Indian Standard Risk Management: Principles and Guidelines
- iii. Corporate Governance Voluntary Guidelines - 2009, Ministry of Corporate Affairs, Government of India

### 5. SCOPE

This policy applies to management of Risk Register and risk assessment carried out for the following:

- a. Processes and Departments
- b. Projects.

This policy applies to risk to CKD arising from activities that are delivered in associations/ joint venture partnerships.

### 6. POLICY

#### 6.1 Statement

The Organisation will seek to identify various risks including threats and vulnerabilities at the earliest opportunity and then measure their likely effect on the achievement of its business goals. Wherever practicable, the Organisation will endeavour to apply a proportionate level of resources to control known risks in order to preserve the quality of its service provision and at the same time maintaining value for money.

#### 6.2 Roles & Responsibilities

- i. **Chief Mentor**
  - As a custodian of this policy, Chief Mentor is responsible for approving and authorising the implementation of this Policy.
  - Reviewing risk registers that identify the principal risks to the Organisation and the mitigation strategies in place.

**ii. Audit Committee (AC)**

- The provision of advice on the strategic process for risk, control and governance and the Statement on Internal Control.
- Identification of additional corporate risks in line with the Scope of Audit Committee.

**iii. Head - Finance**

- Ensuring that a system is in place to identify the principal risks to the Organisation and practical procedures are in place to monitor and mitigate the risks.
- Identifying all significant risks to the Organisation's operations and ensuring that procedures are established to mitigate the impact of the risks in the best interest of all stakeholders.
- Ensuring that the Organisation has implemented appropriate systems and effective risk management programmes to manage these risks.
- Overseeing annual review of this Policy for approval of the Management.
- Reporting CKD's principal consolidated risks and mitigation strategies on a quarterly/ annual basis (as appropriate) to the Management.

**iv. Department Heads**

- Identifying risks and developing and implementing risk management practices, including mitigation strategies, controls and business continuity plans specific to their respective departments, which are aligned with and complementary to the Policy.
- Maintaining risk management reports detailing the principal business risks for the department and making them available to Risk Committee for review and for consolidation at the corporate level.

**v. Employees**

- In alignment with the values and principles embodied in CKD's core values, this Risk Management Policy commits all staff to consistently apply risk assessment processes and to take professionally assessed risks based upon high-quality work.
- The employees are encouraged to contribute assessed risks to the Risk Register available with Risk Manager.

**vi. Risk Committee**

- The Senior Management, comprising Chief Mentor, Head – Finance and Department Heads, are collectively responsible for developing the Organisation's risk management principles and risk management expectations as well as defining the Organisation's risk appetite and tolerances.
- Risk Committee may be established by Chief Mentor from members of Senior Management to address specific risk areas.

**vii. Risk Manager**

- The management of CKD has delegated an additional responsibility of **Risk Manager** to

Manager – CKD.

- Risk Manager will be the custodian of Risk Register and monitoring overall compliance with the Policy.

### 6.3 Why we need to manage risk

Daily we manage risk without describing this as “risk management”. We consider what might go wrong and take steps to reduce the impact if things do go wrong. However, with increasing operations the Organisation cannot rely on informal processes. Also, as a development sector consulting organisation, we must provide assurance to our employees, clients, Audit Committee (AC) and other stakeholders that we are managing risk correctly. We do need to formally identify corporate/ other risks and mitigating actions.

### 6.4 Who should think about risk?

As described under Roles and Responsibilities, the main responsibility for identifying risks lies with Department Heads. Department Heads should consider both existing risks and any perceived risk. Inputs by Department Heads is important as members are well placed to identify and monitor corporate and project risks.

Risk Committee, Audit Committee (AC), and other committees also have a role in providing oversight of risk. Because of this, the risk register needs to be shared with the relevant groups, as appropriate.

### 6.5 When to consider risk?

Risk needs to be considered when decisions are made. As Organisation’s aim develop during the planning round, Department Heads and managers need to consider afresh existing risks; looking at what we want to do over the next few years and identifying risks which may arise.

### 6.6 Project and department risks

Individual CKD projects may have their own risk registers. Where a project risk is considered high priority, it should be included in the Risk Register. It is the responsibility of Project Manager that concerned Department Head & Team Lead stay informed of any such risks.

Individual Managers may also identify risks to their department’s aims. Mitigating actions should be included in risk registers of the relevant Department, as appropriate.

### 6.7 Risk appetite

“Risk appetite” is an expression of how much risk an organisation is prepared to take. It can vary over time and from work area to work area. If CKD’s risk appetite is clearly articulated, employees can take this into account when making their decisions. Department Heads should therefore, when considering risk, discuss and express the risk appetite as they see it with other key team members.

The risk registers steers risk owners into considering risk appetite when updating a risk entry. They need to consider not only the risk status before and after existing mitigating action but also the final tolerable risk status, i.e. what they are aiming for in terms of status for that particular risk.

### 6.8 Reporting risk

All the risks, whether significant or low will be recorded in the Risk Register available with Risk Manager.

All Department Heads, Project Managers and Employees are required to ensure the identification of corporate/ project/ other risks and report the same, as soon as practicable (along with mitigating actions, if already taken) through email to [riskregister@ipeckd.org](mailto:riskregister@ipeckd.org).

The identified risks will be reviewed by risk committee and define the risks and ownership for mitigation of the same. The review shall include assessing the efficacy and usefulness of risk indicators; and where necessary amendments are to be made to the Risk Register.

The Risk register is reviewed on annual basis and/or whenever the following situation arises:

- when new process\department\new externally provided processes (agency) is introduced in the Organisation;
- when there is change in the existing process;
- when there is delay in project deliverable(s).

## 6.9 Options for dealing with risk

There are various options for dealing with risk.

- **Tolerate** – if we cannot reduce the risk in a specific area (or if doing so is out of proportion to the risk) we can decide to tolerate the risk, i.e. do nothing further to reduce the risk. Tolerated risks are simply listed in the Risk Register. If the risk is shown as “green” and “yellow” after existing mitigating actions are taken it can probably be tolerated.
- **Treat** – if we can reduce the risk in a sensible way by identifying mitigating actions and implementing them, we should do so. For most of the risks in the Risk Register this is what we are doing.
- **Transfer** – here risks might be transferred to other organisations, for example by use of insurance or transferring out an area of work.
- **Terminate** – this applies to risks we cannot mitigate other than by not doing work in that specific area. So, if a particular project is very high risk and these risks cannot be mitigated we might decide to cancel the project.

## 6.10 Risk Status

“Risk status” is an assessment of the risk’s seriousness. We assign a status as open or close, so that risks can be prioritised. A high impact high likelihood risk should be given more attention than a high impact low likelihood risk which is usually tolerated. Risk matrix is used to show the risk status. Annexure B provides risk matrix and risk settings on probability of risk materialising and associated impact.

## ANNEXURE A

## RISK CATEGORIES

CATEGORY OF RISKS	SUB-CATEGORY
<b>Market</b>	<ul style="list-style-type: none"> <li>▪ Client</li> <li>▪ Competition</li> <li>▪ Technological Innovation</li> </ul>
<p><i>Example 1: Negative impact on revenues due to inability to adapt to changes in client's preferences for CKD solutions.</i></p> <p><i>Example 2: New competitors may serve to lower fees.</i></p>	
<b>Third Party</b>	<ul style="list-style-type: none"> <li>▪ Partnerships</li> <li>▪ Associations</li> <li>▪ Consultants</li> <li>▪ Suppliers, Vendors</li> </ul>
<p><i>Example 1: CKD partner fails to meet timelines for deliverables, damaging CKD's reputation.</i></p> <p><i>Example 2: CKD sub-consultant provides sub-par data resulting in delay in submission of deliverable to the Client.</i></p>	
<b>Human Resources</b>	<ul style="list-style-type: none"> <li>▪ Talent Acquisition</li> <li>▪ Talent Retention</li> <li>▪ Agreements</li> <li>▪ Fraud</li> </ul>
<p><i>Example 1: Negative performance and client satisfaction due to the inability to attract and retain qualified personnel.</i></p> <p><i>Example 2: Submission of fake qualification certificates/ salary slip resulting in high compensation.</i></p>	
<b>Regulatory/ Legal</b>	<ul style="list-style-type: none"> <li>▪ Compliance</li> <li>▪ Legislative Change</li> <li>▪ Political Change</li> <li>▪ Litigation</li> <li>▪ Intellectual Property</li> </ul>
<p><i>Example 1: International location's government changes its laws or regulations making it difficult or impossible to do business or withdraw capital.</i></p> <p><i>Example 2: Material adverse impact to operations, cash flows or financial position due to the outcome of tax and/or legal proceedings.</i></p>	
<b>Economic/ Financial</b>	<ul style="list-style-type: none"> <li>▪ Credit Environment</li> <li>▪ Liquidity</li> <li>▪ Capital Availability</li> <li>▪ Capital Allocation</li> <li>▪ Interest Rates</li> </ul>
<p><i>Example 1: Slowdown in economic growth reduces the growth of business environment.</i></p> <p><i>Example 2: Negative impact and disruption to the business due to acquisitions or divestitures.</i></p> <p><i>Example 3: Negative impact to the business as a result of increase in interest rates.</i></p>	

CATEGORY OF RISKS	SUB-CATEGORY
<i>Example 4: Negative impact to growth plans because capital is not available for investment as anticipated.</i>	
<b>Project</b>	<ul style="list-style-type: none"> <li>▪ Operational Execution</li> <li>▪ Process Design</li> <li>▪ Data Integrity</li> </ul>
<p><i>Example 1: Inability to achieve desired financial targets due to non-conformance to the budgetary allocation.</i></p> <p><i>Example 2: Inability to achieve successful strategy implementation due to poor execution of implementation plan.</i></p> <p><i>Example 3: Negative impact to business due to poor project management and/or outdated technology platforms.</i></p>	
<b>Business Interruption</b>	<ul style="list-style-type: none"> <li>▪ Epidemic</li> <li>▪ Fire</li> <li>▪ Natural Disaster</li> <li>▪ Act of God</li> </ul>
<i>Example 1: Inability to continue business operations due to loss of key assets, including interruption of telecommunications links, the internet or power sources.</i>	

The above list is not exhaustive. Other risks shall be included, upon review, as necessary.







**Risk Probability Setting**

Rating	Probability	Criteria
1	Low	Unlikely to occur but not impossible. <i>Incidents of this nature are uncommon but there is a genuine chance that we may experience them at some future point.</i>
2	Medium	Less likely than not. <i>It is distinctly possible that we may experience incidents of this nature.</i>
3	High	More likely to occur than not. <i>We are likely to experience incidents of this nature before long.</i>
4	Extreme	Very likely though not certain. <i>We are bound to experience incident(s) of this nature but not certain when.</i>

**Risk Impact Setting**

Rating	Impact	Criteria
1	Minor	Likely to have minor impact in one or a few areas.
2	Moderate	Likely to have major impact in one or a few areas.
3	Significant	Likely to have substantial impact.

**Probability – Impact Matrix**

Probability					Impact
Low (1)	Medium (2)	High (3)	Very High (4)		
Low Risk (3)	Medium Risk (6)	High Risk (9)	High Risk (12)	Significant (3)	
Low Risk (2)	Low Risk (4)	Medium Risk (6)	Medium Risk (8)	Moderate (2)	
Low Risk (1)	Low Risk (2)	Low Risk (3)	Low Risk (4)	Minor (1)	

***If risk rating (Probability \* Impact) is coming as low risk, then no further action and mitigation management is required.***