**RISK POLICY**

Revised [month/year]

1. **Introduction**

Every Organisation faces risks. These risks have the potential to disrupt achievement of the organisation’s strategic and operational objectives. The Organisation aims to use risk management to take better informed decisions and improve the probability of achieving its strategic and operational objectives.

1. **Corporate Governance**

The Organisation is required to include in its annual financial statement a statement on internal control, including how the following broad principles of corporate governance have been applied:

* The identification and management of risk should be a continuous process linked to the achievement of the Organisation’s objectives.
* The approach to internal control should be risk-based, including one valuation of the likelihood and impact of risks becoming a reality.
* Review procedures must cover business, operational and compliance as well as financing risk.
* Risk assessment and internal control should be embedded in ongoing operational procedures.
* The relevant [committee] should receive regular reports during the year on internal control and risk.
* The principal results of risk identification, evaluation and management review of its effectiveness should be reported to, and reviewed by, the Board of Directors.
* The Board of Directors acknowledges that it is responsible for ensuring that a sound system of control is maintained and that it has reviewed the effectiveness of the above process.
* Where appropriate, set out details of actions taken or proposed to deal with significant internal control issues.

1. **Purpose of this Policy**

This policy is a formal acknowledgement of the commitment of the Organisation to risk management. The aim of the policy is not to have risk eliminated completely from the Organisation’s activities, but rather to ensure that every effort is made by the Organisation to manage risk appropriately to maximise potential opportunities and minimise the adverse effects of risk.

1. **Policy Objectives**

* To confirm and communicate the Organisation’s commitment to risk management to assist in achieving its strategic and operational goals and objectives.
* To formalise and communicate a consistent approach to managing risk for all of the Organisation’s activities and to establish a reporting protocol.
* To ensure that all significant risks to the Organisation are identified, assessed and, where necessary, treated and reported to the Board of Directors in a timely manner.
* To assign accountability to all staff for the management of risks within their areas of control.
* To provide a commitment to staff that risk management is a core management capability.

1. **Policy Statement**

The Organisation considers risk management to be fundamental to good management practice and a significant aspect of corporate governance. Effective management of risk will provide an essential contribution towards the achievement of the Organisation’s strategic and operational objectives and goals.

Risk management must be an integral part of the Organisation’s decision-making and routine management and must be incorporated within the strategic and operational planning processes at all levels across the Organisation.

Any risks arising from new ventures and activities, including projects, processes, systems and commercial activities, will be identified, analysed and reported to the appropriate management level. The Organisation maintains and regularly reviews a detailed Risk Register.

The Organisation – [through the Finance and Resources Committee] – will regularly review and monitor the implementation and effectiveness of the risk management process, including the development of an appropriate risk management culture across the Organisation.

1. **What is Risk?**

Risk exists as a consequence of uncertainty and is present in all activities whatever the size or complexity and whatever industry or business sector. It is important to understand that risk is a broader concept than the traditional view of merely a threat. It also recognises the risks of taking or not taking opportunities.

Risk includes:

* + Threats (damaging events) which could lead to failure to achieve objectives;
  + Opportunities which, if explored, could offer an improved way of achieving the desired objectives but which could potentially have negative impacts.

The Organisation considers all types of risk it faces, governance and management, operational, financial, environmental/external and compliance risks. The risk register gives a list of the different categories of risks.

1. **The Organisation’s Approach**

The Organisation’s approach to risk management follows several key principles:

* + The risk management process will be as user friendly as possible and add value. For this reason, considerable effort has been put into keeping the process as simple as possible.
  + The Organisation seeks to embed risk management across all departments and project management, but its immediate aim is to ensure that it is embedded in the Organisation’s management group.
  + The aim is to marry top-down and bottom-up assessments to produce a comprehensive picture of risk across all Organisation activities.
  + All departments and projects will use a consistent and transparent approach to risk, ensuring an agreed and widely understood method and language.
  + A key focus of the risk management process is the concentration on control improvements to mitigate significant risks, however there is a need to balance the cost and the effectiveness of the controls; for example, where marginal improvements in control require substantial costs, the proposal may be unviable.
  + Upward reporting of risk ensures that significant risks are reported and closely monitored on a regular basis at the appropriate level.

1. **Risk Responsibilities and Risk Owners**

The key responsibilities are:

*Board of Directors*

The Directors of the Organisation have responsibility for the total risk exposure of the Organisation and approves the risk tolerance line annually. The [Finance and Resources Committee] are delegated to oversee the regular review of the Risk Register.

*Staff*

Effective risk management depends on the commitment and cooperation of all staff. All staff have a significant role in the management of risk, particularly within their own areas of control. Consequently, all employees are responsible for, and have accountability for, adherence to the principles outlined in this policy.

*Executive Director*

The Executive Director is responsible for the management and monitoring of risk in line with this policy within their areas of responsibility.

In addition, the Risk Register identifies who is responsible for any actions required under each identified risk.

1. **Risk Management Strategy**

There are five steps to management of risks identified in the Risk Register which consists of:

1. Identifying the risks to achieving strategic and operational objectives.
2. Determining the owner of the risk.
3. Determining and assessing the existing controls in place.
4. Assessing the impact and likelihood of the risk after taking account of existing controls to derive the net risk.
5. Determining further control improvements to mitigate the risk and indicate what their impact on net risk will be when they are fully implemented.
6. **Conclusion**

In the Risk Register, we have identified the major risks that we face and established systems to manage such risks which will enable us to make a positive statement on risks in our Director’s Annual Report. This will help demonstrate the Organisation’s accountability to its stakeholders (donors, beneficiaries and other funders, employees and the general public).