Risk management policy

Risk Owner	Global Director of Finance & Resources
Approver	International Board
Review Date	Annually/December

1. Purpose and objectives of policy

This policy:
- Is a formal acknowledgement that the International Board of World Animal Protection ('Board') is committed to maintaining a strong risk management framework. The aim is to ensure that World Animal Protection (the UK charity and group) makes every effort to manage risk appropriately by maximising potential opportunities whilst minimising the adverse effects of risks.
- Should be used to support the internal control systems of the charity, enabling the charity to respond to operational, strategic and financial risks regardless of whether they are internally or externally driven.

The primary objectives are:
- To confirm and communicate the charity's commitment to risk management.
- To establish a consistent framework and protocol for determining appetite for and tolerance of risk and for managing risk.
- To assign accountability to management and employees for risks within their control and provide a structured process for risk to be considered, reported and acted upon throughout the organisation.

Scope of policy:
- It applies directly to World Animal Protection, all branches and subsidiaries (the 'group').
- It is acknowledged that the Affiliates will have their own risk management frameworks monitored by their respective independent boards and regulators. However, they are welcome to adopt in part or the whole of this policy. On a regular basis the Country Directors of the Affiliates will be requested to provide self- assurance and details of key risks (see section 3.5 below).

2. Risk policy statement

Both the Board and the Global Leadership Team (GLT) believe that sound risk management is integral to both good management and good governance practice. Risk management should form an integral part of the charity's decision-making and be incorporated within strategic and operational planning.

Risk assessments will be conducted on all new activities and projects to ensure they are in line with the charity's objectives and mission.

Any risks or opportunities arising will be identified, analysed and reported at an appropriate level.

A risk register covering key strategic risks will be maintained as a live document and the top strategic risks will be reported at least quarterly to the Board and its Committees as appropriate in accordance with their terms of reference, accompanied by narrative highlighting any risks that are of concern and where priority action is needed to reduce the residual risk. If high-impact risks are crystallising in between the quarterly reports which the trustees should be made aware of, these will be reported in a timely manner to the Chair of the trustees and the appropriate Board Committee in the first instance.

More detailed operational risk registers will be maintained where this is considered appropriate, taking account of the impact of potential risk and the cost/benefit of the exercise.

All employees will be provided with adequate training on risk management and their role and responsibilities in implementing this.

The charity will regularly review and monitor the effectiveness of its risk management framework and update it as considered appropriate.

Any incidents which are considered to pose a significant threat to the charity, financial or otherwise, will be escalated in accordance with the crisis management plan.

3. Organisational roles

3.1. The role of the International Board (the 'Board')

- To ensure that a culture of risk management is embedded throughout the charity and the group.
- To set the level of risk appetite and risk tolerance for the organisation and in specific circumstances.

- To communicate the charity's approach to risk and set standards of conduct expected of all employees.
- To ensure risk management is included in the development of business plans, budgets and when considering strategic decisions.
- To approve major decisions affecting the charity's risk profile or exposure.
- To satisfy itself that risks are being actively managed and controlled.
- To regularly review the charity's approach to risk management and approve any changes to this.
- To consider recommendations from Audit and Finance Committee in relation to risk.

3.2. The role of the Audit and Finance Committee

- Maintain oversight of risk management through ensuring that the system of internal controls is effective, overseeing the management of financial risks, reviewing the risk management framework, monitoring compliance with statutory frameworks.
- Set the internal audit plan using a risk-based approach and receive reports from internal auditors or other consultants on the findings and recommendations from their reviews and monitor the completion of agreed actions.

3.3. The role of the CEO and Global Leadership Team

- To ensure that risk management policy is implemented throughout the organisation.
- To anticipate and consider emerging risks and to keep under review the assessed level of likelihood and impact of identified risks.
- Provide regular and timely information to the trustees on the status of risks and their mitigation.
- To implement adequate mitigation to respond to significant risks; learn from previous experience and to ensure that crisis management plans are sufficiently robust to cope with high level risk.

3.4. Risk owners

The risk owner is the individual who is ultimately accountable for ensuring the risk is managed appropriately and the strategic risk register is kept up to date.

Risk owners are named in each global policy and this information is made available through the intranet site visible to all group offices.

3.5. The role of the Senior Leadership Team

The Senior Leadership Group (SLT) is responsible for managing project specific, function or local operational risks, as appropriate, and for ensuring that risks are reported in a timely fashion through designated lines of reporting.

Country Directors will be required to submit to the Global Director of Finance and Resources, on a regular basis, a country compliance self-assessment which includes risk representations and supporting evidence if requested. An example template is included in Appendix A. The Country Director will implement a risk evaluation tool of their choice or use the World Animal Protection risk register template amending the scoring table as appropriate.

3.6. All employees and volunteers

Everyone involved with World Animal Protection plays an important role in risk management and risk is not the sole responsibility of GLT or SLT. Effective risk management will help us identify risks and opportunities so we can optimise outcomes and ensure objectives are achieved successfully. All employees and volunteers should:

- Identify risks within their work and escalate them to their line manager so appropriate action can be taken;
- Report emerging risks or incidents that they become aware of; and
- Comply with and respect the intent of all policies and procedures designed to manage risks.

4. Interaction with internal control systems

World Animal Protection has adopted an approach to managing risk known as the "Three lines of defence"

Under the first line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks including implementing proportionate policy and procedures. Internal financial controls form part of this framework and aim to:

- to protect the charity's assets
- to identify and manage the risk of conflicts of interest, loss, waste, bribery, theft or fraud
- to ensure that financial reporting is robust and of sufficient quality and
- to ensure that the charity complies with relevant laws and regulations.

In addition, World Animal Protection expects to meet minimum standards required by legislation and best practice in operational areas, including the following:

- IT and data protection
- HR
- Governance
- Financial Accounting
- Health and Safety
- Safeguarding
- Fundraising

The risk of falling short of these standards is mitigated by ensuring that appropriate policies and working practices are adopted in each of these key areas and that employees are adequately experienced and trained to manage this. Where necessary, external advice is sought to supplement internal expertise.

The second line of defence consists of management oversight and monitoring by the central enabling functions. They monitor and facilitate the implementation of effective risk management by the first line of defence.

The third line of defence is strategic oversight which may include independent review (e.g. by independent auditors).

5. Procedures for identification, assessing and evaluating risks

5.1. Identification

Everyone has responsibility to assist with identification of any potential risks, whilst noting that no process can identify all possible risks that may arise. Potential risks should be reported to line management or a member of SLT. Identification of risks and mitigations should also be incorporated into the annual planning process in order to embed risk management into operational planning.

5.2. Assessing

Identified risks need to be put into perspective in terms of the potential severity of their impact and likelihood of their occurrence. Assessing and categorising risks helps in prioritising and filtering them, and in establishing if any further action is required.

World Animal Protection uses an established risk methodology and assesses each identified risk to rate how likely it is to occur and how severe its impact would be if it did occur. This approach creates a risk rating to ensure focus is given to significant risks both with and without the mitigations that have been put in place. Appendix B provides further details on the rating system and Appendix C shows the template of the risk register.

5.3. Evaluating risks

When major risks are identified there are four basic strategies that can be applied to manage an identified risk:

- Transferring the financial consequences to third parties or sharing it, usually through outsourcing.
- Avoiding the activity giving rise to the risk completely.
- Management or mitigation of risk with controls.
- Accepting or assessing it as a risk that cannot or should not be avoided taking into account the risk of both action or inaction.

Risk management is aimed at reducing risk to a net acceptable level after appropriate action is taken. It is possible that the process may identify areas where current or proposed control processes are disproportionately costly when compared to the risk they are there to manage.

A balance needs to be struck between cost of further action to manage risk and the potential impact on the residual risk. The Board, when setting the risk appetite, will provide guidance on the level of acceptable residual risk and this risk appetite informs how risks should be managed.

6. Periodic monitoring and assessment

Risk management is not a one-off event and should be a process that requires regular monitoring and assessment. The regular reviews should include establishing the adequacy of the controls in place in the context of the approved risk appetite.

Periodic monitoring will ensure that systems and procedures are being followed and that new risks are identified and addressed as they arise. Regular reviews at specified periods will establish how previously identified risks have changed.

Anyone concerned about a new or change in a risk should raise it with their line manager or a member of SLT or GLT.

7. Risk appetite

Risk appetite is the amount of risk that an organisation is willing to seek or accept in pursuit of its objectives.

The Board regularly reviews the risk appetite statement to ensure that the guidance on what risks are acceptable, what risks are unacceptable, and the tolerance for risk overall remains relevant and current.

When referring to risk appetite the levels are defined as follows:

Risk level/appetite	Description
Averse/none	Avoidance of risk and uncertainty is a key organisational objective
Minimal/low	We have a strong preference for safe/compliant options and accept this may limit potential.
Cautious/limited	Preference for safe options that have a low degree of risk.
Open/high	Willing to consider all potential options and choose one most likely to result in successful delivery.
Eager/significant	Eager to be innovative and choose activities that focus on maximising opportunities and offering potentially very high reward.

8. Reporting

GLT will ensure that the Board and its Committees are adequately informed of significant risk management issues and the actions undertaken to manage risks on a regular basis. The following reporting process is adopted:

- The strategic risk register is reflective of the risk registers maintained by the risk owners and reviewed by the Audit and Finance Committee on a quarterly basis. GLT will undertake a review and challenge of the strategic risk register before it is presented and ensure there is accountability for all agreed actions to manage risk.

- Any new material risks identified will be reported to Chair of the Board in a timely way proportionate to its significance.

- Risk management performance indicators which may include the number of internal audit findings, timeliness of the remediation of any findings and key risk events will be collated

by respective risk owner and presented to the Audit and Finance Committee on a quarterly basis.

- In accordance with the Statement of Recommended Practice (SORP) applicable to charities, risk management disclosures will be included in the trustees' annual report and financial statements.

9. Risk escalation

Any employee concerned about an increase in a risk or a threat should report it to their line manager and refer to the crisis management plan if appropriate.

If an employee is not comfortable raising it directly with their line manager, they should raise it with the SLT or GLT member responsible for their team.

10. Training

Training at all levels is an essential element of risk management. Mandatory induction programmes will include risk management and, where appropriate, employees will be trained in greater depth on how to assess and manage risk.

11. Assurance

Strategic and independent oversight is the third line of defence. A risk based internal audit programme will be developed each year and approved by the Audit and Finance Committee to ensure that risk controls remain efficient and effective.

The Board reviews the effectiveness of the charity's approach to risk at least every year.

Related policies:

Whistle blowing
Crisis Management

Version control:

Version	Amendments	Approved by	Date
1.0	New policy	International Board	December 2019
1.1	Change of Committee	n/a	March 2020
1.3	Annual review	International Board	December 2020
1.4	Annual review	International Board	December 2021
1.5	Annual review	International Board	December 2022

Appendix A - Country self-assessment

Country office:		Period:		
Completed by:				
Risk area	**Potential risk to manage**	**details - please advise or confirm**	**Compliance with statement (use drop down)**	**please provide details and/or explanations and where appropriate detail the improvement actions required to achieve compliance**
Governance	Failure to respect legislation, regulations as a charity, company or employer may lead to sanctions or fines	All returns (corporate and regulatory) due in the last quarter have been submitted		
Governance/risk	Non compliance with policies and poor risk culture may lead to errors, sanctions and external loss of confidence	Report any breaches of policies or procedures identified		
Governance/risk	Failure to manage risks identified or develop the operational risk framework may lead to procedures not being fit for purpose.	All audit findings are closed or action plans are in place		
Governance	Failure to respect legislation may lead to sanctions or fines	There been no data breaches		
Cyber	System failure or loss of data may lead to breach of data legislation	Any security breaches or attacks you are aware of		
Cyber	Systems not being robust enough for our operational needs	Has there been no significant (more than 24 hours) downtime		
Financial	Internal controls are effective and efficient	Any operational losses (report all fraud and others in excess of USD1k)		
Political	Ability to meet objectives and safety of staff	Any changes in country risk or political environment/stability		
Operational	A sound risk management framework is key to managing risks appropriately by maximising potential opportunites whilst minimising the adverse effect of risks	All local procedures required are in place and testing has been completed		
Staff	Disputes, low moral may lead to operational challenges and the ability to retain or attract staff	Any grievances or disciplinary action? Please do not disclose details here		
Staff	Inability to deliver strategic goals due to not being able to retain staff.	Succession plans are in place and remain current		
Staff	Inability to deliver strategic goals due to not being able to retain staff.	any significant resignations		
Staff	Failure may lead to errors or losses and in some cases is a breach of regulations	all compulsory training has been completed		
Emerging risks: If any please advise how you are managing such risks				
legal risk: are you aware of any potential or action threat of litigation or legal claims				
Any other material matters you wish to report				
signed:		Date:		
*World Animal Protection is committed to maintaining a strong risk management framework. The information contained in this certificate will support GLT and the central functions monitor and facilitate the implementation of effective risk management practices and reporting to the International Board. Supporting evidence may be required.				

Appendix B – Assessing and scoring risks

How likely is the risk to occur?

If a risk is very unlikely to occur, you will probably be much less concerned than if it almost certainly will.

What would the impact be?

Remember there might be various consequences of a risk occurring (and some may be positive) and they may impact on more than one objective.

Risk Score

Impact							
	Extreme/Catastrophic	5	5	10	15	20	25
	Major	4	4	8	12	16	20
	Moderate	3	3	6	9	12	15
	Minor	2	2	4	6	8	10
	Insignificant	1	1	2	3	4	5
			1	2	3	4	5
			Remote	Unlikely	Possible	Probable	Highly probable
			Likelihood				

Red - major or extreme/catastrophic risks
Amber - moderate or major risks
Green - minor or insignificant risks

What does the score mean?

Likelihood	Certainty	Number of instances	Time period
Highly probable / Very high (5)	Almost certain	1/10	Once in 3 months
Probable / High (4)	More likely than not	1/100	Once in a year
Possible / Medium (3)	Fairly likely	1/1,000	Once in 5 years
Unlikely / Low (2)	Unlikely	1/10,000	Once in 10 years
Remote / Very low (1)	Extremely unlikely	<1/10,000	Not in 50 years

Level of impact	Strategic	Operational	Financial	Reputational	Compliance
Very High	Would require a fundamental change in organisational strategic/ critical objectives.	Fundamental organisational changes would need to be implemented. Delay of 1 year + in delivery of project.	If the risk materialised the cost to the charity would be greater than £1m million.	Significant and irreparable damage to reputation. Sustained negative publicity resulting in loss of public confidence in the charity.	Serious breach of external governance regulations that would lead to status of the charity being reviewed.
High	Would require a significant shift from organisational strategy/critical objectives that would require Board input.	A significant amount of work would need to be done at all levels to resolve the matter. Delay of 6-12 months delivery on the project.	If the risk materialised the cost to the charity would be between £0.5 million and £1 million.	Significant and irreparable damage to reputation. High negative impact on the charity's reputation. Could impact on charity's ability to influence public/politicians. Generates a significant number of complaints.	Significant breach of governance regulation requiring immediate notification of regulatory bodies.

Level of impact	Strategic	Operational	Financial	Reputational	Compliance
Medium	Would impact on the organisational strategic/ critical objectives and would require management discussion.	A significant amount of work would be required by a team to repair operational systems. Delay of 3-6 months in delivery of project.	If the risk materialised the cost to the charity would be between £250k and £500k.	Minor damages but widespread. Significant localised low-level negative impact on the charity's reputation/ generates limited complaints.	Breaches governance regulations and would require significant work to rectify.
Low	May have an impact on achieving organisational strategy but this could be resolved.	Low level processes would need to be revised but the matter could be resolved. Delay of 1-3 month's in the delivery of project.	If the risk materialised the cost to the charity would be between £100k and £250k.	Minor damages in a limited area. May have localised, low level negative impact on the charity's reputation/ generates low level of complaints.	May breach low level governance regulations but can be rectified.
Very Low	Little impact on the organisational strategy.	Has no impact on the day to day operation of the charity. Less than 1 month's delay in delivery of project	If the risk materialised the cost to the charity would be no more than £100k.	Has no negative impact on the charity's reputation/no media interest.	No impact on the charity's governance structures.

Appendix C – Risk register template

Give each risk a code. This makes it easy to refer to it with others (eg in a meeting).	Identify your risks.		Analyse your risks by scoring the likelihood of them happening and the potential impact.			List the controls that you **currently have in place** to reduce and control each risk.	Rescore the likelihood and potential impact of each risk **with the controls in place**.			Think about Board's appetite for these risks. Give each one a target risk score that reflects the level of risk you'd be happy to accept.	Gap between residual risk and target	Trend - improving, deteriorating or new	If your residual risk score is higher than your target risk score (ie current controls don't reduce the risk to a level you're happy with), list the additional actions needed to reduce the risk further.	For ongoing assurance that risks are being controlled effectively, record who is responsible for each risk and when/how they should review it. 1st line is usually the responsible team, 2nd line is oversight from management, 3rd line is external or trustee review
Risk code	**Risk**		**Likelihood (1–5)**	**Impact (1–5)**	**Initial risk score**	**Current controls/ mitigations**	**Likelihood after controls (1–5)**	**Impact after controls (1–5)**	**Residual risk score**	**Target risk score**	**Delta**	**Trend**	**Actions required**	**First Line of Defence** / **Second Line of Defence** / **Third Line of Defence - type of assurance proposed and when**
											-			