



Uttaran

Risk Management Policy

Community Mobilization

Poverty Eradication

Environmental Justice

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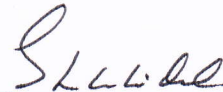
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|--|---------------------------------------|----------------------------------|
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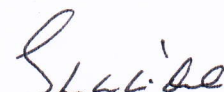
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1. Introduction

Uttaran is one of the largest private development organizations in the south-western region of Bangladesh. Uttaran now deals with all issues of public life successfully. A varied number of projects, including improving the rights of life and livelihoods of the poor people, protecting human rights, women empowerment, access of the landless on government lands and public service, water management and protecting river navigability, providing legal support, battling challenges of climate change, disaster management, primary health education, education service, water and sanitation and health rules, microcredit activities, food security and forming a republican society, sustainable agriculture, landscape and many others, are being implemented in 13 different districts of Bangladesh. Uttaran cares for every of its tasks, some of the tasks have made it more popular among the people and the notable tasks are the access of the landless on demesne, achieving rights of the untouchable peoples, women empowerment, educational activities, TRM for water logging and protecting human rights.

Uttaran is committed to maintain high legal, ethical and moral standards, to adhere to the principles of integrity, objectivity and honesty and wishes to address the way that it conducts its activities. All members of staff are expected to share this commitment. The objective of this policy is to promote a culture which deters fraudulent activity and to facilitate the prevention and detection of risk and the development of procedures which will aid in the investigation of risk and related offences and which will ensure that such cases are dealt with timely and appropriately.

This document sets out the policy and procedures of (Organization) against risk management and other forms of dishonesty, together with the steps that must be taken where any of these practices is suspected or discovered.

It applies to Directors, staff and volunteers. Anybody associated with (Organization) who commits risk, theft or any other dishonesty, or who becomes aware of it and does not report it, will be subject to appropriate disciplinary action.

2. Risk Management

2.1: What is risk?

Risk is what might go wrong in an organization. But a more precise definition is 'the effect of uncertainty on an organization's objectives'. Potential risks come and go, or evolve, as an organization's internal dynamics change, and as the external environment in which it operates changes. Keeping abreast of the risks that may affect the organization must therefore be an ongoing activity.

2.2: What is risk management?

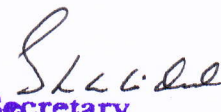
Effective risk management can go a long way to addressing this challenge. Risk management aims firstly at anticipating risks. Then it aims at preventing them from happening or at minimizing their impact if they do happen.

Risk Management is a process of undertaking coordinated activities to control or reduce risk. Since responding to risk is intended to help an organization achieve its

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objectives, risk management must be integral to all aspects of the organization including strategic planning, decision-making, operational planning and resource allocation.

A risk management system encompasses three key elements: risk management principles, a risk management framework and a risk management process.

Risk is part of all our lives. In organization cases, the risks we have to manage and care to evolve quickly. We need to make sure we manage risks so that we minimize their threats and maximize their potential.

Risk management involves understanding, analyzing and addressing risk to make sure organizations achieve their objectives. So it must be proportionate to the complexity and type of organization involved.

Because risk is inherent in everything we do, the type of roles undertaken by risk professionals are incredibly diverse. They include roles in civil society, stakeholders, business continuity, health and safety, corporate governance, planning and financial services.

Uttaran's mission is to build excellence in risk management, in all sectors and across the country.

Finally, risk is present at all levels of activity. There are risks that may affect the organization as a whole such as risks to the organization's reputation. There are risks that may affect the health and safety of staff, financial activities, service delivery activities, or risks that affect more than one activity. There are also risks specific to each and every project. What this means is that everyone in an organization bears some responsibility for managing risk.

2.3: Who is this document for?

This document is for Uttaran's staffs who want to effectively manage their risks and work well in Uttaran directors, managers, senior staff and any other relevant staff. It provides a step-by-step approach to help and formulate a risk management framework, policy and identify, assess, monitor and manage risk in the organization.

2.4: Why Uttaran needs to manage risk?

Risk management is good practice. It helps an organization to make more efficient use of resources, increase performance and minimize harm to staff and beneficiaries.


2.5: Benefits of Risk Management

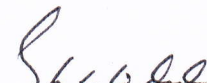
As well as contributing to compliance and good governance, effective risk management can contribute to strategic and business planning and the general running (operational activities) of Uttaran. It creates confidence that organization can deliver the desired outcomes, manage threats to an acceptable degree, and make informed decisions about opportunities.

Some benefits of risk management are that it helps to:

- ◆ Reduce the likelihood of potentially costly surprises;

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- ◆ Prepare for challenging events and improve overall resilience;
- ◆ Improve the quality of decision-making at all levels;
- ◆ Enable effective execution of decisions;
- ◆ Improve planning processes;
- ◆ Priorities resources;
- ◆ Increase performance;
- ◆ Establish clear purpose, roles and accountabilities for all staff; and
- ◆ Improve stakeholder confidence in the organization.

2.6: Types of Risk

Uttaran's risks have mainly been defined in terms of security. Over the years, significant time and resources have been invested in trying to reduce risks for staff, financial, programmatic and institutional risks. Risk in Uttaran has been commonly categorized into three broad inter-connected types:

1. **Contextual:** Risks which are external and often outside of the control of Uttaran (eg: natural disasters, terrorist activity, political instability, lack of public infrastructure).
2. **Programmatic:** Risks which are related to how the project of program is designed and implemented, which may result in not meeting the needs beneficiaries and/or potentially doing harm (eg: diversion, lack of capacity, poor service delivery).
3. **Organizational:** Risks which are internal to the organization, and which may affect the security and safety of staff and/or the reputation of the organization (eg: financial and human resource management systems/processes).


| Contextual | Programmatic | Organizational |
|--|---|--|
| <ul style="list-style-type: none"> ◆ Naturaldisasters ◆ Terroristactivity ◆ Politicalinstability ◆ Lackofpublicinfrastru cture ◆ Corruption | <ul style="list-style-type: none"> ◆ Diversion ◆ Poorservedelivery ◆ Non-compliance with programand/orquality controlprocesses | <ul style="list-style-type: none"> ◆ Highturnoverofstaff ◆ Financialmanageme nt ◆ Humanresourcema nagement ◆ Lackofcapacity ◆ Fraud |

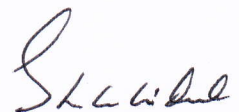
2.7: Areas of Risk

In order to manage risk on an integrated basis i.e. inclusive of all risk whether to do with the management or service delivery processes, the following have been identified as risk areas to be addressed.

- ◆ Risk of Injury to Service User/Staff/Public
- ◆ Service User Experience Risks
- ◆ Compliance with Standards (Statutory, Clinical, Professional and Management) Risks
- ◆ Objective and Project risks

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- ◆ Business Continuity Risks
- ◆ Adverse Publicity/Reputational Risks
- ◆ Financial Loss Risks
- ◆ Environmental Risks
- ◆ Safeguarding Risk

2.8: Risk Management Strategy

The following factors are considered essential for the successful implementation of a risk management strategy:

1. Board and management understanding and commitment to risk management.
2. Alignment to the organization's objectives.
3. Embedded into day to day processes.
4. Management of risk is an integrated way incorporating clinical, non-clinical, and financial risks
5. Preventive maintenance risk management processes are applied to strategic and operational risks and the management of facilities, estates, amenities and equipment.
6. Structured mechanisms in place to monitor and review the effectiveness of risk management strategies, plans and processes.
7. All incidents are immediately reported, categorized by their consequences and investigated to determine system failures, using an organizational learning approach.
8. Systems of work are designed to reduce the likelihood of harm occurring.
9. Safe systems of work are in place to ensure the safety of clients, staff, and the public.

2.9: Risk Appetite

Risk appetite is the level of risk of Uttaran is prepared to accept or pursue. In general, Uttaran is more likely to have an appetite for low level risks than for high level risks. There may be exceptions - i.e. a high level risk, where the potential benefits of which may warrant 'taking the risk' - but these are for Uttaran to consider carefully.

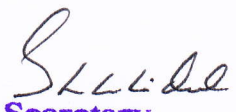
Here's an example of risk appetite. Consider a risk such as 'failure to adequately resource a new service program, resulting in potential impact on objectives and reputation'. It may be that the 'new service program' is a desirable outcome for the organization but requires additional resources. If the organization cannot resource it adequately, the program may not be delivered and the organization's objectives may not be achieved. The outcome would be undesirable but not severe, so attempting to deliver the program may be 'worth the risk'. The organization would be said to have an appetite for this risk if it chooses to proceed with implementation under such circumstances.

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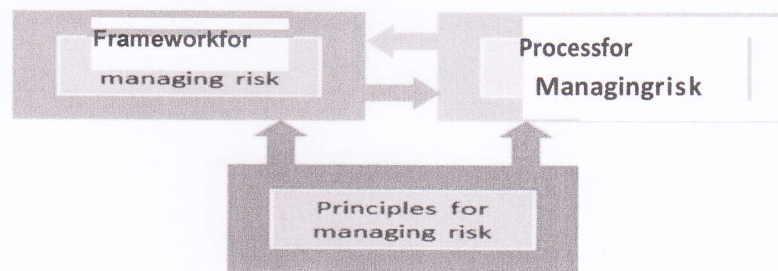
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2.10: Building Blocks of the Risk Management System

The main building blocks of risk management of Uttaran are- Principles, Framework, and Process and how they fit together. These building blocks are sometimes called the risk management architecture.

The principles underpin the framework and process and are intended to help increase understanding and recognition of the vital role played by risk management throughout an organization. There is also a circular, iterative relationship between Process and Framework. The Framework will inform how you undertake the Process. The results of undertaking the Process will feed back into, and may modify, the Framework. This will become clearer as you read through the document.



2.11: Risk Management Standards

A number of standards have been developed to help organizations implementation risk management systematically and effectively. These standards seek to establish a common view on frameworks, processes and practice, and are generally set by recognized international standards bodies. Risk management is a fast-moving discipline and standards are regularly supplemented and updated.

The different standards reflect the different motivations and technical focus of their developers, and are appropriate in organizations and in different situations. Standards are normally voluntary, although adherence to a standard may be required by regulators or by contract.

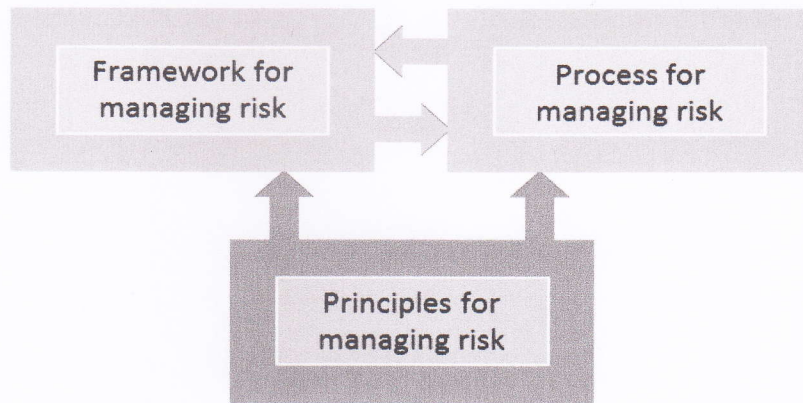
2.12: Risk Assessment

The overall process of risk identification, risk analysis and risk evaluation.

2.13: Risk Register

A risk register is a database of risks that face an organization at any one time. Always changing to reflect the dynamic nature of risks and the organization's management of them, its purpose is to help managers' priorities available resources to minimize risk and target improvements to best effect.

3. Risk Management Principles



As indicated earlier, the principles underpin the framework and process and are intended to help increase understanding and recognition of the vital role played by risk management throughout Uttaran.

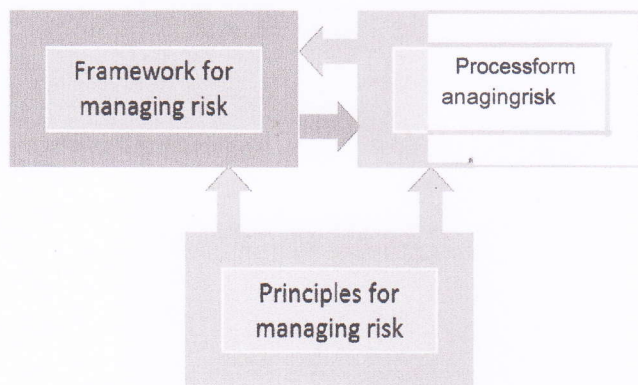
These principles are the risk management:

- ◆ is an integral part of organizational processes;
- ◆ creates and protects value;
- ◆ is part of decision making;
- ◆ explicitly addresses uncertainty;
- ◆ is systemic, structured and timely;
- ◆ is based on the best available information;
- ◆ is tailored to the organization's requirements;
- ◆ takes human and cultural factors into account;
- ◆ is dynamic, iterative and responsive to change;
- ◆ facilitates continual improvement of the organization; and
- ◆ is transparent and inclusive;

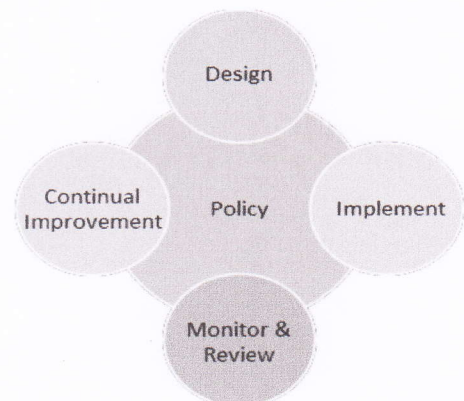
4. Developing a Risk Management Framework

BuildingBlocksofRiskManagementSystem

Framework



RiskManagement



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4.1: Overview of a Risk Management Framework

The Risk Management Framework describes how risk management is integrated into the organization and aligned with every aspect of the organizations:

- ◆ governance, strategy and planning;
- ◆ management, work plans and activities;
- ◆ internal and external reporting processes and communication mechanisms;
- ◆ Policies, procedures, values and culture.

It clarifies the accountabilities, the reporting and escalation processes, as well as the communication and consultation mechanisms for internal and external stakeholders. It is advisable to have a Framework document. Uttaran have an extensive Framework document.

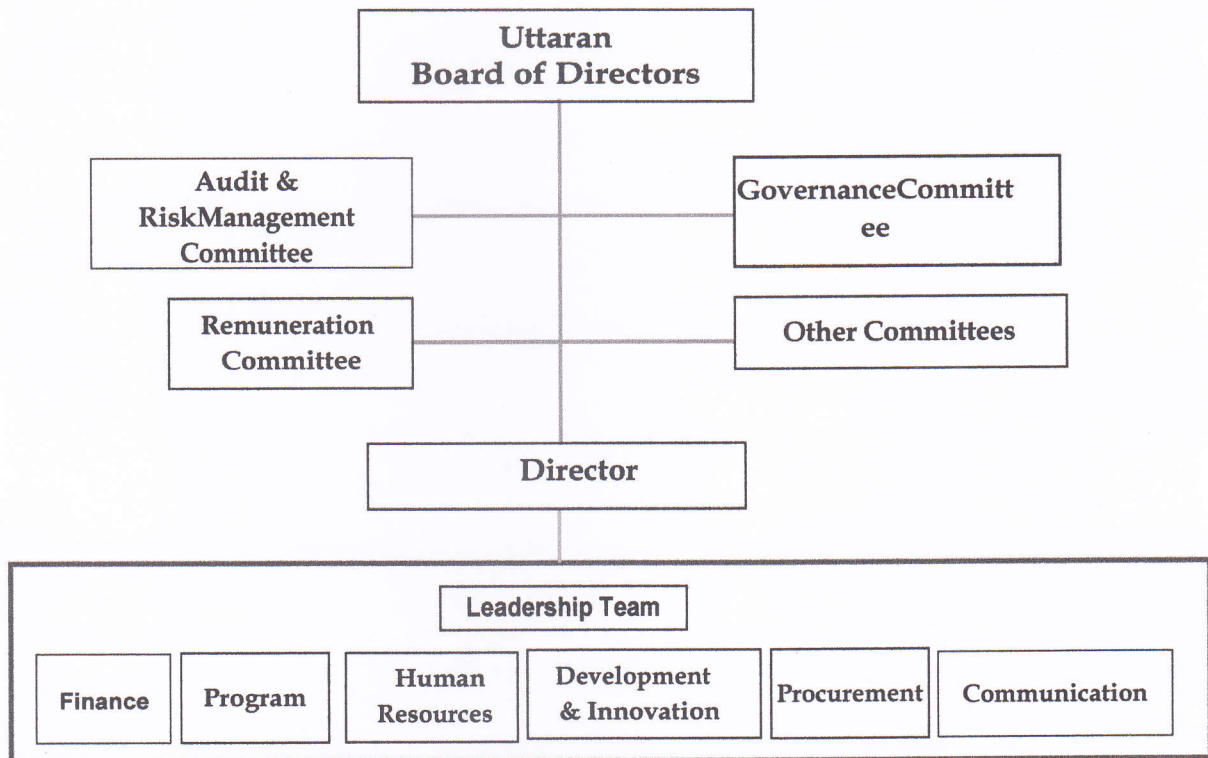
4.2: Developing a Risk Management Framework

The steps for developing a Risk Management Framework are as follows:

- ◆ consider the Risk Management Principles;
- ◆ understand organization and its context (both internal and external);
- ◆ develop a Risk Management Policy
- ◆ establish accountabilities (who are responsible for what);
- ◆ integrate risk management into organization's processes, culture and values,
- ◆ involve staff so that they have ownership and buy-in which are essential to creating the culture;
- ◆ allocate sufficient time and resources; and
- ◆ Establish internal and external communication and reporting mechanisms (with management and staff and partners, donors and importantly beneficiaries).

4.3: Risk Governance - Organization Structure of Uttaran

The following organogram sets out where the Risk Management functions of the Uttaran:



4.4: Establish Accountabilities

To make risk management work, there needs to be accountability for integrating risk management into Uttaran and for managing specific risks. This means making sure that these risks are assigned to specific people who are then responsible for or 'own' these risks.

The tasks of managing the Framework and undertaking the Risk Management Process (identifying, assessing and treating risks) are generally carried out by a senior manager - Coordinator, Finance Coordinator or Admin Coordinator - who generally has a good understanding of all the organizational processes. Uttaran appoints a 'Risk Management Coordinator' or 'Risk Manager'. To achieve accountability for specific risks, it is useful to assign risks to nominated risk owners who are then accountable for managing them. Risk owners are usually senior managers or officers who have the authority to allocate resources to develop risk treatment actions and plans to manage risks to acceptable levels. These officers could include your program/project managers.

5. Promoting a Risk Management Culture

Uttaran is committed to the protection and wellbeing of the people that it supports their families, and Uttaran staff as well as demonstrating openness and transparency in all matters relating to management and legislative compliance. To this end Uttaran is committed to promoting a culture of Risk Management based on a practical application of best practice. Uttaran is committed to having in place the necessary structures, processes, training, information systems and communication mechanisms to ensure that this is achieved, along with, where necessary, financial and other resources.

Uttaran seeks the commitment of all staff in supporting this initiative. To this end the

Uttaran promotes an environment within which individuals/groups are encouraged to identify hazards and risks, and report adverse events promptly within the framework of a positive and supportive culture which seeks to apportion blame fairly.

6. Board of Directors Monitoring and Management of the Risk Environment

The Board of Directors of Uttaran expects that a risk register be maintained which will allow for the capture of risk information from the bottom up within Uttaran. The risk register will be the primary tool for risk tracking, containing the overall system of risks and the status of any risk mitigation actions.

The Board will also expect that an operational risk management approach, which has been adopted for use in Uttaran. Guidance on Uttaran Risk Assessment process is detailed in Uttaran Risk Assessment Tool and Guidance Document. The use of a consistent approach to risk management such as is described in these documents is essential to successfully embed risk management at all levels and areas within Uttaran.

The Board of Directors will monitor and review risk register, which will be prepared by the Executive, on a quarterly basis. The Audit and Risk Committee will accept or reject additional risks on to the risk register on behalf of the Board of Directors.

7. Risk Management Process

The Risk Management Process outlines a standardized approach to the identification, analysis, evaluation, treatment, communication and monitoring of risk. All services will use this standardized approach and record the outcome in a series of Risk Registers. These Risk Registers will be collated at key organizational levels.

Allowing for risks to be managed at the most appropriate level in the organization i.e. risks that fall outside the control of a line manager may be escalated to the appropriate level of management.

It is essential that action plans for the risks contained in the Risk Register are identified and an action person assigned. These Risk registers must be under active consideration and be the subject of regular review.

8. Establish Internal and External Communication and Reporting Mechanisms

Risk management activities need to be communicated and/or reported to relevant internal and external stakeholders. Much of this can be done through organization's existing communication and reporting mechanisms, so should factor these into the Framework. May find that additional risk-focused mechanisms are required to keep all relevant officers, employees, volunteers and other stakeholders informed of risk management activities. So need to identify and develop such mechanisms as part of the Framework.

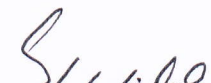
9. Develop Guidance to Support the Analysis and Evaluation of Risks

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Managers and staff will require guidance too effectively /consistently analyses and evaluate risks that they identify during the risk management process. As a starting point, need to make decisions and provide guidance on the following:

- ◆ Identify categories of risk
- ◆ How to measure the 'likelihood' of a risk occurring?
- ◆ How to measure the 'consequences' of a risk should it occurs?
- ◆ How to measure the 'overall level' of risk?
- ◆ Decisions regarding escalation, retention and treatment
- ◆ How to record risk information?

10. Financial Risk Management

Financial risk management is the practice of economic value in an organization by using financial instruments to manage exposure to risk, particularly credit risk and market risk. Other types include Foreign exchange risk, Volatility risk, Sector risk, Liquidity risk, Inflation risk, etc. Similar to general risk management, financial risk management requires identifying its sources, measuring it, and plans to address them.

Financial risk management can be qualitative and quantitative. As a specialization of risk management, financial risk management focuses on when and how to hedge using financial instruments to manage costly exposures to risk.

In the organization in all sectors we are generally adopted by internationally active rules for tracking, reporting and exposing operational, credit and other risks.

10.1: When to use financial risk management

When applied to financial risk management, this implies that organization managers should not hedge risks that investors/donors can hedge for themselves. This suggests that organization managers likely have many opportunities to create value for stakeholders using financial risk management.

The concepts of financial risk management change dramatically in the international realm. The organization is may face with many different obstacles in overcoming these challenges. There has been some research on the risks firms must consider when operating in the country such as the three kinds of foreign exchange exposure i.e. transactions exposure, accounting exposure and economic exposure.

Financial risk is an umbrella term for multiple types of risk associated with financing, including financial transactions that include organization loans in risk if default. Risk is a term often used to imply downside risk, meaning the uncertainty of a return and the potential for financial loss.

11.Diversification

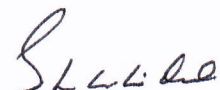
Financial risk and even inflation risk can at least partially be moderated by forms of diversification.The returns from different assets are highly unlikely to be perfectly correlated and the correlation may sometimes be negative.

There is a wide range of returns that an index fund may experience; so an index fund



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by itself is not "fully diversified". Greater diversification can be obtained by diversifying across asset classes; for instance a portfolio of many bonds and many equities can be constructed in order to further narrow the dispersion of possible portfolio outcomes.

A key issue in diversification is the correlation between assets, the benefits increasing with lower correlation. However this is not an observable quantity, since the future return on any asset can never be known with complete certainty.

Diversification has costs. Correlations must be identified and understood, and since they are not constant it may be necessary to rebalance the portfolio which incurs transaction costs due to buying and selling assets. There is also the risk that as an investor or fund manager diversifies their ability to monitor and understand the assets may decline leading to the possibility of losses due to poor decisions or unforeseen correlations.

All the risk incident must be write in the register and inform to management and donors in a same time.

12. Risk Mitigation

The risk mitigation step involves the development of mitigation plans designed to manage, eliminate, or reduce risk to an acceptable level. Once implemented that plan is continually monitored to assess its efficacy with the intent of revising the course-of-action if needed. The risk reduction plan includes evolving options and actions to enhance opportunities and reduce threats to project objectives. Reducing risks is the process of executing risk mitigation actions. Risk mitigation progress monitoring includes tracking identified risks, identifying new risks, and evaluating risk process effectiveness throughout the project. Risk mitigation handling options is

(a) assume/accept—acknowledge the existence of a particular risk and make a deliberate decision to take it without engaging in extraordinary labors to control it. However, approval of a project or program leaders is a priori in such cases;

(b) avoid—adjust project necessities or constraints to eliminate or reduce the risk. This adjustment could be to accommodate a change in capital, technical requirements, or timetable;

(c) control—compliance with planned actions to minimize the effect or probability of the risk occurrence;

(d) transfer—making others responsible for causing or handling risks; (e) watch/monitor—monitor an event for a change that may yield an effect on nature and the impact of the risk.

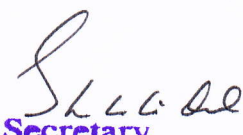
13. Current Risk Matrix as of

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13.1 Risk Grading

This risk matrix include

- risk no

| Rating for likelihood/probability and impact for each risk | | | |
|--|-----------------|----|---|
| L | Rated as low | C | Rated as critical (used for seriousness only) |
| M | Rated as medium | NA | Not assessed |
| H | Rated as high | | |

- Name of risk
- Risk Category

Pre-Mitigation Risk Matrix

KEY:
 Critical (red): will have a **catastrophic** effect on our ability to achieve our strategic vision.
 High (orange): will have a **severe** effect on our ability to achieve our strategic vision.
 Medium (yellow): will have a **moderate** effect on our ability to achieve our strategic vision.
 Low (green): will have a **minimal** effect on our ability to achieve our strategic vision.

| | | | | | | | |
|----------|-------------------|------------------|--------------|-----------------|-------------------|---------------------|----------|
| Impact ↑ | increasing | 5 (catastrophic) | MEDIUM | HIGH | HIGH | CRITICAL 1,2,3,4 | CRITICAL |
| | 4 (major) | MEDIUM | MEDIUM | HIGH | HIGH 8,9,11,12 | CRITICAL | |
| | 3 (moderate) | LOW | MEDIUM | MEDIUM 5,6,7 | HIGH | HIGH | |
| | 2 (minor) | LOW | LOW 10 | MEDIUM | MEDIUM | MEDIUM | |
| | 1 (insignificant) | LOW | LOW | LOW | LOW | MEDIUM | |
| | | 1 (rare) | 2 (unlikely) | 3 (possible) | 4 (likely) | 5 (almost certain) | |
| | | Likelihood → | | | increasing | | |

- Description of risk
- Gross risk
- Mitigation measure
- Net Risk
- Required resources or support from to management the risk effectively
- Risk owner


Following the matrix Uttaran will conduct risk assessment for each program or project and update risk register periodically.

14. Conclusion

Uttaran will revise the Risk Management Policy as per the board requirements after each 5 years.

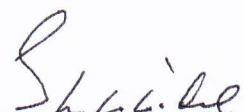
The end

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