Risk Management Policy and Risk Framework

Version 1.0 Approved by the Board of Renewable World on 21st August 2018

1. Risk

Renewable World (RW) recognises risk as an event or action which may cause an adverse impact on its financial reserves, income, reputation with stakeholders or ability to perform programmes or operate.

2. Attitude to risk

RW is small charity with relatively small reserves working on international programmes in often challenging local contexts. It is therefore particularly vulnerable to external risks. Consequently, RW has a low risk threshold to any risk that affect its financial reserves.

Where possible RW will seek to identify opportunities that arise from risks.

3. Risk Policy Statement

Renewable World will seek to mitigate risks through economic, effective and efficient controls or actions that reduce the risk's likelihood of occurring or reduce the impact of the risk. RW does not seek to eliminate all risks.

4. Responsibilities

It is the responsibility of all staff and Trustees to identify risks, report them and act on them.

Country Managers and the Chief Operating Officer (COO) will take the lead on the risk process and risk assessment responsibilities.

Overall the COO has day to day responsibility for risk management.

5. Risk Management Process Approach

The Board of Trustees regularly reviews the major risks, in the form of a risk register, to which the charity is exposed. Internal risks are minimised by regular review of transactions and programme activity to ensure consistent quality of delivery for all operational aspects of the Charity, by employing suitably skilled and qualified personnel, and by putting into place clear strategic, business and operational plans. In accordance with our risk policy the risk register incorporates financial, programmatic and systematic risks to the organisation. Specific risks are discussed at Board or Committee meetings when appropriate, where enough time will be allocated for detailed review and discussion. The Renewable World Risk Process is shown in Figure 1.

Our risk management approach reflects the pervading nature of risk and opportunity in Renewable World's activities, locations of operation and the need for governance and assurance arising from our regulated and charitable status.

Our integrated risk management approach combines a top-down strategic view with a complementary bottom-up operational process. These approaches meet at the Board Committees consisting of Trustees and Senior Managers which are responsible for reviewing risks.

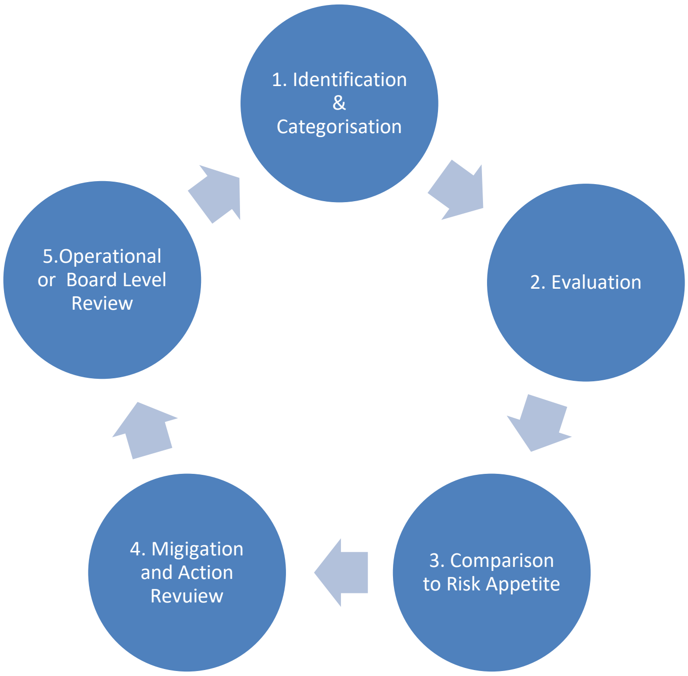

Figure 1: The RW Risk Process

The top-down approach involves a Board level review of the external environment in which we operate, to guide an assessment of the risks which we are comfortable exposing the charity to in pursuit of our vision and strategic objectives – this is our risk appetite. This evaluation frames the determination of the actions we take in executing our strategy. Key risk indicators (KRIs) have been or will be identified for each of our principal risks and used to monitor our risk exposure. The KRIs are reviewed by the Finance Committee, which has oversight of risk management within its terms, to ensure that the activities of the charity remain within agreed risk appetite tolerances.

The bottom-up approach involves identification, management and monitoring of risks in each area of our charity (programmes and regions, finance, fundraising, and ethics) meaning that risk management is embedded in our everyday operations. Control of this process is provided through maintenance of risk registers in each area which the responsible Board Committee reviews bi-monthly. These risk registers are aggregated, sorted into principal risks and reviewed by the Board. This process complements the top-down view by informing the identification of our principal risks, ensuring that operational risks are fully considered in determining the risk appetite and the corresponding strategy of the business.

6. Risk Management Process: Top-Down risk review (Board level)

a. Bi- annually the Board will specifically review the threats, risks and opportunities of the external environment, to the charity and its objectives. Such risk areas will include considering the markets and regions we operate in and changes in regional and national government policy. This is likely to be integrated with the strategy and business planning processes.

b. Bi-annually the Board will set/approve the risk indicators as recommended by the Committees. Risk Indicators provide clear thresholds covering areas such as financial strength and programme selection. Remaining within these thresholds ensures that our actions are consistent with our agreed risk appetite. Board committees will monitor the risk indicators.

For example, the Risk Indicator on unrestricted cash could be:

- < than 3 months – Red status: urgent action required
- 3-6 months unrestricted cash funds/ more than 12 months cash – Amber status: further action and careful monitoring is required but it is not critical
- > 6 months: Green status: no further action required.

c. Board determine strategic action points and allocate responsibilities to Board members, Committees or SMT.

7. Risk Management Process: Bottom-Up risk review (Management/Committee level)

a. In-Country and UK Management report priority and emerging risks at Operations Committee — identify, evaluate, prioritise, mitigate and monitor operational risks recorded in risk registers.

b. Quarterly the Finance Committee reviews the current risk registers and also assess new risks as submitted or explores. Committee considers completeness of identified risks and adequacy of mitigating actions

c. New risks: are categorised using the Risk Categories & Risk Areas defined in the template, this helps both to define risks and identify duplication or re-articulation of existing risks

d. All Risks are then evaluated: Risks are scored using the "Risk Matrix" which define impact and likelihood to give a composite score for prioritisation

e. Risk Mitigations are considered and scored for their impact and likelihood affect to arrive at a residual risk

f. New Principal Risks (highest risk score) Register prepared and issued to senior management and Board.

g. Twice yearly the Board reviews the Principal Risks Register, at least one of these meetings will proceed the signing of the Annual Financial Statements. The Board considers aggregation of risk exposures across the organisation.

h. The Finance Committee annually assesses the effectiveness of the risk management systems and reports to the Board on their conclusions.

8. Risk Evaluation

Once a risk has been identified and categorised, it is evaluated (scored) to establish its relative priority for RW. This is done by assessing both Impact and Likelihood. The risk will be scored both before considering mitigations (gross risk) and after mitigations (residual risk). The evaluation criteria and scoring matrix are shown on the following pages.

Impact

Descriptor	Score	Impact on service and reputation
Insignificant	1	• no impact on service • no impact on reputation • complaint unlikely • litigation risk remote
Minor	2	• slight impact on service • slight impact on reputation • complaint possible • litigation possible
Moderate	3	• some service disruption • potential for adverse publicity - avoidable with careful handling • complaint probable • litigation probable
Major	4	• service disrupted • adverse publicity not avoidable (local media) • complaint probable • litigation probable
Extreme/Catastrophic	5	• service interrupted for significant time • major adverse publicity not avoidable (national media) • major litigation expected • resignation of senior management and board • loss of beneficiary confidence

Likelihood

Descriptor	Score	Example
Remote	1	may only occur in exceptional circumstances
Unlikely	2	expected to occur in a few circumstances
Possible	3	expected to occur in some circumstances
Probable	4	expected to occur in many circumstances
Highly probable	5	expected to occur frequently and in most circumstances

Renewable World
TACKLING POVERTY THROUGH RENEWABLE ENERGY

Impact						
Extreme/ Catastrophic	5	10	15	20	25	30
Major	4	8	12	16	20	24
Moderate	3	6	9	12	15	18
Minor	2	4	6	8	10	12
Insignificant	1	2	3	4	5	6
		1 Remote	2 Unlikely	3 Possible	4 Probable	5 Highly Probable

Likelihood