RISK MANAGEMENT POLICY

2022

THE FUNDAMENTAL PRINCIPLES
OF THE INTERNATIONAL RED CROSS AND RED CRESCENT MOVEMENT

Humanity

The International Red Cross and Red Crescent Move- ment, born of a desire to bring assistance without discrimination to the wounded on the battlefield, endeavours, in its international and national capacity, to prevent and alleviate human suffering wherever it may be found. Its purpose is to protect life and health and to ensure respect for the human being. It promotes mutu- al understanding, friendship, cooperation and lasting peace amongst all peoples.

Impartiality

It makes no discrimination as to nationality, race, religious beliefs, class or political opinions. It endeavours to relieve the suffering of individuals, being guided solely by their needs, and to give priority to the most urgent cases of distress.

Neutrality

In order to enjoy the confidence of all, the Movement may not take sides in hostilities or engage at any time in controversies of a political, racial, religious or ideological nature.

Independence

The Movement is independent. The National Societies, while auxiliaries in the humanitarian services of their governments and subject to the laws of their respective countries, must always maintain their autonomy so that they may be able at all times to act in accordance with the principles of the Movement.

Voluntary service

It is a voluntary relief movement not prompted in any manner by desire for gain.

Unity

There can be only one Red Cross or Red Crescent Society in any one country. It must be open to all. It must carry on its humanitarian work throughout its territory.

Universality

The International Red Cross and Red Crescent Movement, in which all societies have equal status and share equal responsibilities and duties in helping each other, is worldwide.

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IFRC'S RISK MANAGEMENT POLICY

1. Purpose

1.1 This policy sets out the key elements of IFRC's risk management outlining the main principles behind the risk management framework.

1.2 It communicates IFRC's structured approach to managing risk and establishes a common terminology across the organization, ensuring that IFRC uses risk management systematically to inform decision-making.

2. Scope

2.1 The risk management policy is applicable to all IFRC offices, departments, functions, processes, and resources. It includes all areas of risk, and the organization will be guided by the ISO 31000 and ERM COSO risk management standards as well as the IFRC's established ethical standards and values and other applicable guidelines.

3. Principles and Commitment to Risk Management

3.1 Risk management is everyone's responsibility.

3.2 IFRC is committed to the management of risks as an integral part of its strategy formulation and implementation. The management of risks shall be integrated into IFRC's planning and operational processes and shall be fully recognized in the organization's reporting processes.

3.3 IFRC is committed to exploring opportunities to protect our mission, principles, institutions, and the people that we serve.

3.4 IFRC shall focus on risk management strategies that explore and maximize opportunities in addition to minimize threats that the organization may encounter as it pursues its vision and mission in implementing its strategic, operational, and programmatic plans.

3.5 IFRC will manage risk in an effective and efficient manner as a fundamental component of its operations to achieve its objectives.

3.6 The IFRC is committed to identifying and analysing risks associated with activities and operations with the objective of maintaining a safe workplace, minimizing losses, maximizing opportunities, and developing appropriate risk treatment options for informed decision-making.

3.7 IFRC will promote a culture of risk and responsibility through our circles of collaboration with National Societies, and with peer-to-peer support.

4. Roles and Responsibilities

4.1 The Governing Board is responsible for promoting the IFRC's risk management philosophy, the desired risk culture, and establishing an effective governance structure to oversee risk.

4.2 The Audit and Risk Commission advises the Governing Board on all audit and risk management matters affecting the IFRC.

4.3 The IFRC is responsible for defining appropriate institutional structures for effective implementation of the risk management policy and implementing risk management in accordance with the risk management framework.

4.4 The National Societies will be guided by this Policy and will be provided with support upon request to establish their own framework for Risk Management and to adapt the Risk Management Policy to best suit their operating environment.

4.5 The IFRC Risk Management Framework lays out the responsibilities of each of the actors in more detail.

5. Risk Appetite

5.1 The responsibility for determining IFRC's risk appetite resides with the Secretary General and the Global Leadership Team and is approved by the Board. The risk appetite will be a driver of strategic decisions.

5.2 The Secretary General with the Global Leadership Team defines and reviews the risk appetite which forms the basis for procedures and performance measures ensuring that strategic decisions are risk informed.

5.3 For operations, the risk appetite is defined by IFRC management, and lays out the boundaries for acceptable risks to the IFRC.

5.4 The overall risk appetite of the IFRC is dynamic, and the latest version is available in the organization's risk appetite statement.

5.5 IFRC's strategic risk appetite statements will be reviewed and endorsed on an annual basis, or at the request of the Secretary General.

6. Effective Date and Review of policy

6.1 This Policy comes into effect 1 September 2022.

6.2 This Policy will be reviewed and updated if necessitated by a significant event or change in circumstances for the organization, or at the request of the Governing Board.

IFRC'S RISK MANAGEMENT FRAMEWORK

1. Introduction

International organizations with a complex set up/structure, like the IFRC, require a well-structured, strategic, and pro-active approach to managing risk. IFRC often deals with particularly high-risk activities during its efforts to assist vulnerable people in need of support. Guided by the Fundamental Principles, IFRC enters conflict prone areas, is on the frontline of disasters and crises, including health emergencies and pandemics, and sometimes assists those with higher risk behavioural issues.

Risk management supports the organization in adjusting its overall strategy, priorities, and objectives with time. A corporate and systematic process to manage and take calculated risks, enables the IFRC to explore opportunities and to reduce its exposure to unwanted and unnecessary threats.

Risk management is one of the cornerstones of IFRC's good governance and sound management structures. The effective implementation of risk management at strategic, operational, and programmatic levels will help improve the performance of the organization and enhance IFRC's ability to achieve its objectives.

2. Purpose, scope and audience

The IFRC Risk Management Framework applies to all IFRC offices, operations, and employees in all countries within which the IFRC operates. Compliance with this framework is mandatory for all IFRC offices.

The purpose of the IFRC Risk Management Framework is to support the IFRC in managing its risk so that it can systematically make risk-based decisions to optimise the use of resources to achieve its objectives.

An established risk management framework plays a crucial role in ensuring essential assistance reaches communities in need, while safeguarding donor investments, as well as IFRC's reputation as a trusted partner of choice. It enables the organization to gain a clear view of its overall risk level and to define its risk appetite, taking into consideration the humanitarian imperative.

This Framework:

- defines the **scope** of the risk management activities in IFRC.

- **supports alignment of IFRC's Strategy** to its risk appetite to enable the Board and the Global Leadership Team to evaluate the objectives that IFRC is pursuing after factoring in which risks can be considered as acceptable.

- provides structured guidance on how IFRC responds to risks across the organization, encouraging proactive and preventive in addition to reactive risk management, to **enhance decision-making and business development**.

- **encourages seizing of opportunities** to improve business processes and functions.

- enables IFRC to **reduce operational surprises and losses** by anticipating events and put in place measures to minimize threats or to maximize opportunities related to those events.

- **allows identification and management of risks across the organization at all levels.**

- promotes the establishment of a common language around risk together with the development of a risk awareness culture and **understanding** of the importance of risk management to all IFRC staff and volunteers.

- outlines **the key roles and responsibilities** for risk management across the organization.

2.1 Risk Management for National Societies

This Framework can be used and adapted by National Societies to develop their own risk management frameworks to improve the effectiveness of their activities and operations. The framework is designed to be sufficiently flexible to fit any country and context and could be adapted by National Societies for their own internal use.

3. Risk Management Process

A risk is defined as the effect an uncertainty has on the objectives of the organization and can be both negative (threat) or positive (opportunity).

Risk Management is embedded within the IFRC as a key part of strategic planning, operational planning, and operations, and is a systematic process for evaluating and addressing risks to make informed decisions.

Each IFRC office shall have a risk register (see Annex II) and be responsible for managing risks to their objectives.

Figure 1 The risk management process

The risk management process for the IFRC involves the following stages (figure 1):

- ◆ Risk identification
- ◆ Risk assessment
- ◆ Risk treatment/response
- ◆ Risk escalation
- ◆ Monitoring and reporting

In addition, the objectives need to be clearly defined upfront.

0. Objective Identification

Before identifying the risks, it is important to establish the context by clarifying what the objectives are. This can be the overall strategy of the organization (Strategy 2030), the outcomes, the outputs, the annual operational plan for the office, or specific projects and activities.
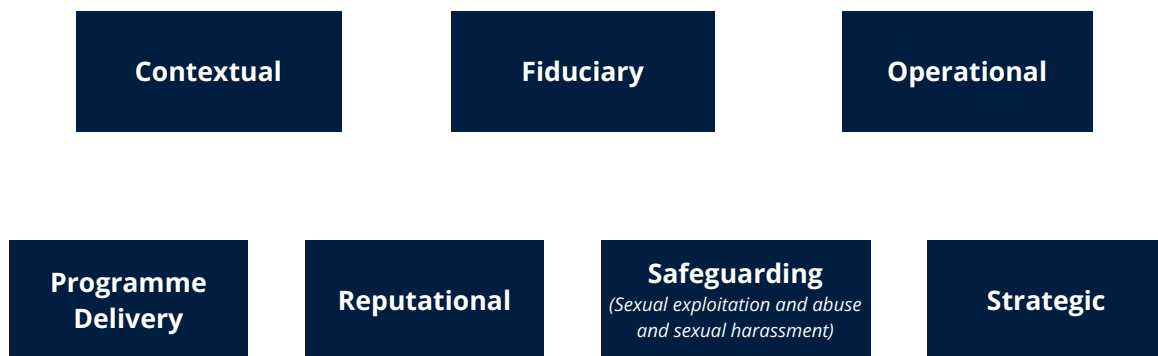
1. Risk Identification

A risk identification is performed to map what, why and how risks can impact the objectives. This includes reviewing relevant processes, systems, and product/projects of the IFRC, with a view of identifying critical elements that can prevent the achievement of the objectives.

It is important to involve all relevant staff members in this exercise, and any staff member can identify a risk and suggest it be captured in the risk register of their office. It is therefore recommended that managers provide the opportunity to discuss risks at any time.

This includes in meetings and dedicated risk identification workshops, but also analyses of lessons learnt from previous operations and findings from evaluations and audits.

IFRC risks are classified into categories informed by the risk environment. The list of categories in use are included in Annex III, and includes at the time of this framework:

Contextual	**Fiduciary**	**Operational**

Programme Delivery	**Reputational**	**Safeguarding** *(Sexual exploitation and abuse and sexual harassment)*	**Strategic**

2. Risk Assessment

When the risks have been identified, each risk must be assessed. This is important to determine if the risk is acceptable to the organization, and to prioritize the order and efforts to manage it. The *inherent risk* level of each risk will be assessed in terms of the **likelihood** that the risk **will affect** the organization's ability to achieve its objectives, and the **impact** to the organization's objective. The assessment is typically **subjective**, using sound judgement, common sense, and experience, in particular for risks that cannot easily be measured.

Once the inherent risk level has been determined, it is important to highlight the controls currently in place to mitigate the risk. These are controls and actions that are designed to either reduce the likelihood, the impact or both. The resulting likelihood and impact are the *residual* risk level.

The residual risk level can then be assessed towards the organization's risk appetite for this objective or type of risk, to determine if additional actions are required to mitigate the risk to within the risk appetite.

3. Risk Treatment / Response

If the risk assessment shows that the residual risk level is outside the risk appetite of the organization, it is necessary to plan for additional controls or mitigation measures. The options of risk treatments are as follows:

Terminate	Terminate the risk - by doing things differently and thus removing the risk where it is feasible to do so. Countermeasures are put in place that either stop the threat or problem from occurring or prevent it having any impact on the IFRC.
Treat	Treat the risk - take action to control the risk by reducing the likelihood of the risk developing or limit the impact on the objective to acceptable levels.
Transfer	Pass the management of the risk to a third party via, for instance, an insurance policy or a penalty clause, such that the impact of the risk would no longer be an issue for the IFRC.
Tolerate	Tolerate the risk – either because nothing can be done at a reasonable cost to mitigate it, or the likelihood and impact of the risk occurring are at an acceptable level.
Take more	If the identified event constitutes an opportunity for the organization, it may be desirable to take more risk, with the appropriate controls in place.

Actions to be taken need to be carefully considered and the number of controls operated should be proportionate to the appetite for the risk.

4. Risk Escalation

If the residual risk level is outside the risk appetite of the organization, and there are not sufficient controls (or mitigation actions) within the approval level of the office to reduce the risk to within acceptable levels, the risk must be escalated to the next authority level. Note that a risk can be outside of the appetite for a country delegation office, but still within the appetite of a regional office.

Figure 2 The different escalation levels for risks

5. Risk Monitoring & Internal Reporting

Because the environment in which we operate changes regularly, and as such its risks, it is important to monitor and review risks regularly. The risk register should be a live document that is monitored and reviewed periodically to ensure it remains current.

The different offices are required to keep their risk registers up to date, and to make their risk registers available to the risk management function upon request. This will ensure the information gathered can be used to identify potential opportunities to exploit and as a source of institutional memory for future managers of similar operations, offices, or functions. Each office is also required to report on their main risks as part of the regular reporting processes of the IFRC.

IFRC Top Strategic Risks	IFRC is committed to periodically review its top strategic risks to ensure our organization is conscious of the risks it faces, makes informed decisions to manage these risks and maximises opportunities. These risks will be informed by the risks identified across the IFRC offices.
Annual Report to the Secretary General	The Risk Management Function is responsible for establishing an annual report on risk management to the Secretary General. The report will include: • Progress in implementation of the risk management framework across the organization. • Overview of common risk areas identified across the organization. • A recommendation for revision of the risk appetite thresholds, for discussion with GLT. • Other areas of interest as determined by the Risk Management Function, or as requested by the Secretary General. The report will be shared with the Audit and Risk Commission for consideration.
Annual Report to the Audit and Risk Commission of the Governing Board	The Risk Management Function is responsible for establishing a regular paper on risk management to the Audit and Risk Commission of the Governing Board. The report will include: • Status of implementation of the risk management framework. • Any other areas as requested by the Chair of the Audit and Risk Commission.

6. External Reporting

The risk registers established by IFRC offices are generally seen as internal working documents for management of the Secretariat and must not be shared with external parties (except with external audit upon request).

The section on "Risk management in operations" defines risk management at the operational level and outlines how to respond when there is a specific request from a donor to share risk information for operations.

4. Risk Management for Operations

4.1 Make a risk management plan

Each IFRC operation should establish a plan for risk management, which should be in line with the risk management framework. The plan should specify how risks will be managed for the operation, including the proposed risk appetite and any external reporting requirements. The risk management plan should be signed off by the operations manager and presented to the Regional Risk Management Team for approval.
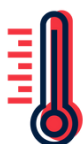
4.2 Set an operational risk appetite

At the onset of the operation, the risk appetite for the operation needs to be defined. The risk appetite will be communicated to potential partners and donors, to ensure a common understanding of the risks in the operation.

4.3 Establish a risk register

Depending on the size and complexity of the operation, the corresponding risk register could be embedded in the existing risk register for the country/country cluster delegation. For operations above a certain size or complexity, the IFRC can establish a Federation-wide risk register together with relevant donors and partners.

4.4 External Risk Reporting

Reporting of risks to the operation will be outlined in the risk management plan. If a risk management plan is not established, risks should be captured in the internal risk register for the office and not be shared externally without consulting with the Risk Management Function.

5. Risk Management Tools and Training

5.1 Risk Register

To capture the risks of the IFRC Secretariat all offices are required to fill the risk register (Annex 2). The risk register should be accessible to the risk management team, both globally and in the respective regions.

5.2 Risk Management Training

Risk management training is critical in supporting the effective implementation of the Risk Management Framework and is important in enhancing the awareness and risk culture at IFRC. The organization will offer training that includes:

a. General awareness training to all staff about key risk management concepts and terminology, promoting risk management as an integral part of all corporate processes.

b. Specialist training to support the execution of a specific process e.g., risk identification/assessment processes, risk measurement techniques.

c. Training to support the implementation of a new risk management system, tool, or technique, to promote proactive actions.

d. Practical surge support on the start of an operation to support the establishment of risk management for the operation.

The Risk Management Function at the global and regional levels will determine training needs to satisfy our competency requirements for risk management organization wide. An annual plan for training will be developed based on the assessed needs and incorporated in the workplan of the Global Risk Management Function.
Risk management training will be provided regularly, both virtually, in-person or as a combination.

6. Roles and Responsibilities

The risk management oversight and governance structure encompasses three lines of defence which has been embedded within IFRC's organizational structure, and the roles and responsibilities as highlighted in the summary below:

Table 1: Summary of Risk Management Roles and Responsibilities

Role	Responsibilities
Governing Board	• Promote the IFRC's risk management philosophy, the desired risk culture, and establish an effective governance structure to oversee risk. • Provide financial and risk management oversight, in addition to approving the IFRC's risk appetite. • Monitor the effectiveness of the IFRC's risk management processes.
Audit & Risk Commission	• Give advice on all audit and risk matters affecting the IFRC. • Assess the scope and effectiveness of the systems established by the Secretary General to identify, assess, manage, and monitor risks. • Review areas of risk, major cases of fraud and corruption, irregularities, and legal claims that could have a significant financial, reputational, or other impact impeding the IFRC and advise the Secretary General accordingly. • Review the reports of the internal and external auditors, comment on the same to the Secretary General and Governing Board. • Oversee the implementation of the audit recommendations by the Secretary General. • Bring allegations of breaches of integrity to the Compliance and Mediation Committee, in consultation with the President.
Secretary General	• Define appropriate institutional structures, direction, and resources for effective implementation of the risk management policy. • Guide and champion, the implementation of the risk management policy. • Approve the IFRC Strategic risks on a regular basis.
Global Leadership Team	• Provide strategic direction on risk management at the Secretariat. • Apply the risk management framework throughout the organization. • Align and integrate the risk management framework with the overall strategic and implementation plans. • Ensure strong internal controls.
Under Secretary General	• Implement the risk management framework within their respective division, incorporating risk management into their planning processes and management activities. • Maintain an up-to-date risk register for their division.

Role	Responsibilities
Regional Director	• Implement the risk management framework within their respective regions, establishing institutional structures as required, and incorporating risk management into their planning processes and management activities • Approve deviations from the global risk appetite at the regional level. • Maintain an up-to-date risk register for the Regional Office • Escalate risks as appropriate for decision by the GLT.
Director and Head of Delegation	• Implement the risk management framework within their respective areas of responsibility, incorporating risk management into their planning processes and management activities. • Maintain an up-to-date risk register for their office. • Report on the status of items in the risk register as required when it impacts their respective responsibilities as part of the annual planning cycle.
Risk Owner	• Monitor the development of a risk and implement risk responses, tolerate or escalate risk to the relevant authority, as necessary.
Risk Management Function	• Support and advise the organization in risk management. • Ensure that an effective risk management system is established, implemented, and maintained in accordance with this framework. • Facilitate and coordinate the development of risk registers and conduct risk workshops. • Identify training needs and facilitate risk management trainings. • Collate, analyse, and report risks and responses across the IFRC, and review the efficacy of the risk management policy. • Keep the risk management framework up to date in line with the established revision timelines. • Oversee the implementation of the risk management framework and enhance the risk culture within IFRC at the global, regional, and delegation level.
Office of Internal Audit and Investigation	• Office of Internal Audit and Investigation (OIAI) will utilise a fully risks based audit methodology whose risk terminology aligns with this policy and supports development of IFRC's risk maturity. • The Director of OIAI will annually assess and report to the leadership on the effectiveness of IFRC's governance and control framework to effectively manage risk. • Audit and report on the status, adequacy, and effectiveness of the risk management framework. • Internal Audit shall conduct independent and objective assessment of the IFRC internal control adequacy and effectiveness in addressing risks. • On an ongoing basis, internal audit shall provide timely, objective assurance regarding the continuing appropriateness of the policy and the adequacy of compliance with the policy. • Internal audit shall also verify the adequacy and accuracy of management information reports regarding the risk management processes. • Independent compliance and controls reviews.
All Staff	• All staff members of IFRC are responsible for risk identification in their specific areas.

7. Annexes

- ✦ **Annex I - Terms and Definitions**
- ✦ **Annex II - Risk Register**
- ✦ **Annex III - Risk Categories**
- ✦ **Annex IV - Implementation Plan**

The International Federation of Red Cross and Red Crescent Societies (IFRC) is the world's largest humanitarian network, with 191 National Red Cross and Red Crescent Societies and around 14 million volunteers. Our volunteers are present in communities before, during and after a crisis or disaster. We work in the most hard to reach and complex settings in the world, saving lives and promoting human dignity. We support communities to become stronger and more resilient places where people can live safe and healthy lives, and have opportunities to thrive.