TRAFFIC
2022

RISK MANAGEMENT POLICY

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1 POLICY STATEMENT

(a) It is the policy of TRAFFIC to monitor and control the risks that the organisation faces. Managing these risks helps TRAFFIC meet its objectives more successfully. It helps protect staff, the people we work with directly or who could be affected by our work, donor funds, and the organisation's reputation.

(b) By law, the UK Charity Commission[1] requires the trustees to report on the major risks to which TRAFFIC is exposed.

(c) The financial reporting standard, under which the UK Charity operates, requires that the Trustees report explains:

   (i) the financial effect of significant events.
   (ii) a description of the principal risks and uncertainties facing the charity and its subsidiary undertakings, as identified by the charity trustees, together with a summary of their plans and strategies for managing those risks;
   (iii) and any factors that are likely to affect the financial performance or position going forward.

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[1] The Statutory body appointed by the Government to regulate and monitor the activities of charities registered in England and Wales.

(d) The purpose of this document is to:

set out our responsibilities, and the responsibilities of those working for us.

    (i) provide general information and guidance to those working for us on how to monitor and control risk.

    (ii) It should be read in conjunction with the Guidelines for the Operation of TRAFFIC (2018) which sets out the expectations for the performance and behaviour of members of the TRAFFIC team worldwide and TRAFFIC's Safeguarding Statement (2020).

More specific guidance can be found in the following policies:

- Sensitive Activities Management Policy (2021)
- Law Enforcement Support Guidelines (2020)
- Market Monitoring Guidelines (2021)
- IT Policy (2021)
- Data Protection Policy (2020)

2 WHO IS RESPONSIBLE FOR THE POLICY?

(a) The UK Charity Board of Trustees has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those under our control comply with it.

(b) The organisation's Senior Director – Operations has primary responsibility for implementing this policy, and for monitoring its use and effectiveness and dealing with any queries on its interpretation. The Senior Director – Operations may delegate responsibility for day-to-day implementation to other staff members.

(c) Programme Office Directors are responsible for overseeing the implementation of this policy throughout their office and should appoint a Risk Champion for the office.

(d) The office Risk Champions prepare the offices risk registers, raise awareness and understanding and monitor the use of the risk related policies in the office. They must also ensure adequate and relevant training on risk is given to TRAFFIC staff.

(e) Management at all levels are responsible for ensuring that those reporting to them are made aware of and understand this policy and that they are given adequate and relevant training on it.

(f) All TRAFFIC staff should understand the importance of risk management and how they can support TRAFFIC's risk management efforts.

3 DETAILED RESPONSIBILITIES AND MECHANISMS FOR RISK MANAGEMENT

(a) The responsibilities described below are specific to risk and are in addition to the terms of reference for the parties. Please refer to the terms of reference for detailed responsibilities.

    a) The UK Charity Board of Trustees:
        (i) Determine the appropriate risk appetite or level of exposure.

        (ii) Approve the approach to risk management taking into account recommendations from the Operations Committee

        (iii) Approve the Risk Management section of the Trustees report.

        (iv) Review risks on an annual basis.

    b) The Operations Committee
        (i) Annually review TRAFFIC's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

        (ii) Review the risk register on a six-monthly basis.

        (iii) Report to The UK Charity Board of Trustees any issues they should be aware of.

    c) The Senior Leadership Team (SLT):
        (i) Set the tone and influence the culture of risk management within the organisation.

        (ii) Communicate TRAFFIC's approach to risk across the organisation.

        (iii) Set the standards and expectations of staff with respect to conduct.

        (iv) Ensure that Offices are completing their risk register on a regular (at least six monthly) basis.

        (v) Monitor all medium-rated risks on a six-monthly basis to ensure appropriate actions are being taken.

        (vi) Monitor all high-rated risks on a at least monthly basis to ensure appropriate actions are being taken.

        (vii) Report all medium- and high-rated risks and the relevant action being taken to the Operations Committee on a six-monthly basis.

d) TRAFFIC unit leaders and teams:

    (i) Should be aware of risks which fall into their area of responsibility and the possible impacts and consequences these may have.

    (ii) Should consider their unit's performance indicators which monitor key activities, progress towards objectives and identify areas which require intervention.

    (iii) Regional Directors should regularly review risks and mitigation plans with the relevant Programme Office Directors.

    (iv) Should ensure that all risks are reported for inclusion on the office's risk register on a timely basis.

    (v) Should report any new medium or high risks identified or failures of existing control measures to senior managers in a timely basis.

e) The Senior Risk and Compliance Officer:

    (i) Champions organisational risk management.

    (ii) Facilitates the identification of organisational risks and the adoption of risk-related organizational policies, procedures and processes.

    (iii) Monitors and evaluates compliance with risk management policies and procedures and validate risk registers.

    (iv) Facilitates regular review of risks by the SLT and Operations Committee.

    (v) Builds capacity for risk management and supports the development of an appropriate risk culture in line with TRAFFIC's risk appetite.

f) Individual staff members:

    (i) Should understand their accountability for individual risks.

    (ii) Should understand how they can contribute to continuous improvement of TRAFFIC's risk management framework.

    (iii) Should understand that risk management and risk awareness are a key part of the organisation's culture.

    (iv) Should report any new risks identified or failures of existing control measures to managers.

TRAFFIC'S RISK MANAGEMENT FRAMEWORK

4 TRAFFIC RISK MANAGEMENT IN PRACTICE

(a) Risk management takes place at all levels and in all areas of TRAFFIC, using the same methodology and reporting through the use of Risk Registers. These should be the same at each level. Risks at an office level with a high residual risk will be added to the Master Risk Register.

5 RISK METHODOLOGY

(a) Risk Area - Risk is grouped according to the guidance note issued by the UK Charity Commission see Appendix I.

(b) Term - The period in which the risk may occur:

  (i) Short – up to two years.

  (ii) Medium- between two and five years.

  (iii) Long - lasting more than five years.

  (iv) Enduring – those likely to last indefinitely are expressed as long term.

(c) Impact and likelihood - TRAFFIC uses the standard five-level scale as recommended by the UK Charity Commission. See Appendix II.

(d) The Initial Risk Rating:

  Where X= Likelihood and Y = impact then the formula XY+Y is used to calculate the initial risk rating.

(e) Controls - These actions are intended to manage risk by reducing its impact, its likelihood of occurrence, or both. The register must contain a description of the controls and early warning mechanisms that have been identified and the level of reliance on them must be rated. See Appendix III.

(f) The post-controls risk rating - This is calculated using the standard five-level scale but reassessing the risk taking into consideration the effect of the controls on the impact and likelihood. See Appendix II.

(g) Further action - These can be considered as controls that have yet to be implemented. Any rating above seven must have a description of further controls to be implemented and a timeframe.

(h) Owner and Lead Officer - In each area there is an owner and a lead officer; this can be one and the same person. The owner has the overall responsibility for the management and reporting of risk in their area. The lead officer has operational responsibility for the risk, ensuring that mitigating actions (controls) are in place and operating effectively.

i)   Direction of travel - This gives a visual indication of progress since the previous register review.

6   MONITORING AND EVALUATION

(a)   Team leaders/Section heads must prepare/review a risk register for their area on a bi-annual basis and submit this to the Senior Risk and Compliance Officer. As directed by the SDO, regular updates will be required on risks with a residual score greater than 7.

POST CONTROL RISK SCORE		LEVEL/FREQUENCY OF REVIEW
0-6	Low Risk	Line Manager bi-annually
7-12	Medium Risk	Senior Leadership Team bi-annually; SDO quarterly
13-30	High Risk	Executive Director/SDO review constantly and monitor with SLT monthly

7   RISK REPORTING

(a)   All offices in the Risk Network must submit a bi-annual risk report to the Senior Director – Operations in February of each year. Any risks with a residual score greater than 7 that would impact on TRAFFIC will be added to the 'Master' Risk Register

(b)   The bi-annual risk report should contain the risk register and a progress report outlining changes to the risk profile since the last report and steps being taken to reduce the residual risk.

(c)   A summary bi-annual risk report is submitted to the Operations Committee of the board along with the risk registers for their review and comment.

(d)   A report outlining the principal risks the organisation faces and how they are being managed is presented to the trustees annually. To be included as a principal risk, the risk must have a residual score of greater than 13 and have implications for the wider organisation rather than being isolated to one office.

(e)   All programmes presented for approval to the Trustees must contain a summary of the key risks associated with the proposed programme and how these risks will be mitigated.

(f)   The audited annual report contains a risk management statement. This outlines the major risks TRAFFIC faces and that the Trustees are satisfied that systems are in place to manage those risks.

8 RISK APPETITE

(a) Risk appetite is defined as the level of risk that an institution is prepared to tolerate to achieve its strategic objectives.

(b) A risk appetite statement formalises the level of risk an organisation is willing to take related to its business objectives. This "risk philosophy" should be based on the organisation's vision, mission, strategic plan.

(c) The UK Charity Board of Trustees approves the overall risk appetite The Risk Appetite Statement is typically reviewed annually or whenever there is a significant change to TRAFFIC's operating environment.

APPENDIX I : RISK AREAS

RISK CATEGORY	EXAMPLES
Governance Risks	• Inappropriate organisational structure • Loss of key staff • Conflicts of interest
Operational Risks	• Poor contract pricing (budgeting) • Contract risk • Project development pipeline • Capacity and use of resources • Poor staff recruitment and training • High staff turnover • Doubt about security of assets • Data protection and cybersecurity.
Financial Risks	• Inaccurate and/or insufficient financial information • Foreign exchange risks • Inadequate reserves and cash flow • Dependency on limited income sources • Insufficient insurance cover
Safeguarding Risks	• Risks to the physical health and well-being of staff and others. • Risks to the mental and emotional health of staff and others. • Human rights violations
External Risks	• Poor public perception and reputation • Relationship with donors • Demographic changes • Turbulent economic or political environment • Changing government policy
Compliance with Law and Regulation	• Poor knowledge of the legal responsibilities of an employer • Poor knowledge of regulatory requirements of particular activities (e.g. safeguarding, human rights, fundraising)

APPENDIX II : IMPACT AND LIKELIHOOD

IMPACT

DESCRIPTOR	SCORE	CONSEQUENCES
Insignificant	1	- No impact on the organisation's strategy or operational activities - No impact on reputation - Complaint unlikely/no stakeholder concern - Litigation risk remote - No financial impact
Minor	2	- Slight impact on the organisation's strategy or operational activities - Slight impact on reputation - Complaint possible/low stakeholder concern - Litigation possible - Financial impact less than £y
Moderate	3	- Moderate impact on the organisation's strategy or operational activities. - Potential for adverse publicity – avoidable with careful handling - Complaint probable/Moderate stakeholder concern - Litigation probable - Financial impact likely to be between £x and £y
Major	4	- Significant impact on the organisation's strategy and operational activities disrupted. - Adverse publicity not avoidable (local media) - Complaint probable/Significant stakeholder concern - Litigation probable - Financial impact likely to be between £x and £y
Extreme/Catastrophic	5	- Organisation's strategy under threat. Operational activities interrupted for significant time. - Major adverse publicity not avoidable (International media) - Loss of stakeholder confidence/major litigation expected - Financial impact in excess of £x - Resignation of senior management.

LIKELIHOOD

DESCRIPTOR	SCORE	DESCRIPTOR	INDICATORS
Remote	1	Not likely in 10- year period <2% chance of occurrence	Has not occurred, Unlikely to occur
Unlikely	2	Likely to occur in 10-year period >10%	Expected to occur in exceptional circumstances
Possible	3	Likely to occur in 10- year period between 10-25%	Could occur more than once within time period. Could be difficult to control due to some external factors. History of Occurrence?
Probable	4	Likely to occur each year or more than 25% chance of occurrence but less than 50%	Expected to occur in many circumstances. Has occurred recently
Highly Probable	5	Likely to occur at least once a year or more than 50% chance of an occurrence.	Expected to occur frequently and in most circumstances.

APPENDIX III

Early Warning Mechanisms and Controls

Definition of Early Warning mechanisms
Otherwise known as risk triggers. Factors which indicate a possible risk is becoming more probable and planned controls need to be implemented. These can be immediate (flood siren sounding) or more forward looking (forecast of heavy rain in the next 10 days).

Definition of controls
Controls are those actions which are taken to lower the likelihood or more frequently the impact of the risk or both of these. These are often referred to as the 4 T's –Treat, Tolerate, Terminate or Transfer (e.g. insurance).

Controls in Place
Indicates the extent to which controls have been implemented:

A – Implemented and operating effectively

B – Identified and being implemented

C - Not yet identified, incomplete or not operating effectively

Use of Controls
Ground truths the reliance on controls based on the size of the

difference between initial and residual risk scores:

L < 50% Reliance on controls is not excessive

M >= 50% Controls should be checked to ensure they are realistic and in place

H >= 66% Controls should be reviewed urgently to ensure they are

realistic and functioning properly.

Examples of Controls within TRAFFIC

In addition to its risk register, other tools which TRAFFIC uses to identify, monitor and mitigate risks on a regular basis include the following:

Governance

- Strategic Plan

- Four-year global conservation programme

- Global and regional development plans

- Funding development strategy

- Annual meetings organized for senior TRAFFIC managers include reviews and training on key risk management issues.

- Delegation of Management Authority (DOMA)

Operational

- *Guidelines for the Operation of the TRAFFIC Network*

- *Financial Policies and Procedures Manual*

- *Project Management Structures Guidance*

- Proposal review process and project steering group structures

- Guidelines for field work

- Staff induction pack

- Staff policies including the *Code of Professional Conduct*, anti-fraud and anti-bribery policies. Safeguarding Statement

- Project Steering Groups are established for all major projects and report progress to the SLT.

- Quarterly office assessment meetings.

- Ad hoc groups are set up where necessary, e.g., to review new types of contracts or to identify methods of dealing with new legislation.

People

- Safeguarding Statement

- External Complaints mechanism

- Whistle-blower Policy

- Online training modules including Bullying and harassment.

- Staff opinion survey and management action.

Financial

- *Financial Policies and Procedures Manual*
- Funding development strategy
- Project expenditure versus budgets being reviewed on a monthly basis and meetings held to review the progress of the projects, both current and future, and to identify any potential future issues that may arise.
- Core accounts are compared to budgets and reforecast on a quarterly basis and reviewed by the SLT and Operations Committee.
- Regular meetings are held with various professional advisors including the Charity's bankers, accountants, auditor, insurance and pension brokers.

External

- Branding and communications policies including the publications final clearance process
- Protocols for handling sensitive data.
- External Complaints mechanism

Compliance

- Protocols for handling sensitive data
- Staff induction pack
- Online staff training modules including Anti-Bribery.
- External review and audits
- Staff policies including the *Code of Professional Conduct*, anti-fraud and anti-bribery policies
- Ad hoc groups are set up where necessary, e.g., to review new types of contracts or to identify methods of dealing with new legislation.
- Regular meetings are held with various professional advisors including the Charity's bankers, accountants, auditor, insurance and pension brokers.
- Relevant staff in finance, project administration, and HR attend external training seminars as part of their professional development.