Risk Management Policy

ARS-Bangladesh

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1. Introduction

ARS-Bangladesh is one of the largest non-government development organizations in Bangladesh. ARS-Bangladesh now deals with all issues of public life successfully. A varied number of projects, including improving the rights of life and livelihoods of poor people, protecting human rights, women empowerment, housing for vulnerable communities, 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. ARS-Bangladesh 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 (Tidal River Management) for waterlogging and protecting human rights.

ARS-Bangladesh is committed to maintaining 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 that 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 are 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 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.

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Risk management involves understanding, analysing, 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 types 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.

ARS-Bangladesh'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. Some risks 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 ARS-Bangladesh's staff who want to effectively manage their risks and work well with ARS-Bangladesh 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 does ARS-Bangladesh need to manage risk?

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 ARS-Bangladesh. It. creates confidence that the organization can deliver the desired outcomes, manage threats to an acceptable degree, and make informed decisions about opportunities. 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.

Some benefits of risk management are that it helps to:

- Reduce the likelihood of potentially costly surprises;
- Improve the quality of decision-making at all levels;
- Enable effective execution of decisions;
- Improve planning processes;
- Priorities resources;
- Establish clear purpose, roles, and accountabilities for all staff; and
- Improve stakeholder confidence in the organization.

2.5: Types of Risk

ARS-Bangladesh'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 ARS-Bangladesh has been commonly categorized into three broad inter-connected types:

I. Contextual: Risks which are external and often outside of the control of ARS-Bangladesh (e.g.: natural disasters, terrorist activity, political instability, lack of public infrastructure).

II. Programmatic: Risks that are related to how the project of the program is designed and implemented, which may result in not meeting the needs of beneficiaries and/or potentially harming (e.g.: diversion,

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আর্স বাংলাদেশ ★ Since 1998 ★ ARS-Bangladesh lack of capacity, poor service delivery).

III. 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 (e.g.: financial and human resource management systems/processes).

2.6: 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 Users/Staff/Public
- Service User Experience Risks
- Compliance with Standards (Statutory, Clinical, Professional and Management) Risks
- Objective and Project Risks
- Business Continuity Risks
- Adverse Publicity/Reputational Risks
- Financial Loss Risks
- Environmental Risks
- Safeguarding Risk

2.7: Risk Management Strategy

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

i. Board and management understanding and commitment to risk management.

ii. Alignment to the organization s objectives.

iii. Embedded into day-to-day processes.

iv. Management of risk is an integrated way of incorporating clinical, non-clinical, and financial risks

v. Preventive maintenance risk management processes are applied to strategic and operational risks and the management of facilities, estates, amenities, and equipment.

vi. Structured mechanisms in place to monitor and review the effectiveness of risk management strategies, plans, and processes.

vii. All incidents are immediately reported, categorized by their consequences, and investigated to determine system failures, using an organizational learning approach.

viii. Systems of work are designed to reduce the likelihood of harm occurring.

ix. Safe systems of work are in place to ensure the safety of clients, staff, and the public.

2.8: Risk Appetite

Risk appetite is the level of risk ARS-Bangladesh is prepared to accept or pursue. Ln general, ARS-Bangladesh 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 ARS-Bangladesh to consider carefully.

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Here's an example of risk appetite. Consider a risk such as 'failure to adequately resource a new service program, resulting in the 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.

2.9: Building Blocks of the Risk Management System

The main building blocks of risk management of ARS-Bangladesh 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.

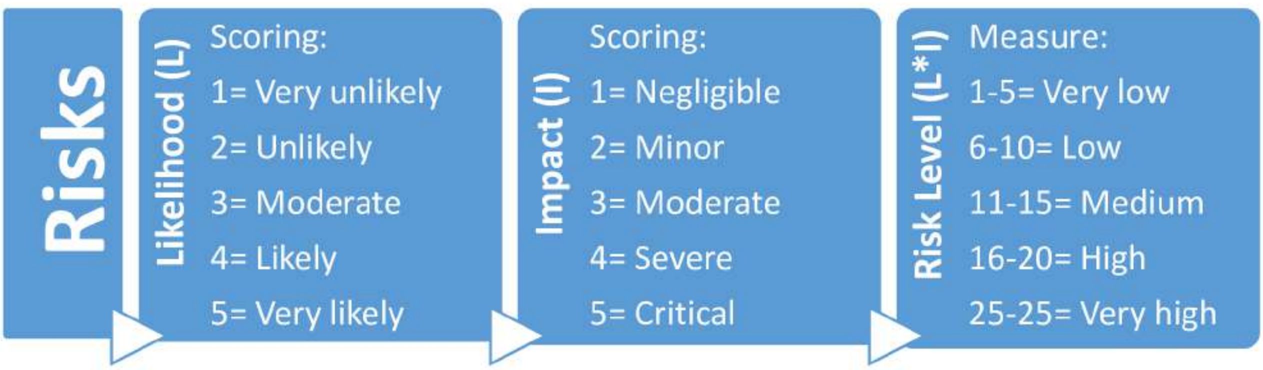
2.10: Risk Management Standards

Several standards have been developed to help ARS-Bangladesh as an organization implement risk management systematically and effectively. These standards seek to establish a common view on frameworks, processes, and practices 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 different situations. Standards are normally voluntary, although adherence to a standard may be required by regulators or by contract.

2.11: Risk Assessment

The overall process of risk identification, risk analysis, and risk evaluation monitored through following matrix



2.14 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.

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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 ARS-Bangladesh.

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

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 organization:

- 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. ARS-Bangladesh has 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 the organization and its context (both internal and external);
- develop a Risk Management policy
- establish accountabilities (who are responsible for what);
- integrate risk management into the organization's processes, culture, and values,
- involve staff so that they have ownership and buy-in which are essential to creating the culture;

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- 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 ARS-Bangladesh

The following organogram sets out where the Risk Management functions of the ARS-Bangladesh:

4.4:Establish Accountabilities

To make risk management work, there needs to be accountability for integrating risk management into ARS-Bangladesh 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. ARS-Bangladesh 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

ARS-Bangladesh is committed to the protection and well-being of the people that it supports their families, and ARS-Bangladesh staff as well as demonstrating openness and transparency in all matters relating to management and legislative compliance. To this end ARS-Bangladesh is committed to promoting a culture of Risk Management based on a practical application of best practice. ARS-Bangladesh 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.

ARS-Bangladesh seeks the commitment of all staff in supporting this initiative. To this end the ARS-Bangladesh 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. Monitoring and Management of the Risk Environment

The Board of Directors of ARS-Bangladesh expects that a risk register be maintained which will allow for the capture of risk information from the bottom up within ARS-Bangladesh. 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 ARS-Bangladesh. Guidance on ARS-Bangladesh Risk Assessment process is detailed in ARS-Bangladesh 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 ARS-Bangladesh.

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

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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. 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

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,

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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 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 objectiv6s. 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 labours to control it. However, approval of a project or program leaders is a priori in such cases;

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(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. Conclusion

ARS-Bangladesh, a leading private development organization in south-western Bangladesh, addresses public issues such as human rights, women empowerment, disaster management, primary health education, and sustainable agriculture. Its diverse project portfolio demonstrates a commitment to improving the lives of poor and marginalized populations across 13 districts.

A key aspect of ARS-Bangladesh's success is its rigorous risk management approach. The organization's risk management policy emphasizes maintaining high legal, ethical, and moral standards, fostering a culture that deters fraud, and ensuring timely and appropriate handling of risks. This policy applies to directors, staff, and volunteers, reinforcing collective responsibility in risk management.

Risk management at ARS-Bangladesh involves understanding, analysing, and addressing risks to achieve organizational objectives. Recognizing the dynamic nature of risks, the organization integrates risk management into strategic planning, decision-making, and resource allocation. By categorizing risks as contextual, programmatic, and organizational, ARS-Bangladesh effectively addresses potential threats and opportunities.

The organization's risk management strategy includes a robust framework aligned with its objectives, emphasizing board and management commitment, structured monitoring mechanisms, and clear accountabilities. Promoting a risk management culture is vital, ensuring staff engagement in identifying hazards and reporting adverse events in a supportive environment. The Board of Directors monitors the risk environment, maintains a risk register, and ensures consistent application of risk management processes.

Financial risk management focuses on using financial instruments to manage exposure to various risks, with diversification strategies to enhance resilience. Risk mitigation involves developing and implementing plans to manage, eliminate, or reduce risks to acceptable levels, with continuous monitoring and adjustments ensuring effectiveness.

Overall, ARS-Bangladesh's integrated approach to risk management enhances operational efficiency and stakeholder confidence, contributing to its mission of fostering a republican society and sustainable development in Bangladesh.

Approved By:

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Date: 25.09.2020

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