Risk Management Policy

Policy Number – G16

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HAPPY TO TRANSLATE

Contents

1. Introduction

1.1. Clyde Valley Group (CVG) is fully committed to the provision of homes and services that meet all legislative and regulatory requirements. In addition, the Group wishes to act in a way that stands it ‘shoulder to shoulder’ with its peers in demonstrating good practice.

1.2. In recognising elements of the Group’s activities are subject to internal and predominantly external influences that may have a direct or indirect impact on the Group’s activities, this policy sets down guidelines for the assessment of risk.

1.3. We are clear that we need to strike the correct balance between risk and potential reward; to maximise our opportunity risks and minimise our threat risks. To succeed we need to manage risk appropriately, not to try and eliminate or avoid it, as in any case, that simply isn’t possible. It is therefore essential that we understand the major risks to our business operations to enable us to manage them to our advantage.

1.4. The Group has a moral and statutory duty of care to its customers, employees and assets. It will meet this duty by ensuring that risk management plays an integral part in the day-to-day management of the business at a strategic and operational level. All employees must understand the nature of the risks and accept responsibility for these associated with their area of control and authority. The necessary support, assistance and commitment of the Board will be provided.

1.5. This policy describes CVG’s strategy for managing the risks inherent in its current and future activities and how these risks are controlled and monitored. The importance of strong corporate governance in managing risk is essential.

2. Aims and Objectives of the Policy

2.1. The main aim of our Risk Management Policy is to ensure a clear and defined method of assessing and documenting risk throughout the Group is operated. In addition, there are clear areas of responsibility defined and that risk is regularly reviewed by both the Executive Management Team and the Audit Committee with a quarterly oversight thereafter provided to the full Board every six months.

2.2. The main objectives of this Policy are to:

- Provide a clear and consistent approach for all members of the Group to follow when identifying, analysing, controlling and monitoring risk;
- Consolidate risk within the Group allowing improved understanding of the key risks and their wider implications;
- Target areas that have the greatest impact; and
- Undertake more informed risk-taking and decision making.

2.3. Whilst risk is commonly regarded as negative, risk management is as much about exploiting potential opportunities as preventing potential problems. By managing our risk effectively we will endeavour to achieve the following benefits:

- Informed decision making;
- A more resilient business;
- Increased likelihood of successful risk taking (capitalising on opportunities);
- Protection of financial resources and assets;

- Protection of reputation;
- Improved products, service quality and reliability;
- Increased likelihood of achieving strategic objectives;
- Reduced overheads and/or increased profits;
- Less failures and downtime;
- Competitive advantage.

2.4. All business undertaken by CVG is contained within its Corporate Strategies and delivery plan and as such all-risks link back to the strategic themes of the business. Integrating risk management into the way CVG delivers services is essential for the achievement of its strategic objectives.

3. Links to other corporate documents and policies

3.1. The Group's Risk Management Policy is linked to a number of corporate documents and policies in particular, but not solely:

- Business Plan;
- 30-year financial projections;
- Business Continuity Plan;
- Health and Safety Policy;
- Procurement and other relevant corporate Strategies;
- Procurement Policy;
- Treasury Management Policy;
- Financial Regulations; and
- Scheme of Delegation.

4. Policy and Regulation

4.1. The Group is subject to not just legislative requirements but also regulatory requirements as defined by the Scottish Housing Regulator and other regulatory bodies.

4.2. Regulatory guidance is provided by the Scottish Housing Regulator in the form of 'Regulatory Standards of Governance and Financial Management'.

4.3. In addition, there are clear guidelines for financial accounting within the Group and both internal and external auditors are employed to scrutinise and report on a range of working practices, not least risk management, designed to demonstrate best practice. This is to ensure the Group is able to anticipate and, as much as is reasonably practical, mitigate risks. At no time does any activity undertaken by an auditor, internal or external, relieve the Board of Management or the Executive Management Team from their responsibility for risk management.

4.4. Risk assessment/method statement requirements carried out as part of operating a healthy and safe workplace are detailed under separate policies.

5. Risk Definition and Management

5.1. The Scottish Housing Regulator defines risk as "uncertain future events that might prevent an organisation from achieving its business objectives".

5.2. Risk management is defined as "the culture, processes and structures that are implemented by an organisation to manage potential risks and their adverse effects".

5.3. Risk appetite takes into account the level of risk the Group is prepared to take to achieve the strategic objectives. The level of appetite is considered and set by the Board in the context of the regulatory environment, culture, the sector in which it operates and financial constraints.

5.4. Risks that may negatively affect the Group in the medium to long-term are considered strategic risks. Risks that are encountered in the day-to-day delivery of services and can negatively affect the Group's ability to deliver its Business and other corporate plans are categorised operational risks.

5.5. The Group identifies, analyses, controls and monitors strategic and operational risks without adopting an overly bureaucratic burden that will ultimately affect service delivery. At no time will solely the introduction of a risk on a risk register mean the Group does not advance activities in this area. A risk register is not intended to be a reason why innovation is stifled, merely that risks are identified, acknowledged and importantly mitigated against where practical, and appropriately managed.

5.6. Identified risks are held on risk registers – one register detailing strategic risks, another register detailing operational risks. Strategic risks are risks that may impact negatively on the Group in the medium to longer term and usually come from external sources. Operational risks are linked to the Group's Business Plan and any other relevant strategic plans and show shorter term risks that prevent delivery of the Group's strategic plan.

5.7. Once a risk has been identified it is analysed to determine the 'likelihood' and 'impact' on the Group. Where the risk affects more than one area of the Group, this is identified.

5.8. It is not possible to create a completely risk free environment, but what we can do is manage risk effectively. We can identify risks, identify causes, consequences and implications, ensure controls are managed, reviewed and implemented which will mitigate the risk.

6. Risk Management Process

6.1. There are five stages to the CVG risk management process, which are detailed in the diagram below:

Identify Risks
Quantify Risks
Identify Mitigation Measures
Implement Mitigation Measures
Monitor

Stage 1 – Identify Risks

Before we can take any meaningful action to address our risks we need to identify the risks that we face.

Stage 2 – Quantify Risks

Once we have identified our risks we need to quantify them. We do this by considering the likelihood of the risk occurring, our appetite for the risk, how we treat the risk, the assurance rating and how the risk identified aligns with our corporate strategies and the Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management.

Stage 3 – Identify Mitigation Measures/Controls

Once we know what risks may impact upon the business the most we can start to manage them by identifying and implementing possible mitigation measures (also known as controls) – methods of removing, reducing, controlling or recovering from adverse events.

Stage 4 – Implement Mitigation Measures/Controls

Having determined which control measures we feel are appropriate and proportionate we manage these and implement any further controls identified that are not in place.

Stage 5 – Monitor

To complete the process, we monitor the effectiveness of the controls we put in place.

6.2. Identifying Risks

6.2.1 We need to concentrate on the risks that may negatively affect the Group in the medium to long term or impact our ability to deliver our core business and other corporate plans. The identification of risk creates a risk profile for the organisation that should provide an overview of risks that may affect the achievement of objectives. Risk levels identified may fall into either:

- Strategic
- Operational
- Development

6.2.2 Having identified the most critical elements of our business we can set about assessing the risks to them.

6.2.3 The Group will, for ease of process, categorise risks as detailed in Appendix 1.

6.3. Quantifying Risks

6.3.1 Our vulnerability to any particular risk is a combination of the **likelihood** of the risk materialising and the **impact** if it does. When determining this, we use a simple 1-5 scale shown below. The narrative will depend on the risk category - these are detailed in full at Appendix 1.

6.3.2 When considering likelihood this can be based on statistical information or evidence, but generally it is an experienced and sensible assumption.

6.3.3 When scoring each risk the likelihood and impact scores are multiplied together; for example, if a risk was almost certain and the impact was catastrophic the score would be 5 x 5 = **25.** This allows us to then consider which risks require further mitigations in order to control and manage the risks.

		Likelihood				
		Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost Certain (5)
Impact	Catastrophic (5)	5	10	15	20	25
	Major (4)	4	8	12	16	20
	Moderate (3)	3	6	9	12	15
	Minor (2)	2	4	6	8	10
	Insignificant (1)	1	2	3	4	5

Overall Rating

(green)	**Low risk** – monitor periodically; where practical introduce further controls.
(amber)	**Medium risk** – monitor regularly; ensure controls are adequate and working; linked to business plan.
(red)	**High risk** – most significant risks; ensure controls are actioned; update full Board of Management on regular basis; actions within the business plan to target known risks to reduce their likelihood and, if possible, their impact.

6.3.4 Using the above keeps all risks with the potential to have a severe impact on the Group within focus, and indicates which risks pose a greater overall concern for the Group.

6.3.5 We analyse and document which part(s) of business the risk impacts on, for example:

- Financial – where the Group could suffer a financial loss/penalty;
- Regulatory – where the risk could impact on the Group's relationship with regulatory bodies;
- Reputation – where the reputation of one or all parts of the Group could be negatively affected.

6.3.6 Thereafter mitigating actions are identified, providing an overall combined score for 'likelihood' and 'impact'.

6.3.7 We quantify risks both before and after mitigation in order to determine the effectiveness of the control measures in place. The pre-mitigation risk is always score on the assumption that nothing has been done or been put in place as a starting point. This ensures consistency of scoring across the business.

6.3.8 Once we have assessed the various risks to our business we then decide what to do about them.

6.4. Assurance

6.4.1 Assurance is an important function of governance in any organisation. The Board of CVG is provided with accurate and current information about the efficiency and effectiveness of the Group's operations and the status of its compliance with regulatory and statutory obligations.

6.4.2 The Group measures assurance levels through the use of assurance indicators which are detailed in our risk register as:

- Substantial;
- Reasonable/Limited;
- Little/Low;
- No assurance.

6.4.3 This level is determined by the external factors and how much control/mitigation the Group is able to put in place. For example, residual risk rating might be Medium due to mitigation measures and activity in place, however, Assurance Level might be substantial due to ability to control external factors in relation to changes or timing/impact of changes to system.

6.5. <u>Mitigating Measures</u>

6.5.1 In general terms, the responses to our various risks can be divided into four categories. It should be noted that some risks may cross over into several of the boxes, however, the ultimate aim is to select and implement measures that reduce the likelihood or impact (or both) to a level that CVG is prepared to accept.

		LIKELIHOOD	
		Low	**High**
IMPACT	**High**	Insure/ Contingency Plan	Reduce/Transfer
	Low	Accept	Manage

6.5.2 <u>Accept</u> - if the likelihood is low and the impact is low it may be a perfectly reasonable decision to do nothing and to accept certain risks. Also, the fact that many risks cannot be completely eliminated means that there is likely to be a level of residual risk remaining, even after implementing our mitigation measures. The ultimate aim of an effective risk management process is to reduce all of our risks to a level that we are willing to accept.

6.5.3 <u>Manage</u> – for risks with a low impact but a higher likelihood a sensible approach might be to manage and control them, for instance by improving and documenting processes, by providing training or putting in place controls and procedures to monitor the situation.

6.5.4 <u>Insure/Contingency Planning</u> – if the likelihood is low but the impact is high (such as loss of operational capability, serious damage to our business, large financial losses or even complete failure) contingency plans should be developed. These are contained with CVG's Business Continuity Plan which is to ensure that our business critical functions or processes can continue to an acceptable level, perhaps emergency level in the event of some sort of catastrophic disaster.

6.5.5 Reduce/transfer – for risks with a high likelihood and high impact, risk reduction measures are absolutely essential. For instance, hazardous or dangerous procedures should be modified, monitored or outsourced to someone more qualified or better equipped to carry them out safely. This can also be achieved by taking out insurance for some areas, but consideration must be given to the non-financial aspects of the risks.

6.5.6 For risks that CVG are unable to accept there are numerous possible mitigation measures that we can consider within the categories above. These mitigation measures will vary depending on the type of risk, its rating, the appetite for risk and budgets.

6.6. Implementing Mitigation Measures

6.6.1 Once the mitigation measures have been identified it is important that the implementation of these are properly managed. This is done through the management of risk registers, which is a document which summarises the risks and opportunities identified, along with likelihood and impact (before and after mitigation), mitigation measures, actions taken and current status of these. The residual risk score i.e., the score after mitigations can only take into account mitigations already in place.

6.6.2 The risk registers are working documents and are regularly updated and reviewed. Within CVG we have a Strategic Risk Register along with an Operational Risk Register for each function, a Development Risk Register for each development programme and a risk register for Clyde Valley Property Services. There are also enhanced risk registers for standalone projects or more significant and complex areas.

6.7. Target Risk

6.7.1 The target risk is the risk level CVG wants to achieve and may be lower than the residual risk. To achieve the target risk further actions may be required to be identified and implemented to achieve this level of risk. These actions will be included within the Risk Register and monitored via risk register reviews.

6.8. Monitoring and Reviewing

6.8.1 The final stage in the risk management process is to monitor and evaluate the results of the risk mitigation measures. As well as reviewing the effectiveness of the risk control measures and identifying changes or improvements to existing mitigation measures, regular monitoring and review ensures that new and emerging risks, changes to existing risks and new opportunities are captured and addressed appropriately.

6.8.2 The risk review process for CVG is as follows:

What	Who	When	How
CVHA Strategic Risk Register	CVHA Board	Bi-annually	Consideration of risk appetite, review mitigation measures, changes to scoring and new risks.

What	Who	When	How
CVPS Strategic Risk Register	CVPS Board	Quarterly	Consideration of risk appetite, review mitigation measures, changes to scoring and new risks.
Strategic Risk Register – CVHA and CVPS	Audit Committee	Quarterly	Review system and ensure that it's being reviewed accordingly by Board and staff. Consideration of risk appetite, review mitigation measures, changes to scoring and new risks.
Strategic Risk Register	Executive Management Team (EMT)	Monthly	Consideration of existing and new risks, re-scoring of risks, escalation and de-escalation of strategic/ operational risks.
Operational Risk Register	Chief Executive	Annually	Annual assurance of management of systems to Board/Audit Committee.
Operational Risk Register	Directors and Managers	Monthly	Review of functional operational risk register at monthly one-to-ones.
Operational Risk Registers	Leadership Team	Monthly	Review of functional operational risk register.
Operational Risk Registers	Team Meetings	Quarterly	Review of functional operational risk register.
Development Projects Risk Register	Development Team	Monthly	Review of register.

6.9. See **Appendix 3** for an example of the Group's strategic risk register. This register is currently held in Decision Time.

6.10. As part of its responsibilities for the review and approval over the output and reporting from the Group's assurance processes, the Audit Committee shall consider whether there are any additional risks identified from such assurance processes that are not recorded within the Group's risk register and which should be subject to further consideration by management for inclusion and action within the register.

6.11. Periodically the Audit Committee shall consider whether assurance shall be obtained over the Group's processes and systems for identifying, documenting and managing risks.

7. Risk Appetite

7.1. Risk appetite is defined for the purposes of this policy as the amount of risk the Group is willing to seek or accept in the pursuit of its long term objectives. One of the key roles of the Board is to decide on the level of risk that the business is willing to take whilst remaining positioned to exploit opportunities. It can be difficult to define the risk appetite and it can be quite subjective and change depending on factors such as the prevailing business environment, the timing, personal experiences, or professional judgement.

7.2. The way in which the Board determines its risk appetite is through the review of its risk matrix at 6.3.3 above. The traffic light rating sets the boundaries for the level of risks and for these to be quantified and considered in more detail. Guidance will be sought from the Board at each meeting on the Strategic Risk Register to ensure that risks are acceptable. In addition, risk appetite will also be sought at Board sessions to review its overall Corporate Strategy.

7.3. In addition to the Corporate Risk Appetite each individual risk is allocated a risk appetite, and this will differ in accordance with the type of risk.

7.4. The Group's standard approach will be 'open'. For higher risk activities the Group wishes to advance, consideration will be given as to how this can be achieved whilst protecting core services. Higher risk activities undertaken by a subsidiary that may negatively impact on the parent company i.e. CVPS will be highlighted as soon as practical. Care will be taken to ensure proportionality and to analyse the potential benefits gained.

7.5. The Risk Appetite categories used at CVG are:

- Hungry – eager to innovate;
- Open – willing to consider/tolerate;
- Balanced – limited risk but with limited reward potential;
- Cautious – low inherent risk level with limited or no potential for reward; and
- Adverse – avoidance of risk.

8. Roles and Responsibilities

8.1. Although the ultimate responsibility for risk management lies within the Board, it must be stressed that risk management is the responsibility of everyone working for or on behalf of the Group.

8.2. The most successful organisations are those who embed risk management into their culture – where Board support is visible, where risks and associated mitigation measures are identified at all levels, where risk registers are maintained by Directors and Managers and where risk management is seen by all employees as just a normal part of the way they do their jobs. As a result, various people within the organisation have various responsibilities.

8.3. Board of Management – holds overall responsibility for establishing and overseeing the control and risk management framework for the Group. This includes:

- Visibly support the risk management process;
- Agree and set the Risk Management Policy;
- Set and communicate the organisation's risk appetite;
- Be aware of strategic risks facing the business;
- Report to customers on the effectiveness of the risk management process in achieving the strategic objectives.

8.4. CVG's Board approves operational responsibility for risk management as follows:

Audit Committee:

- Visibly support the risk management process;

- Be aware of strategic risks facing the business and identify additional risks which should be subject to further consideration for inclusion and action within the risk register(s);
- Monitor the effectiveness of the risk management policy and assurance systems;
- Seek assurance on the effectiveness of internal controls;
- Complete deep dives of all strategic risks;

Chief Executive Officer:

- Hold overall responsibility for ensuring the day-to-day operation of the risk management policy for the Group is sufficiently resourced and administered.

Executive Management Team:

- Establish a risk management process;
- Support and facilitate the risk management process;
- Proactively identify, document, analyse, manage and monitor strategic risks within their specific areas of responsibility;
- Report on the status of key risks and mitigation measures to Audit Committee and Board;
- Consider escalation and de-escalation of risks and reporting of these to Audit Committee and Board;
- Ensure that managers appropriately identify, document, analyse, manage and monitor operational risks within their service area;
- Ensure appropriate levels of awareness and involvement throughout the business.

Leadership Team

- Responsible for identifying, documenting, analysing, managing and monitoring operational risks within their specific areas of responsibility;
- Be aware and review the risks and controls in their ownership in a timely manner;
- Apply the risk management process to identify significant risks and implement or recommend mitigation measures;
- Manage risks on a day to day basis;
- Facilitate staff awareness sessions on key risks;
- Report on the status of risks and mitigation measures to the Leadership Team and onward reporting to their Director.

All Staff

- Understand role, responsibilities and accountabilities within the risk management process;
- Maintain an awareness and understanding of key risks and the appropriate management of these in day-to-day activities;
- Report potential risks to line managers as a matter of priority;
- Report on the status of risks and mitigation measures to the Executive Management and Leadership Team.

Health and Safety Operational Group

- Assist in the reduction of health and safety risks to the Group through the consideration and advice of health and safety related policies, both statutory and otherwise, and the monitoring and review of their effectiveness;
- Monitor compliance with health and safety requirements in three main areas – CVG as an employer, a landlord and a contractor.
- Oversee the provision of appropriate and up-to-date risk assessments and methods statements;
- Report annually as part of the Annual Assurance process to the relevant Boards.

Insurance

- CVG holds comprehensive insurance to mitigate some of the risks associated with operating a housing association. This does not exonerate anyone from their areas of responsibility and can only mitigate known risks to a certain extent, not their entirety.

Internal Audit

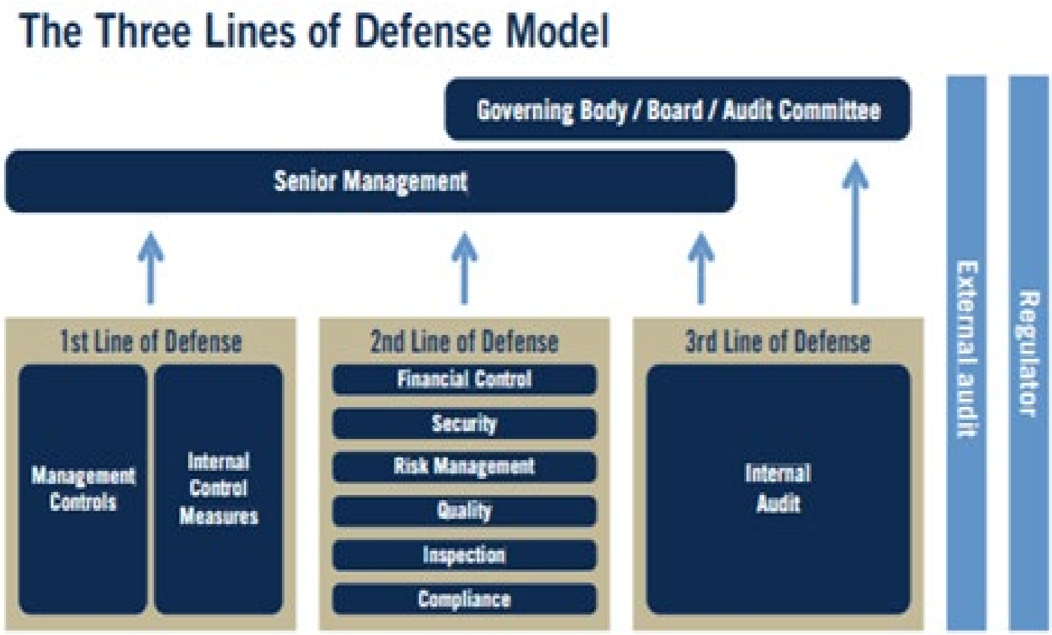
- To review, strengthen and improve the Group's system of internal control, including the Group risk management processes.
- Plays a central role in reviewing the governance, risk and control measures for the Group, specifically in relation to risk management.

9. Risk and Assurance

9.1. Risks are managed through the effective operation of internal controls for assurance. Assurance is understood and recorded, sources of assurance are identified and quality of assurances in assessed. The 3 lines of defence model as outlined below is applied.

- The first line of defence (functions that own and manage risks);
- The second line of defence (functions that oversee or who specialise in compliance or the management of risk);
- The third line of defence (functions that provide independent assurance).

9.2. External auditors, regulators, and other external bodies reside outside the organisation's structure, but they can have an important role in the organisation's overall governance and control structure.



10. Monitoring and Review

10.1. Reports, previously agreed by the Executive Management Team, are presented at the first Audit Committee meeting after each quarter end. The reports attach the full strategic risk register and the following:

- A summary of the risks;
- A visual representation of the full and most significant risks;
- Details of any changes to the risks within the quarter; and
- Details of any radar risks that require consideration.

10.2. Thereafter, a summary report is provided to the Board and any relevant subsidiary Board. This report contains a summary of the risks and details of any significant risks.

10.3. Reporting in the interim period is by exception, where a significant risk is identified.

10.4. It is the role of the internal audit function to ensure the risk management policy is applied across all areas of operation including strategic planning, performance management and project management. This is monitored by the Audit Committee.

10.5. The Risk Management Policy will be reviewed three-yearly or sooner if material changes in legislative, regulatory or good practice requirements warrant a changed approach.

11. Notifiable Events

11.1. Any notifications made to the Scottish Housing Regulator will be made in keeping with the Scottish Housing Regulator's Notifiable Events Guidance, the Group's Notifiable Events Policy, and the Group's Scheme of Delegation.

11.2. Reporting in the interim period is by exception, where a significant risk is identified.

Appendix 1 – CVG Risk Categories

Risk Categories
Financial
Governance
Health & Safety
Legal & Regulation
Reputation & Communication
Investment & Growth
Digital & IT
Customer Engagement
People
CV Lets
Factoring
Development

Risk Appetite
Hungry - Eager to innovate
Open - Willing to consider / tolerate
Balanced - Limited risk but with limited reward potential
Cautious - Low Inherent risk level with limited or no potential for reward
Averse - Avoidance of risk

Risk Treatment
Accept
Manage
Insure/Contingency Plan
Reduce/Transfer

Assurance Rating
Substantial
Reasonable/Limited
Little/Low

Risk Status
New
Open
Closed

Risk Description

No Category selected

Likelihood		Impact	
1	A - Rare	1	Insignificant
2	B - Unlikely	2	Minor
3	C - Possible	3	Moderate
4	D - Likely	4	Major
5	E - Almost Certain	5	Catastrophic

Financial

Likelihood		Impact	
1	A - Rare	1 Insignificant	Minimal financial loss, less than £50K
2	B - Unlikely	2 Minor	£50K - £250k in uninsured losses.
3	C - Possible	3 Moderate	£250k - £1m in uninsured losses.
4	D - Likely	4 Major	£1m - £5m in uninsured losses.
5	E - Almost Certain	5 Catastrophic	Above £5m in uninsured losses.

Governance

Likelihood		Impact	
1	A - Rare	1 Insignificant	Resolved in day-to-day management (no impact on assurance)
2	B - Unlikely	2 Minor	Minor impact and doesn't lead to non-compliance (no impact on assurance)
3	C - Possible	3 Significant	Significant impact and requires reporting to SHR (no impact on assurance)
4	D - Likely	4 Major	Major impact and requires Regulatory Intervention (impacts assurance)
5	E - Almost Certain	5 Catastrophic	Catastrophic impact and results in regulatory intervention and financial losses (impacts assurance)

Health & Safety

Likelihood		Impact	
1	A - Rare	1 Insignificant	None or minor personal injury; First Aid needed but no days lost
2	B - Unlikely	2 Minor	Minor injury; Medical treatment required and one or two days lost
3	C - Possible	3 Significant	Injury; possible hospitalisation and multiple days lost
4	D - Likely	4 Major	Long-term illness or multiple serious injuries
5	E - Almost Certain	5 Catastrophic	Fatalities or permanent disability or ill-health

Legal & Regulation

Likelihood		Impact	
1	A - Rare	1 Insignificant	Resolved in day to day management and no financial or reputational impact
2	B - Unlikely	2 Minor	Resolved in day to day management with financial impact of <£5k and no reputational impact
3	C - Possible	3 Significant	Reportable event/legal case with financial impact of £5k-£250k
4	D - Likely	4 Major	Reportable event/legal case with financial impact of £250k-£1m
5	E - Almost Certain	5 Catastrophic	Reportable event/legal case with financial impact of >£1m

Regulation & Communication

Likelihood		Impact	
1	A - Rare	1 Insignificant	Negligible impact
2	B-Unlikely	2 Minor	Adverse local media coverage only
3	C - Possible	3 Significant	Adverse wider media coverage
4	D - Likely	4 Major	Adverse and extended national media coverage
5	E - Almost Certain	5 Catastrophic	Legal, political or regulatory scrutiny with severe impact on reputation

Investment & Growth

Likelihood		Impact	
1	A - Rare	1 Insignificant	Resolved in day-to-day management and minimal financial loss, less than £50K
2	B - Unlikely	2 Minor	Minor impact on meeting objectives within the month, £50K - £100k in uninsured losses
3	C - Possible	3 Significant	Significant impact to quarterly objectives/performance, £100k - £500k in uninsured losses
4	D - Likely	4 Major	Major impact to annual objectives and performance, £500k - £1m in uninsured losses
5	E - Almost Certain	5 Catastrophic	Catastrophic impact over multiple years on objectives or performance, above £1m in uninsured losses

Digital & IT

Likelihood		Impact	
1	A - Rare	1 Insignificant	Resolved in day-to-day management. Critical systems unavailable for a few hours
2	B - Unlikely	2 Minor	Minor impact on meeting objectives within the month. Critical systems unavailable for less than one day
3	C - Possible	3 Significant	Significant impact to quarterly objectives/performance. Critical systems unavailable for more than one day
4	D - Likely	4 Major	Major impact to annual objectives and performance. Critical systems unavailable for one day or a series of prolonged outages
5	E - Almost Certain	5 Catastrophic	Catastrophic impact over multiple years on objectives or performance. Critical systems unavailable for more than 2 days

Customer Engagement

Likelihood		Impact	
1	A - Rare	1 Insignificant	Resolved in day-to-day management
2	B - Unlikely	2 Minor	Minor impact on meeting objectives within the month
3	C - Possible	3 Significant	Significant impact to quarterly objectives/performance
4	D - Likely	4 Major	Major impact to annual objectives and performance
5	E - Almost Certain	5 Catastrophic	Catastrophic impact over multiple years on objectives or performance

People

Likelihood		Impact	
1	A - Rare	1 Insignificant	Resolved in day-to-day management
2	B - Unlikely	2 Minor	Minor impact on meeting objectives within the month
3	C - Possible	3 Significant	Significant impact to quarterly objectives/performance
4	D - Likely	4 Major	Major impact to annual objectives and performance
5	E - Almost Certain	5 Catastrophic	Catastrophic impact over multiple years on objectives or performance

CVLets

Likelihood		Impact	
1	A - Rare	1 Insignificant	Resolved in day-to-day management, minimal financial loss, less than £5K
2	B - Unlikely	2 Minor	Minor impact on meeting objectives within the month, £5K - £10k in uninsured losses
3	C - Possible	3 Significant	Significant impact to quarterly objectives/performance, £20k - £50k in uninsured losses
4	D - Likely	4 Major	Major impact to annual objectives and performance, £50k - £100k in uninsured losses
5	E - Almost Certain	5 Catastrophic	Catastrophic impact over multiple years on objectives or performance, above £100k in uninsured losses

Factoring

Likelihood		Impact	
1	A - Rare	1 Insignificant	Resolved in day-to-day management, minimal financial loss, less than £5K
2	B - Unlikely	2 Minor	Minor impact on meeting objectives within the month, £5K - £10k in uninsured losses
3	C - Possible	3 Significant	Significant impact to quarterly objectives/performance, £20k - £50k in uninsured losses
4	D - Likely	4 Major	Impact to annual objectives and performance, £50k - £100k in uninsured losses
5	E - Almost Certain	5 Catastrophic	Catastrophic impact over multiple years on objectives or performance, above £100k in uninsured losses

Development

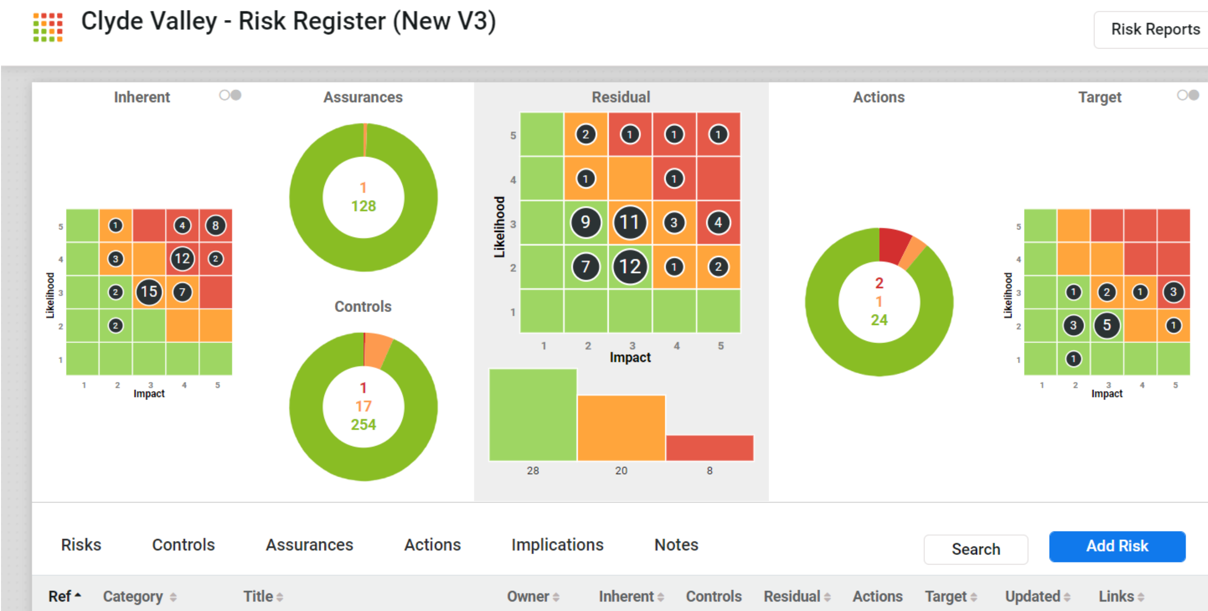
Likelihood		Impact	
1	A - Rare	1 Insignificant	Resolved in day-to-day management, no financial impact
2	B - Unlikely	2 Minor	Minor impact on meeting objectives within the month, financial impact <£50k
3	C - Possible	3 Significant	Significant impact to quarterly objectives/performance, financial impact £50k-£250k
4	D - Likely	4 Major	Major impact to annual objectives and performance, financial impact £250k-£1m
5	E - Almost Certain	5 Catastrophic	Catastrophic impact over multiple years on objectives or performance, financial impact >£1m

Appendix 2 – Glossary of Risk Terms

The following table sets out some definitions for the Group's risk management activities.

Assurance	An evaluated opinion, based on evidence gained from review, on the organisation's governance, risk management and internal control framework.
Cause	The reason for the risk exposure – why would a risk occur.
Effect	The impact for the risk exposure – what would be the impact if the risk materialised.
Exposure	The consequences, as a combination of impact and likelihood, which may be experienced by the organisation if a specific risk is realised.
Inherent Risk	The risk that arises from engaging in an activity. It is the risk that exists before any mitigation (risk treatment action is taken).
Impact	The probable effect on the organisation if the risk occurs.
Likelihood	The probability of a risk occurring.
Risk Owner	The person responsible for ensuring the risk is properly managed and monitored.
Residual Risk	The remaining levels of risk after treatment measures have been taken. If it falls within the organisation's risk tolerance, then residual risk is acceptable; if it falls outside, then actions may be needed.
Risk	The threat or possibility that an action or event will adversely or beneficially affect an organisations ability to achieve its objectives.
Risk appetite	The level of risk CVG is prepared to accept or tolerate before considering action necessary.
Risk assessment	The process by which CVG identifies and assesses the risks associated with its activities within each level of CVG.
Risk management	A systematic method of identifying, analysing, assessing, treating, monitoring, and communicating risks in a way that will enable the Group to optimise losses and maximise opportunities.
Risk register	The documented and prioritised overall assessment of the range of specific risks faced by the Group.
Risk response	An action or process that CVG currently has in place to either reduce a risk to an acceptable level or increase the probability of a desirable outcome.
Operational Risks	Those risks associated with all the ongoing day-to-day management of the business. This will include the risks around the business processes employed to meet the strategic objectives.

Appendix 3 – Example of Strategic Risk Register



Policy Change History

Version	Substantive Change	Author of Change	Approval	Date	Website
1.0	New front cover & version history applied	A Cavinue		17/02/2023	Y
2.0	3 yearly review of the policy. Minor changes made with updates mainly incorporating enhancements made to Risk Registers to capture assurance, controls, etc.	Natalya Macholla		28/06/2024	Y