

Policy for Risk Management

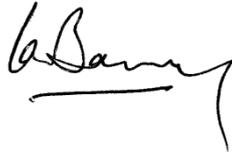
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REVISION HISTORY

Revision	Date	By	Change
0			First Issue
1			

APPROVALS

Name / Role	Signature and Date
Ian Barry / CFO	
	23/04/14

Policy for Risk Management

PURPOSE OF THIS POLICY

This risk management policy forms part of CABI's corporate governance arrangements. This document comprises a Policy Statement, specification of roles and responsibilities, and an outline of CABI's risk management processes. It is also supported by existing related CABI-wide policies. The purpose of this policy is to ensure that the risk management processes adopted by CABI are understood by all members of staff and are clear and transparent to all our stakeholders.

DEFINITION OF RISK

In the context of this policy, risk is defined as the uncertainty in an event or activity which may jeopardise the likelihood that CABI will achieve its objectives.

POLICY STATEMENT

CABI's general approach to risk is to instil a culture of risk awareness throughout the organisation such that every employee considers risk as part of their everyday activities. Where there are considered to be significant risks every staff member has a duty to notify their line manager or relevant colleague to escalate and deal with the issue as appropriate. The strategies for managing risk include:

- Acceptance
- Contingency
- Prevention
- Reduction
- Transference

CABI recognises that in pursuit of its mission and objectives it may choose to accept an increased degree of risk. It will do so subject always to ensuring that potential benefits and risks are understood before any course of action is authorised and that reasonable measures to mitigate risk are established. It will try to adopt best practices in the evaluation and cost effective management of risks to which it is exposed in pursuing its strategic objectives.

CABI's risk appetite is greater in areas where it seeks to expand its range of knowledge, experience and effectiveness, recognising that change and innovation are necessary to deal with the ever changing demands of food and nutrition security, protection of the environment and biodiversity etc. It will however exercise very tight risk management controls in areas such as biological control, quarantine, sanitary and phytosanitary methods, management of quality and protection of its excellent reputation, and in the safety of its staff and partners.

The Company's Risk Management policy statement is supported by related policies, principally in the following areas:

- Financial processes and controls
- Project management
- Human Resources
- Information Services and Information Technology
- Insurance
- Treasury Management

To assist in implementing this policy, we will:

- Identify, analyse and produce a risk management strategy for those risks which might inhibit CABI from achieving its strategic objectives and which would threaten its ongoing survival;
- Raise awareness of and integrate risk management into the way in which CABI is managed;
- Promote an understanding of the importance and value of risk management, particularly associated with development opportunities; and
- Establish, regularly review and maintain registers of the major risks facing CABI.

RISK ASSESSMENT

Risk assessment processes identify an organisation's exposure to uncertainty. This should be approached in a methodical way to ensure that all significant activities in CABI have been identified and all the risks flowing from these activities defined. Business activities and associated risks can be classified broadly in the following ways, examples of which include:

Strategic - These concern CABI's long-term strategic objectives and can be affected by such issues as damage to reputation, sovereign and political risks, legal and regulatory changes, and changes in the physical environment.

Operational - These concern the day-to-day issues that CABI is confronted with as it strives to deliver its strategic objectives.

Financial - These concern the effective management and control of CABI's finances and the effects of external factors such as availability of funding, foreign exchange rates, interest rate movement and other market exposures.

Knowledge management - These concern the effective management and control of the knowledge resources, the production, protection and communication thereof. External factors might include the unauthorised use or abuse of intellectual property, area power failures, and competitive technology. Internal factors might be system malfunction or loss of key staff.

Compliance - These concern such issues as health & safety, environmental, trade descriptions, consumer protection, data protection, employment practices and regulatory issues.

RISK REGISTERS

Managers and those responsible for Business Units should regularly review their risks and their management approaches to them, and note them on risk registers in the format attached in appendix 1. Risk registers should be revised and updated at least annually at the time of preparing the annual budget and the review should consider any significant risks which may affect achievement of budget objectives.

For each significant risk area, every specific risk and its implications should be noted and an assessment made of the Impact (I) of that risk and the Likelihood (L) of it occurring. Both I and L are measured on a scale of 1-3 for low-high respectively. The total value of the risk (T) is the product of multiplying the I and L scores. The register then sets out the management strategy for mitigating the risk and the revised assessment of the risk, the Residual Risk, assuming that the strategy is effectively carried out. A direction of travel indicating whether the Total risk is increasing, decreasing or broadly static is then shown, as are specific actions which still need to be taken in order to effect the management strategy. Finally the register must indicate the individual responsible for those actions so they can be held accountable for fulfilling them.

Risk registers are completed at different levels of CABI's activities. At each level those risks with a Total risk rating of 6 or more should be elevated up to and included in the risk register at the next hierarchical level, albeit at that level the Total risk assessment, particularly the assessment of Impact, may be lower, given that the unit size at the higher hierarchical level is greater. In this way risks are "cascaded up" through CABI such that the summary register for the whole of CABI is underpinned by registers down to the lowest levels.

The CABI Board monitor the key strategic risks for CABI, usually no more than 10, and a separate Strategic Risk Register (SRR) is updated annually for their review. This is in slightly different format from the underlying registers and has risk rating score of 1-5 for I and L rather than 1-3. The SRR is also accompanied by a "Heat Map", as attached at appendix 2, showing the direction of travel of the strategic risks and also using a slightly different weighting approach, treating risks with possible high Impact with more significance than those with high Likelihood.

ROLES AND RESPONSIBILITIES IN RISK MANAGEMENT

Risk management is embedded throughout CABI. It is not the sole responsibility of senior managers but should be exercised by all staff, particularly those with management or operational responsibilities.

Role of the Board and Audit Committee

The CABI Board has a fundamental role to play in the management of risk, some of which may be delegated to Audit Committee. The role is to:

- Approve and monitor the risk management strategy and demonstrate the commitment to effective risk management.
- Set the tone and influence the culture of risk management within CABI. This includes determining what types and levels of risk are acceptable (the so-called risk appetite) and which are not, and to provide a framework within which the appropriate level of exposure to risk can be determined in particular circumstances.
- Annually reviewing CABI's approach to risk management and, if appropriate, recommending changes or improvements to key elements of its processes, policies and procedures.
- Approve major decisions affecting CABI's risk profile or exposure.
- Review at least annually CABI's key strategic risks and the management approaches for each.
- In the CABI Annual Report publish a Corporate Governance statement which summarizes the risk management policy, following advice from senior management, and external and internal audit.

Role of the Executive Management Team (EMT)

EMT is responsible for:

- Implementing the CABI risk management policy.
- Ensuring that the major risks associated with significant proposals put to it have been properly considered and can be appropriately managed within the policy framework set by the Board.
- Ensuring that risks are properly managed, reviewing evidence to this effect and ensuring measurement of results as appropriate.
- Communicating CABI policy and information about the risk management programme to all staff, and making it transparent and publicly available.

Roles of Managers

Managers are responsible for:

- Identifying evaluating and managing strategic and operational risks in their area of responsibility and bring emerging corporate risks to EMT's attention.
- Ensuring compliance with company policies.
- Ensuring that everyone in their area of responsibility understands their risk management responsibilities and making clear the extent to which staff are empowered to take risks.

Roles of Individuals

Individuals should:

- understand their accountability for individual risks.
- understand that risk management and risk awareness are a key part of the Company's culture.

- report systematically and promptly to senior management any perceived new risks or failures of existing control measures.
- understand how they can enable continuous improvement of risk management processes.
- follow CABI's Whistle Blower Policy if they have concerns that actions are not being taken properly through normal channels.

MONITORING AND REPORTING

Effective risk management requires a monitoring and reporting structure to ensure that risks are effectively identified and assessed, and that appropriate controls and responses are in place. Regular audits of policy and standards compliance should be carried out and standards performance reviewed to identify opportunities for improvement. Such audits should be managed as part of the CABI annual internal audit programme. The monitoring process should provide assurance that there are appropriate controls in place for the organisation's activities and that the procedures are understood and followed. This should also determine whether:

- the measures adopted resulted in what was intended;
- the procedures adopted and information gathered for undertaking the assessment are appropriate; and
- whether improved knowledge would have helped to reach better decisions, and identify what lessons could be learned for future assessments and management of risks.

Incident Reporting

All incidents (where risks have materialised) will be reported promptly to the relevant EMT member and reflected in the next Monthly CABI Corporate Report. Specifically any incidents related to staff health and safety will be raised and discussed at every meeting of EMT.

APPENDIX 1 – RISK REGISTER TEMPLATE WITH EXAMPLES

	Risk Area	Specific risks and implications	I	L	T	Management Strategy for dealing with risk	Residual Risk	Inc/dec	Required Action	Responsible Individual
1	Loss of reputation and therefore donor support	Quarantine escape or other environmental problem, caused by CABI	2	2	4	Maintain integrity of facilities and procedures; maintain correct waste disposal methods and procedures. Implement and maintain Standard Operating Procedures for quarantine and laboratory procedures as appropriate.	2x1=2	↓	Continue monitoring, DEFRA testing and certification. Regularly review SOP's.	J Kelley
		Loss of staff due to major incident, lack of safety	2	2	4	Develop and apply appropriate Health & Safety policies. Use of professional advisors on policy.	2x1=2	↑	Regularly review overseas working environments, including advice and insurance cover for conflict areas. Revise business travel and personal accident insurance policies.	N MacIntosh/ J Kelley/ I Barry
		Loss of financial credibility due to fraud, theft or poor financial management	3	1	3	Regular review and update of finance policies and procedures. Rigorous independent audit of CABI activities (through BDO). Extend review and audit to partners and collaborators	2x1=2	↔	Extend capacity building with partners and collaborators to improve their systems and controls	I Barry/ R Sloley
2	Loss of facilities due to disaster, fire, terrorism.	Inability to continue business and to deliver against customer requirements	3	2	6	Implement disaster recovery/business continuity planning for all major sites. Adherence to safety procedures for major risks. Maintain liaison with Counter Terrorism Advisors.	3x1=3	↓	Implement business continuity plan review recommendations and continue rollout to RCs. Follow up implementation in all.	I Barry/J Kelley
		Loss of IT/comms services due to equipment failure, hacking, viruses etc.	3	2	6	Maintain adequate firewalls, business continuity plans. Monitor external service providers.	3x1=3	↑	Implement IT Security Policy.	T Walsha

3	Loss of key members of staff	Inability to win or deliver major projects. Business-critical areas are weakened or exposed.	2	2	4	Maintain talent management programme to review capabilities, ensuring training, development and succession plans are in place to cover key roles and areas of expertise.	$2 \times 1 = 2$	↓	Continue to update Talent Management Review. Create new roles to bring new skills and approaches into the Business Unit.	N MacIntosh
4	Plantwise Clinic Roll-Out	CABI may not be capable of delivering a programme on this scale.	3	2	6	Define clear strategy and plans for roll-out, quality assurance and standard operating procedures. Experienced CABI staff/consultants available for training/backstopping project staff and national teams.	$3 \times 1 = 3$	↓	Ensure roles and responsibilities are clearly defined. Regular reporting to and within PWPB. Act on lessons learned from monitoring and evaluation results.	U Kuhlmann
		Diagnostic labs fail to respond in a timely manner to samples sent by plant clinics.	2	3	6	Formal agreements will be sought between clinics and laboratories to define conditions of service. Lab staff will visit clinics to understand how they operate.	$2 \times 2 = 4$	↓	Link plant clinics to BioNet diagnostic services.	GD (PCI) GD (PHSD) GD (KB)
		Partners in network fail to work together or establish effective linkages.	2	3	6	Ensure that different partners have regular opportunities to meet and see each other in action. Monitor relationships and take early action to redress potential difficulties.	$2 \times 3 = 6$	↔	Use PW summits and CABI Regional Membership Consultations to strengthen partnerships.	RDs GD (PHSD) GD (PCI)

APPENDIX 2 – RISK HEAT MAP AND DIRECTION OF TRAVEL

	Impact				
Likelihood	Low	Low/Med	Med	Med/High	High
High					
Med/High			↑ 1		
Med		↓ 2			3 ↑
Med/Low			4 ↓	5 ↔	
Low		↓ 6			7 ↔

Risk

Risk 1.

Risk 2.

Risk 3.

Risk 4.

Risk 5.

Risk 6.

Risk 7.