RISK MANAGEMENT

GENERAL POLICY

CODE: PG

PREPARED BY: RISK MANAGEMENT

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EFFECTIVE DATE:

Our Mission

"Operating from the global south, we foster collaborative processes to drive systemic changes for human dignity and planetary care.."

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GENERAL POLICY

2-BACKGROUNDO

Avina manages proactively, addressing situations and events that represent potential financial/ programming risks to the institution or to the team of employees individually.

We begin with a broad concept of risk, understanding risk as cross-cutting in nature and that risks may arise in the institution, the allies, and in political, social economic and environmental contexts as well.

3-OBJECTIVE

To establish the general framework for the comprehensive management of institutional or program risks facing Avina. It also aims to systematically implement a set of actions for the optimal management of risks that may affect the institutional mission programs or current or future investments.

This document is intended to guide and educate on how to identify and act in situations that may jeopardize Avina's reputation or institutional objectives.

4-SCOPE

This policy applies to all Avina employees at all levels and in any role they may take. It also applies to third parties, allies and consultants who act on behalf of Avina.

5-DEFINITIONS AND ABBREVIATIONS

CGR (Spanish acronym): Risk Management Committee.

Crisis: It is one of the highest stages of conflict, is evident, and in some cases, it involves some emotional, political, physical, and other types of violence.

Conflict: Is a disagreement between two or more parties who perceive their interests as incompatible. This may affect the relationship, actions and escalate toward some type of violence.

Mitigation Strategy: This is a set of actions designed to reduce or to manage risk inducing factors.

Positioning: This is Fundación Avina's decision to issue public or internal statements regarding a particular topic or process, which clarifies their institutional orientation.

Risk: Is any situation stressing the relationships, threatening the reputation or the ability of the organization to meet their institutional objectives.

SGR (Spanish acronym): Risk Management System.

6-DEVELOPMENT

6.1- BASIC CRITERIA

The following are the characteristics and scope of the *Risk and Conflict Management System*:

- It is **dynamic, responsive and proactive**, with a transformative approach to relationships, system restoration and generation of new opportunities.
- The system is **constructive and collaborative**, not punitive or coercive.
- The Risk and Conflict Management System **impacts the strategic statements,** institutional **positioning,** and **public statements**Avina issues.
- It is designed to **preventively identify potential events** that–should they occur–might affect the organization and its stakeholders, but–if managed in advance–may provide an **opportunity to influence change in the status quo**.

6.2 - RISK - CONFLICT SITUATIONS

Fundación Avina is a risk-taking organization, but it does so within a framework of control and strategic management that allows it to achieve the expected objective.

Conflicts are an inherent part of human, social and environmental activity, and if properly managed, conflict has the potential to encourage positive changes and transformations.

Risks in institutional contexts can escalate into potential conflicts. We address these challenges with the paradigm of constructive conflict transformation.

"Risk is an adverse event or fact that combined with the probability of occurrence and the level of severity, may hinder the achievement of institutional goals or objectives. A well-managed risk may be transformed into an opportunity."

The following are descriptions of some types of risk:

1. **Risk to Avina's Reputation** is when the legitimacy, good standing and solvency of the organization are jeopardized; For instance, the organization is attacked with allegations of hidden agendas, suspicions are raised about associative agreements or alliances, etc.
2. **Strategic, financial and operative risk** can arise from conflicts between social capital and Avina or within the ecosystem of organizations working together, but they can also be due to tensions in power struggles or poor communication, or concerns about deficiencies in the handling of a process, weakness in management, financial crisis, to name a few. A wide range of risks impacts institutional strategies, particularly in activity management. Some risks involve significant social capital. Inter-area collaboration is essential to effectively and promptly mitigate risks and prevent escalation or crises.
3. **Social and environmental risks** generally occur in the context work and interventions undertaken in collaboration. For instance, difficult situations may arise when operating in areas of armed conflict, tensions resulting from pressure on natural resources when working with indigenous or rural communities. These risks are associated with the programs operations, safety, security and sustainability.

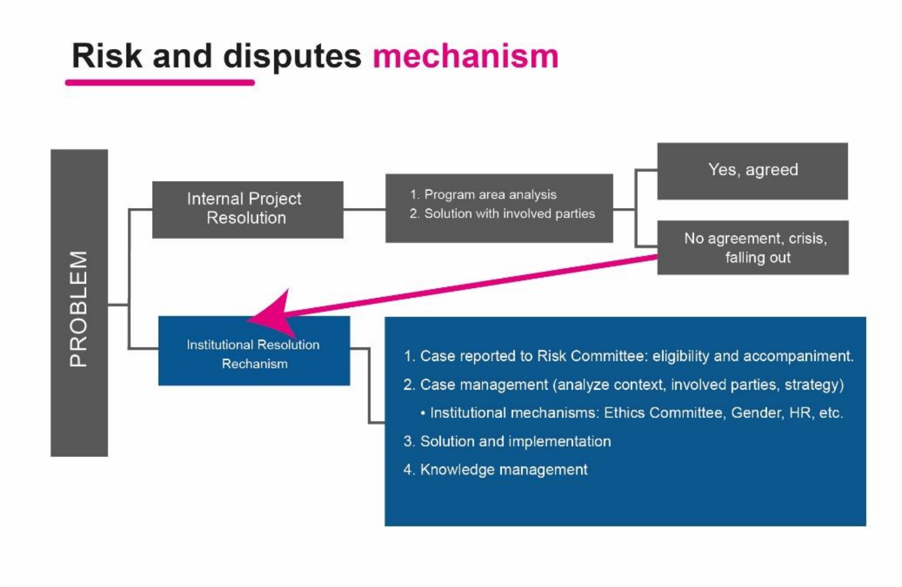
6.3- RISK MECHANISM OUTLINE

The priority concepts of the Risk Management System (SGR)are: ***anticipation and transformation.*** The comprehensive risk management cycle includes the following components:

- Thorough and continuous context analysis.
- Dynamic Institutional Risk Map.
- Early warning system including a grievance or query mechanism.
- Institutional deliberation before taking on risks in the field.
- Risk and/or conflict management plans.

- Training and specialized support services.

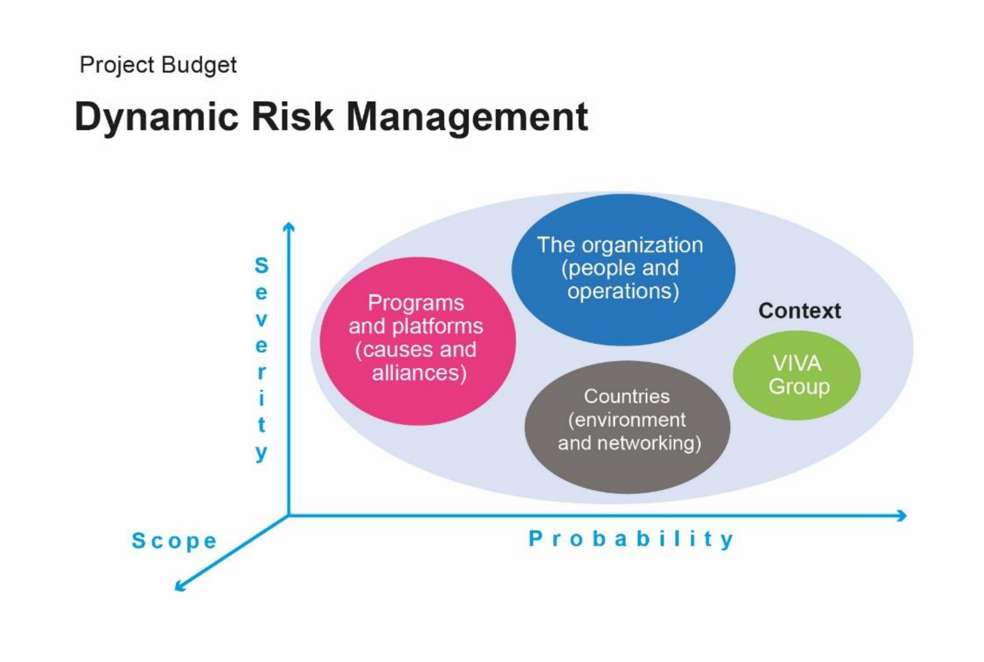
Self-managing teams promote risk prevention and management. In case of complex management situations, the Risk Management Committee (CGR) has set up mechanisms to establish and support analysis teams, support solution strategies and provide resources to mitigate potential conflict.



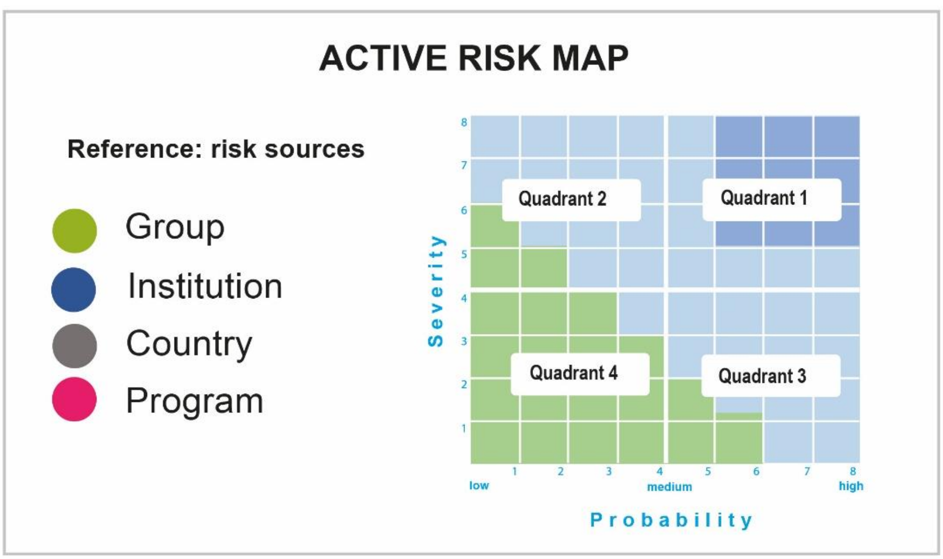
Risk identification and management involve the entire program and administrative team as well as management and director offices.

6.3.1 RISK MAPPING

It is a logging and notification system in the CRM, based on a scale of "severity" and "probability."



It is based on identifying four types of ***sources of risk*** (VIVA Group, Programs, Country Strategies, Institutional) and their allocation in a quadrant according to the ***urgency of action***, based on the degree of probability and level of severity of the risk.



How is the appropriate quadrant identified for the risk once it has been identified?

- ***Quadrant 4:*** Potential risks under observation. Prevention measures in place.
- ***Quadrant 3:*** High probability of occurrence but low impact. Needs to be monitored.

- ***Quadrant 2:*** Possible severity and doubtful probability of occurrence. Prepare a response strategy and analysis of possible scenarios.
- ***Quadrant 1:*** Several areas of the organization are usually involved and they have to be managed with the support of CGR and possibly support at director level.

Several actions or plans will be developed to manage risk, based on the probability and severity (defined by the location in the quadrant).

CONTINGENCY PLAN. These plans are implemented for Risks at a high severity level and high probability of occurrence (located in quadrant 1).
They must include the following:

- Communications plan.
- Scenario mitigation and management strategies.
- An ad hoc team is designated to propose the plan.
- Implementation analysis.
- Permanent tracking and evolution of scenarios.
- Proactive monitoring by CGR.

MITIGATION PLAN: These plans are implemented for Risks at medium or high severity level and probability of occurrence.
They must include the following:

- The strategy to be implemented.
- Internal coordination.
- Third-party damages analysis (social capital).

6.3.2- PROGRAM RISK MANAGEMENT

At the local or regional level, the Program Officer is responsible for identifying and documenting in the CRM, with informed judgment, any potential risk situations. This will be immediately communicated to the corresponding program area.

Depending on the risk level, at the discretion of the person Program Officer, in dialogue with the area director, the initial actions to mitigate the risk will be implemented. In the event that the risk expands, this will be immediately communicated to the CGR, via the Technical Secretariat.

6.3.3 - COUNTRY-LEVEL RISK MANAGEMENT

At the local level, the person Country Officer is in charge of flagging and recording in the CRM, in an informed manner, any situation of potential risk. This will be immediately communicated to the country area director.

Depending on the magnitude of the risk, at the discretion of the Country Officer, in dialogue with the country area director, the initial actions to mitigate the risk will be implemented. In the event that there is potential for it to escalate, it will be immediately communicated to the CGR, via the Technical Secretariat.

Spokesperson: The Country Officer, will be the *default* spokesperson. However, in consultation with CGR, another person from the country team or the program with influence at country level, may be designated. The CGR may appoint the spokesperson in special contingency cases.

6.3.4 – Multiple countries Risk Management

If a risk affects more than one country and/or more than one program, any officer is required to alert the CGR through the Technical Secretariat for Risks.

6.3.5 – RISKS THAT MAY SERIOUSLY AFFECT FUNDACIÓN AVINA

In the event of risks of such seriousness that it may affect the regular operations of the institution in a given territory or topic, or that there is an imminent risk of a potentially damaging loss of reputation, whether due to political, social, economic and/or environmental factors, the President, the Executive Director and the Board of Directors shall define the guidelines for the contingency plan that the CGR will implement.

6.4 – RISK REPORTING

Risks require permanent verification. Due to its dynamic nature, the levels of risk will be activated, deactivated or reactivated according to the complexity of the system. The risk map will be prepared on a quarterly basis; other reports will be produced on a case-by-case basis, depending on the information needed for risk management.

With these reports and information, we contribute to transparency and knowledge management to promote a conflict transformation model without harming the collaborative processes we support.

7-RESPONSIBILITIES:

The **Risk Management Committee (CGR):** is responsible for the overall monitoring of the system. This committee is a decision-making body, and it has the following objectives:

- Proposes risk management and conflict transformation policies.
- Analyzes and proposes mitigation strategies and actions to which the Operating Units involved must give due consideration.
- Mediates between two or more divergent positions within the institution.
- Responsible for proposing alternatives for management of specific problems at the level of the CEO, the President, Board of Directors and other stakeholders that may be defined.

The CGR will be formed by permanent members, and other individuals will be summoned on an ad hoc basis, according to the features of the risk.
The Offices of the Innovation Director (DI) and Collective Intelligence Director (DIC) will be permanent members. They will be supported by the Technical Secretariat for Risks.
The Committee coordinator will be designated by the CEO.

Technical Secretariat of the CGR. A Technical Secretariat will support the work of the Risk Management Committee (CGR).
The roles and responsibilities of the Technical Secretariat are the following:

- Prepare quarterly risk reports and provide maintenance to the risk database.
- Identify, describe, monitor and support the management of active risks, including tracking during the risk or conflict de-escalation phase.
- Submit analysis to the CGR and develop management proposals for the most significant risks that require intervention.
- Consolidate the risk map based on the information on identified risks and potential risk scenarios prepared by all Operating Units.

8-RELATED DOCUMENTS:

This policy is linked to the following documents:

- PG Alliance Management
- PG Administration and Finances
- PG Social Investment Management

- PG Operating Model
- PP Positioning

Policy implementation requires the following forms for internal use:

DATA BASE: Is where the emerging risks and monitoring over time are recorded. Located in Workspace and is managed by the Technical Secretariat for Risks and the CGR.

RISKS MAP: Is a two-axis matrix, allocating the recorded risks on a combined scale of seriousness, where the probability of occurrence of the event and its estimated damage of severity are combined. Find the Risk Map on the intranet.

AWP—Annual Work Plan: Risks that are identified must be concisely stated in the Annual Work Plan.

CRM: Any new risk will be recorded in the Risk section of the CRM system. The type of risk and the general supporting information must be identified.

9-GRAPHIC SUMMARY:

Summary table of the levels involved, the actions to be implemented and their responsibilities, according to the severity of the identified risk.

GRAVEDAD DEL RIESGO	INSTANCIAS QUE INTERVIENEN	ACCION ANTE EL RIESGO	RESPONSABILIDAD DE IMPLEMENTACION
Alta Severidad/Alta Probabilidad. - Cuadrante 1	*Consejo Directivo – Director Ejecutivo – CGR – Grupo Ad hoc*	*Plan de contingencia*	*CGR y unidad involucrada*
Alta Severidad/Baja Probabilidad. - Cuadrante 2	*CGR – Grupo Ad hoc*	*Plan de mitigación*	*CGR y unidad involucrada*
Baja Severidad/Alta Probabilidad. - Cuadrante 3	*Responsable Unidad Operativa* *Secretaría Técnica*	*Estrategias de mitigación monitoreadas por la Secretaría Técnica*	*Unidad Operativa*
Baja Severidad/Baja Probabilidad. - Cuadrante 4	*Responsable Unidad Operativa*	*Acciones de mitigación registradas en el sistema de gestión de riesgos.*	*Unidad Operativa*