



CARE International UK

Statement of Risk Appetites

CARE's objectives

CARE has a bold **vision** to see a world of hope and social justice, where poverty has been overcome and all people live with dignity and security. We work around the globe, in many fragile and conflict affected places, to save lives, defeat poverty and achieve social justice.

CARE cannot achieve this bold vision without **taking risks**. But we must take those risks deliberately and with a purpose. There are some risks and opportunities we must embrace and manage, while there are other risks we must reduce to a minimum.

This **Statement of Risk Appetites** sets out how CARE International UK feels about the different risks it faces. It will be reviewed annually by staff and the Board.

Methodology



This Statement places each risk into a specific risk appetite level, categorising them on a scale of low-medium-high.

- **High Risk Appetite** – Areas in which we strategically take risks in a planned, managed way, because we have determined the potential upside benefits outweigh the potential costs.
- **Medium Risk Appetite** – Areas in which we must constantly strike a balance between the potential upside benefits and potential downside costs of a given decision.
- **Low Risk Appetite** – Areas in which we avoid risk or acts to minimise as far as possible the likelihood of the risk occurring, because we have determined the potential downsides are intolerable.

In managing risks, the key measure against all risks will be whether we are managing the risk within our level of risk appetite for that specific risk. However, due to the nature of our work, as well as CARE's global ambitions and goals, we recognise that there are exceptional circumstances where the appetite might change. For instance, while in general our risk appetite for not achieving our programmatic goals is medium, we accept that the appetite is higher in particularly new or innovative projects. Regardless of the appetite level, any risk is managed through a robust control environment and oversight mechanisms, demonstrated by CIUK's Risk Assurance Framework.

Risk Appetite Summary

Risk area	Overall risk appetite	Specific risks
<u>Not achieving strategic goals</u>	HIGH	<ul style="list-style-type: none"> Unable to deliver on advocacy goals or impact due to resistance of powerholders or CARE being overly cautious; External environment changes including political risks; Changes to government policy impacts negatively on fundraising activity; CARE does not have clear aims, or is not carrying out its purposes for the public benefit (LOW);
<u>Reputation and relationships</u>	MEDIUM	<ul style="list-style-type: none"> Fundraising activities do not reflect CIUK ethics and values (LOW); CARE enters into a partnership with a high-risk entity or individual that damages our reputation; An occurrence of crisis in any part of CARE damages our reputation; A serious incident occurs in the sector that impacts negatively on CARE's reputation and reduces people's willingness to donate;
<u>Not achieving programme and project goals</u>	MEDIUM	<ul style="list-style-type: none"> Failure to implement projects in accordance with contracts resulting in not achieving milestones or non-application of programmatic principles (LOW); Partners or consortiums do not fulfil contractual obligations, impacting CARE's ability to deliver its programmatic commitments; Failure to manage complex stakeholders and partnerships; Working in conflict-affected contexts impacts ability to deliver to time and cost targets (HIGH); Desired impact not achieved due to wrong theory of change; CIUK Commercial Contract portfolio does not deliver the intended results at the right scale to meet requirements, impacting the ability to deliver the programme strategy and ensure full reimbursement; A serious incident occurs that affects third party's ability to deliver on its contractual obligations to CARE;
<u>Financial failure; not raising sufficient funds</u>	MEDIUM	<ul style="list-style-type: none"> Lack of cashflow or liquidity to meet ongoing cash flow requirements and UK operating costs (LOW); Desired ROI on fundraising is not achieved; Inability to invest in fundraising to raise new funds; Staff absence results in staff costs' increase, reducing available non-restricted funds; Economic effects of COVID-19 affect public's ability or willingness to give; Re-direction of non-restricted funds due to occurrence of emergency; Insufficient unrestricted financial reserves available; Another CARE member suffers financial failure which impacts negatively on CIUK;
<u>Not attracting and retaining staff</u>	MEDIUM	<ul style="list-style-type: none"> CARE is not able to attract or retain the right people, at the right rate, and at the right time in order to deliver its objectives; CARE is unable to attract a diverse range of candidates; CARE fails to demonstrate an inclusive culture that is in line with its strategic objectives; High turnover rates and low tenure results in the repeated loss of knowledge and increased costs associated with continually onboarding new staff (LOW);

<u>Safeguarding</u>	LOW ¹	<ul style="list-style-type: none"> Individuals associated with CIUK or CARE are subject to sexual exploitation, abuse or harassment; Lack of, or weakness in reporting mechanisms in CARE programmes and activities;
<u>Health and safety</u>	LOW	<ul style="list-style-type: none"> An occurrence of a health and safety incident leads to death or serious injury; Health and safety procedures are found to be inadequate or breached, resulting in litigation or corporate manslaughter proceedings; COVID-19 risks in travel, health and safety and facilities;
<u>Loss or misuse of funds</u>	LOW ²	<ul style="list-style-type: none"> Financial loss through error or fraud occurs as a result of weaknesses in financial controls; Wastage due to poor practice in procurement; Making payments to an entity or individual designated as or linked to a terrorist organisation; Unplanned foreign exchange exposure;
<u>Loss of, or loss of access to information</u>	LOW	<ul style="list-style-type: none"> A data breach occurs resulting in the loss or mishandling of personal data, attracting legal action or reputational damage; CARE suffers a cyberspace intrusion or crisis resulting in the loss of or damage to CARE's IT infrastructure;
<u>Regulatory compliance breach</u>	LOW	<ul style="list-style-type: none"> Non-compliance with reporting requirements to Charity Commission, Companies House, and/or HMRC; A breach of compliance with regulation, legislation or best practice, including terrorist financing, money laundering, or employment/ equality legislation; Reputational damage to CIUK or CI due to poor due diligence, inability to ensure donor compliance, or delay/reluctance of implementing audit recommendations; Inadequacy in compliance system results in loss of donor funding or trust; Occurrence of GDPR violation within CIUK or its subcontractors resulting in legal action or financial penalties;
<u>Board effectiveness</u>	LOW	<ul style="list-style-type: none"> A trustee is ineligible to be a trustee, or lacks diversity of skills, experience, backgrounds and knowledge required to make informed decisions; The Board is not working as an effective team; CARE is not complying with its governing documents; Decisions are not in CARE's best and long-term interests; A trustee has a conflict of interest, or benefits from CARE without proper authorization; A trustee is not using reasonable care and skill, is not fulfilling the values of CARE, or is not giving enough time to fulfil their role; The Board is not ensuring that CARE can be held accountable by people with an interest – beneficiaries, supporters, funders and others;

¹ Within certain fragile and conflict-affected environments risks are higher and we necessarily accept MEDIUM risk whilst taking every action available within those environments to minimise that risk.

² Within certain fragile and conflict-affected environments fiduciary risks are higher and we necessarily accept MEDIUM risk whilst taking every action available within those environments to minimise that risk.

Detailed risk appetite statements

Not achieving strategic goals - overall risk appetite is **HIGH**

CARE's goals, to contribute to the elimination of extreme poverty and the achievement of social justice, are ambitious. Achieving them is not easy. There are therefore several risks which may prevent us achieving these goals. But these remain our goals and we accept those risks as unavoidable. We recognise that we will not achieve our goals if we are overly cautious.

The proportion of people living in extreme poverty, who also live in fragile and conflict-affected countries, has increased from 14% in 2008, to 23% in 2015 and is forecast to increase to as much as 85% by 2030, as much faster progress against poverty is made in stable, peaceful countries. Working in these countries brings a variety of risks. As set out below, it increases the risks to the safety of our staff working in those countries. It increases the risk of loss or misuse of funds in contexts where rule of law is limited, or monitoring is more difficult. It increases the risk that programmes will not achieve their goals due to conflict, social unrest, or interference. However, CARE cannot achieve its vision if it does not work in these countries. And so, our **risk appetite** for working in fragile and conflict-affected countries is **HIGH**.

We believe that poverty is not natural or inevitable. It is an injustice caused by unequal power relations that result in the inequitable distribution of resources and opportunities. CARE believes that poverty cannot be overcome without challenging those underlying power imbalances. In doing so, some people – especially people who hold power - will disagree with what we believe, and with what we say and do. Power holders in government, business and society may resist or criticise us for what we say and do. We understand that they may seek to damage our reputation, as a way to silence or stop us. We will not be silenced, and we understand this risk is an inevitable consequence of our mission to change the world for the better. We therefore have a **HIGH risk appetite** for the resistance of change by those who hold power.

Similarly, our ability to achieve our strategic goal depends very much on the wider external environment of political and public opinion. This may affect our ability to achieve change, as well as to fundraise effectively. While we can seek to influence this external environment, we are realistic about how much control we have. We therefore accept that the external environment creates high risks for us with limited ability to mitigate those risks.

CARE and others have worked in our field for many decades. Great progress has been made in reducing extreme poverty globally. Some but less progress has been achieved on reducing injustice. Yet one billion people still live in extreme poverty and many more do not enjoy their full human rights, especially women and disadvantaged groups. This shows that what we are trying to do is not easy. The world is also changing fast and what has worked so far, may or will not be enough to complete our mission. And so, we have to try new approaches all of the time, informed by what we and the world have learned, but also taking risks with new and untested approaches. Some of these will work. Some will not. We have a **HIGH risk appetite** for innovative programmes not achieving their desired impact, as long as we learn from those and apply those lessons effectively.

Reputation and relationships - overall risk appetite is MEDIUM

A strong and positive reputation is crucial to our ability to build trust with people and communities we work with, to influence power holders, and to raise funds from the public and from other funders. CARE has built a good reputation over 75 years and we continue to work hard every day to maintain that, by making a difference, and living up to our Values.

But in order to achieve our mission, we must use our good reputation to effect change. And we have a **MEDIUM risk appetite** for using our reputation and influence strategically to achieve change.

CARE believes that poverty cannot be overcome without addressing the underlying power imbalances that result in the inequitable distribution of resources and opportunities. CARE supports and stands by people to raise their voice to those in power and to speak up for those who have no effective voice, even though we know that power holders in government, business and society may resist or criticise us for what we say and do. We understand that they may seek to damage our reputation, as a way to silence or stop us. We will not be silenced.

CARE believed that in order to change power systems, we must engage directly with them, helping them to change. We will work with governments, companies and other powerful organisations and people, in order to influence them and move them towards having a more positive impact on social justice and poverty. We may be criticised for working with people and organisations that are less than perfect. We understand that this risk is also a consequence of our efforts to make the world better.

At the same time, we are committed to treating people who support CARE with respect and care. Our Supporter Care Promise sets out our commitment to supporters. We comply with all relevant regulations on fundraising to ensure that our activities are consistent with our ethics and values. We have a **LOW risk appetite** for breaching fundraising regulations and our Supporter Care Promise.

We recognise that despite our investments in controls, incidents do happen (either as a result of an actual event or a perceived event/risk) that have the potential to cause reputational damage. We have therefore built strong response mechanisms both at CIUK level and within the CARE confederation to manage the impact on CARE's reputation, and to protect our ability to deliver on our mission over the long term.

Not achieving programme and project goals - overall risk appetite is MEDIUM

The most important thing is that CARE programmes have the impact that we intend. This is also the expectation in particular of organisational funders, that represent the majority of our income. But what we are trying to do is not easy or certain. If we only did the simple things, we would not achieve the level of change that we seek. We are trying to do difficult things, often in difficult places. We therefore constantly strike a balance between the potential benefits of trying to do difficult things and potential downside that they don't always work. This reflects a **MEDIUM risk appetite** for missing our programme goals.

Where we are trying programmes that are particularly new or innovative, or where they are in particularly fragile or conflict affected contexts, we have a **HIGH risk appetite** for not achieving all of our goals, as long as we learn from those.

We expect our people and systems to manage programmes carefully, using systems, knowledge, expertise, monitoring and evaluation, learning cycles, quality markers and due diligence. We have a **LOW risk appetite** for not applying the control and quality measures we have for managing programmes.

Not attracting and retaining staff - overall risk appetite is MEDIUM

Our success in delivering our mission directly depends on the knowledge, skills, abilities and dedication of our staff team. We recognise that our staff team is our most important asset, including for managing risk through designing and implementing controls, problem-solving and making risk-informed decisions. However, skill gaps, turnover and excessive workload are also a source of risk.

We seek to improve recruitment and reduce risk of turnover by matching salaries to the median of our peers, and ensuring we are inclusive and diverse. We invest effort in ensuring we have a positive culture for everyone and provide career opportunities and personally fulfilling jobs. Nevertheless, we understand that with a young and ambitious workforce, staff turnover will be higher than we would wish, especially given that we are not big enough to provide a whole career to most people. Overall, we therefore have a **MEDIUM risk appetite** to staff retention. Our target turnover level is 20% with a range of 15-25% over time, knowing that it naturally ebbs and flows.

We will also invest in process to ensure that this does not result in skills gaps and knowledge loss through effective recruitment, handover and training. We have a **LOW risk appetite** for loss of institutional knowledge, underperformance and excessive stress.

Financial failure; not raising sufficient funds - overall risk appetite is MEDIUM

We constantly strike a balance between the potential upside benefits and potential downside of financial decisions. We seek to maintain healthy but not excessive reserves. So, we cannot take high risks. But we know that we cannot secure funding without investing in fundraising. Fundraising from the general public, Government, companies, trusts and foundations, philanthropists, all have different “rates of return” but all require investment and the return cannot be 100% certain. We therefore have a **MEDIUM risk appetite** for making smart investments to develop our funding base and to seek out new income generating activities.

In order to manage this risk carefully, we require good financial planning and analysis. We therefore have a **LOW risk appetite** for poor financial planning and forecasting. We will always take prompt action to reduce costs if we are at risk of financial failure. We plan in advance to provide an appropriate level of reserves and room for uncertainty in our budget.

Safeguarding - overall risk appetite is LOW

As an organisation that champions the rights of women and girls, CARE recognises the particular responsibility we have to protect people we work with from sexual abuse and exploitation (SEA). Such

abuse, of anyone, by any of our staff, is totally unacceptable. We seek to prevent and minimise risks to staff and people we work with as much as possible. This represents a **LOW risk appetite**.

However, in order to protect the most vulnerable people in the world, we have to work in contexts where the power imbalances which enable exploitation are at their greatest. The inherent risk of exploitation and abuse is therefore high. In order to work in these contexts, we must constantly strike a balance between working in high risk areas and doing everything we can to reduce the risk of harm to vulnerable people. We are, therefore, required to accept risk at a level of **MEDIUM** for safeguarding incidents to occur in very high-risk settings. We work hard to reduce the risk to the lowest level possible in those environments. CARE publishes statistics on all safeguarding incidents globally each year. But we are determined to prevent and reduce the risk as far as possible through implementing strong controls and procedures including:

- a positive staff culture which limits power imbalances;
- robust recruitment procedures;
- staff code of conduct;
- a global policy on protection from sexual exploitation and abuse and child protection;
- encouraging reporting through our whistle-blowing policy; and
- anonymous CARE line.

Health and safety - overall risk appetite is LOW

CARE works in fragile and conflict affected countries which we deem to be high or extreme risk. Most of this risk is taken by our national and international staff working in country offices. But to deliver and oversee our programmes, members of our CARE UK staff team do sometimes need to travel to these places. The risk of being in the wrong place at the wrong time cannot be avoided completely for staff travelling to high and extreme risk countries. CARE has very sadly seen colleagues killed and kidnapped in the past. We strategically take these risks in a planned, managed way, because we cannot do our job otherwise. While overall, we have a **LOW risk appetite** to put our staff in dangerous circumstances, we recognise that due to the nature of our work, these risks cannot be avoided. We are extremely proud of our staff who take these risks.

To manage the risks, we have put in place the following mechanisms:

- building community acceptance;
- using information to minimise exposure where possible, such as avoiding travel to specific areas or at specific times;
- staff will only go to such places voluntarily, and if fully trained; and
- there will be a mission specific risk assessment and SMT level approval.

We have much more control over our environment in the UK. We have a **LOW risk appetite** for health and safety problems in the UK. We follow all UK laws, regulations and good practice. We have a fully developed health & safety policy, supported by training, reporting processes, and investment in the fabric of our offices. We ensure staff wellbeing, including through supporting mental and physical health, and ensuring safe homeworking environments for people using flexible work patterns.

Loss or misuse of funds - overall risk appetite is LOW

We expect our donors to trust us to be the stewards of their funds and to convert these resources into saving lives, defeating poverty and achieving social justice. This means we have a **LOW risk appetite** for loss or misuse of funds. We invest in strong due diligence and pre-transfer screening controls. We commission audits on how funds have been spent. We recognise that we are under constant attack of cyber fraud and controls can never eliminate losses completely. We expect all of our partners to report to us any instances of fraud or other misuse should it occur and will investigate and seek remedies where we can.

We recognise that there is a higher fiduciary risk in working in fragile and conflict affected environments and that we will see increased incidents of fraud and loss. We are, therefore, required to accept risk at a **MEDIUM** level solely in these contexts; however, we will apply additional control measures to minimise risks of fraud and theft or other illegal diversion of aid in these contexts.

Loss of, or loss of access to, information - overall risk appetite is LOW

We have a **LOW risk appetite** to the non-availability of information or loss or misuse of information.

We require our information management systems and procedures to ensure our information is held securely and is available to those who need it when they need it. We invest in the necessary security features for our IT infrastructure and staff training on data protection and identifying security threats.

Regulatory compliance breach - overall risk appetite is LOW

We have a **LOW risk appetite** for any regulatory or compliance breaches, and aim to comply with all relevant legislation, regulation and good practice. These relate to good governance, fundraising, employment, equal opportunities, financial management, prevention of crime, data protection and other risks.

If we feel that any legislation or regulation is inappropriate, we may engage in advocacy to change those rules. But we will follow those rules until and unless they are changed, unless there is explicit Board approval not to do so because they contravene with our overall mission or ethics.

Board effectiveness – overall risk appetite is LOW

We have a **LOW risk appetite** for poor governance. It is within our control and guidance on good governance is clear. We are committed to follow not just minimum requirements but good practice.