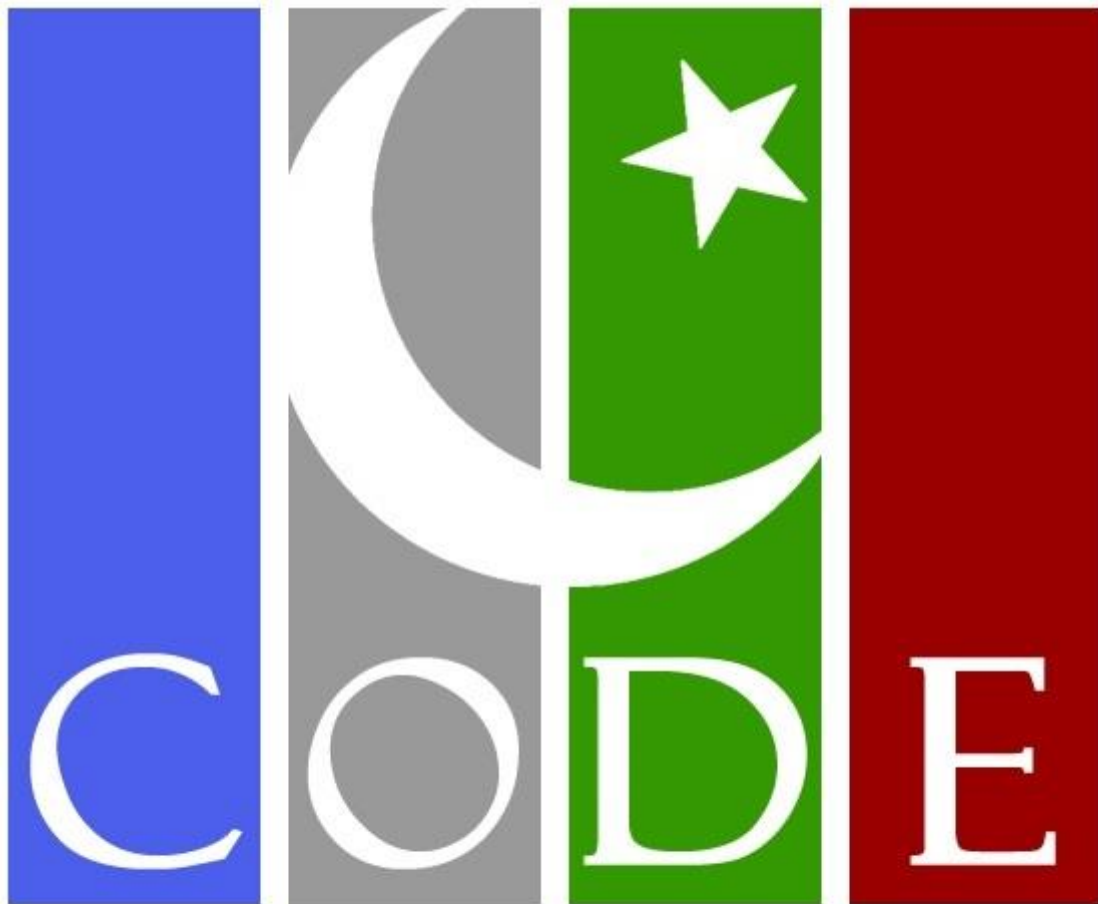


# RISK APPETITE POLICY



CURSOR OF DEVELOPMENT  
AND EDUCATION PAKISTAN

**CODE PAKISTAN**

2023

### **1.0. INTRODUCTION**

Cursor of Development and Education (CODE), Pakistan operates in an environment that is inherently complex and challenging, characterized by economic uncertainty and political instability, security risks, and a rapidly evolving regulatory environment. In order to effectively manage risks and achieve its strategic objectives, Cursor of Development and Education has established a comprehensive risk appetite framework that guides its risk management activities.

This risk appetite statement provides an overview of CODE's risk appetite methodology, outlines its key risk categories, and defines its risk tolerance levels. It also describes the internal processes and controls that are in place to manage risks.

Cursor of Development and Education is willing to take calculated risks to achieve its goals, but it also recognizes the need to manage risks and avoid taking unnecessary risks. The organization is committed to maintaining transparency and accountability in its operations and CODE is always open to learning from its experiences to continuously improve its risk management framework.

### **2.0. PURPOSE**

The purpose of this risk appetite statement is to provide guidance to CODE's management team and stakeholders on the organization's risk appetite and tolerance levels. The statement is designed to ensure that CODE's strategic objectives are achieved while managing risks within acceptable levels.

### **3.0. RISK APPETITE FRAMEWORK**

Cursor of Development and Education, Pakistan recognizes that effective risk management is essential to achieving its mission and goals. CODE has established a Risk Appetite Framework to guide its risk management activities. The framework is based on the following four principles:

1. CODE PAKISTAN is committed to a risk management culture that is integrated into all aspects of its operations.
2. The organization recognizes that risk-taking is necessary to achieve its mission, and it is willing to take risks that are necessary and proportionate.
3. CODE PAKISTAN is committed to maintaining high ethical standards and compliance with all applicable laws and regulations.
4. The organization is committed to learning from its experiences and continuously improving its risk management processes.

### **4.0. RISK APPETITE METHODOLOGY**

Cursor of Development and Education risk appetite methodology is designed to ensure that risks are identified, assessed, and managed in a systematic and consistent manner. The methodology is based on a three-step process:

#### **4.1 Risk Identification:**

The first step in the risk appetite methodology is to identify and categorize risks that may impact CODE's operations and objectives. This is achieved through a comprehensive risk assessment process that includes a review of internal and external factors that could affect the organization's ability to achieve its goals.

## **4.2 Risk Evaluation:**

The second step is to evaluate the identified risks based on their likelihood and potential impact on CODE's operations and objectives. This is done by assigning a risk score to each identified risk, based on a predefined risk assessment matrix.

## **4.3 Risk Response:**

The final step is to develop risk mitigation strategies and controls that are designed to manage risks within acceptable levels. This involves developing action plans, developing internal controls, assigning responsibilities, and monitoring the effectiveness of risk controls on an ongoing basis.

## **5.0. KEY RISK CATEGORIES**

Cursor of Development and Education Pakistan risk profile includes several key risk categories, each of which is associated with specific risks that could impact the organization's operations and objectives. The key risk categories are as follows:

### **5.1 Programme Delivery Risk**

This category includes risks associated with CODE's compliance requirements, technical requirements, time lines, resource allocation, and budget forecasting.

### **5.2 Operational Risk**

This category includes risks associated with day-to-day operations of CODE PAKISTAN, delivery of projects and program, including delays, budget overruns, inadequate resources, disruptions to operation such as IT system failures, and supply chain disruptions.

### **5.3 Human Resource Risk**

This category includes risks associated with CODE's recruitment and retention, training and development, health and safety, PSEAH, succession planning, employee relations, labor laws and regulations, and fraud and misconduct.

### **5.4 Procurement Risk**

This category includes risks associated with suppliers of CODE PAKISTAN, sub contract non compliances, market risk such as exchange rate, supply and demand imbalance, regulatory risk such as bribery and corruption, violation of procurement regulations, inadequate procurement procedures, and poor documentation.

### **5.5 Financial Risk**

This category includes risks associated with CODE's financial operations, financial management, budgeting, accounting, financial reporting such as credit, market risk, and financial fraud.

### **5.6 Compliance Risk**

This category includes risks associated with CODE's non-compliance with law, regulations, legal and regulatory requirements, ethical standards, as well as internal policies and procedures.

## 5.7 Security Risk

This category includes risks associated with CODE’s safety and physical security of staff, beneficiary, assets, including threats from terrorism, civil unrest, crime, cyber security, and data privacy.

## 5.8 Reputational Risk

This category includes risks associated with damage to CODE’s reputation and brand image due to negative publicity, legal action, ethical breaches, poor performance and loss of donor trust.

### 6.0. RISK APPETITE POLICY

Cursor of Development and Education Pakistan Risk Appetite Policy outline the organization's willingness to take risks within each of the identified risk categories. The statements are based on a risk assessment process that considers the potential impact and likelihood of each risk.

The CODE’s level of willingness to take on risks in each risk category are expressed as follows;

RISK CATEGORY	OVERALL RISK APPETITE
Programme Delivery Risk	Low
Operational Risk	Low
Human Resource Risk	Low to Medium
Procurement Risk	Low
Financial Risk	Low
Compliance Risk	Low
Security Risk	Low
Reputational Risk	Low

### 7.0. RISK TOLERANCE LEVELS

CODE PAKISTAN has established risk tolerance levels for each of the key risk categories to ensure that risks are managed within acceptable levels. The risk tolerance levels are based on an assessment of the likelihood and potential impact of each identified risk, as well as the organization’s risk appetite.

Cursor for Development and Education Pakistan places each category of risks on a risk-appetite scale that ranges from “Low”, “Medium”, and “High”.



Areas where

### **Low risk appetite**

Areas where CODE PAKISTAN will implement a strong control environment to mitigate the likelihood of a risk occurring and / or decrease the consequence of any potential risk.

### **Medium risk appetite**

CODE PAKISTAN carefully evaluates the potential benefits and risks of a decision and strives to strike a balance between them. In addition, CODE seeks to explore innovative solutions and delivery options.

### **High risk appetite**

Areas where CODE PAKISTAN takes risks by working with new ideas and approaches, looking for innovation and recognizing that failures are an opportunity for learning and improving.

The risk tolerance levels for each key risk category are as follows:

#### **7.1 Program Delivery Risk: Low**

The risk appetite for Program Delivery risk is low

**Associated Risks:** The risk that CODE PAKISTAN may not be able to deliver its programs to the required standard, on time, and within budget.

CODE PAKISTAN is committed to delivering high-quality programs that meet the needs of its beneficiaries. CODE PAKISTAN highly recognizes that program delivery involves a different risk however CODE PAKISTAN always try to achieve its objectives by conducting thorough risk assessments and identifying potential risks, likelihood of concurrence, and potential impact on the program. For this purpose, CODE PAKISTAN maintain a risk assessment register during the implementation phase of any programme that lists identified risks, their potential impact, and mitigating strategies. CODE PAKISTANA also established a robust monitoring and evaluation system to track program progress and identify potential risks or issues that may arise during the implementation. This can help CODE PAKISTAN to respond proactively to any issues and make necessary adjustments to program delivery.

#### **7.2 Operational Risk: Low**

The risk appetite for Operational risk is low

**Associated Risks:** CODE PAKISTAN understands that operational risk can arise from its daily operations, including the delivery of development projects, quality issues, legal and regulatory issues such as laws, labor laws, and the management of its human resources, issues related to procurement, and financial functions issues. CODE PAKISTAN recognizes that effective management of operational risks is essential to achieve its objectives and ensure the delivery of high-quality programming. CODE PAKISTAN acknowledge the significant operational risks that it faces in conducting its activities. Operational risks can arise from factors such as human error, system failures, inadequate or failed internal processes, inadequate controls, and external events. CODE PAKISTAN strive to minimize the operational risks through effective project planning, by implementing strong internal controls, policies and procedures, resource allocation, and risk mitigation strategies.

#### **7.3 Human Resource Risk: Low to medium**

The risk appetite for Human Resource risk is low to medium.

**Associated Risks:** The risk that CODE PAKISTAN may not be able to recruit, develop, and retain the right people with the necessary skills and experience to deliver its programs effectively.

CODE PAKISTAN is committed to recruiting, developing, and retaining the right people with the necessary skills and experience to deliver its programs effectively. However, CODE PAKISTAN recognizes that there are inherent risks associated with managing human resources, and it is willing to accept some level of risk in this area.

#### 7.4 Procurement Risk: **Low**

The risk appetite for Procurement risk is low.

**Associated Risks:** The risk that CODE PAKISTAN may not be able to procure goods and services, draft contracts to the required standard, failure to deliver on time, may not handle ethical risks such as bribery, and procurements within budget.

CODE PAKISTAN is committed to procuring goods and services to the required standard, on time, conduct thorough due diligence on potential vendors and suppliers, implement robust procurement process that includes competitive bidding, clear specifications, implement a system of checks and balance to prevent fraud and corruption in the procurement process, carry background check (EPLS) of vendors, communicate clear code of conduct on ethical standards, and carry out procurements within approved budgets. CODE PAKISTAN also maintain a procurement register to track all procurement activities.

#### 7.5 Information Technology Risk: **Low**

The risk appetite for Information Technology risk is low.

**Associated Risks:** The risk that CODE's information technology systems and infrastructure may not be able to control theft of sensitive information, lack of data privacy, support its operations effectively and securely. CODE PAKISTAN recognizes the importance of information technology in supporting its operations, and has trained staff on safe and secure IT practices including password security, and proper handling of confidential information. CODE PAKISTAN also ensure that all its software and IT systems including cybersecurity like malware, phishing and other cyber threats are up to date and CODE PAKISTAN make sure that measures are in place with the latest security updates and patches. CODE PAKISTAN has established strong information technology policies and controls to mitigate information technology risks.

#### 7.6 Financial Risk: **Low**

The risk appetite for Financial risk is low.

**Associated Risks:** The risk that CODE PAKISTAN may not be able to manage its finances effectively and efficiently, including the risk of fraud, misappropriation, or mismanagement of funds.

CODE PAKISTAN is committed to managing its finances effectively and efficiently, and it has established strong financial management policies and controls to mitigate fraud, ensuring protection of assets and financial risks. CODE PAKISTAN has established appropriate controls and procedures to manage and monitor financial risks, and regularly reviewing and updating its financial policies and procedures to ensure they remain effective and aligned with best practices. CODE PAKISTAN is transparent in all it does and safeguards its funds from the risk of fraud. As a regulatory/legal requirement, the CODE's financial records are independently audited through QCR approved chartered accountancy firms on an annual basis.

#### 7.7 Compliance Risk: **Low**

The risk appetite for Compliance risk is low.

**Associated Risks:** The risk that CODE PAKISTAN may not be able to ensure donor compliance, compliance for legal and regulatory standards, compliance of donor funding source, and ethical compliances.

CODE PAKISTAN is committed to complying with all applicable laws, regulations, and ethical standards. Non-compliance with these requirements could result in legal and financial penalties, damage to CODE's reputation, and loss of donor funding. CODE PAKISTAN mitigate compliance risks by maintaining up-to-date knowledge of all applicable laws and regulations, ensuring that its policies and procedures are compliant, conducting regular compliance audits, and promptly addressing any issues that arise.

## 7.8 Security Risk: **Low**

The risk appetite for Security risk is low.

**Associated Risks:** The risk that CODE PAKISTAN may not be able to handle terrorism, kidnapping and abduction, cybersecurity threats, physical security threats, political instability, conflict and violence, and social unrest.

CODE PAKISTAN operates in a challenging security environment and faces risks such as theft, terrorism, and civil unrest. These risks could result in harm to staff, damage to property, and disruption of operations. CODE PAKISTAN always mitigate security risks by implementing appropriate security measures, such as security assessments and the development of emergency response plans. CODE PAKISTAN is committed to ensuring the safety and security of its staff, beneficiaries, and assets. CODE PAKISTAN maintain effective security measures and protocols, including risk assessments, and incident response plans. CODE PAKISTAN make sure that it maintains up-to-date knowledge of security risks and takes appropriate action to address them.

## 7.9 Reputational Risk: **Low**

The risk appetite for operational risk is low.

**Associated Risks:** The risk that CODE PAKISTAN may not be able to handle the perception that CODE lack transparency and accountability, failure to deliver on its promises and commitments, poor management of funds and resources, and negative media coverage.

CODE PAKISTAN recognizes the importance of its reputation and the potential impact that negative publicity or perceptions could have on its ability to operate effectively and attract donor funding. CODE PAKISTAN mitigate reputational risks by maintaining high ethical standards and transparent communication with all stakeholders, including donors, beneficiaries and partners ensuring that it complies with all applicable laws and regulations, and conducting regular assessments of its performance and impact. CODE PAKISTAN also take prompt action to address any issues that may arise and work to rebuild trust and confidence with stakeholders.

## 8.0 ***RISK TOLERANCE AND MANAGEMENT***

CODE PAKISTAN recognizes that risk tolerance may vary depending on the nature and context of each risk. The organization will use a risk assessment process to determine the appropriate risk response for each identified risk. The following risk responses may be employed:

- a. Mitigate the risk through further controls or risk reduction strategies.
- b. Tolerate the risk at its current level.
- c. Terminate the risk by modifying or discontinuing the project or program.
- d. Transfer the risk to another party through insurance, contracting, or other means.

## **9.0. GOVERNANCE**

CODE PAKISTAN has established governance structures that enable it to identify, assess, and manage operational risks. These structures include its Executive Body, Directors, Senior Management Team, and internal audit function.

## **10.0. RISK MANAGEMENT**

CODE PAKISTAN has implemented a range of measures to manage its operational risks, including:

- a. Policies and Procedures:** CODE PAKISTAN has established policies and procedures to govern its operations. These policies and procedures are regularly reviewed and updated to reflect changes in CODE's operations and the external environment.
- b. Monitoring and Reporting:** CODE PAKISTAN monitors its operations and risk management activities regularly and reports on these activities to its stakeholders, including donors, partners, and beneficiaries.
- c. Training and Development:** CODE PAKISTAN provides training and development opportunities to its staff and partners to enhance their skills and knowledge in risk management.
- d. Internal Controls:** CODE PAKISTAN has established internal controls to mitigate operational risks, including controls over financial management, procurement, and human resources.
- e. Continuity Planning:** CODE PAKISTAN has developed continuity plans to ensure the continuity of its operations in the event of a disruption or crisis.

Cursor of Development and Education, Pakistan understands that risk-taking is an inherent part of its work as a development organization. However, it also recognizes that taking risks requires careful consideration and evaluation of potential impacts and consequences. Therefore, CODE PAKISTAN is committed to making risk-informed decisions based on a clear understanding of its risk appetite and risk management framework.