CELIM Impact to Change
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RISK MANAGEMENT

Introduction

Thanks to risk management procedures, the factors that represent both risk and change, and how that change could affect performance – therefore requiring a strategy change – can be identified. Having a clearer perception of change enables an organisation to shape its own plan. Corporate risk management provides the right framework for boards of directors to assess risk and adopt a resilience mentality.

Roles and functions

The role of the **Board of Governors** is to supervise risk as follows:

- Proposed strategy and risk propensity.
- Alignment of the association's strategy and objectives with the Institution's mission, vision and declared core values.
- Significant association's decisions, including strategic partnerships, capital allocations, funding.
- Response to significant fluctuations in the Institution's performance.
- Response to instances of deviation from the core values.
- Approval of incentives and remuneration of management and staff.

Risk management objectives

• Increasing the range of opportunities: by considering all possibilities – both the positive and the negative aspects of risk – the management can identify new opportunities and unique challenges associated with current opportunities.
• Identifying and managing sector-wide risk: each sector faces risks that can affect many parts of the organisation. Sometimes a risk can stem from one part of the institution but have an impact on a different part. As a result, the **management** must identify and manage these risks at institutional level for the purpose of supporting and improving performance.
• Increasing positive outcomes and advantage by reducing negative surprises: thanks to risk management, one's ability to identify risks and define appropriate responses can be improved, thus reducing surprises and any associated costs or losses and profiting from beneficial developments.
• Reducing performance variability: for some, the challenge lies less in surprises and losses than in performance variability. An implementation ahead of schedule or beyond expectations can cause as much concern as an implementation below schedule and expectations. Risk management enables the organisation to anticipate the risks that could impact performance, thus enabling it to take any actions required to minimise disruptions and maximise opportunities.
• Improving resource distribution: each risk could be considered a demand for resources. Obtaining solid risk information allows the management to assess overall resource requirements, prioritise the use of resources, and improve resource allocation in response to limited resources.
• Improving the institution's resilience: an organisation's medium- and long-term sustainability depends on its ability to anticipate and respond to change, not only to survive but also to evolve and thrive. This is partly made possible by implementing effective risk management, which becomes increasingly important as the pace of change accelerates and business complexity increases.

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Risk management focus areas

A. *Governance and culture*: governance sets the tone of the organisation by reinforcing the importance and establishing oversight responsibilities for corporate risk management. Culture is about ethical values, desired behaviours, as well as understanding risk within the institution.

B. *Strategy and goal setting*: the institution's risk management, the collective definition of strategy and goal setting as part of a strategic planning process. A risk propensity must be defined and aligned with the strategy; business objectives implement the strategy by serving as the basis for risk identification, assessment, and response.

C. *Performance*: the risks that may affect the achievement of the institution's strategy and objectives must be identified and assessed. Risks are classified based on the severity within the context of risk propensity. The organisation will consequently select its risk responses and take a portfolio view of the amount of risk it has taken. The results of this process are reported to the key risk stakeholders.

D. *Evaluation and review*: by examining the institution's performance, an organization can understand how well the corporate risk management components work both over time and in light of material changes, and what revisions are required.

E. *Information, communication and reporting: managing corporate risk requires a continuous process of* obtaining and sharing the necessary information – from both internal and external sources – that flows up, down and through the organisation.

COMPONENTS AND PRINCIPLES

A. Governance and culture

1. ***Risk supervision by the Board of governors***: the Board of governors supervises the strategy and carries out governance responsibilities to help the management achieve the corporate strategy and objectives.

This is achieved by defining the annual budget, holding a monthly meeting of the Board of governors with the Director, monitoring the progress of activities and expenditure prepared by the Director and shared with the Board.

2. ***Defining operational structures***: The Board of governors establishes operational structures in pursuit of corporate strategy and objectives.

The Board appraises the operating sectors based on the objectives to be pursued, taking into account the available resources and those proposed in the budget. By choosing to give contractual stability to the staff employed, forecasts are made over at least three years to ensure coverage and justify investments.

3. ***Defining the desired culture***: the Board of governors defines the appropriate behaviours that characterise the institution's desired culture.

CELIM drafted and approved the Code of Ethics, which regulates the conduct of the institution and its various stakeholders on: governance, management of financial resources, management of human resources, management of assets and information, management of relationships with third parties, conflict of interest, whistleblowing, respect for the environment and environmental sustainability. Anyone collaborating with the institution in various capacities must sign this document for acceptance, undertaking to respect the relative culture and behaviours.

4. ***Safeguarding core values***: the organisation must demonstrate its commitment to its core values.

Article 2 of the Articles of Association sets out the association's values and purposes, the Board of governors being the guarantor thereof and according to which the Board dictates the strategic lines for Director and staff, according to planning and relative monitoring. Any collaboration and intervention proposals are evaluated by the Board in the light of and in line with said values.

5. ***Attracting, developing and retaining capable people***: the Board of governors undertakes to create human capital in line with corporate strategy and objectives.

Confirming staff with permanent contracts after their probationary period in order to enhance motivated people who demonstrate quality and adherence to the association's values is a long-standing practice of the institution.

B. Strategy and objective definition

6. ***Analysing the corporate context***: the organisation must consider the potential effects of the institution's context on the risk profile.

The Board of governors must constantly monitor the sector's context and assess any signals that may put the institution at risk. Since 2000, CELIM has been carefully assessing the possibilities of aggregation and creation of networks that may strengthen the association's work and sustainability.

7. ***Defining risk propensity***: the organisation must define risk propensity within the context of creating, preserving, and implementing value.

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Financial stability and limited capitalisation are the institution's most critical factors. Funding fragility is assessed during the definition of the annual budget and with financial monitoring on a monthly basis throughout the year. For each project, the possibilities and methods of co-financing are identified and targeted forms of fundraising are activated. The Board takes care of institutional relations with the aim of strengthening the assets.

8. *Evaluating alternative strategies*: the organization evaluates alternative strategies and their potential impact on the risk profile.

As part of the annual general and area planning phase, starting from the context study, possible activities and accessible funding are identified for their implementation. This is carried out with an open mind, for the purpose of seeking new relationships and collaborations aimed at differentiating and increasing proposals and activities.

9. *Formulating business objectives*: the organisation considers risk while setting the objectives for activities at various levels in line with and in support of the strategy.

CELIM has always been practising the policy of small steps, with targeted investments, especially in terms of staff, aimed at satisfying the institution's development lines. The annual budget is always prepared in a conservative manner, taking into account only the contracts already acquired and the commitments already made.

C. Performance

10. *Identifying the risk*: the organisation identifies the risk affecting the performance of corporate strategy and objectives.

Supervising and coordinating daily activities is the Director's responsibility. This results in a timely detection of any risk elements.

11. *Assessing the severity of a risk*: the organisation assesses the severity of a risk.

In response to a report from the Director, the Board of governors takes any measures required to assess the severity of a risk. Reporting can also be made by other staff members with or without the Director's intermediation.

12. *Prioritising risks*: the organisation prioritises risks as a basis for selecting risk responses.

The Board of governors assigns the degree of priority to the identified risk and defines the actions to be taken.

13. *Implementing risk responses*: the organisation identifies and selects risk responses.

Having defined the severity of a risk and the probability of it occurring, the Director is required to take the necessary countermeasures, be they organisational, financial or of any other nature.

14. *Developing the portfolio view*: the organisation develops and assesses a risk portfolio view.

Recurring or potential risks mainly concern finances and staff. Over the years, the areas deserving the most attention have been identified and the sector representatives are aware of the aspects that they each must keep under particular observation.

D. Evaluation and review

15. *Evaluating substantial change*: The organisation identifies and evaluates any changes that may substantially affect corporate strategy and objectives.

With a view to improving and developing the institution, as well as in response to serious risks that may compromise its survival, the association is willing to call into question its structure, tactics and strategy for the purpose of implementing changes resulting in greater effectiveness and efficiency. Taking part in *sector networks together with other similar actors allows context and contingencies to be constantly monitored and potential change proposals to be evaluated.*

16. ***Reviewing risk and performance***: the organisation reviews the association's performance and considers the risk.

Thanks to the Director's constant monitoring of the activities, the general and individual sector's performance can be evaluated for the purpose of identifying risks and performance.

17. ***Pursuing improvement in corporate risk management***: the organisation pursues improvement in corporate risk management.

Thanks to the close coordination between the Board of governors and the Management, risk can be managed efficiently. The forthcoming inclusion of the Board of Statutory Auditors will further increase management capabilities.

E. Information, communication and reporting

18. ***Taking advantage of information systems***: the organisation takes advantage of the institution's IT and technological systems to support corporate risk management.

The biggest risks the institution may incur are, in general, of an economic and financial nature. The registration and control procedures and software adopted over the years have allowed the association to verify and monitor flows and final results for the purpose of predicting and preventing risks of this type.

19. ***Communicating risk information***: the organisation uses communication channels to support corporate risk management.

Depending on the severity of the risk, the Board of governors decides which stakeholders should be involved and who information should be shared with in order to enable directions and suggestions aimed at managing critical issues without giving rise to false alarms.

20. ***Reporting on risk, culture, and performance***: the organisation reports on risk, culture, and performance at multiple levels and across the institution.

The mission report and the notes to the financial statements contain all the information regarding the association's activities and finances. The same document, which is also made available online, highlights any critical issues and strategies for the purpose of tackling them.

Milan, June 2023