



RCH Group Policy: Risk Management

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Approval Body	Group Audit & Risk Committee
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This policy is available, on request, in different languages and in other formats such as large print, audio format and braille as required.

1. Scope

This is a Group policy and therefore applies to Staff, Board and Committee members of The RCH Group of companies. As at October 2022, The RCH Group (RCHG) consists of River Clyde Homes and its subsidiary, Home Fix Scotland Ltd.

2. Introduction

The prime objectives of the Risk Management Policy are to ensure a consistent approach towards risk management across the Group and providing guidance for recognising, analysing and dealing with risk.

Risk Management involves identifying risks, estimating potential consequences attached to those risks and developing systems and controls which reduce the likelihood of those risks occurring. Risk management should also mitigate wherever possible, the consequences of risks that occur.

RCH Group cannot fully eliminate all risk, but it can, by using systematic processes, manage and reduce risk in line with the risk appetite of the business.

3. Definitions

Gross Inherent Risk Score – value given to the likelihood of a risk happening times the impact of the risk occurring, without any consideration of mitigation

Net Residual Risk Score – the adjusted Gross Inherent Risk Score after mitigating actions have been implemented. This is used to track and monitor risk and ensure that the level of residual risk remains within the organisation's risk appetite

Risk Management – the culture, processes, and organisational structures, which contribute to the effective management of potential opportunities, threats and adverse incidents

4. Policy Statement and Responsibilities

4.1 Policy Statement

The Risk Management Policy of RCH Group:-

- Gives reassurance to the Boards and Committees that risk is being managed effectively throughout the business by all responsible personnel
- Creates and maintains a business wide integrated risk management approach

- Educates all staff at all levels as to the importance of risk management from a business and personnel perspective
- Prioritises risks and estimate the level of their probability of occurrence and likely impact on the business
- Establishes a list of mitigating actions and processes to avoid risk where possible, and mitigate risks should they occur
- Manages risk in a controlled and effective way across the organisation
- Ensures risk management is embedded throughout the organisation using a range of layered processes ranging from audit (internal & external), controlled processes, Governance, indemnity or 3rd Party verification
- Embeds risk management into all aspects of the strategic, operational and financial planning processes
- Allows the Boards, Committees, Executive Leadership Team (ELT) and other Senior Management to be kept aware of the risks faced by the business and the levels to which these risks can or are being mitigated
- Allows the Boards and Committees to understand the risk profile of the business and to make effective decisions for taking the business forward
- Utilises the principles of best practice in Risk Management to further develop and improve the effectiveness of its systems and processes.

4.2 Responsibilities

The RCH Group Board has overall responsibility for Risk Management through the RCH Group. The Board must be satisfied that all risks are identified and quantified and that a satisfactory system of control exists. The Group Services Director will report to the RCH Group Board on an annual basis the status of the Risk Register and also reconfirm the Board's attitude to risk.

The Audit & Risk Committee - the Group Services Director will report to each Audit & Risk Committee any changes to the Group Risk Register and highlight any emerging risks.

The HFS Board - the Managing Director of HFS will report to each HFS Board any changes to the HFS Risk Register and highlight any emerging risks.

The Chief Executive has overall executive responsibility for risk management for the RCH Group. They must ensure that all new business opportunities are risk assessed prior to being undertaken.

The Senior Leadership Team (SLT) must effectively implement Risk Management over their respective areas of responsibility by regular review of existing and potential new risks affecting the business.

The Management Team should monitor risk pertaining to their area of responsibility. Management should also create a culture of risk management throughout their teams to educate and raise awareness as to the risks faced by the business and the subsidiary teams within it.

All Other Staff should be aware of risk management and the concept of risk management to protect RCH Group. A process of education should be established to allow risk awareness to grow and spread throughout RCH.

5. Policy Principles

5.1 Risk Management

Risk Management should focus on the range of risks across the RCH Group including strategic risks (that affect the medium to long term) and operational risks (that concern tactical day to day business activity).

Risk management should apply to both strategic and operational risks on a cost-effective basis without creating any more additional administrative effort than is avoidable. Priority should always be given to the effective delivery of services to the clients of the RCH Group.

Risk Management should consider cost, materiality and probability when developing systems and processes to manage risk.

5.2 Recording and Controlling Risk

5.2.1 Risk Register

The RCH Group risk register is used to record all risks across the RCH Group. Every risk must be evaluated in terms of likelihood and impact and the register then updated with the information detailed below:

- The ranking of each risk, based on the Net Residual Risk Score (score after mitigation actions have been implemented)
- Risk Description detailing an outline of the risk and any expected consequences of that risk
- Member of SLT who is responsible for monitoring and managing the risk.
- Gross inherent risk score, calculated using matrix below (the likelihood times the impact)
- Details of key mitigating actions that are currently being undertaken to reduce the likelihood of the risk occurring or minimise its potential effects

All risks will be allocated a score based on the product of their impact and likelihood where each is allocated a score of 1 to 5. The possible score ranges from 1 (1x1) to 25 (5x5).

The RCH Group Risk register is a standing agenda item on the Audit & Risk Committee where any changes will be highlighted to committee members. The HFS Risk Register is reviewed at each HFS Board Meeting. The RCH Group Risk Register will also be review annually by the RCH Group Board.

This risk register covers the entire business of RCH Group where operational management and the SLT ensure risks they identify within their areas of responsibility are documented and quantified. The SLT will periodically review the risk register to ensure that risks are ranked in order of severity to the ongoing business activity of RCH Group.

5.2.2 Assurance

RCH Group will utilise a range of methods to gain comfort that risk elimination and mitigation are being achieved. Assurance will be derived from several different sources, for instance, utilising a layered framework of risk control based around the following separate systems of risk elimination and mitigation:

- External Audit
- Internal Audit
- Internal Controls
- Health & Safety procedures
- Business Continuity processes
- Training
- Insurance
- Outsourcing

Cost-benefit considerations will be taken into account when assessing whether risk mitigation measures are delivering value and do not negatively affect service delivery to the clients of RCH Group.

5.2.3 Control of the Risk Register

The ELT have responsibility for the maintenance of the Risk Register.

The ELT have a range of options that can be adopted to manage risk for the business:

- Change:** RCH Group seeks to mitigate risks
- Accept:** RCH Group monitors the operating environment for any new risks
- Transfer:** RCH Group may shift risk by utilising outsourcing or insurance
- Remove:** RCH Group could eliminate risk completely by ceasing activities in certain areas

Ultimately the Risk Register will be a comprehensive list of all key strategic and operational risks that face RCH Group going forward.

5.2.4 Risk Evaluation

Risks require to be ranked in accordance with the likelihood that it will crystallise and the severity it would have should it crystallise. A trade-off between risks and costs of mitigation is made so that risk management does not negatively impact on the operation of the business.

RCH Group’s appetite for risk is the level of risk it is prepared to accept in pursuit of its objectives, before action is deemed necessary to reduce the risk. There will be different levels of tolerance depending on the type of risk, eg for financial, compliance, people, infrastructure, governance, growth and repetitional risks. Risk appetite is set and reviewed by the Board and is a guide to ensure decision making is contained within agreed boundaries.

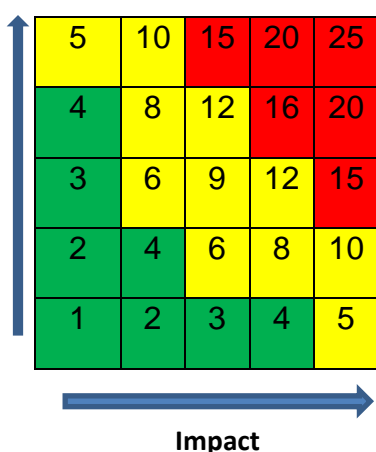
The ELT continually appraises the activities of RCH Group to establish potential risks (and their direct and indirect consequences) facing the business. This is done by utilising the Risk Register and adopting the Change, Accept, Transfer or Remove philosophy for risk management outlined in 5.2.3 above.

Assessing potential risks and their effects includes taking a cost-benefit approach to undertaking activities so that financial and operational consequences are fully understood prior to commencing business activity.

Where practical, a consistent approach should be taken to document key operational risks within service plans.

5.2.5 Risk Scoring

Risks are scored based on likelihood and impact using the following scale



Likelihood	Impact
1 - Very unlikely	1 - Insignificant
2 - Unlikely	2 – Minor
3 - Fairly unlikely	3 – Moderate
4 - Likely	4 – Major
5 - Very likely	5 - Catastrophic

Likelihood x Impact = Risk Level

Risks are ranked based on their scores as per the matrix below:

Risk Ranking	Required Response
High (15 to 25)	Immediate attention required
Medium (5 to 14)	Action required to mitigate or eliminate
Low (1 to 4)	Do not ignore; monitor regularly

6. Equality Impact Assessment

An EIA has been completed, no negative impact on equality was identified.

The RCH Group will apply this policy fairly and consistently. In implementing this policy, we will not directly or indirectly discriminate against any person or group of people because of their race, religion or belief, gender, disability, age, sexual orientation, or any other grounds. Our commitment to equality and fairness will apply irrespective of factors such as age, disability, gender reassignment, marital or civil partnership status, pregnancy or maternity, race, religion or belief, sex, sexual orientation, or other personal attributes.

7. Review

This policy will be reviewed in its entirety every 3 years, unless an earlier review is required due to changes in legal, regulatory or best practice requirements, or because monitoring and reporting reveals that a change in policy is required sooner.