

11 Risk management framework

Version 2 | October 2021

To deliver on our mission, HCV Network Ltd. must understand and manage the risks faced across our entire organisation. Risks are inherent in some of our projects and activities and can relate to strategic threats, operational issues, compliance with laws, and reporting obligations.

1. Categories of risk

HCV Network Ltd. defines risk as the combination of the probability of an event and the impact of its consequences.

We have categorized risks into four groups: 1) Strategic risks, 2) Operational risks, 3) Compliance risks and 3) Financial & Reporting risks. Specific examples of each type of risk are included in the table below:

<p>Strategic risks</p> <p>Strategic risks are defined as the uncertainties and untapped opportunities embedded in our strategic intent and how well they are executed.</p>	<ul style="list-style-type: none"> • Reduction in business vitality (due to change in business strategy, changing technology, etc.) • Loss of intellectual property • Competition for talent • Negative impact to reputation
<p>Operational risks</p> <p>Operational risk is defined as the prospect of loss resulting from inadequate or failed procedures, systems or policies, employee errors, systems failures, fraud or other criminal activity or any</p>	<ul style="list-style-type: none"> • Fraud • Breaches of employment law • Unauthorised activity • Loss or lack of key personnel • Inadequate training • Inadequate supervision.

event that disrupts business processes.	
Compliance risks Compliance risk is defined as the risk of legal sanctions, material financial loss, or loss to reputation HCV Network Ltd may suffer because of its failure to comply with laws, its own regulations, code of conduct, and standards of best/good practice.	Violation of laws or regulations governing areas such as: <ul style="list-style-type: none"> • Environmental • Health & safety • Protection of personal data in accordance with global data protection requirements • Local tax and statutory laws
Financial & Reporting risks	<ul style="list-style-type: none"> • Currency exchange, funding & cash flow, credit risk • Financial misstatement

2. Framework

The objective of this framework is to make sure that individuals within our organisation can identify risks and adequately evaluate, communicate, address, and monitor them.

Our Risk Management Framework is made up of four steps:

1. **Risk identification & evaluation:** As part of the strategic planning process and day-to-day management, HCV Network Ltd. Directors and staff will collaboratively identify internal and external risks that may affect the achievement of our mission.
2. **Risk communication:** Once risks have been identified and evaluated, information on risks will be clearly communicated within the organisation and guidance on how to address these risks will be provided.

3. **Addressing risk:** Depending on the risks identified and level of exposure (a function of likelihood and impact) risks may be addressed by avoiding, evading, accepting, reducing, sharing, or transferring them.
4. **Monitoring risk:** Management reviews, as well as assurance activities, such as auditing, are in place to ensure that risks are effectively identified and assessed.