

# RISK CATEGORIES AND RISK EXAMPLES

The matrix below outlines the four main risk categories and examples of typical sub-categories and risks. Use the matrix as a guide in helping you to identify relevant risks when conducting a risk assessment.

In a strategic risk assessment you should mainly focus on the risk category “strategic risks”. However, you should also focus on “reporting risks” and “compliance risks” since these risks might have an impact on the achievement of strategic objectives.

In an operational risk assessment you mainly focus on the risk category “operational risks”. However, you should also focus on “reporting risks” and “compliance risks” since these risks might have an impact also on the achievement of operational objectives.

The examples must not be seen as fully comprehensive covering all possible risks that can occur since the reality is most often not limited to those examples only. Probably many of the risks presented are relevant and some might not be so relevant. However, you should have your eyes open also for other risks.

## STRATEGIC RISKS

<b>Definition:</b> Risks that relates to our mission, strategic direction and fulfillment of our strategic objectives.		
<b>Sub-categories</b>	<b>Description</b>	<b>Example of potential risks</b>
<b>Political factors</b>	Risks related to political decisions, intentions or trends that have the possibility to negatively affect our strategic directions and objectives.	<ul style="list-style-type: none"> <li>• Suppression of freedom of expression</li> <li>• Violation of human rights</li> <li>• Suppression of civil society organizations</li> <li>• State confiscation of resources</li> <li>• Corruption</li> <li>• Bureaucracy</li> <li>• Political instability</li> <li>• Changed Swedish foreign policy and aid policy</li> </ul>

<b>Economical factors (macro)</b>	Risks related to macro-economic trends, scenarios or events that have the possibility to negatively affect our strategic directions and objectives.	<ul style="list-style-type: none"> <li>• Increased taxes</li> <li>• Rapidly increasing inflation</li> <li>• Rapid economic downturn</li> <li>• Rapid currency variations</li> <li>• Changing interest rates</li> <li>• Price fluctuations</li> <li>• Corruption</li> </ul>
<b>Socio-cultural factors</b>	Risks related to socio-cultural phenomena or changes in the society that have the possibility to negatively affect our strategic directions and objectives.	<ul style="list-style-type: none"> <li>• Weak perception of security and safety</li> <li>• Negative perception of equality and diversity</li> <li>• Cultural taboos</li> <li>• Violation of human rights</li> </ul>
<b>Technological factors</b>	Risks related to technological development trends, scenarios or events that have the possibility to negatively affect our strategic directions and objectives.	<ul style="list-style-type: none"> <li>• Insufficient communication infrastructure</li> <li>• Insufficient transportation infrastructure</li> </ul>
<b>Environmental factors</b>	Risks related to environmental aspects that have the possibility to negatively affect our strategic directions and objectives.	<ul style="list-style-type: none"> <li>• Earthquake, landslides</li> <li>• Flooding, tsunami</li> <li>• Extreme weather conditions</li> <li>• Drought</li> <li>• Pollution</li> </ul>
<b>Legal factors</b>	Risks related to changes in legislation that have the possibility to negatively affect our position and strategic ambitions.	<ul style="list-style-type: none"> <li>• Changing legislation limiting foreign NGO's ability to operate in the country</li> <li>• Changing legislation violating human rights</li> <li>• Changed labour law</li> <li>• Changed tax legislation related to private and institutional donations</li> </ul>
<b>Industry</b>	Risks related to changes or trends with regards to development cooperation, aid, and theories of change that might affect our position and strategic ambitions.	<ul style="list-style-type: none"> <li>• Changing theories related to effective development cooperation and sustainable development</li> </ul>

<b>Competitive factors</b>	Risks related to changes or trends with regards to competition in between development cooperation organizations with the possibility to negatively affect our strategic directions and objectives.	<ul style="list-style-type: none"> <li>• Increased competition of funds</li> <li>• Decreased collaboration</li> </ul>
<b>Staff resources</b>	Risks related to the availability of staff resources required to achieve the strategic objectives.	<ul style="list-style-type: none"> <li>• Lack of required staff resources</li> <li>• Loss of required staff resources</li> </ul>
<b>Know-how and innovation</b>	Risks related to know-how and innovation abilities required to achieve the strategic objectives.	<ul style="list-style-type: none"> <li>• Lack of adequate know-how</li> <li>• Insufficient ability to keep up with trends and developments</li> <li>• Loss of key personnel</li> </ul>
<b>Financing</b>	Risks related to our abilities to finance our activities in order to achieve the strategic objectives.	<ul style="list-style-type: none"> <li>• Decreasing private donations</li> <li>• Decreasing donations/funds from institutions/organizations</li> <li>• Weak fundraising capacity</li> <li>• Loss of members</li> <li>• Weak recruitment of new members</li> </ul>

<b>Product (Fair Trade)</b>	Risks related to the product portfolio that might negatively affect the strategic ambitions.	<ul style="list-style-type: none"> <li>• Failure to follow customer preferences and needs</li> <li>• Insufficient product development capacities</li> </ul>
<b>Partners and other collaborators</b>	Risks related to partners or other collaborators that might negatively affect the strategic ambitions.	<ul style="list-style-type: none"> <li>• Corruption, fraud, misuse of funds or other resources</li> <li>• Weak ethics and inappropriate conduct</li> <li>• Spreading of false rumours</li> </ul>

<b>Negative sideeffect of our interventions</b>	Risks related to side-effects on people or environment caused by the strategic intentions and interventions.	<ul style="list-style-type: none"> <li>• Exposing our target group or others to severe threats/incidents</li> <li>• Worsen the situation for the stakeholders of the intervention</li> <li>• Damaging the environment</li> </ul>
<b>Communication</b>	Risks related to communication activities, or the lack thereof, that can negatively affect the strategic ambitions.	<ul style="list-style-type: none"> <li>• No, misleading or faulty communication leading to badwill</li> </ul>
<b>Physical/technical resources</b>	Risks related to the availability of physical/technical resources as required to succeed in our strategic ambitions and to achieve the strategic objectives?	<ul style="list-style-type: none"> <li>• Lack of required resources</li> <li>• Loss of critical resources</li> <li>• Weak adaptation to technological development</li> </ul>

## OPERATIONAL RISKS

**Definition:** The risk of loss of resources, injuries or damage on resources, or disruption of operations resulting from inadequate or failed internal processes, people, and systems, or from external events, that might negatively affect the operational performance and achievement of operational objectives.

<b>Sub-categories</b>	<b>Description</b>	<b>Example of potential risks</b>
<b>Severe hazards</b>	Risks related to severe hazards that might negatively affect our operations, staff and participants, and other resources?	<ul style="list-style-type: none"> <li>• Earthquake, landslides</li> <li>• Flooding, tsunami</li> <li>• Extreme weather conditions</li> <li>• Pollution</li> <li>• War, terrorism, unrest</li> <li>• Epidemics</li> </ul>
<b>Human Resources</b>	Risks related to loss or lack of staff and qualified competence. This often includes risks related to motivation, satisfaction, safety and security.	<ul style="list-style-type: none"> <li>• Dissatisfaction, lack of motivation</li> <li>• Resignation of critical staff</li> <li>• Sickness, disease</li> <li>• Accident</li> <li>• Casualty</li> <li>• Kidnapping, robbery, assault</li> </ul>

<b>Financial Resources</b>	Risks related to loss or lack of financial resources.	<ul style="list-style-type: none"> <li>• Lack of financial capacity</li> <li>• Liquidity problems</li> <li>• Increased prices and taxes</li> <li>• Currency or interest fluctuation</li> <li>• Absent or delayed payments</li> <li>• Loss due to fraud, corruption or theft</li> </ul>
<b>Information Resources</b>	Risks related to confidentiality, availability and integrity of information and information resources.	<ul style="list-style-type: none"> <li>• Loss of sensitive information to unauthorized persons</li> <li>• Critical information unavailable for authorized persons</li> <li>• Unauthorized manipulation of critical information/data</li> </ul>
<b>IT &amp; Communication Resources</b>	Risks related to the availability and functionality of critical resources required in our operations to achieve our objectives.	<ul style="list-style-type: none"> <li>• Technical failure or damage</li> <li>• Unauthorized manipulation of system settings</li> <li>• Theft</li> <li>• Virus or other cyber attack</li> </ul>
<b>Property and Facility Resources</b>	Risks related to the availability and functionality of other properties and facility resources required in our operations to achieve our objectives.	<ul style="list-style-type: none"> <li>• Fire</li> <li>• Water damage</li> <li>• Burglary, vandalism, damages</li> <li>• Contractual issues</li> <li>• Technical failure</li> </ul>
<b>Services and Supplies</b>	Risks related to our dependencies on external services and supplies as we are dependent on for the operational performance?	<ul style="list-style-type: none"> <li>• Lack/loss of electricity, gas, oil, water</li> <li>• Contractual issues</li> <li>• Quality issues</li> </ul>
<b>Supply chain (Fair Trade)</b>	Risks related to meeting customer expectations on product delivery.	<ul style="list-style-type: none"> <li>• Products not delivered</li> <li>• Product delivery delayed</li> </ul>
<b>Sales (Fair Trade)</b>	Risks related to meeting customer demands and expected sales outcome.	<ul style="list-style-type: none"> <li>• Decreasing sales</li> <li>• Sales not meeting the expected outcome (prognosis/sales budget)</li> </ul>

<b>Efficiency and quality</b>	Risks related to management, policies, processes, methodologies as critical to meet our ambitions and stakeholder requirements on effectiveness, administration, PMER, and internal control.	<ul style="list-style-type: none"> <li>• Deficiencies in planning, monitoring, evaluation and reporting of interventions and use of funds</li> <li>• Deficiencies in implementation of interventions/activities</li> </ul>
-------------------------------	--	--

## REPORTING RISKS

<b>Definition:</b> Risks related to the accuracy and reliability of financial and narrative reports.		
<b>Sub-categories</b>	<b>Description</b>	<b>Example of potential risks</b>
<b>Financial reporting</b>	Risks related to the accuracy and reliability of financial reports.	<ul style="list-style-type: none"> <li>• Late financial reports</li> <li>• Inaccurate financial reports</li> </ul>
<b>Narrative reporting</b>	Risks related to the accuracy and reliability of narrative reports	<ul style="list-style-type: none"> <li>• Late narrative reports</li> <li>• Inaccurate financial reports</li> </ul>

## COMPLIANCE RISKS

<b>Definition:</b> Risks related to compliance, or non-compliance, with applicable laws, stakeholder requirements, internal rules, procedures and internal control practices, or standards and best practices to which we have committed.		
<b>Sub-categories</b>	<b>Description</b>	<b>Example of potential risks</b>
<b>Legislation and regulations</b>	Risks related to the compliance, or non-compliance, with applicable laws and regulations.	<input type="checkbox"/> Breach of law leading to fines, imprisonment, bad will
<b>Contracts and agreements</b>	Risks related to the compliance, or non-compliance, with applicable contracts and agreements.	<input type="checkbox"/> Breach of contract leading to disputes, fines, and bad will
<b>External stakeholder requirements</b>	Risks related to the compliance, or non-compliance, with applicable stakeholder requirements.	<input type="checkbox"/> Non-compliance with stakeholder requirements, e.g. Sida and Forum Syd,

		leading to bad-will and/or lost contract/support
<b>Standards and best practices</b>	Risks related to the compliance, or non-compliance, with applicable standards and best practices to which we have committed.	<input type="checkbox"/> Non-compliance with standards or best practices to which we have committed leading to badwill and/or lost contract/support
<b>Internal stakeholder requirements</b>	Risks related to the compliance, or non-compliance, with internal stakeholder requirements on internal control and work instructions.	<input type="checkbox"/> Non-compliance with standards or best practices to which we have committed leading to badwill and/or lost contract/support
<b>Ethics and integrity</b>	Risks related to the compliance, or non-compliance, with applicable internal policies and requirements with regards to ethics, integrity, and code of conduct.	<ul style="list-style-type: none"> <li>• Corruption, fraud, theft</li> <li>• Unethical behaviour and treatment of others</li> <li>• Unethical communication</li> </ul>
<b>Product</b>	Risks related to products (mainly Fair Trade) and their compliance with quality and safety requirements.	<ul style="list-style-type: none"> <li>• Product causes damage to people and/or environment leading to fines and bad-will</li> <li>• Product does not meet quality requirements</li> <li>• Produce does not meet Fair Trade requirements</li> </ul>
<b>Partners and collaborators</b>	Risks related to partners or collaborators compliance, or noncompliance, with contracts or agreed procedures.	<ul style="list-style-type: none"> <li>• Corruption, fraud, theft</li> <li>• Weak implementation of projects</li> </ul>