

# Better Cotton Risk Registration and Management Policy

01.04.2022

Policy:	<b>Risk Policy</b>	Version:	<b>1.0</b>
Department:	<b>CEO OFFICE</b>	Effective Date:	<b>01/22</b>
Owner:	<b>COO</b>	Review Date:	<b>31/12/2</b>
Approver:	<b>CEO</b>	Approval Date:	<b>01/11/21</b>
Audience:	<b>All Better Cotton Employees and Council Members</b>		

## 1. Objectives

Better Cotton Risk Policy provides the framework through which the organisation aims to identify, register and manage risk.

The objective of Better Cotton Risk Policy is to manage risk to Better Cotton, its staff, its workplans and its mission and enable a common understanding across the organisation for risk-related concepts and definitions.

## 2. Overview and Scope

This internal policy applies to all employees at Better Cotton and Better Cotton Council regardless of position, location or length of service. It may indirectly be used by agency workers or contractors and may be shared with third parties only if deemed necessary and approved by the policy owner.

This policy does not form part of the terms and conditions of employment.

Better Cotton experiences diverse threats to its mission, and its ability to reach its objectives. This risk policy outlines how we manage these threats and will ensure relevant stakeholder needs are adequately considered.

In many ways risk management is about achieving balance. For example, in the field, there is a balance to be struck between cost of, and confidence in, assurance and verification. Reducing risk to zero is not necessarily our aim, even if it were achievable.

This risk policy aims to ensure that we can:

- conduct appropriate internal discussion to determine *optimum* risk and risk appetite for each significant threat it faces, and
- manage risk in a balanced, monitored way, consistent with our values and mission.
- organise risk management responsibilities and tasks

To achieve these aims:

1. threats will be identified and recorded, even if they remain outside Better Cotton's control, and
2. risk will be managed and proactive steps will be taken, to
  - i. lower vulnerability
  - ii. lower the overall impact on Better Cotton's objectives and values, and
  - iii. optimise Better Cotton's response to challenges and opportunities.

### 3. Definitions

#### Definitions

- In this policy, a **'threat'** is any event, action, potential action, or inaction that could impede Better Cotton achieving its objectives. Threats may be reputational (e.g. fraud), organisational (e.g. unclear requirements) or external (e.g. climate change, or competition).
- Threats have associated **'risks'**, which are a combination of the likelihood of a threat actually happening and the impact it has if it happens. So, a risk may be high or low.
- **'Vulnerability'** exists
  - where risk management does not adequately reduce a threat to an acceptable risk level.
  - Where Better Cotton systems (e.g. IT system) demonstrate a weakness that can be exploited by a threat actor
- **"Risk Register"** is an internal document which records the identified risks by the team, risk level assigned and the mitigation plans in place.

### 4. Better Cotton and Risk Management

#### Whose Risk

In many ways Better Cotton is implicitly designed to manage threats to the environment and to the livelihoods and health and safety of those who produce and process cotton, those who depend on them, and those who choose to participate in commercial activities involving Better Cotton.

Better Cotton's ongoing employment of competent staff, its governance systems, its frequent stakeholder consultations, its Assurance Programme, Chain of Custody and Claims Framework, its Partner due diligence and endorsement framework and its ISEAL membership, are all part of this risk management.

BCI manages risk for a wide range of stakeholders. It is therefore important for Better Cotton to consider:

- what would the impact be if a threat is not adequately responded to, and
- how its stakeholders perceive risk, and their tolerance of risk.

By implementing a good, overarching risk management system, BCI improves its ability to maximise opportunities, channel resources, and engage stakeholders effectively. Good risk management facilitates identification and appropriate responses to external and organisational threats that may otherwise be difficult to determine.

### Responsibilities

- Responsibility for implementing Better Cotton risk policy is shared across all parts of BCI.
- Oversight of the policy, guidance on risk targets and annual review of risk management is a Council responsibility, with the COO responsible for reporting to the CEO on implementation, including revisions to the Risk Register and Management Plan.
- Individuals and teams are responsible for regularly reviewing the Risk Register, registering new threats as they are identified, implementing agreed mitigation plans which constitute the Risk Management Plan and reporting on progress, challenges and opportunities.
- Co-ordination of the Risk Register and Risk Management is the responsibility of the nominated Risk Manager, who is also responsible for ensuring sufficient inclusion and consideration of organisational and external threats.

### Risk Management Tools

BCI uses the following tools as part of implementing this Risk Policy.

1. A co-ordinated, annually reviewed Risk Register which is the product of continuous functional risk reporting and escalation using internal communications channels and established processes such as project risk management and Risk Register Working Group
2. A co-ordinated, annually reviewed Risk Management Plan that categorises the identified threats, assigns each a risk rating and target risk rating, and sets out mitigation and monitoring responsibilities and schedules.
3. An annual root cause analysis of threats to inform the Risk Management Plan
4. An annual Council review of the Risk Register and Management Plan.

## 5. Implementation

A Risk Register Working Group, comprised of representatives from each of BCI's functions and key countries, is responsible for coordinating the implementation of this Risk Policy. The WG is led by the nominated Risk Manager and carries out periodic reviews of the register, updates it where necessary, engages in periodic Root Cause Analyses and prepares the annual report for the CEO to submit to Council.

## 6. Review

BCI may change or amend this policy at any time. The Better Cotton COO is responsible for reviewing the policy. This policy will be reviewed every 5 years at a minimum.