### Residual Risk Mitigation

**Risk Type:** Strategic Risks (SIC)  
**Risk:** Partnerships  
**Risk Owner:** All NEC  
**Existing Risk Mitigation in place:** Partner engagement at country and global levels. New private sector partners via Innovation Hub.  
**Residual Risk:** Medium  
**Current Direction of Travel:** Ongoing  
**Target Risk:** Medium  

**Risk:** Performance of Portfolio in the portfolio level (a) and procedures level (b)  
**Risk Owner:** Policy, SIC  
**Existing Risk Mitigation in place:** (a) Major focus of NCM country dialogue process, 19P and GAC review. Use of optimization model in country dialogue of several high impact countries. (b) Pooled Procurement Mechanism improved: lower prices and efficiencies achieved which led to expanded use of PPM across grants.  
**Residual Risk:** Medium  
**Current Direction of Travel:** Ongoing consultation with key stakeholders to modified allocation being reviewed by SIC and Board in Oct/Nov 2015.  
**Target Risk:** Medium  

**Risk:** New Strategy Development and Allocation Model  
**Risk Owner:** Policy, SIC  
**Existing Risk Mitigation in place:** Strategy Draft strategy framework shaping up based on wide stakeholder consultation and close cooperation with SIC and Board (including 3 Regional Partnership Forum). Preparation of analytical inputs to inform decision-making. Pro-active engagement and communication strategy. Allocation Model: on track with close oversight from Senior Management and SIC. Analytical inputs and approach being developed and advanced.  
**Residual Risk:** Low  
**Current Direction of Travel:** On track  
**Target Risk:** Q1 2016  

**Risk:** Impact Mission Risk  
**Risk Owner:** GMD  
**Existing Risk Mitigation in place:** Comprehensive and tailored risk management approach in place for high impact and high risk countries (QUART), with total coverage of 43% (2014-15). Average risk across QUART rated grants in 2014-2015 is also high. Priority countries - Increased focus on implementation and oversight at sub-national levels. Improved alignment with and greater reliance on partners for strategic program implementation, data collection, reporting and monitoring and evaluation. Improved ongoing grant management controls with these countries receiving greater management time and scrutiny, including at the highest levels.  
**Residual Risk:** High  
**Current Direction of Travel:** Ongoing  
**Target Risk:** Medium  

**Risk:** Sustainability and Transition Risk  
**Risk Owner:** Policy, SIC, ERG, GAD  
**Existing Risk Mitigation in place:** Several actions as part of 2015 Corporate Priority 9 (expanded scope of work on sustainability). Review of 12 transition cases managed to date with critical findings, being considered in new draft guidance and implementation in EECA and LAC. New "major gift strategy" (mobilizing high net worth individuals, HNWIs) led by Private Sector Development. Increased focus of sustainability and transition also in the new draft strategy framework.  
**Residual Risk:** High  
**Current Direction of Travel:** On track  
**Target Risk:** 3-5 years. 2015-2020  

**Risk:** Resilient and sustainable systems for health (RSSH)  
**Risk Owner:** SIC  
**Existing Risk Mitigation in place:** Resilient health system strengthening included in new draft strategy framework as key pillar based on wide consultations, also considering better integration in AGD agenda and wider health system approaches. RSSH framework being aligned with GF investment in health systems, which may lead to overlap of focus on sustainability.  
**Residual Risk:** Medium  
**Current Direction of Travel:** On track  
**Target Risk:** 2 years.  

**Risk:** Human rights related barriers to accessing health services  
**Risk Owner:** SIC  
**Existing Risk Mitigation in place:** Information Notes and guidance for inclusion in Concept Notes in place and being used during Country Dialogue which led to increased GF investment in removing legal barriers under new grants. New Minimum Standards included in grant agreements and part of OIG whistleblowing procedure. Further focus on operationalisation and capacity building planned and partnerships with UNHCR, MSF etc. Human Rights and Gender focus included in new draft strategy framework as key pillar based on wide consultations.  
**Residual Risk:** High  
**Current Direction of Travel:** On track  
**Target Risk:** 2 years.  

**Risk:** Challenging Operating Environments (COE)  
**Risk Owner:** Policy, GMD  
**Existing Risk Mitigation in place:** Comprehensive and tailored risk management approach in place for high risk countries (QUART) with coverage of COE countries currently at 60% For acute crisis countries including Ebola affected countries, use of flexible reprogramming and/or emergency fund. Further other new initiatives strengthened with GF funding already approved by Senior Management and being implemented or pursued (e.g. Ukraine, Syria).  
**Residual Risk:** Medium  
**Current Direction of Travel:** On track  
**Target Risk:** 2 years.  

**Risk:** Drug and Insecticide Resistance (TB and Malaria)  
**Risk Owner:** SIC  
**Existing Risk Mitigation in place:** WHO normative guidance in place. Increased funding of MDR TB under GF grants, with treatment capacity for high risk countries (Q1/2015) to support prevention further spread of MDR TB. RAI project funded in Myanmar/ Thai border. Close monitoring of vector control interventions proposed during country dialogue and conceptual note review.  
**Residual Risk:** High  
**Current Direction of Travel:** Ongoing  
**Target Risk:** 3 years.  

**Risk:** Strategic Data quality and availability  
**Risk Owner:** SIC  
**Existing Risk Mitigation in place:** Strategic Data Initiative and other actions as part of 2015 Corporate Priority 3: (i) Finalize phaseables and impact measurement and Prepare for New Strategy & Fit Replenishment. Special Initiative on health data for impact with partners (World Bank, USAID and others).  
**Residual Risk:** High  
**Current Direction of Travel:** On track  
**Target Risk:** As part of the Strategic Data to Maximize Impact Initiative, establish improved quality assurance mechanisms, consistent reporting standards/methodologies and accountability for programmatic data.
Risk Existing Risk Mitigations in place

Residual Risk

Current Direction of Travel

Target Risk

Financial and Operational Risks (FOPC)

11 Foreign exchange risk

Inability to hedge foreign exchange exposures due to external institutional factors in the financial sector leading to losses.

FISA

All new contribution agreements are contextually hedged.

Medium

On track - Improvement (risk reduced)

Low

12 Substandard quality of GP-funded health products

Substandard quality of GP-funded health products.

Sourcing, GMD

Currently using a policy based approach to manage risk, but insufficient.

Requirement for implementer to have a GA plan in place.

Medium

Close monitoring of the FX "legacy" risk and related market entry strategy.

Low

13 New Projects: Initiatives: Processes

(1) Implementation failure - project is not on track.

(2) Inadequate governance structure.

(3) Risk communication.

(4) E-Marketplace

The organization is unable to significantly improve the way it defines, implements and monitors its core processes, including integrating business processes, enabled by IT, embedding risk management and risk based internal controls.

Consistently slow implementation of Agreed Management Actions stemming from GIG reports.

FISA

(1) Project put on hold and independent diagnostic review conducted. Project significantly re-designed and re-initiated.

(2) Differentiation concepts being developed within Strategy, Access to Funding, Finance, Risk and Grant Management, however lack of project management, governance and overall coordination structure.

(3) Project & change management and governance structure in place but project has experienced delays.

(4) Project and risk management plan in place and close monitoring by Senior Management and Board Committees.

Process improvements ongoing:

Consolidation and simplification of the Funding Model process and differentiation and improvement of grant making and management processes until end 2015.

Medium

Need to ensure project management and governance structure for all critical projects, including effective coordination of multiple initiatives and improved collaboration.

Low

Organizational Culture

Management fails to deliver on new Global Fund culture including embedding values and improved managerial accountability, as well as driving high performance.

ED, NCC

Trainings to management targeted on improving culture conduct. Now expanded to all staff.

Implementation of HR Strategy (ongoing).

Medium

Embed Change Management and Risk Management in the processes.

Low

14 Grant related fraud and fiduciary risks

There is a risk of a lack of financial / fiduciary control, including with respect to procurement, within Implementers. The outcome of these risks is not maximized absorption of funds, mis-use of funds and/or a lack of financial efficiency.

FISA

Strengthening of fiduciary controls including over procurement is being applied to all grants and during grant implementation (ongoing).

Risk & Assurance project to implement financial assurance improvements, minimization of absorption effort and improving the financial management capabilities of Implementers.

Medium

On track

Ongoing monitoring and further improvements as per the Risk & Assurance project.

Low

15 IT risks

Business interruption and disaster recovery:

Interruption of activities due to loss of data and distortion of operational and back-up systems in IT.

IT security/Cyber risk due to external or internal cyber attack of sensitive Global Fund information which could lead to financial loss or reputational damage.

FISA

New IT Security officer hired leading an upgrade of the security infrastructure.

Risk management plan in place and actions pursued to effectively strengthen IT internal controls based on GIG audit findings.

Medium

On track

Upgrading of IT General Controls to ensure compliance with international IT control standards until end 2015.

Low

Grant Oversight & Compliance

Aid based Principal Recipient oversight of grant program, typically caused by capacity gaps.

FISA

Under the NFM Principal Recipients must be chosen prior to TRIP and DAC approval and meet minimum standards.

Increased efforts are being made in grant making to address critical capacity issues prior to grant signing ("disbursement ready grant").

Implementation arrangement mapping being done for all new grants which helps in optimisation of implementation structure and targeted strengthening of internal controls.

Medium

On track

Implementation of Risk & Assurance project, currently in pilot phase.

Low

Future funding / replenishment (2017-19)

Inability to ensure sufficient funding as per target from public and private donors due to lack of political and CSR support for GP, not meeting stakeholder expectations and other factors outside of GP control (increased competition from climate change, SDGs, changing development landscape, economic constraints of traditional donors).

ER

Replenishment Strategy and coordinated actions as part of 2015 Corporate Priority 6, prepare for New Strategy & SR Replenishment.

Close collaboration and engagement by External Relations with SIDS, Policy Hub and Communications.

Medium

On track/ ongoing

Close monitoring of high external risks (political, global economy, changing development landscape, SDGs, increased competition) and ongoing engagement of donors and partners at highest level.

Low

Poor quality of programs/services

Sher and Substandard Quality of Health Products (4) E-Marketplace

Global quality standards for key interventions in place and being considered under the Global Fund grants (grant making and monitoring of implementation).

Work-streams to address these issues include Risk and Assurance project and Program Quality Assurance activities.

Medium

On track

Implementation of the Program Quality strategy in collaboration with partners (similar to Strategic Data initiative) targeting improvement of quality of services, embedding of a systematic "gender" based approach in programming implementation and, and increased monitoring (including civil society and community involvement).

Low

Treatment disruptions

Due to inadequate supply chain management and/or poor quality forecast and consumption data.

GMD, SIDS

A systematic annual review and approval by the Secretariat of forecast and quantification is in progress and should be embodied this year.

New Rapid Supply Mechanism being implemented by the Global Fund.

Medium

On track/ ongoing

Need to implement strategy to strengthen in-country supply chain and ensure adequate resources.

Low

Low absorption (use of funds)

Low Absorption of funds is a risk following delays in the signing of NFM grants and progress of grants. The use of funds of the portfolio is below expectations for 2015 and is expected to increase by 30% in 2016 to support the desired impact from the allocation.

FISA

There is a cross-Departmental focus on the causes and remedies for identified Top 20 countries, and action plans have been developed to address grant bottlenecks and avoid further delays in grant signing.

Medium

On track

Implementation of action plans for Top 20 countries in collaboration with strategic partners.

Low

Poor financial reporting

Risk of increased high stress levels and high sick leave of staff due to increased and unsustainable workload, tight internal staffing and support, poor culture (and potential other root causes yet to be defined) leads to staff burnout and productivity loss.

FISA

Tracking of audit reports, identified issues and progress in addressing these.

Capacity Assessment Tool (CAT) action plans and follow up of those action plans related to address weak PR financial management capacity and systems.

Best practice approach by Implementers being pursued and piloted.

Medium

On track

Develop and implement capacity-building action plans with a focus on "use of country systems & harmonization" (PRs are encouraged to focus on both their own & SR capacity building efforts) in collaboration with Government/PR & other partners.

Enhanced fiduciary controls, systems, expenditure tracking and consistent reporting on Health (across different partners).

Low

Staff Health

Risk of continued high stress levels and high sick leave of staff due to increased and unsustainable workload, tight internal staffing and support, poor culture (and potential other root causes yet to be defined) leads to staff burnout and productivity loss.

ED, HR

Streamlining and differentiation of grant processes is a key priority for 2015 and is expected to reduce current high workload and inefficiencies.

MEC agreed to support more flexible working arrangements for improved work-life balance.

New Staff Working Group for HR tools and employee well-being came up with recommended actions addressing root causes analyzed. MEC agreed action plan.

Medium

On track/ ongoing

Continue implementation of MEC approved Action Plan.

Implementation of streamlining and differentiation of grant making and management processes supported by effective IT automation.

High
<table>
<thead>
<tr>
<th>Risk Type</th>
<th>#</th>
<th>Risks</th>
<th>Risk Owner</th>
<th>Existing Risk Mitigations in place</th>
<th>Residual Risk</th>
<th>Current Direction of Travel</th>
<th>Target Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance Risks</td>
<td>24</td>
<td>Weak governance and risk oversight</td>
<td>Board Chair</td>
<td>Key issues identified as needing action included in the mandate of the Transitional Governance Committee for recommendation to the Board in November 2015.</td>
<td>Medium</td>
<td>On track</td>
<td>Board approval and implementation of improvements to the Board governance structure (Nov 2015 for Phase 1 and April 2016 for Phase 2).</td>
</tr>
<tr>
<td>Ethical Risks (AEC)</td>
<td>25</td>
<td>Ethical Misconduct</td>
<td>Ethics Official</td>
<td>Codes of Conduct and various ethics policies in place for staff, GF recipients, suppliers, LFAs and Board. Whistleblowing line to OIG in place. Strengthened Ethics &amp; Integrity Framework approved by GF Board in Nov 2014. Code of Conduct for Governance Officials and creation of an independent Ethics Office approved by GF Board end March 2015.</td>
<td>Medium</td>
<td>Some delays</td>
<td>Hiring of new Ethics Official (until end 2015). Strengthening of existing ethics &amp; integrity policies and system (Supplier Code of Conduct and Staff Code of Conduct until end 2015). Awareness raising and training to all key stakeholders and decision-makers. Monitoring of implementation and compliance.</td>
</tr>
<tr>
<td>All</td>
<td>26</td>
<td>Reputation</td>
<td>Comms, NEC</td>
<td>Consultation with relevant Board members and partners as needed. Fast-moving communications and media coverage require coordinated planning and agile engagement.</td>
<td>Medium</td>
<td>Ongoing</td>
<td>Consider expansion of integrity due diligence to Sub-Recipient level (in particular in COEs) and strengthening of QA verification of quality of drugs.</td>
</tr>
</tbody>
</table>
1 Identifying Risk & Risk definitions
Consider the risks and risk factors that could affect the organisation and/or your division/dept reaching its objectives.

Risks: are potential events and circumstances that could affect the achievement of organisational, management and program objectives and results.

Strategic Risks: Risks related to achieving the strategic objectives of the organisation and ensuring its existence in the long term.
Operational Risks: Risk events arising from people, systems and process failures and external events which might negatively affect the achievement of operational objectives.

Risk description: describe the risk event, root causes and key drivers, and the potential impact/consequence(s) if the risk event were to occur.

2 Assessing Inherent Risk
Inherent risk is the level of risk before any controls or other mitigating actions are in place.

For each risk: Consider the likelihood of the risk occurring. Rank the likelihood from 'low' to 'high' (1-3) - see "Key" sheet.
Consider how serious the impact would be if that risk were to actually happen. Rank the impact from 'low' to 'high' (1-3) - see "Key" sheet.

Multiply the likelihood by the impact to get the level of inherent risk.

3 Onset of risk
The timeline within the risk could occur e.g. immediate, in the next 3-4 months or in the next year(s).
Consider whether the risks are time bound (linked to specific activity) vs systemic.

4 Existing Controls
Think of the existing controls and mitigation measures in place that are designed to manage the risk and assess their effectiveness.

Risk management strategies (available options): accept, avoid, transfer/ share, mitigate risk.

5 Assessing Residual Risk
Residual Risk is the risk that remains after controls and risk mitigation measures have been put in place and considering their effectiveness.

E.g. Controls or regulations in place but not implemented, not complied with by the users or not effective will lead to a higher residual risk level and trigger improvement actions.

For each risk: Define the likelihood of the risk occurring, considering current controls in place and their effectiveness. Rank the likelihood from 'low' to 'high' (1-3) - see "Key" sheet.
Define how serious the impact would be if that risk were to actually happen, considering current controls in place and their effectiveness. Rank the impact from 'low' to 'high' (1-3) - see "Key" sheet.

Multiply the likelihood by the impact to get the level of residual risk. - see "Key" sheet.

6 Direction of travel (Trend)
Given new or improved controls/risk mitigation measures put in place and implemented, is the likelihood/impact of the risk increasing, decreasing or static?
The direction of travel will help decide whether further management actions are needed to mitigate the risk.

7 Target Risk (Risk Appetite & Risk Tolerance for a specific risk)-
Currently as defined and proposed by the Risk Owner. Subject to approval from MEC and Board (planned for Q3 2015)

Target risk describes how much risk management is willing to accept in order to reach objectives. It helps define management's 'risk appetite'.

Target risk helps to ensure that risks are not over or under managed, and that GF financial and human resources are allocated effectively.

8 Further Risk Management Actions
Think of further actions or activities that are required to manage the likelihood or impact of the risk down to the target risk level, also considering current gaps or ineffective controls.

9 Responsibility and Timeline
Assign the risk to a responsible staff member (senior manager) to manage and define a respective timeline related to effective implementation for each action.

10 Status
On a quarterly basis track implementation of planned controls & risk mitigation measures: done, on track, delayed

Examples of the risks that commonly arise:

<table>
<thead>
<tr>
<th>Strategic</th>
<th>Operational</th>
<th>Hazard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor implementation of strategy</td>
<td>Poor quality data</td>
<td>Death of an employee</td>
</tr>
<tr>
<td>Poor partner relations</td>
<td>Poor quality programmes</td>
<td>Office is inaccessible due to a crisis</td>
</tr>
<tr>
<td>Funding from donors</td>
<td>Difficulty in recruiting or retaining suitable staff</td>
<td></td>
</tr>
<tr>
<td>Liquidify</td>
<td>Foreign Exchange</td>
<td>Not complying with statutory regulations</td>
</tr>
<tr>
<td>No budget to cover planned activities</td>
<td></td>
<td>Fraud or corruption</td>
</tr>
</tbody>
</table>
## Corporate Risk Management Plan Key:

<table>
<thead>
<tr>
<th>(a) Strategic Objectives 2012-2016</th>
<th>(b) 2015 Priorities</th>
<th>Strategic Objectives allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Invest more strategically</td>
<td>P1 Implement and Improve the funding model</td>
<td>SO 1</td>
</tr>
<tr>
<td>2 Evolve the funding model</td>
<td>P2 Greatly improve results and impact measurement</td>
<td>SO 1</td>
</tr>
<tr>
<td>3 Actively support grant implemenation success</td>
<td>P3 Increase cost-effectiveness &amp; synergies of investments</td>
<td>SO 1 and 3</td>
</tr>
<tr>
<td>4 Promote and protect human rights</td>
<td>P4 Implement combined assurance framework</td>
<td>SO 3</td>
</tr>
<tr>
<td>5 Sustain the gains, mobilize resources</td>
<td>P5 Expand scope of work on Sustainability</td>
<td>SO 5</td>
</tr>
<tr>
<td>SE1 Enhance partnerships to deliver results</td>
<td>P6 Governance Strengthening</td>
<td>SE 2</td>
</tr>
<tr>
<td>SE2 Transform TGF governance, operations and fiduciary controls</td>
<td>P7 Upgrade capabilities and efficiency of Global Fund resources</td>
<td>SE 2</td>
</tr>
<tr>
<td></td>
<td>P8 Prepare for New Strategy &amp; 5th Replenishment</td>
<td>SO 5, SE 2</td>
</tr>
</tbody>
</table>

### (c) Risk Ranking

Overall risk rating considering both likelihood and impact of risk occurring, as per table below, resulting in:
- High risk (red), Medium risk (yellow), Low risk (green) -

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>High</th>
<th>Med</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact*</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Med</th>
<th>4</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

*Note: High Impact in case risk event would materialize in terms of:
1. Major deviation from target (significant underachievement or delay)
2. Major financial loss or wastage of funds
3. Major reputational damage.

### (d) Direction of travel (looking ahead)

Based on risk mitigation measures implemented to date and working effectively:

- Increasing risk:
  - New or improved mitigation actions required (incl. potential increased resources or efforts)

- No change in direction of travel:
  - Close monitoring of implementation of improvement actions and potential further actions related to target risk

- Decreasing risk:
  - Continued monitoring