

GIZ Risk Policy

We work with our partners and with public and private sector clients to enable a better future for as many people as possible all around the world. We can achieve this ambitious objective only by acting with foresight, knowing the risks we face and dealing with them in a conscious manner. The risk management process provides information to support decision-making at every level of management, thereby helping us to realise our vision. We consciously accept risks where doing so helps us achieve our objectives, and we avoid or reduce risks that could jeopardise this. Risk management thus helps to secure GIZ's future.

GIZ's Risk Policy:

- › describes GIZ's basic approach to dealing with risks;
- › demonstrates that accepting risks is vital to achieving GIZ's objectives;
- › encourages employees and managers at GIZ to act in an entrepreneurial manner.

1. Understanding risk

The term 'risk' refers to an uncertain event which, if it occurs, would cause monetary and/or non-monetary damage to GIZ or jeopardise the achievement of our objectives. In this context, the likelihood of occurrence and potential level of damage are crucial assessment criteria. Risk awareness enables GIZ to take an entrepreneurial approach and seize chances.

2. Willingness to take risks

This describes GIZ's fundamental willingness to take risks in order to achieve its corporate objectives (sometimes

referred to in literature as 'risk appetite'). GIZ takes a decision at corporate level on the extent to which it is willing to consciously accept risks in order to achieve its objectives. In terms of GIZ's vision and legal status, we describe our willingness to take risks as follows:

- › *We are value-driven.* As a federally owned enterprise, we are committed to upholding the values enshrined in the Basic Law of the Federal Republic of Germany. We are therefore unwilling to accept risks that could jeopardise the reputation of GIZ, the Federal Republic of Germany or the European Union.
- › *We act sustainably.* This can lead to areas of tension and give rise to conflicts of interest, with which we deal transparently and fairly. We are aware of our social responsibility and reduce unintended impacts on people and the environment.
- › *We operate all around the globe.* It is our job to work in difficult contexts. The safety and security of our employees as they conduct this work is our top priority.
- › *We secure results.* In implementing our commissions, we consciously prioritise between three target dimensions: results, value for money and implementation speed. The focus and the willingness to take risks may vary due to differing requirements of clients and third-party funding providers. Particularly rapid implementation, for example, requires a willingness to take appropriate risks with regard to value for money and/or results. Our fundamental principle is to always make careful use of the funds and resources entrusted to us and to document this accordingly.

- › *We welcome international competition.* We seize new business opportunities and are therefore willing to accept commercial and strategic risks in a controlled manner.

It is not acceptable to take risks that, individually or in conjunction with other risks, could result in developments that jeopardise GIZ's existence. Every year, GIZ therefore determines its risk-bearing capacity. This shows, in financial terms, the maximum level of risk that GIZ can bear without jeopardising its continued existence.

3. Risk culture

We shape our company GIZ's future. We are bold and regard ourselves as intrapreneurs, i.e. we think and act in an entrepreneurial manner and see dealing with risks as an integral part of our (management) work. We manage change and, depending on the situation, constructively challenge existing solutions in order to promote innovation, without breaching external and/or internal rules in the process. GIZ's risk management process is comprehensive, meaning that it spans all levels of the company that are relevant to managing a risk. Our risk awareness in our area of responsibility helps GIZ to achieve its objectives.

We recognise that acting in a risk-aware manner can be associated with mistakes and setbacks, particularly in the case of innovative projects and difficult contexts in the partner countries. We learn the lessons and actively pass on our experiences to our colleagues through knowledge management, thereby shaping GIZ's risk culture and its culture of learning.

4. Risk management structure

Responsibility for risk management at GIZ lies with the Management Board. The Board is legally required to take appropriate precautions so that developments jeopardising GIZ's continued existence are identified at an early stage. GIZ has implemented a risk management system that standardises risk assessment and risk management throughout the company. The risk management system is monitored by the Supervisory Board.

GIZ's risk management system is based on German legal requirements and auditing standards as well as the Public Corporate Governance Code of the Federation. GIZ is also guided by international agreements on risk management and the Three-Lines-Model, which has proven in international corporate practice to be an effective approach for organising a comprehensive control system. Binding rules for risk management are set out in GIZ's own Processes and Rules in order to ensure that risks are dealt with consistently across the company. All GIZ managers have an obligation to identify, assess and manage risks in their area of responsibility. Risks that require management at corporate level are reported by the directors general, directors of units or special officers at corporate level (e.g. data protection officer) to the Risk Management Section in the Corporate Development Unit. The structural and procedural organisation of the risk management system is described in GIZ's risk management handbook.

The Risk Management Section in the Corporate Development Unit will review whether any amendments should be made to this Risk Policy on an ad hoc basis.

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