

RIGA TECHNICAL UNIVERSITY (RTU) DECISION OF THE COUNCIL

RTU council meeting of February 28, 2023 (protocol No. 21)

On the approval of the Risk Management Policy of Riga Technical University

Taking into account the provisions of Article 14.2, Subparagraph 1, Subparagraph 7 of the Law on Higher Education Institutions ^{and} the request made at the meeting of the RTU Council on January 31, 2023, the RTU Council decides:

- 1) to approve *the Risk Management Policy of Riga Technical University* in a new version,
- 2) *the Risk Management Policy of Riga Technical University* to be invalid (approved on March 26, 2020).

Riga Technical University RISK MANAGEMENT POLICY

*Issued in compliance with subsections 6 and 7
of the first part of Article ^{14.2} of the Law on Higher
Education Institutions*

I General questions

1. The risk management policy has been developed in accordance with the development strategy of Riga Technical University (hereinafter - RTU) and is an integral part of RTU's management.
2. The purpose of the risk management policy is to determine a unified approach to the risk management process of RTU, to describe the goals and basic principles of risk management implemented by RTU, the framework of the system, the division of responsibility in the implementation of the risk management process and the parties involved in risk management.
3. Terms and definitions used in RTU's risk management policy:
 - 3.1. Risk – a combination of the consequences of the event (threat) and the possibility/probability of its occurrence;
 - 3.2. Risk management – a continuous process of risk identification, assessment, mitigation and control measures;
 - 3.3. Risk identification – the process of finding, recognizing and recording risks;
 - 3.4. Risk analysis – a process carried out to understand the nature of the risk and determine its level;
 - 3.5. Risk assessment – the process of comparing the results of risk analysis and risk appetite criteria to determine whether the risk is acceptable or changeable;
 - 3.6. Residual risk – risk value after the implementation of risk mitigation and control measures;

- 3.7. Risk Owner - the responsible employee responsible for analyzing, assessing the specific risk, determining control measures and execution deadlines, as well as the implementation of risk mitigating measures, is determined.

II Purpose and tasks of risk management

4. Effective risk management allows timely prediction and prevention of potential damage to RTU's reputation, financial situation and operational activity, as well as ensures compliance with legal requirements and good management practices.
5. In the process of risk management, those risks are identified, determined and controlled, which are essential for the high-quality performance of RTU's functions and the achievement of strategic goals.
6. Objectives of risk management:
 - 6.1. Promote the achievement of the main goals set by RTU and/or the goals set for the specified period;
 - 6.2. Facilitate decision-making in conditions of uncertainty;
 - 6.3. Prevent irrational or ineffective use of financial, etc. resources;
 - 6.4. Identify the negative consequences of possible events that can potentially affect the achievement of the goals set by RTU, the implementation of processes and projects;
 - 6.5. To achieve the acceptable risk value by taking risk-mitigating measures, and after reaching the acceptable risk value with the help of controls, to ensure the acceptable risk value;
 - 6.6. Minimize future losses from undesirable events and maximize benefits at the existing level of risks for RTU.
7. Risk management tasks: identify, assess and analyze risks, their probability of occurrence and possible consequences, plan and manage risk mitigation, control and monitoring measures.

III Basic principles of risk management

8. The operation of RTU is inevitably associated with risks.
9. Risk management is implemented as a continuous and regular process of strategic importance, it is planned, maintained and improved according to RTU's development strategy.
10. Risk management is used in all areas of RTU's activity and in all structural units.
11. The requirements and principles defined in the risk management policy are binding on all RTU employees. There is systematic employee education and information provision and explanation, promoting understanding of risk and its management.
12. Systematic and effective risk management contributes to the achievement of RTU goals, process implementation and project management, reducing the likelihood and impact of adverse events and identifying opportunities that need to be responded to.
13. Risk management responds appropriately and timely to external and internal changes and events.
14. RTU follows a conservative and cautious policy in relation to risks, not allowing excessive risks in any of RTU's areas of activity and taking risks only in known areas of activity.

IV Risk management

15. Every RTU employee is involved in identifying risk situations or mistakes that cause or may cause financial losses, violations of regulatory acts, negative impact on RTU's reputation or the achievement of its goals, and managers of all RTU structural units are involved in identifying risks.
16. The heads of RTU structural units responsible for certain spheres of competence are involved in the assessment and interpretation of the identified risks, the final results of their probabilities and consequences, as well as in the planning and implementation of risk mitigation and control measures. The process is coordinated by the RTU risk management working group, which is established by order of the rector and meets at least twice a year, it can be convened by the RTU rector, vice-rectors and administrative director if necessary. If necessary, RTU management or risk owners can participate in the meetings of the risk management working group.
17. Risk assessment methodology, distribution of responsibilities, work with risk identification and mitigation, review of the residual value of risks, etc. are discussed in the risk management methodology, which is approved by the rector and presents it to the Council.
18. Enhanced risk monitoring in accordance with the risk management methodology is carried out in the following risk groups: financial, project, information system security, fraud and corruption and work environment risks, including risks from these groups in the common risk register of RTU, if these risks have a high probability of occurrence or impact on RTU's operation .
19. The risk management working group has the right to determine additional risk groups for which increased risk monitoring should be established.
20. The monitoring process of risk management processes is ensured in accordance with the risk management methodology approved by the rector and presents it to the Council.
21. As part of the internal audit process, RTU carries out monitoring of the execution of the risk prevention plan, and also includes high-level risk monitoring in the audit plan.
22. Monitoring of the implementation of risk management is carried out in close connection with strategic planning and monitoring of strategy implementation.
23. The risk management process is structured in five main steps:
 - 23.1. Risk identification;
 - 23.2. Registration and assessment of risks;
 - 23.3. Determination and implementation of risk mitigation and/or control measures;
 - 23.4. Risk monitoring and residual risk assessment;
 - 23.5. Reporting and information.
24. The main risks of RTU are identified in the following risk categories:
 - 24.1. Strategic risks: risks related to the determination and implementation of strategic goals;
 - 24.2. Operational risks: risks related to employee errors, inappropriate or incomplete internal processes, information systems, projects, impact on the environment, work environment and external threats;
 - 24.3. Financial risks: market risk (price, interest rate and currency risk), credit risk and liquidity risk;

- 24.4. Legal/compliance risks: risks related to non-fulfillment or inaccurate interpretation of regulatory requirements, incl. in the field of money laundering and terrorist financing prevention, international sanctions and other legal aspects;
- 24.5. Risks of fraud and corruption: risks related to decisions that may be taken for the benefit of one's own or another person's interests, obtaining undue benefits;
- 24.6. Project risks: risks related to the implementation of large-scale projects that may have a large impact on RTU.

V Monitoring and review

- 25. According to Article 14.2 of the Law on Higher Education Institutions, the Council of RTU monitors the operation of the internal control and risk management systems, reviews their compliance and operational efficiency.
- 26. Once every six months, when the risk assessment has been carried out, the head of the risk management working group submits a risk report to the RTU council on the risk assessment carried out and the prepared risk mitigation plans, as well as the execution of the plans of the previous period. Once every six months, as the internal audit system develops, amendments to the risk management policy may be necessary. The RTU Board examines the report and may call for changes in the value of risks or clarification of risk mitigation plans. RTU Council can decide on the exclusion of a risk from the risk register or propose the inclusion of a new risk in the risk register.
- 27. The Council of RTU or a committee established by it, when creating an activity plan, can in-depth study the monitoring of the risk process, the implementation of risk management plans, as well as risk-related processes, if necessary recommending changes in the value of risks, proposing the inclusion of new risks or calling for the improvement of risk-related processes.

VI Regulatory framework of risk management

- 28. In order to ensure the fulfillment of the requirements of a unified risk management policy, a better level of understanding of employees, heads of structural units or senior management, and to explain individual components of this policy in more detail, the rector, in cooperation with the Council of RTU or a committee established by it, coordinates the development of internal regulatory acts related to the risk management policy.
- 29. The risk management system ensures compliance with the regulations of the Cabinet of Ministers on the basic requirements of the internal control system for the prevention of the risk of corruption and conflict of interest in the institution of a public person.

Chairman of the Council

Andris Vanags

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