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SCHOOL
WASHINGTON D.C.

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Risk Management Process

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Preamble

Most organizations do face many risks, after all. Examples include cyberattacks, data breaches, operational disruptions, system failures, economic or political crises, and natural disasters. By having an effective risk management process, our German International School Washington DC (“GISW”) can identify which of these risks pose the biggest threats, and then implement the appropriate measures to mitigate those risks.

Having the ability to identify risks early, *before* they can harm GISW, is critical. Identifying current and potential risks enables us to take the appropriate steps to prevent them from happening and protects GISW from material damage.

The objective is to define and implement a balanced risk management process, which allows our employees perform critical risk management tasks continuously, consistently and efficiently, without wasting resources, time, or effort by designing and implementing a risk management process which creates bureaucracy and unattainable reporting requirements.

Contents

| | |
|-----------------------------------------------|----------|
| Risk Management Process Steps Overview | 4 |
| Step 1: Risk Identification | 4 |
| Step 2: Risk Analysis | 5 |
| Step 3: Risk Appetite Evaluation | 6 |
| Step 4: Risk Treatment | 6 |
| Step 5: Risk Monitoring and Review | 7 |

Risk Management Process Steps Overview

The GISW risk management process follows five-steps). These steps are designed to identify, assess, and manage possible risks, and also include the monitoring of risks to protect GISW from adverse circumstances.

- Step 1: Risk Identification
- Step 2: Risk Analysis of likelihood and consequence
- Step 3: Risk Appetite Evaluation
- Step 4: Risk Treatment
- Step 5: Risk Monitoring and Review

Step 1: Risk Identification

At least once per year, school management will review and update risks which may affect GISW. School management will consider what can go wrong and what could cause things to go wrong, including, but not limited to (in alphabetical order):

- Academic risks
- Catastrophic events
- Cyber risks
- Financial risks
- Legal, compliance and regulatory risks
- Macro-economic risk
- Operational risks
- Reputational risks
- Strategic risks.

Step 2: Risk Analysis

Once risks are identified, the exposure to each risk that may affect GISW in the short, medium and long term is analyzed. There are two dimensions of such analysis:

- the odds of a potential risk to occur (likelihood)
- the consequences if they do occur (impact)

The odds are measured on a five-level scale as follows:

| Descriptor | Headline | Indicative likelihood % |
|----------------|-----------------------------------|-------------------------|
| Almost certain | Expected to occur | >95% |
| Likely | Probably will occur (no surprise) | 66-95% |
| Possible | May occur | 26-65% |
| Unlikely | Would be surprising if occur | 5-25% |
| Rare | May never occur | <5% |

The impact is also measured on a five-level scale:

- Insignificant -> financial impact <\$5,000
- Minor -> financial impact \$5,000 to \$20,000
- Moderate -> financial impact \$20,001 to \$100,000
- Major -> financial impact \$100,001 to \$250,000
- Severe -> financial impact >\$250,000

The combination of the likelihood and the impact informs the overall risk rating as follows:

| Risk Rating | Insignificant | Minor | Moderate | Major | Severe |
|-----------------------|---------------|--------|----------|---------|---------|
| Almost Certain | Medium | High | Extreme | Extreme | Extreme |
| Likely | Medium | Medium | High | Extreme | Extreme |
| Possible | Low | Medium | Medium | High | Extreme |
| Unlikely | Low | Low | Medium | Medium | High |
| Rare | Low | Low | Low | Medium | Medium |

Step 3: Risk Appetite Evaluation

Risk appetite evaluation is needed to understand and articulate the acceptable and target level of risk GISW is willing to take to achieve its objectives. This evaluation articulates the attitude towards risk and the relative tradeoffs between risks, returns and efforts to mitigate or eliminate risks.

Risk appetite is measured in three levels:

1. *Risk Averse*: Areas in which GISW avoids risk or acts to minimize or eliminate the likelihood that the risk will occur, because we have determined the potential downside costs are intolerable. These are areas in which GISW typically seeks to invest in risk mitigation and elimination.
2. *Risk Balance*: Areas in which GISW must constantly strike a balance between the potential upside benefits, the cost of risk mitigation and elimination and the potential downside costs of an adverse event.
3. *Seize Opportunity*: Areas in which GISW prefers disciplined risk-taking because we have determined the potential upside benefits outweigh the potential costs.

Step 4: Risk Treatment

Risk treatment involves implementing controls, policies, and procedures to avoid, minimize, or mitigate identified risks. In general, GISW can choose from one of four risk responses:

- Avoid risk
- Accept risk
- Transfer risk
- Reduce risk

The chosen risk response needs to consider the risk rating done in Step 2 and the risk appetite evaluation in Step 3. Based on these choices, specific actions need to be mapped to each risk to ensure effective risk management. **In order to balance risk management with resource efficiency, GISW only maps and tracks actions for Extreme, High and for select Medium risks. The result of this work is called the GISW Risk Management Plan. School Management shall always keep the GISW Risk Management Plan updated.**

For example, if a data breach could severely harm operational continuity, then accepting, transferring, or reducing the risk may not be the appropriate response. Instead, GISW will act to avoid the risk with robust cybersecurity and information security controls.

At the same time, GISW may not be able to avoid every kind of cybersecurity risk. GISW may however, reduce the potential financial harm of a cyberattack by purchasing cybersecurity insurance. This risk response is an example of risk transfer to a third party: an insurance company.

Step 5: Risk Monitoring and Review

Risk management is an ongoing process that doesn't end with risk identification or mitigation. To minimize GISW's risk exposure, it's crucial to monitor the risk landscape on an ongoing basis.

Select risks – as defined by the Governance and Risk Committee – are being presented to the Governance and Risk Committee on a periodic basis.

To achieve a balance between risk management and resource efficiency, GISW does not define and track dedicated Key Risk Indicators (KRI's) for each risk.