

Headline 1.2 Risk Management

1. Definition

Risk management is a systematic process for identifying, assessing, and mitigating risks that could threaten an organization's objectives or stability. Effective risk management involves coordinated procedures across all organisational activities to ensure that potential risks are managed proactively.

The Three Lines Model for Risk Management of the IOC provides a structured framework for risk management and governance within the organisation. The First Line consists of the operational functions that manage and report risks as part of their daily activities. These functions are embedded in the organisation's routine operations, ensuring that risks are identified, evaluated, and addressed in a timely manner. The Second Line comprises managerial functions that oversee and support the controls implemented by the first line. This includes the Compliance, Risk, and Internal Control Unit, which plays a crucial role in strengthening the compliance strategy and achieving higher governance standards. This unit also conducts initial compliance analyses when potential ethical breaches are detected by the Ethics and Compliance Office. The Third Line involves independent functions, such as Internal Audit, that provide objective assurance on how effectively the organisation assesses and manages its risks. These independent functions report directly to the organisation's governing bodies, and their autonomy is essential for ensuring unbiased oversight.

A clear and comprehensive risk management policy is vital, as emphasized by the Basic Universal Principles of governance and the International Partnership Against Corruption in Sport. This policy should encompass the identification of potential risks, including those related to corruption, doping, competition manipulation, financial, political, legal, reputational, environmental, human rights, security, operational factors, and data protection. Once risks are identified, they must be assessed and categorised based on their impact and likelihood, followed by the implementation of appropriate mitigation strategies. Continuous monitoring of these risks and the effectiveness of mitigation measures is essential to ensure ongoing protection against threats.

In addition to internal risks, organizations must also assess risks associated with third parties, such as clients, service providers, suppliers, and partners, which could impact the organisation's reputation or legal standing. Furthermore, risk assessments should extend to staff and volunteers, covering areas such as physical hazards, conflicts of interest, safeguarding, data protection and GDPR compliance, inclusion and equality, and insurance. These assessments should be conducted by qualified individuals to ensure accuracy and comprehensiveness.

2. Ideal scenario

A formal risk management plan is in place within the organisation to identify potential problems before they occur. This plan covers all aspects of the organisation and its activities and sets out continuous procedures and mitigating factors to deal with the potential risks. A risk manager or risk management committee has been nominated to oversee the execution of the risk management plan. Risks are assessed on a regular basis and are categorised in order to prioritise the actions to mitigate the risks. In addition, the whole risk management process is reviewed on a regular basis, drawing from any lessons learned,

feedback, reports, or investigations conducted on sport integrity concerns. One aspect of this process is to check the compliance of the organisation’s rules and regulations with relevant standards (e.g. international or national). The risk management plan is linked with plans on crisis management and crisis communication in case the risk management plan fails to mitigate or eliminate the risk.

3. Risks

- Incapacity to deal with unexpected events (e.g. loss of sponsors, integrity problems, global crisis concerning health or energy, etc.)
- Reactive instead of proactive management
- Inability to identify problems at an early stage
- Unawareness of possible operating failures within the organisation
- Inability to act in a responsible and timely fashion when unexpected events occur or are about to occur
- Financial instability or even bankruptcy
- Endangers the sustainability of the organisation

4. Instruments and key elements

<i>Instruments</i>	<i>Key elements</i>
Risk management strategy	<ul style="list-style-type: none"> • Assessment and analysis of potential risks regularly. • Formal risk register considered systematically by the governing body • Clear methodology and criteria to prioritise the risks and actions to mitigate these risks • Assessment of all aspects of the organisation, its activities and the environment your organisation is working in • Defined policy and procedures on how to manage, mitigate and eliminate risks • Appointment of a responsible person (e.g. risk manager) or body (e.g. risk management committee) and clear definition of the roles and responsibilities in assessing and managing the risks • Presentation to the governing body at least annually. • Compliance with all relevant standards to mitigate risks • Crisis communication plan • Stakeholder involvement/support: exchange of good practices • Consideration of third-party risks (i.e. service providers, suppliers, commercial partners working with the organisation).
Risk manager or risk management committee	<ul style="list-style-type: none"> • Manager or members of the Committee should have the right competencies and skills with regard to risk management

	<ul style="list-style-type: none"> • Clear risks management strategy including regular assessment and analysis of risks and clear procedures to apply to mitigate or eliminate potential risks • Mandatory consultation of the risk manager or risk management committee in case of important strategic and financial decisions • Regular review of the risk management strategy and the overall risk management process • Regular review of stakeholders that can either be a risk or support to mitigate risks
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5. Good practice examples

Example “Risk management strategy”

Organisation: International Olympic Committee (IOC)

Description: The International Olympic Committee (IOC) has included risk management as part of its “Basic Universal Principles of Good Governance of the Olympic and Sports Movement”. Principle 4 “Financial governance” has a specific section on internal control and risk management (4.3) stating that “a clear and appropriate *risk-management policy shall be established*” including the following aspects:

- Identification of potential risks for the sports organisations
- a risk assessment process, also including third parties, such as clients, service providers, suppliers, commercial partners, intermediaries, subcontractors, etc.
- mitigating factors
- risk monitoring

In terms of the internal risk management procedures, the IOC operates its Risk and Assurance Governance Model which follows the “Three Lines Model”. The First Line is the operational functions that own and manage risks. These are embedded in the IOC’s day-to-day activities. The IOC departments ensure that risks are identified, reported, evaluated and responded to in a timely manner. The Second Line is the managerial functions that help build and/or monitor the First Line of controls. This serves as an oversight function within the IOC administration, ensuring that controls, frameworks, policies and procedures are set up, aligned with the IOC’s objectives, and implemented throughout the administration. The Third Line consists of the independent functions that provide assurance to the organisation’s governing bodies and to the Director General on how effectively the organisation assesses and manages its risks, including how the First and Second Lines operate. The Third Line is under the authority of the IOC President, the Ethics Commission and the Audit Committee, and includes the Ethics and Compliance Office and audit functions. External Audit is also an element of the governance structure.

Further information:

[IOC-Annual-Report-2022.pdf \(olympics.com\)](#)

[Bonne-Gouvernance-EN.pdf \(olympics.com\)](#)

Example “Risk Management strategy”

Organisation: Australian Sports Commission (public body)

Description: Within its Sport Governance Principles, the Australian Sports Commission, dedicated Principle 7 “The Defence” to a system which protects the organisation. The objective is to proactively protect the organisation from harm, the board ensures the organisation has and maintains robust and systematic processes for managing risks. The key elements of the risk framework are:

- Risk appetite statement – how much risk is the organisation willing to accept
- Risk management policy – assessment, treatment, monitoring and reporting
- Risk register – documenting the level of threat of current risks facing the organisation and what is being done to mitigate or treat the likelihood and/or consequence of those risks

A range of template documents and tools are available to be used by sporting organisations at all levels to form a Risk Management Framework.

Further information:

[Sport Governance Principles | Australian Sports Commission \(sportaus.gov.au\)](https://sportaus.gov.au)

[Principle 7: The defence | Australian Sports Commission \(sportaus.gov.au\)](https://sportaus.gov.au)

[Risk-Management-Process-Implementation-Guide-Base-Level-Maturity.pdf \(clearinghouseforsport.gov.au\)](https://clearinghouseforsport.gov.au)

Example “Risk management Committee”

Organisation: Olympic Federation Ireland

Description: Good Governance represents one of the five strategic pillars of the Olympic Federation of Ireland. Since the appointment of the new Executive Committee for the Tokyo Olympic cycle, significant progress has been made in enhancing governance practices. This includes the drafting and implementation of 23 policy documents and constitutional amendments aimed at instituting key reforms. Notable changes involve the introduction of term limits, a revised structure for the Executive Committee, the establishment of standing committees to offer oversight and direction, and the recent implementation of a policy ensuring a minimum of 40% gender balance on the Executive Committee. In this regard, the Olympic Federation Ireland has a dedicated “Audit and risk” Committee, whose members are named on the website.

Further information: [Governance - Team Ireland \(olympics.ie\)](https://olympics.ie)

Example “Risk Management Toolkit”

Organisation: Sport New Zealand (public body)

Description: The public sector in New Zealand has developed [a risk management toolkit](#) for organisations active in the field of sport and recreation. The toolkit includes a Guide to the toolkit, a risk calculator and risk templates (such as an “operating environment template”).

The risk management system as considered by Sport New Zealand is described in five different steps: develop a risk management policy, establish the operating environment, assess the risks, treat the risks and monitor/review the risks. For some of the various steps, templates are also available (e.g. risk management policy template).

The documents put the emphasis on the involvement of the Board and the Chief Executives considering their accountability towards the organisation’s performance. Another option that is listed in the toolkit is to set up a specific risk committee with delegated board authority that can drive the risk management process. Apart from conducting the risk assessment and monitoring the risks, the committee can also be responsible for taking action on risks that the organisation considers to be unacceptable.

Further information:

[Risk management toolkit | Sport New Zealand - Ihi Aotearoa \(sportnz.org.nz\)](https://sportnz.org.nz/media/4592/guidelines-for-managing-risk-in-sport-and-recreation-organizations.pdf)

<https://sportnz.org.nz/media/4592/guidelines-for-managing-risk-in-sport-and-recreation-organizations.pdf>

<https://sportnz.org.nz/media/2008/risk-management-toolkit-guide.pdf>

Example “Risk Manager” and “Risk management process”

Organisation: Canadian Basketball Federation – Canada Basketball

Description: The President and CEO are designated “Risk Managers” for Canada Basketball, responsible for the implementation, maintenance and communication of their policy applying to all activities undertaken by on behalf of the organisation.

Although being described as a “guiding statement”, the risk management policy aims to maintain a broad focus on the risks the organisation could face, enhancing the risk management culture with Canadian basketball. Consequently, it covers cover operational and program risks, compliance risks, communication risks, external risks, governance risks, financial risks and the health and safety of athletes.

In addition to the appointment of a responsible person, the document also explains the four general strategies to deal with these risks (retain, reduce, transfer or avoid) and the various risk control measures. To ensure that risk management is an integral part of the functioning of the organisation, risk management has also been added as a standing item on the agenda of every regular Board meeting.

Further information: [63da7ff905dc0a7bdee89a8b_EN - Risk Management Policy.pdf \(website-files.com\)](https://www.files.ethz.ch/isn/172426/63da7ff905dc0a7bdee89a8b_EN_-_Risk_Management_Policy.pdf)

6. Steps to the next level

To level 2 ★★ “Emerging”	To level 3 ★★★ “Developing”	To level 4 ★★★★ “Established”	To level 5 ★★★★★ “Embedded”
<ul style="list-style-type: none"> Identify and prioritise the main risks in the organisation's day-to-day activities, focusing on short-term mitigation strategies for prominent risks. 	<ul style="list-style-type: none"> Establish a process for regular risk assessments, covering strategic and operational risks specific to the organisation's context, and develop corresponding risk 	<ul style="list-style-type: none"> Adopt a formal risk management strategy that covers risk identification, evaluation, prioritisation, and clear procedures for risk mitigation and conduct 	<ul style="list-style-type: none"> Implement a formal and adaptable risk assessment process tailored to the organisation's needs, ensuring regular updates to the governing

<ul style="list-style-type: none"> Facilitate Board-level discussions on primary organisational risks to ensure strategic oversight and alignment. Ensure comprehensive insurance coverage for all main assets of the organisation. Provide adequate insurance coverage for staff during work or travel assignments. 	<p>treatment strategies.</p> <ul style="list-style-type: none"> Identify and mitigate corruption risks comprehensively, encompassing bribery, embezzlement, conflicts of interest, misuse of funds, procurement fraud, doping, match manipulation, and other relevant risks specific to the organisation. Establish a risk register categorising risks based on their likelihood and impact, prioritising them accordingly. Establish a crisis communication plan for both internal and external purposes to effectively manage unexpected events. Develop procedures for assessing third parties, including clients, service providers, intermediaries, subcontractors, etc., to mitigate external risks effectively. 	<p>regular risk assessments.</p> <ul style="list-style-type: none"> Include corruption, human rights, and security risks in the organisation's comprehensive risk assessment framework. Embed proactive measures to safeguard the integrity of sport as a core function of the organisation's risk management framework. Allocate resources and specialist expertise to risk assessment by establishing a dedicated risk committee or designated individual responsible for ongoing risk identification, monitoring, and progress evaluation compared to previous assessments. Include a comprehensive overview of the risk landscape and risk treatment strategies in the organisation's annual report. 	<p>body and a comprehensive annual review, triggered by significant changes.</p> <ul style="list-style-type: none"> Include a detailed section in the risk assessment outlining roles, responsibilities, methodologies, and procedures used to identify, assess, rank, and manage corruption risks. Regularly communicate the existence and importance of the risk management process to staff and Board members, providing ongoing education about organisational risks. Monitor and review priorities and risks systematically, ensuring risk management is a recurring agenda item for Board meetings. Ensure the risk assessment is regularly updated, incorporating feedback from stakeholders and lessons learned
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	<ul style="list-style-type: none"> • Collect relevant information from event host applicants to conduct due diligence and risk assessments for major events. • Conduct basic due diligence and risk assessments for bids and hosting proposals related to major events. 	<ul style="list-style-type: none"> • Utilise findings to develop, review, and update integrity awareness and education programs. • Conduct annual reviews of the organisation's risk assessment and present updates to the Board to ensure ongoing relevance and effectiveness. • Validate the risk assessment by the governing body before initial implementation and after each subsequent update to ensure accuracy and alignment with organisational goals. • Implement a consistent due diligence and risk assessment framework for evaluating bids and hosting proposals for major events against predefined criteria. • Systematically integrate third-party risk considerations, including those outlined in the 	<p>from organisational activities and integrity-related incidents.</p> <ul style="list-style-type: none"> • Tailor the due diligence process to the level of risk identified in the risk assessment, implementing enhanced due diligence in higher-risk areas. • Develop tailored information and educational programs within the organisation to enhance understanding of the risk assessment and treatment processes. • Conduct annual educational initiatives with internal and external stakeholders on third-party risks to enhance awareness and mitigation efforts. • Apply rigorous due diligence and risk management practices throughout the bidding, assessment, and allocation processes for major events.
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