

GND Advisory  
**RISK MANAGEMENT PLAN**



Approved by:	GND Advisory Board
Approved on:	July 2021
References to external policies:	Basel principles of the sound management of operational risk Basel framework
References to internal policies:	Business Code of Conduct and Ethics Risk and Compliance Policy Business Continuity Plan Data Protection Policy Conflict of Interests Policy Other internal rules and regulations

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## 1. The Firm

GND Advisory is an autonomous investment advisory firm registered in the Republic of Lithuania. The records of GND Advisory are kept at the State Enterprise Centre of Registers.<sup>1</sup> GND Advisory ("GND") and each of its majority-owned subsidiaries (together with GND, the "Firm") conducts its operations in compliance with the EU and Lithuanian Law, Regulations, and its internal Code of Conduct.

## 2. Introduction

### 2.1. Purpose of the Risk Management Plan

The purpose of the Risk management plan (the "Plan") is to allow a Firm to identify and record potential risks.

The Plan also allows risk mitigation strategies to be developed and tracked.

The document should be updated at least annually and whenever is necessary, e.g., following an incident of significant impact on the organisation's day to day operation.

### 2.2. Embedding the Risk Management Plan

The risks identified are risks that the Firm's objectives will not be met. Therefore, the risk management plan will refer to, and be reviewed against, the Firm's strategic, operational and business plans, e.g., when operational and business plans and policies are updated and the Risk management plan needs to be updated accordingly.

### 2.3. Audience

This Plan is aimed towards the following groups:

Group	Reason
Directors	Governance responsibility
Staff	Operational responsibility
Partners and Vendors	Operational responsibility
Regulators	Compliance responsibility
Investors	Fiduciary responsibility

## 3. Organisational context

As the Firm, we put our Clients interest first. As recipients of public funding, we also have a responsibility to use our resources wisely. These factors mean that the Firm's attitude to risk is generally cautious.

The Risk Appetite is set and reviewed centrally by the GND Board and this Plan should be applied in line with those Risk Appetites.

GND has no appetite for unfair Client outcomes or poor market conduct, whether through deliberate or negligent actions. Consistent with our values, where unfair outcomes arise, the Firm will put it right in a fair and prompt manner.

GND has no appetite for any breach of laws, regulations or prescribed codes that would impact clients, customers, shareholders, market integrity or financial stability. Where breaches are identified, the Firm will ensure that these are resolved in a timely manner taking into account (where relevant) the interests of customers, clients, shareholders and other stakeholders.

Where laws require interpretation or where regulations or codes are ambiguous or untested, the Firm will take reasonable steps to determine their applicability, including seeking legal advice where necessary.

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<sup>1</sup> State Enterprise Centre of Registers. [https://www.registrucentras.lt/jar/index\\_en.php](https://www.registrucentras.lt/jar/index_en.php)

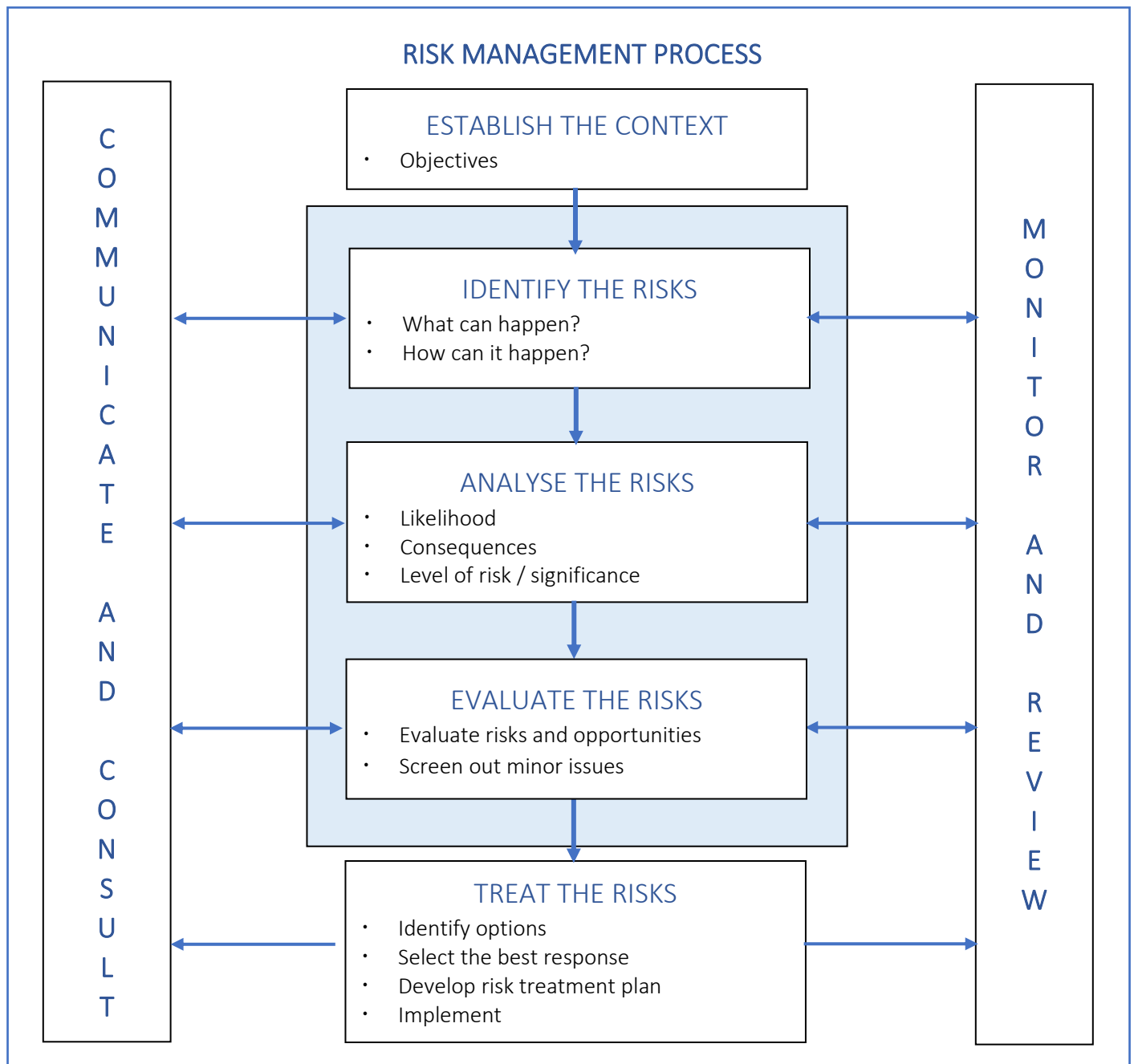
## 4. Risk strategy

In order to ensure that risks are identified in a consistent manner across the Firm a "Risk Assessment Model" will be applied. This will rank the risks in priority order and those risks considered important to track will be recorded on the "Summary of Risks". Mitigation strategies will be developed, recorded and monitored on a quarterly basis by the Chief Risk Officer. If new major risks are identified these shall be recorded. The "Summary of Risks" will be reported to the GND Board on a quarterly basis.

At appropriate times during the course of the project, it may be appropriate to re-assess the risks by applying the "Risk Assessment Model". For example, it would be appropriate to reassess the risks for a large project when it moves from the evaluation stage into an implementation stage.

The following diagram represents the process to be followed.

## 5. Risk diagram



## 7. Identify the risks

Please find internal and external risk of the Firm described in the table below (this table should be periodically updated).

Internal	External
<p><b>Financial management</b></p> <ul style="list-style-type: none"> <li>• Viability / liquidity</li> <li>• Fraud / AML / CTF control</li> <li>• Insufficient income streams</li> <li>• Income loss</li> <li>• Poor cost control</li> </ul>	<p><b>Funding</b></p> <ul style="list-style-type: none"> <li>• Shortfalls in fundraising programs</li> <li>• Changes in funding agreement</li> </ul>
<p><b>Human resources</b></p> <ul style="list-style-type: none"> <li>• Succession planning</li> <li>• Poor staff supervision and performance appraisal</li> <li>• Staff turnover/ headhunted by competitor</li> <li>• Excessive work load and poor staff morale / staff burn-out</li> <li>• Difficulties in recruiting suitable staff</li> </ul>	<p><b>Regulatory environment</b></p> <ul style="list-style-type: none"> <li>• Changes in regulatory framework</li> <li>• Negative registration reports</li> <li>• Shortfalls in the internal systems to proactively manage all the factors that drive the performance of the organisation</li> </ul>
<p><b>Asset management</b></p> <ul style="list-style-type: none"> <li>• Inappropriate / poor quality assets</li> <li>• Contractors fail to perform maintenance contract / Poor response time by contractors</li> <li>• Stock transfer liabilities</li> </ul>	<p><b>Reputation</b></p> <ul style="list-style-type: none"> <li>• Public and community perception of the Firm</li> <li>• Negative comments from press, politicians, or competitors</li> </ul>
<p><b>Legislation compliance</b></p> <ul style="list-style-type: none"> <li>• General Data Protection Regulation (GDPR)</li> <li>• EU Anti-Money Laundering Directive (AMLD)</li> <li>• Alternative Investment Fund Managers Directive (AIFMD)</li> <li>• Markets in Financial Instruments Directive (MiFID II)</li> <li>• Law on Markets in Financial Instruments of the Republic of Lithuania</li> <li>• Law on Companies</li> </ul>	<p><b>Competition</b></p> <ul style="list-style-type: none"> <li>• Losing growth opportunities</li> <li>• Unexpected new competitors</li> </ul>
<p><b>Corporate governance</b></p> <ul style="list-style-type: none"> <li>• Lack of appropriately skilled Board members</li> <li>• Unsustainable Board turnover</li> <li>• Difficulty recruiting to the board</li> <li>• Board fails to appraise performance of the Firm</li> <li>• Conflict on the board</li> <li>• Conflicts of interest not managed effectively</li> <li>• Policies and procedures not reviewed</li> <li>• Board lacks a value-based framework</li> </ul>	<p><b>Black swan events</b></p> <ul style="list-style-type: none"> <li>• Pandemic</li> <li>• Market shocks</li> <li>• Terrorist activity</li> <li>• Natural disasters</li> </ul>
<p><b>Information technology</b></p> <ul style="list-style-type: none"> <li>• IT not sufficient for the expanded Firm</li> <li>• IT performance date disaster recovery plan</li> </ul>	<p><b>Partnerships</b></p> <ul style="list-style-type: none"> <li>• Failed partnership arrangements</li> <li>• Conflict with partners</li> </ul>

## 8. Analyse the risks

The description below explains how to complete the table of Risk management register.

### 8.1. Header

The Plan should be reviewed and updated regularly. The register can either be overwritten or the amended page can be added to the existing plan thus showing the changes made over time.

### 8.2. Reference

Each entry should be given a reference so that it can be linked to a more detailed report or risk treatment plan (if any).

### 8.3. Risk

Identified risk could be split into internal and external risks. A priority ranking should be given to the key risks. This should take into account all other factors, including the likelihood and impact of the risk, whether the risk is increasing or decreasing and how effective the current controls are.

### 8.4. Risk likelihood

Decide the range of risk. In this case 1 = lowest probability, 5 = highest probability.

### 8.5. Risk consequences

Decide the range. In this case 1 = lowest risk, 5 = highest risk.

### 8.6. Level of risk

Level of risk could be an addition or a multiplier. In this case it is a multiplier of risk likelihood **times** risk consequence. However, anything with a 5 on risk consequence will be monitored.

### 8.7. Control adequacy

The current controls used: **OK** – satisfactory, **MON** – monitor, some concerns or **!!** – unsatisfactory – action needed.

### 8.8. Risk status

Is the risk increasing rapidly – **UP!!**, increasing – **UP**, decreasing rapidly – **DOWN!!**, decreasing – **DOWN**, or staying the same - **STILL?**

## 9. Risk management register

Risk management register table should be filled each time Risk management plan is being updated.

<b>Functional activity:</b>		<b>Compiled by:</b>		<b>Date compiled:</b>	
<b>Reviewed by:</b>		<b>Date reviewed:</b>		<b>Date of next review:</b>	

Reference	The risk – what can happen and how	Risk likelihood	Risk consequences	Risk score	Control adequacy	Risk status	Priority (rank 1 – 20)	Strategies	Responsibility
	<b>Internal</b>								
	<b>Financial management</b>								
	<b>Human resources</b>								
	<b>Asset management</b>								
	<b>Legislation compliance</b>								
	<b>Corporate governance</b>								
	<b>Information technology</b>								

External									
<b>Funding</b>									
<b>Regulatory environment</b>									
<b>Reputation</b>									
<b>Competition</b>									
<b>Black swan events</b>									
<b>Partnerships</b>									
<b>Social and environmental</b>									



## 10. Evaluate the risks

The risk identification process can produce a long, unstructured list of risks. These should be grouped into related risks and given a risk score, by using a risk management register in the section above. The aim is to identify and prioritise the key risks that are going to be closely monitored by the Board. These are the most significant risks that could prevent key organisational objectives from being achieved. The exact number of risks will vary from year to year within the Firm and its operational units, it is unlikely that a Board would be able to provide detailed oversight of more than 20 risks at a corporate level. The management of lower priority risks should be delegated to staff and only reported to the Board if their status changes.

### 10.1. Priority risk table

<b>Risk priority</b>	<b>Reference Number</b>	<b>Risk description</b>
1		
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4		
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## 11. Treat the risks

The risk treatment plan is essential for successful risk management. It is the part of the Risk management plan that allows an organisation to say what approach will be adopted for each of its key risks.

The description below explains how to complete the table of Risk treatment plan.

### 11.1. Reference

This is a reference code which helps identify a specific risk from the risk register and the priority risk table.

### 11.2. Risk identified and likely impact

Provide a brief summary of the risk that you have identified in this section and the likely impact on the Firm's objectives if the risk occurs.

### 11.3. Summary of recommended response

Summarise the Firm's approach to managing the risk. For example, are you likely to put additional management controls in place to minimise the likelihood that the risk will occur? Would you transfer the risk by going into partnership or by taking out additional insurance (where appropriate)?

### 11.4. Action plan - proposed actions

Describe the specific actions that will be taken to manage the risk.

### 11.5. Resource requirement

Describe the resources needed to succeed in the action plan. Resources may include staff time as well as financial input.

### 11.6. Responsibility

Say who has been delegated responsibility to manage this risk.

### 11.7. Timing

Say and how often this risk will be treated.

### 11.8. Reporting and monitoring required

Describe how often will the treatment plan be monitored, by whom and when will progress on managing this risk be reported to the Board or risk committee.

## 12. Risk treatment plan

Enter information about how will be managed manage each of the priority risks on a risk treatment plan. Use a separate sheet for each of the key priority risks

<b>Reference:</b>			
<b>Risk identified and likely impact:</b>			
<b>Summary of recommended response:</b>			
<b>Action plan / Proposed actions:</b>			
<b>Resource requirement:</b>			
<b>Responsibility:</b>			
<b>Timing:</b>			
<b>Reporting and monitoring required:</b>			
Compiled by:		Date:	
Reviewed by:		Date:	

### 13. Review of the risk management plan

Risks of the Firm should be reported to the Board at least quarterly. Reported risk should include all risks described in the Priority risk table. For the reporting of the Risk to the Board is responsible Head of Risk and Compliance. This Risk Management Plan should be reviewed and updated together with the Business Continuity Plan and compliance policies of the Firm.

### 14. Approval

**I have read, accept and fully understand the responsibilities detailed under this Risk Management Plan.**

**I approve this Plan.**

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**Donatas DITKUS**  
**GND Advisory Representative**

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