RISK MANAGEMENT FRAMEWORK OF THE CGIAR SYSTEM

Approved by the System Council at its 5th meeting (SC/M5/DP12)
10 November 2017

Introduction

1. The scope of CGIAR's operations is significant, involving multiple national, regional and international partners and a geographic footprint that extends across the globe including into some of the world's most challenging environments. CGIAR cannot deliver on its mission without collective awareness of the evolving risks faced as opportunities are exploited. CGIAR recognizes that effective risk management is critical to its success and is a key element of good governance.

2. The nature of the CGIAR System brings a unique challenge to the identification of a shared vision of CGIAR's risk universe and how an appropriate balance between related opportunities and risks is achieved. The CGIAR System's Risk Management Framework ('RM Framework') is thus developed on the basis that CGIAR operates as an '*extended enterprise',* in which a number of organizations come together in a joint endeavor to achieve outcomes that none of them could have achieved on their own'.[1]

3. While each stakeholder within the CGIAR System defines its own internal risk management processes, this RM Framework provides a common set of risk management concepts and principles to guide how risks relevant to CGIAR as a System are overseen and managed.

4. In CGIAR's extended enterprise environment, effective risk management provides CGIAR's many stakeholders with adequate assurance that, as a System:

   a. We embrace strategically relevant opportunities, current and new, in a way that best leverages our capabilities, with awareness of the potential trade-offs involved.
   b. Where the exploitation of an opportunity nevertheless involves risks that cannot be fully mitigated, we are monitoring and continually evolving our actions to minimize adverse impacts or prevent loss of key assets.

Overarching risk management principles

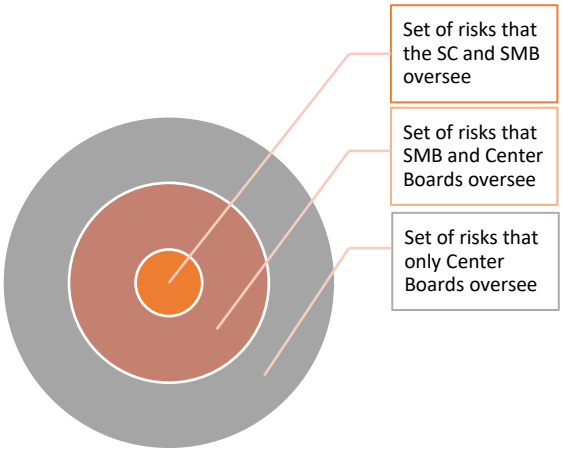
5. Building on the *Guiding Principles for the Governance of the CGIAR System,*[2] the *CGIAR System Framework*[3] and the *Charter of the CGIAR System Organization*[4], CGIAR collaborates on risk management across the System according to the following principles:

   - **Responsibility for an entity's own internal risk management rests with its own management:** Risk management must be tailored, embedded across each entity taking human and cultural factors into account, and under the exclusive

[1] UK Institute of Risk Management, 'Managing risk in complex 21st century organizations – Executive Summary', 2014
[2] Agreed between CGIAR's Funders and Centers in February 2016, and incorporated into the CGIAR System Framework at Article 1, with the intent to guide the development of policies, procedures, guidelines and operations of the CGIAR System.
[3] http://library.cgiar.org/bitstream/handle/10947/4371/CGIAR%20System%20Framework%20-%20WEB.pdf?sequence=4
[4] https://library.cgiar.org/bitstream/handle/10947/4370/Charter%20CGIAR%20Organization.pdf?sequence=4

responsibility of management, who must ensure that it has capacity to meet expected standards.

- **Risk management is performed closest to the risk to maximize effectiveness**: In CGIAR's extended enterprise environment it is accepted that a subset of CGIAR's key risks will need to be overseen by multiple stakeholders. Considering the Guiding Principle of Subsidiarity[5], to the extent appropriate, some System-level risks will be monitored and managed by the System Management Board and/or System Council in addition to the Centers.



- **Effective risk management is dynamic, iterative and responsive to change:** As an innovation-driven System, CGIAR needs to adopt and implement strategic actions that are the most likely to support the achievement of its System Level Outcomes. We seek to obtain the best and most current balance of available opportunities against the most acceptable level of risks. We are committed to identify and measure key risks on a periodic basis, revisit our formerly agreed appetite for risk and formulate strategies to address significant risks as they arise.

- **Risk management is transparent and inclusive:** Some risks will require joint management because of the inherent nature of those risks in a multi-dimensional extended enterprise environment. Management of the respective entities involved will be responsible for exchanging the information needed to ensure that potential consequences of risk management action on the entire System are always considered.

- **Opportunities and risks are considered individually and in their aggregate**: CGIAR recognizes that several types of risks and opportunities may have the potential to influence the delivery of the same objective. Opportunities and potential System risk events will be assessed according to the System's risk appetite, possible response strategies, and which entity or function is most appropriate to take responsibility for that response (the "owner").

- **We ensure appropriately mandated, coordinated and resourced assurance providers[6] and promote the delivery of 'combined assurance' across the System to ensure effective monitoring and management of opportunities and risks**:

[5] As set out in the CGIAR System Framework, Annex A; Paragraph 12

[6] Sources of assurance in a 'combined assurance' model relevant to the CGIAR System include (but are not limited to) Centers' management, internal control and compliance functions, internal audit and evaluation providers; external auditors; funder initiated audits and reviews; the System Organization and its respective bodies; the Internal Audit Function arrangements; and the ISPC, and the IEA.

To the largest possible extent, duplication between sources of assurance to Center Boards, the System Management Board and the System Council is to be avoided. As relevant, each source of assurance refers to its own professional framework, and seeks to comply with standards endorsed at international level by their respective professional bodies.

- **We share information as needed and take decisions promptly**: As risks are managed by multiple stakeholders across the CGIAR System, we value clear, transparent and timely communications to avoid missing opportunities, or the risk that an existing problem grows. Our aim is to foster a pro-active communications culture across the System, which is underpinned with communications and escalation/de-escalation strategies and plans for incident response by the most appropriate body.

6. This RM Framework draws upon risk management approaches and recommended practices under ISO 31000 and COSO's September 2017 revised framework, as adapted to CGIAR's extended enterprise environment.[7]

Operational objectives, associated families of risk and System-wide risk appetite

7. **Setting strategic System-wide operational objectives to achieve our goals**: To provide an essential link between CGIAR's System Level Outcomes and the actions of the full breadth of CGIAR System stakeholders to deliver against those outcomes, Table 1 below sets out CGIAR's operational objectives in the context of its extended enterprise environment (as may be amended from time to time):

Table 1 – CGIAR System strategic operational objectives

Delivery	Deliver quality science and other research outputs through effective partnerships, to provide critical improvements for food security, nutrition and resilience to climate change
Relevance	Establish and maintain CGIAR as a relevant and sustainable tool for agricultural research for development
Reputation	Make the association with CGIAR a rational and rewarding decision
Reliability	Fulfill formal commitments
Efficiency	Generate all benefits mentioned above efficiently and provide 'value for money'

[7] (i) The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 6 September 2017 revised risk management framework titled '*ERM Framework: Enterprise Risk Management–Integrating with Strategy and Performance';* and (ii) The 2009 standard of the International Organization for Standardization titled '*ISO 31000 - Risk Management: Principles and Guidelines*'

8. **Associated key risk families and opportunity and risk indicators:**
Table 2 below, as may be amended from time to time, identifies the families of risk that are utilized by CGIAR to provide a mechanism to identify:

(i) Relevant opportunity and risk indicators for the risk families; and
(ii) Appropriate assurance processes to provide evidence of reasonable assurance in regard to those risks.

Table 2 – CGIAR System families of risk

5 CGIAR STRATEGIC OPERATIONAL OBJECTIVES					CGIAR'S SYSTEM-WIDE FAMILIES OF RISKS
Delivery	Relevance	Reputation	Reliability	Efficiency	Resulting from missed opportunities
X	X	X			CGIAR is no longer a front runner
X	X		X		CGIAR loses its central role in Agricultural Research for Development
X		X	X		Non adherence to appropriate values
X	X	X	X		Unsatisfactory evidence and assurance received
X				X	Poor execution undermines capability

9. **Operating with a shared Risk Appetite Statement for System risks:** While the risk appetite of individual CGIAR System Funder, Centers and Partners will necessarily vary, consensus in decision-making for CGIAR as a System is reached through the System Council and the System Management Board, as guided by the System's governing instruments and agreed strategic goals (System Level Outcomes).

10. As updated from time to time, the **CGIAR System Risk Appetite Statement**, a companion document this RM Framework, clarifies CGIAR's overall willingness as a System to take risk in pursuit of its goals by:

- Communicating how much risk is agreed as being appropriate to take as a System to maximize CGIAR's impact; and
- Providing a basis to assess how much risk is being taken, to inform future conversations on whether adjustments to the Risk Appetite Statement are required.

Roles and responsibilities across the System

11. **Operating within the CGIAR System's highly collaborative model:** Center-own risks remain fully in the mandate of each Center's Board of Trustees and management. However, effective management and oversight of CGIAR System opportunities and

risks will involve Centers mapping System risks that they oversee and manage to the CGIAR System Risk Register, and clarity on respective roles and responsibilities.

12. **Center Boards of Trustees** are responsible for:
    a. Approving Center-own risk management policies, escalation procedures, and a risk appetite statement for the Center that is informed by the CGIAR System Risk Appetite Statement for System-wide opportunities and risks;
    b. Overseeing effective risk management within the Center for Center-identified risks, and for those CGIAR System risks where the Center is identified as a risk owner within the CGIAR System Risk Register (whether individually, or together with the System Management Board and System Council);
    c. Taking prompt action on risks and risk incidents that have the potential to impact the CGIAR System, including escalating relevant risks and risk incidents to the System Management Board in line with agreed communication and escalation procedures; and
    d. When necessary and in consultation with the System Management Board, assuming responsibility for and taking required corrective action on Center-specific issues with potential to impact the CGIAR System.

13. **The System Management Board** is responsible for:
    a. Maintaining a CGIAR System Risk Register for the CGIAR families of risks, and ensuring routine consideration of the related opportunity and risk indicators to assess for ongoing relevance and adequacy;
    b. Developing and approving the CGIAR System Escalation Procedures in line with this RM Framework;
    c. Obtaining and providing to the System Council on a periodic basis reasonable assurance that the CGIAR System opportunities are being acted upon in conformity with the CGIAR System Risk Appetite Statement, and this RM Framework; and
    d. Taking all of actions attributed to the System Management Board in the CGIAR System Risk Management Guidelines; and
    e. Identifying necessary corrective actions to ensure effective implementation of the CGIAR Portfolio and effective governance of the System in line with this RM Framework and other System policies.

    In practice, the System Management Board's Audit and Risk Committee will support the System Management Board in delivery against its responsibilities, whose work is undertaken in consultation with Center Audit Committee Chairs and the System Council's Assurance Oversight Committee.

14. **The System Council** is responsible for**:**
    a. Ensuring that the terms of reference for any advisory bodies to the System Council are risk-focused, and framed in a way that assists the delivery of combined assurance on opportunities and risks identified by the System from time to time;
    b. To the extent possible, providing timely information on budgetary outlook and anticipated changes in funding levels through the CGIAR Trust Fund and/or bilateral sources, to address the inherent financial risk issues for the System; and

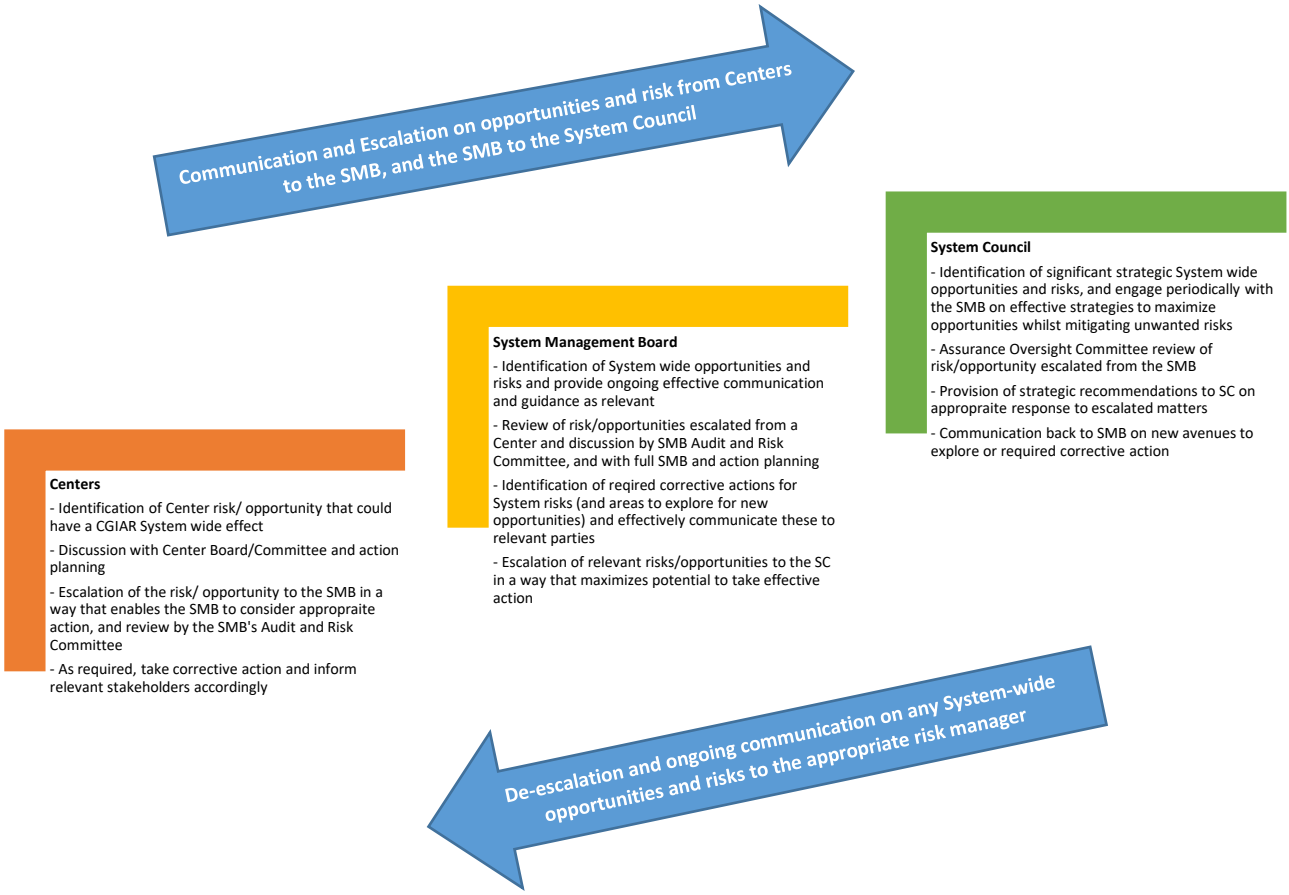
c. Providing strategic guidance to the System Management Board on possible systemic corrective actions that can enhance the capacity of the CGIAR System to deliver on its shared research agenda and to ensure ongoing effective governance of the System.

In practice, the System Council's Assurance Oversight Committee, through an effective protocol with the System Management Board's Audit and Risk Committee, provides an effective communication bridge between the System Council and the System Management Board.

15. **CGIAR System Partners** represented on the System Council are responsible for:
   a. informing the System Council about significant opportunities and risk relevant to the CGIAR System, or likely to impact it; and
   b. to the extent possible, providing opportunities for the CGIAR System to incorporate the outputs of individual Funder or other Partner-specific audits or reviews into the combined assurance model, to reduce duplication and enhance overall efficiency in the use of CGIAR System assurance resources.

CGIAR System communication and escalation principles

16. In line with the indicative model set out below, the information needed to act on any risk or opportunity will be escalated or de-escalated to the most relevant place in the System, with the originator of the information being informed of the outcome of related management action.



17. The CGIAR System Escalation Guidelines will:

    a. Recognize the clear distinction between: (i) reporting on the status of risk issues as a means of communicating ongoing effective System-wide risk management practices; (ii) raising an issue to seek the inputs of others whilst still retaining risk ownership; and (iii) if a specific issue so requires, situations involving the potential transfer of risk ownership from one System body to another, and the conditions on which that transfer would be accepted;

    b. Define conditions and, where relevant, thresholds for escalating (and de-escalating) relevant events; and

    c. Set out the template for escalation and de-escalation of topics, to ensure that the party receiving the communication receives adequate information upon which to take informed, timely action.

18. Pending approval of CGIAR System Escalation Guidelines, each Financial Framework Agreement sets out an interim escalation process as agreed by CGIAR's Centers and the System Council.[8]

Continuous Learning

19. CGIAR accepts that change is constant. Not only are the internal and external environments we operate in continually evolving, but also the field of risk management and the maturity of each of our entities in their risk management approaches.

20. CGIAR commits to taking the lessons we learn while implementing this framework and the developments in the risk management field and to improve and transform our extended enterprise risk management framework and approaches to ensure success in changing economic conditions. This commitment to constant improvement will be supported by a formal assessment being performed on a regular basis, leading to actionable recommendations.

[8] The interim process requires entities to promptly inform other System entities positioned closer to the funding source if there is a credible concern of financial irregularities, and of the corrective measures initiated. As a matter of practice, the transfer of information will be through the System Management Board, and matters will be escalated to the System Council as relevant