

Risk Management

Purpose

To monitor risk management within the Trust.

To prepare the 2010 annual Board Statement on Risk Management.

Background

The Executive Board has responsibility for ensuring that an appropriate risk management process is in place to identify and manage high and significant risks to the Trust. The Board has adopted a risk management approach for the Trust where the review and monitoring of key risks is a standing item at each annual Board meeting using a framework of identifying, assessing, managing and monitoring risks. This approach towards risk management is not just about “avoiding things that go wrong” but also about “helping to make things go right”.

The Trust has identified a number of opportunities for monitoring risk and as per the mitigation actions, individual risks are monitored according to the level and scale of risk. For the Board level risks, these are re-assessed annually before the annual Executive Board meeting in the last quarter, where they are reviewed by the Board and an annual Board Statement documenting the progress made is issued. *The Board Statement on Risk Management and Internal Controls* is published in the Trust Annual Report ([Annex B](#)). Generally speaking, if a spring Board meeting is held, these will have a strong strategic agenda comprised of items that focus on the major risks facing the Trust at the time, however, a formal risk assessment is not undertaken.

Two levels of risks are recognized and managed within the Trust:

- Board level risks - strategic risks at a higher level, many of which are the result of external factors and therefore out of Trust control;
- Secretariat level risks - management and operational risks, considered important to Trust operations but not relevant for Board consideration.

Issues

At the beginning of the 4th quarter, the Secretariat undertook an assessment of risks for 2011. The results are tabled here for Board discussion and review ([Attachment A](#)).

Board level risks

Consistent with last year, five risk types were identified for 2011:

- Performance risk;
- Governance risk;
- Financial risk;
- Operational risk; and
- Programme/project risk.

At the Board level for 2011, four risks were scored as ‘significant’ and these fell into the performance, financial, operational and programme risk categories. All have a reasonable

degree of external factors influencing the outcome, with perhaps the exception of operational and they are 'owned' by the Board and/or Secretariat. There is one more than previous year and introduces an additional risk category. The "significant" residual risks were:

- *Lack of momentum in reaching endowment fund target* – this remains a significant risk at the same level as last year for the same reasons.
- *Market risk – erosion of financial resource* - this remains a significant risk at the same level as last year for the same reasons.
- *Lack of willingness and/or capacity for collaboration among key partners to build a global system* - this remains a significant risk at the same level as last year for the same reasons.
- *Mismatch of capacity and skills with organisational needs* – this risk level was raised from moderate in previous years to significant for 2011, in recognition of the potential new work program that may be initiated.

At EB6, the Board requested that the following changes be made to the risk matrix:

- *2.1 Loss of confidence in the Executive Board* – this risk be lowered.
- *2.2 Loss of confidence in Trust management team* – this new risk be added to mirror the 2.1 above.
- Old 2.5 was moved to Secretariat level risk matrix.

In addition, during their review the Secretariat made the following modifications:

- *2.5 Failure to act in accordance with governance requirements* – this risk was now considered lower (low) as the organisation (Board and staff) are now familiar with all governance requirements and have established the appropriate processes and checks to ensure that governance requirements are built into day-to-day systems and behaviours.
- *3.4 Fraud* – as per above, this risk has been lowered as robust internal controls and audits are now firmly established
- *4.1 Mismatch of capacity and skills with organisational needs* – as discussed above, this risk level was raised from moderate to significant in recognition of future, new work programs that may require skill sets that are different to those currently held by the organisation.

Secretariat level risks

At the Secretariat level, risks were identified in all risk categories; a new category of "performance" risk was added and a new risk (mirroring that under the Board level risks) added – *1.1 Lack of strategic focus and not meeting mission*.

This year, only five risks were rated as "significant" and these fell into the operational, performance and programme & projects risk categories. As recognized last year, many of these had been identified early on in original project documents and as suggested by the mid-term external review team, particular attention was given to reassessing the project risks and their likelihood and consequences. One risk, *1.3 Interest in Trust ex-situ activities diminishes*, was lowered from significant to moderate this year.

In addition, one risk was considered to pose a greater threat than last year and was raised to “high” – that of 3.2 *Global Financial Crisis impacts on fundraising*. This is because the impact of the financial crisis takes longer to be reflected in government budgets, but is now starting to bite. Development spending will, in most, countries, be particularly vulnerable to cuts and we are feeling these impacts.

As for the Board level risks, the top risks with a “high” or “significant” risk rating involve external factors where the Trust has less ability to influence the outcome. These risks, however, are being actively managed by the Secretariat in terms of reducing the likelihood or reducing the impacts where possible. The top risks rated are:

- *Global Financial Crisis impacts on fundraising*
- *Inability to retain appropriate staff*
- *Lack of capacity for core operations*
- *Some institutes are unwilling to cooperate*
- *Partners’ unable to perform as per contract (deadlines, deliverables and requirements to make germplasm and information available in accordance with the Treaty)*
- *Interest in Trust ex-situ conservation activities diminishes*
- *Culture change towards a more rational global system slows or ceases*

Action

That Members review and approve the Trust’s risk assessment for 2011 ([Annex A](#)).

That Members review and approve the 2010 annual Board Statement on Risk Management ([Annex B](#)).

**Global Crop Diversity Trust
Statement on Risk Management and Internal Controls
2010**

The Executive Board of the Global Crop Diversity Trust has responsibility for ensuring that an appropriate risk management process is in place to identify and manage high and significant risks to the achievement of the Trust's objectives. These risks include **performance, governance, financial, operational and programme risks** that are inherent in the nature, *modus operandi* and partnerships of the Trust's activities, and are dynamic as the environment in which the Trust operates changes. They represent the potential for loss or failure resulting from inadequate or failed internal processes or systems, human factors, or for many of them external, uncontrollable events. Risk management is aimed at minimizing risks and taking appropriate opportunities in line with the organization's strategy and business plans. In the Trust's context, the objectives of risk management include:

- strong performance in ensuring the long-term conservation and availability of plant genetic resources;
- high impact, effective fund disbursement and allocation of scientific efforts towards building a global system;
- maintenance of integrity, reputation and recognition as an essential element of the funding strategy of the Treaty;
- maintenance of strong relationships with key partners, an engaged political constituency and clear strategic direction;
- momentum in building the endowment;
- strong performance from investment management allowing liquidity of funds for long-term programme needs;
- strong performance across project planning, management and monitoring;
- efficient transaction processing and robust internal and external controls;
- maintenance of assets including information assets;
- recruitment, retention and effective utilization of qualified and experienced leadership and staff and capacity for core operations; and
- proper execution of legal, fiduciary and agency responsibilities.

Risk mitigation strategies include maintaining systems of internal control and monitoring which, by their nature, are designed to manage rather than eliminate the risk. The Trust endeavors to manage risk by ensuring that the appropriate infrastructure, controls, systems and people are in place throughout the organization. Key practices employed in managing risks and opportunities include environmental scans, clear policies and accountabilities, transaction approval frameworks, early identification through monitoring, financial and technical reporting and the monitoring of metrics which are designed to highlight positive or negative performance across a broad range of areas.

The risk management approach of the Trust seeks to draw upon best practice and will be subject to ongoing review.

The implementation of risk management during 2010 has been reviewed by the Board with the Trust Secretariat. The Board views risk management as an ongoing process and is satisfied with the progress made.