IFAD Risk Appetite Statement

Addendum
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The attention of the Executive Board is drawn to the following addendum to the IFAD Risk Appetite Statement (EB 2021/134/R.21).

The Audit Committee, at its 163rd meeting held on 23 November, endorsed the content of the document and suggested the inclusion of an executive summary.

Page iii, the executive summary has been included as follows:

Executive summary

1. In the execution of its strategy, IFAD has to assume the presence of risks that have the potential to erode the confidence of donors and investors, threaten the Fund's financial resources and imperil the outcome of its operations and results.

2. To safeguard the Fund’s operational and financial sustainability, and to properly manage risks, the Executive Board and Management need to determine the institution’s risk appetite for each main risk driver confronting it – i.e. how much risk IFAD is willing to take in its operations.

3. In view of the foregoing, the risk appetite statement is key to achieving an integrated approach to risk management and will provide clarity on the risks that the Fund wishes to assume, as the basis for consistent and transparent communication and a clear articulation of both attitudes towards risks and risk management.

4. IFAD’s risk appetite is expressed on a scale of low to high, representing the organization’s attitudes towards risks, the amount and type of risk it is willing to accept in pursuit of its objectives and the possible outcomes of the different approaches.

5. Naturally, it is aligned with the Fund’s risk taxonomy as articulated in the Enterprise Risk Management Policy at a granular level, ensuring that there is a direct link between the risk appetite and business activities.

6. A risk appetite has been established for each of the level 2 risk subdomains, which represent the main components of each level 1 risk domain, in order to provide a holistic overview of current risks and oversee their interactions, creating a comprehensive approach to anticipate, identify, prioritize, manage and monitor the risks impacting the organization.†

7. The risk appetite for each of the level 2 risk subdomains is proportionate and relevant to the impact that the respective risk could potentially have on the Fund. The individual risk appetites have been determined based on an analysis performed in consultation with relevant departments and risk owners.

† The risk appetite for each level 2 risk subdomain is included in annexes II, III, IV and V.