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Investing in rural people

Enhanced Corporate Risk Dashboard (CRD)

Addendum

Management's Response to Member States' Comments

Executive Board — 134th Session
Rome, 13-16 December 2021

For: **Information**

Comments from Japan	Management response
<p>Japan thanks IFAD for reporting a visually clear enhanced corporate risk dashboard for our review.</p> <p>We understand tolerable thresholds of Key Risk Indicators are set by their risk owners; we wonder if IFAD has any guidance to set tolerable thresholds and how and to what extent the Office of Enterprise Risk Management (RMO) involves in the process as a watcher. We would also like to know how often tolerable thresholds are reviewed/ revised. The thresholds are important for CRD readers to judge/grasp risk trend and tolerance of IFAD.</p> <p>Furthermore, we believe objectivity of the threshold level should be guaranteed and they should be reviewed from different positions.</p> <p>In the CRD, virtually all KRIs have arrows in the trend column. We note that some KRI such as "Percentage of IFAD Member States that have contributed during the current replenishment", "Percentage achievement of replenishment contributions target" in strategic risk can go only in a favorable direction. Thus, we think such presentation of arrows in the trend column for these kinds of KRIs can be misleading.</p>	<p>RMO would like to sincerely thank the distinguished representative of Japan for the important questions raised on the CRD. Over the last quarters, RMO has pursued a set of actions to enhance the CRD to the extent that IFAD's risk maturity and available information allow. The thresholds in the CRD were set in cooperation with their risk owners as well as with subject matter experts with longstanding experience. Some thresholds – for example, in the financial risk domain – are aligned with Board approved policies. In all, RMO played an important role in the process of setting up thresholds and with the involvement of risk maturity and with more historical data available RMO will be able to strengthen the oversight and challenge the thresholds and their evolution in the future.</p> <p>With regards to the review and revision of the thresholds, each KRI threshold is reviewed on a continuous basis. Revision of the thresholds are performed annually and only following material changes in the nature of the KRI. Each revision is subject to approval by the ERM.</p> <p>Concerning the comment made on certain KRIs in the CRD that can only go into one direction, we understand that despite the fact that it is true that some KRIs cannot display a negative trend, we still need to follow the trend in the increase itself (admittedly not easy to provide by the simplified arrows) but we could also have the possibility of a stagnation; in that case we would report as stable or with no movement.</p>