

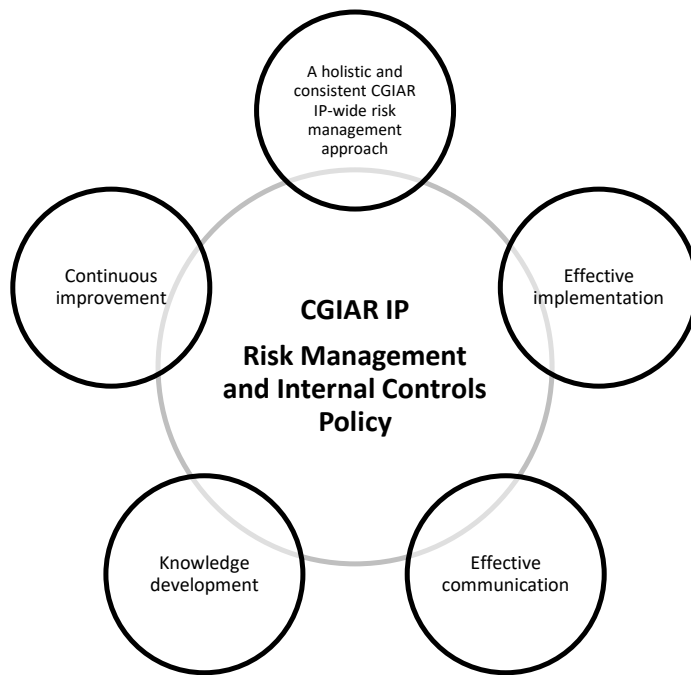
# CGIAR Integrated Partnership: Risk Management and Internal Controls Policy

## Introduction

- CGIAR Integrated Partnership (IP) recognizes that risk-taking and risk management are an integral part of delivering on its strategy. As an innovation-driven partnership, CGIAR IP cannot succeed without embracing risks and pursuing opportunities.
- The purpose of this policy is to embed a culture of risk management, supported by capabilities, and best practices that the CGIAR IP integrates with strategy and performance. By integrating risk management into decision-making processes, this policy ensures that risks are proactively identified, assessed, and managed, while maintaining full compliance with regulatory and donor requirements. It also establishes a consistent risk language, a shared understanding of risk management principles, and clear roles and responsibilities at all levels.
- The policy provides a mechanism to foster the adoption of risk management practices as part of routine management for programs and operational activities aimed at managing risks and opportunities in alignment with CGIAR IP's strategy and business planning, giving confidence to stakeholders, including funders and partners.
- The policy sets forth the principles and requirements for developing, implementing, and maintaining a strong internal control system across CGIAR IP and its Centers/System Organization. This system is designed to:
  - Enhance operational integrity and efficiency.
  - Ensure compliance with regulatory and donor expectations.
  - Ensure the accuracy and reliability of financial and operational reporting.
- By integrating internal controls within CGIAR IP's broader risk management framework, the policy provides a foundation for risk-informed decision-making. It also aims to prevent and detect fraud, misconduct, and control failures, reinforcing a culture of accountability and transparency. Furthermore, the policy promotes continuous improvement through ongoing monitoring, evaluation, and adaptation of internal control mechanisms.
- This policy is designed to provide guidance to all staff on implementing a CGIAR IP-wide risk management framework. Risk management principles and approaches are based on the International Organization for Standardization (ISO) 31000:2018 (Risk Management–Guidelines), the 2017 Committee of Sponsoring Organizations of the Treadway Commission (COSO)<sup>1</sup> Enterprise Risk Management Framework, and the CGIAR IP Risk Management Framework.<sup>1</sup>

## Policy Overview

Outlined in the following diagram are the essential components of CGIAR IP's comprehensive risk management and internal controls policy. Each element plays a crucial role in safeguarding the CGIAR IP against potential threats and maximizing opportunities for success.



## Objectives

1. **A holistic and consistent CGIAR IP -wide risk management approach**  
 CGIAR IP is committed to following a holistic and consistent CGIAR IP-wide risk management approach that follows CGIAR IP’s risk management principles set out in the Risk Management Framework of CGIAR IP.
  
2. **Effective implementation**  
 CGIAR IP is committed to the achievement of its strategy and objectives, including the overall management of risks and opportunities. CGIAR IP is committed to identifying new and emerging risks and opportunities and responding appropriately and timely by carrying out planned risk assessments according to the annual risk plan but also unplanned assessments as changes of the internal or external environment require. Assessments as part of the annual plan include:
  - Principal risks for CGIAR IP (top risks)
  - Centers/System Organization (SO) risks, including regional and country risks
  - Selected (criteria-based) science programs and projects
  - Operational controls – Strengthening efficiency, effectiveness, and governance across CGIAR IP’s activities.
  - Compliance controls – Ensuring adherence to legal, regulatory, and donor requirements.
  - Fraud prevention and detection – Establishing mechanisms to identify and mitigate fraud risks.
  - Monitoring and evaluation – Enabling continuous assessment and improvement of the internal control environment.

CGIAR IP’s decision-making and risk management strategies will be informed by the CGIAR IP Risk Appetite. CGIAR IPB to confirm its IP Risk Appetite annually.

3. **Knowledge development**

CGIAR IP is committed to ensuring that all staff, particularly those with management, advisory and decision-making responsibilities, obtain a sound understanding of the principles of risk management and the requisite skills to implement risk management effectively through common mandatory training.

**4. Continuous improvement**

CGIAR IP will regularly monitor and review the progress being made in developing CGIAR IP's risk management culture, capabilities and practices and the effective implementation of risk management as a basis for continuous improvement.

**5. Effective communication**

CGIAR IP has an obligation to communicate risks and principal risks and escalate events in a timely, transparent, and consistent manner. This ensures that decision-makers and oversight bodies at all levels are equipped with the necessary information to respond effectively and maintain the integrity and resilience of operations.

Each Center and the System Organization (SO) are responsible for identifying and sharing key risks within the CGIAR Integrated Partnership. Risk communication must flow through the appropriate management levels to ensure that material risks are elevated to the relevant governance and oversight bodies, such as the Audit, Finance, and Risk Committees (AFRCs), the Integrated Partnership Board (IPB), and the System Council, as applicable.

## Scope

- The CGIAR IP risk management and internal controls policy aims to foster practices, capabilities, and a culture of effective risk management aligned with strategy-setting and performance objectives. It aims to support the GLT, the Integrated Partnership Board (IPB) Board Centers and Centers/SO in making more informed decisions, monitoring risks and related activities across the partnership, and guiding initiatives to help CGIAR IP manage risks in preserving and creating value. The framework supports risk, governance, assurance, and compliance efforts and guides effective risk management practices.

## Policy Statements

- **Risk Management and Internal Controls Strategy:** CGIAR IP is committed to maintaining a strong internal control environment that supports effective operations, safeguards resources, and ensures compliance with policies, regulations, and donor requirements. To strengthen risk governance and foster strategic alignment, CGIAR IP will define a common risk management and internal controls strategy, including priority areas for risk assessment such as organization-wide, project-specific, and regional risks. While CGIAR IP will not directly conduct these risk assessments at the Center or project level, members of the CGIAR IP—including Centers and the System Organization—will be responsible for conducting their own assessments in accordance with agreed methodologies and principles. The Risk and Internal Controls (R&IC) function will facilitate alignment across the Partnership by providing guidance and aggregating insights, enabling a more consistent understanding of risk exposure and supporting decision-making at the IP level.
- **Reporting Mechanisms:** Risks, including emerging risks and principal threats, will be communicated regularly to relevant stakeholders through defined reporting and events escalation channels.

## Risk Management Strategy

- CGIAR IP employs a structured risk management strategy to proactively identify, assess, and mitigate risks across its operations. This approach ensures alignment with the CGIAR IP's strategic objectives while fostering resilience and informed decision-making. Assessments include:
  - Integrated Partnership-Wide Risk Assessments – CGIAR IP conducts comprehensive risk assessments at the IP level to identify systemic risks and emerging threats. These assessments are performed annually and updated as needed to reflect changes in the internal and external environment.
  - Risk Assessment for CGIAR IP Programs– All major (based on thresholds to be developed) projects and programs undergo a structured risk evaluation to ensure alignment with CGIAR IP's risk appetite. These assessments help identify potential challenges early, enabling proactive risk mitigation strategies.
  - Regional Risk Assessments – Given CGIAR IP's global presence, regional risk assessments are proposed to address location-specific risks, including geopolitical, environmental, and operational challenges. These assessments inform tailored risk responses and strengthen local resilience.
- The Risk Management and Internal Control functions will also ensure that risk oversight is consistent and aligned across the Centers/SO by:
  - Demonstrating a system of internal controls that facilitates operational efficiency and protects funders' interests.
  - Establishing internal controls that provide reasonable assurance for effective risk management, recognizing that absolute risk elimination is not feasible.
  - Implementing a system of internal controls designed to enable regular risk evaluation and ensure timely and appropriate responses.
  - Conducting periodic risk assessments to identify and evaluate risks associated with operations, using the findings to implement appropriate mitigation strategies.
  - Developing ongoing monitoring and review processes to evaluate the effectiveness of internal controls, ensuring they remain adequate and adaptable to evolving risks.
  - Ensuring that all staff comply with established internal controls in their daily activities.

By upholding these principles, CGIAR IP and its Centers/SO reinforce a culture of accountability, transparency, and continuous improvement in internal controls.

## Reporting Mechanisms

- Guided by the CGIAR IP Risk Appetite Statement, risk communication and events escalation are essential to ensuring that Centers/SO effectively manage risks that may impact the Integrated Partnership and vice versa.
- Communication: Centers/SO are responsible for identifying and communicating risks that may impact the broader CGIAR Integrated Partnership. This includes emerging risks, principal threats, and any significant operational, strategic, financial, or reputational risks. In cases

where risks exceed defined thresholds—such as risks with potential cross-center impact, reputational consequences, or significant financial or strategic implications, they must be escalated through established reporting channels.

The RM&IC function is responsible for consolidating risk information and ensuring it is systematically elevated to the Global Leadership Team (GLT) and relevant governance bodies, such as the Audit, Finance & Risk Committees (AFRCs) and the Assurance Oversight Committee (AOC), as appropriate. This structured approach ensures alignment with CGIAR IP's governance model and promotes timely decision-making, transparency, and accountability across the Partnership.

- Escalation of events: In cases of risks that materialized into events that do not fall into the categories of events addressed by Ethics and Business escalation framework. The escalation process will follow a structured path:
  1. **Center/SO Risk and Internal Controls Leads** identify and flag such events.
  2. Events are communicated to the **RM&IC Function**, which consolidates and evaluates the information.
  3. The RM&IC Function ensures systematic escalation to the **Global Leadership Team (GLT)** and, where appropriate, to governance bodies including the **Integrated Partnership Board (IPB), Center Boards, Audit, Finance & Risk Committees (AFRCs),** and the **Assurance Oversight Committee (AOC).**

This process ensures that critical materialized events are managed in alignment with the CGIAR IP risk appetite, that decision-makers are informed in a timely manner, and that necessary actions can be taken to mitigate potential impacts before they escalate further.

## Roles and Responsibilities

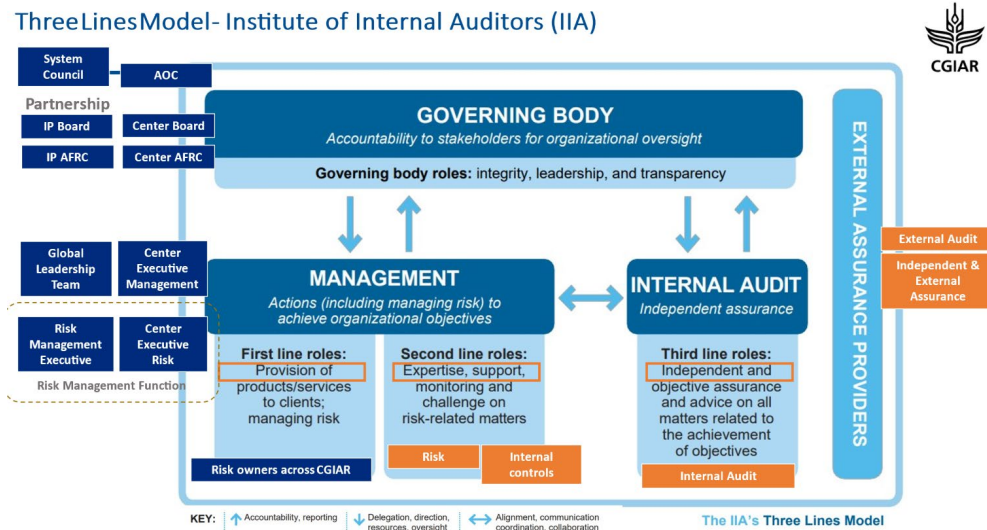
- The Global Leadership Team (GLT), Center/SO Management, oversight bodies (IP Board, System Council, Center Boards and their Committees) where applicable, should ensure that risk management is integrated into the organizational activities and should demonstrate leadership and commitment. The GLT and Center/SO Management are accountable for managing risk while oversight bodies are accountable for oversight. Center-owned risks remain fully in the mandate of each Center's Board and Management. However, effective management and oversight of CGIAR IP opportunities and threats will involve Centers sharing key risks that they oversee and manage to the CGIAR IP-wide risk register.
- The risk management framework at CGIAR IP is structured around the Institute of Internal Auditors (IIA) Three Lines Model, ensuring effective risk oversight, accountability, and governance. This model will be implemented within the CGIAR Integrated Partnership (IP) and Center/System Organization (SO) management structures to strengthen risk management practices.
  1. First Line: Operational Management
    - The GLT (Global Leadership Team) is responsible for identifying and managing risks across the Integrated Partnership, embedding risk awareness into day-to-day decision-making.
    - Center/SO Executive Management focuses on Center/SO-specific risks, ensuring that risk and control owners implement and maintain effective internal controls.
  2. Second Line: Risk Management & Compliance Functions

- The Integrated Partnership Risk and Internal Control Executive and Center/SO Lead Risk Teams oversee risk management activities, providing expert guidance, best practices, methodologies, and tools.
- These functions serve as advisors and facilitators, ensuring that risk management processes are standardized, integrated, and continuously improved across the organization.

### 3. Third Line: Internal Audit & Independent Assurance

- The Internal Audit function provides independent, objective assurance and advisory services, ensuring risk controls are effective and aligned with strategic objectives.
- Key governing bodies receiving audit oversight include:
  - Integrated Partnership Board (IPB) & Center Boards
  - Integrated Partnership Audit, Finance, and Risk Committee (IP-AFRC)
  - Respective Center Audit, Finance, and Risk Committees (AFRCs)
  - System Council via its Assurance Oversight Committee (AOC)

### The Three Lines Model<sup>1</sup>:



### 1. The System Council is responsible for:

- 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 Integrated Partnership.
- 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 CGIAR IP; and

<sup>1</sup> Adapted from Three Lines Model (previously known as the Three Lines of Defence) published on 20 July 2020 by IIA Global

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

The System Council's **Assurance Oversight Committee (AOC)** maintains effective communication with the IP Board's Audit Finance and Risk Committee, to advise the System Council with regards to its responsibilities set out above.

2. **The IP Board**, as the governing body, is responsible for ensuring that CGIAR IP has in place appropriate risk management and internal control systems and practices, and for determining the nature and extent of risk it is willing to take for CGIAR IP to achieve its strategic objectives. Therefore, the IP Board is responsible for:

- Overseeing CGIAR IP's approach to risk management and ensuring that risk management processes are implemented and operating effectively.
- Setting the tone and culture for effective risk management within CGIAR IP.
- Understanding the risks facing the CGIAR IP when setting and pursuing its objectives by carrying out a robust assessment of emerging and principal risks.
- Ensuring that information about such risks and their management is properly communicated including obtaining and providing to the System Council on a periodic basis reasonable assurance that opportunities are being acted upon in conformity with CGIAR IP's risk appetite, and this Risk Management Framework.
- Setting the IP Risk Appetite.
- Identifying necessary corrective actions to ensure effective implementation of the CGIAR IP Portfolio and effective governance in line with this Risk Management and internal control Framework and other CGIAR integrated partnerships policies.

The **IP Audit Finance and Risk Committee (AFRC)** supports the **IP Board** in delivery against its responsibilities, whose work is undertaken in consultation with the System Council's AOC. The common AFRC is responsible for:

- Monitoring overall compliance with the CGIAR Integrated Partnership Risk and Internal Controls Frameworks and related policies, report on significant non-compliance to Boards, and provide consolidated reporting to the IPB and AOC on matters arising.
- Overseeing the effectiveness of Management's responsibility to manage partnership risk, maintain a proper internal control system for financial and operational purposes, and monitor adherence to policies.

3. **The Center Boards** are responsible for:

- Approving Center risk management policies, procedures, and a risk appetite statement for the Center that is informed by the CGIAR IP risk appetite statement.
- Overseeing effective risk management within the Center for Center-related risks, and for those CGIAR IP-wide risks where the Center is identified as a risk owner within the CGIAR IP risk register (whether individually, or together with the IPB and System Council); Taking prompt action on risks that have the potential to impact the CGIAR Integrated Partnership, including escalating relevant risks to the IPB in line with agreed procedures; and

The Center Board's Audit Finance and Risk Committee (AFRC) supports the Center Board in delivery against its responsibilities. The Center AFRC is responsible for overseeing the effectiveness of Center Executive Management's responsibility to manage risk and maintain a proper system of internal control for financial and operational purposes and monitoring adherence to the System's approved management policies, directives, systems and procedures.

Specifically, the **Center AFRC** will:

- Continuously oversee and monitor the Center's Risk and Internal Controls Framework, ensuring that risk identification, assessment, mitigation, and reporting processes are effectively embedded across all levels of the organization.
- Proactively identify and report significant risk exposures, emerging threats, or potential risk management gaps to the Board of Directors, providing comprehensive insights and recommendations for minimizing and managing risks effectively.
- Oversee identifying and investigating significant risk events, including operational, financial, strategic, and reputational risks, focusing on those reported through internal or external risk reporting mechanisms.
- Ensure that all risk assessments and investigations are conducted thoroughly, independently, and in alignment with the Center's legal, regulatory, and ethical obligations, maintaining a strong focus on mitigating potential risks.
- Advise the Board on key risk findings, emerging trends, and outcomes from risk management efforts, including recommendations for corrective actions, strategic adjustments, and preventive measures to be implemented across the organization.
- Ensure that any material risk issues requiring the attention of the IPB-AFRC are communicated transparently, well-documented, and timely, in alignment with the Center's risk management strategy and governance best practices

4. **GLT** is responsible for the development and achievement of CGIAR IP's strategy and objectives, including the overall management of risk. Therefore, the GLT is responsible for:

- Reinforcing the message on the need to integrate risk management into the overall culture of the partnership.
- Leading the integration of risk management into core partnership activities and decision-making.
- Ensuring that the necessary resources are allocated to managing risk.
- Managing key objectives and risks and establishing risk measurement and reporting according to the partnership risk appetite through a structured risk review process.
- Ensuring implementation of and compliance with policies and procedures and suggesting improvements to manage changing risks; and

Maintaining continuous dialogue with the governing bodies and reporting on planned, actual, and expected outcomes—in **coordination with the RM&IC Function**—to ensure risk insights are systematically incorporated into oversight and decision-making processes.

5. **The Center Executive Management Team** is responsible for the development and achievement of the Center's strategy and objectives, including the overall management of risk and internal controls according to the Center's risk management framework and policy. This includes ensuring the implementation, effectiveness, and continuous improvement of internal control systems that support the achievement of objectives, compliance, and safeguarding of assets.

6. **Risk Owners** are responsible for identifying, overseeing, and managing risks within their remit, including development and monitoring of required controls and/or mitigating actions, and the timely reporting and communication of risks to management, as appropriate Risk Owners are typically members of the GLT or leaders of functional areas. Risk ownership is assigned based on the alignment between the risk and the strategic or operational responsibility of the individual or function within the organization.
  
7. The Risk Management function of the Integrated Partnership is discharged by the Risk Leads and Internal Controls Leads of each Center/SO. **IP Risk Management and Internal Control Functions** are responsible for:
  - Collaborating with stakeholders to develop comprehensive risk policies and guidelines that align with legal requirements and organizational values.
  - Identify and analyze trends and systemic risks that may impact the integrity of the partnership.
  - Enhancing risk visibility by addressing gaps in coverage and highlighting significant control failures.
  - Support the design and implementation of risk & internal controls training programs for all levels of staff across the Centers.
  - Drive continuous improvement by regularly reviewing and updating risk & internal controls policies, training materials, and risk management practices.
  
8. The **Center/ SO Risk and Internal Controls Leads** are responsible for:
  - Leading and coordinating risk management and internal control processes within their respective Center or System Organization (SO).
  - Ensuring the effective implementation of risk and internal controls practices, aligned with the CGIAR IP Risk Management and Internal Controls Framework and Policy.
  - Providing timely risk and control reporting to entity management and Boards, and supporting their oversight responsibilities through insights, recommendations, and updates.
  - Acting as the main liaison with the RM&IC Function to ensure consistency and alignment across the Integrated Partnership
  - Facilitating training, awareness, and continuous improvement in risk management and internal controls practices within their entities.
  
9. The **IP Risk Management & Internal Controls Executive** is responsible for:
  - Leads the Integrated Partnership Risk Management and Internal Control Functions.
  - Provide consolidated reporting across the entire partnership and communicating insights to the IPB-AFRC.
  - Reporting and Monitoring key risks to the IPB-AFRC.
  - Lead the development of a common global risk framework, risk methodology, strategy, approach, tools, and templates. (Reporting to GLT)
  - Ensure consistency, quality, and continuous improvement in the partnership Risk and Controls approaches by collaborating with other assurance functions and leveraging existing capabilities at the Centers.
  - Leads the adoption of best practices and standards while providing training to strengthen the capacity of risk and control functions throughout the partnership.

10. **The Internal Audit function, CGIAR’s Independent Advisory and Evaluation Service (IAES), Ethics and Business Conduct (EBC) Functions and external assurance providers** are responsible for:

- Providing risk-based independent assurance, advice insight, and foresight on the existence, adequacy and effectiveness of governance, risk management and internal control in a coordinated manner.
- External auditors provide assurance over financial statements; and
- Funder’s auditors provide assurance on bilateral projects
- Supporting the implementation of ethical standards and business conduct policies, addressing misconduct, and promoting a culture of integrity and accountability.
- Providing risk-based, independent assurance and advisory services on the effectiveness of governance, risk management, and internal controls across CGIAR IP, in accordance with the International Standards for the Professional Practice of Internal Auditing.

## Implementation

- This policy will be implemented through the integration of risk management and internal controls practices into management activities. Staff will be trained in risk management and internal controls principles, and resources will be allocated to ensure risks are monitored and managed effectively across all operations.
- The policy mandates mapping significant business processes that impact financial reporting to identify key risks and corresponding controls, thereby informing the development of Minimum Control Standards. These standards, which cover essential areas such as governance, compliance, fixed assets, revenue, HR, inventory, expenditure, IT, accounting, consolidation, tax, treasury, and sustainability, provide each Centre with clear, adaptable guidance to meet its unique operational objectives.
- As the risk management and internal controls framework matures, Centers are expected to integrate self-assessment tools—such as checklists, dashboards, and scorecards—to facilitate the ongoing evaluation of control efficiency and effectiveness. This will ensure that internal controls remain dynamic, proactive, and continuously enhanced through regular training, robust communication, and benchmarking against industry best practices.
- Each Center/SO is responsible for conducting periodic internal controls self-assessment checks using established tools such as checklists, dashboards, and scorecards. These self-assessments enable Centers to monitor the effectiveness of their internal controls continually, promptly identify areas for improvement, and ensure that their control environment remains dynamic and aligned with best practices.

## Governance

The governance of this policy is overseen by the designated governing bodies within CGIAR IP, comprising the Global Leadership Team, Centers Boards, and the IPB. These bodies hold responsibility for the development, implementation, and enforcement of the policy, ensuring alignment with CGIAR Integrated partnership objectives and compliance with relevant regulations and standards.

## Monitoring and Review

The effectiveness of this policy will be reviewed regularly to ensure it remains relevant and responsive to changing risks. Feedback from risk management and internal controls activities and the outcomes of periodic risk and internal controls assessments will inform us of continuous improvements to the policy and its implementation.

## Annex 1: Definitions

Relevant defined terms<sup>2</sup> used within this policy include:

**Risk:** effect of uncertainty on objectives

An effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats. Objectives can have different aspects and categories and can be applied at different levels. Risk is usually expressed in terms of risk sources, potential events, their consequences, and their likelihood

**Principal risks:** Principal risks should include, but are not necessarily limited to, those that could result in events or circumstances that might threaten the business model, future performance, solvency or liquidity and reputation. In deciding which risks are principal risks organizations should consider the potential impact and probability of the related events or circumstances, and the timescale over which they may occur

**Risk Management:** coordinated activities to direct and control an organization regarding risk, in an enterprise-wide and holistic approach. It includes culture, capabilities, and practices, integrated with strategy-setting and performance, that organizations rely on to manage risk in creating, preserving, and realizing value

**Risk assessment:** the overall process of risk identification, risk analysis, and risk evaluation

**Risk source:** element which alone or in combination has the potential to give rise to risk

**Event:** occurrence or change of a particular set of circumstances

An event can have one or more occurrences, and can have several causes and several consequences

An event can also be expected to not happen, or something that is not expected which does happen

An event can be a risk source

**Consequence:** outcome of an event affecting objectives

A consequence can be certain or uncertain and can have positive or negative direct or indirect effects on objective

Consequences can be expressed qualitatively or quantitatively

Any consequence can escalate through cascading and cumulative effects

**Likelihood:** chance of something happening

**Level of risk:** Magnitude of a risk or combination of risks, expressed in terms of the combination of impact and their likelihood

**Current level:** Inherent risk considering existing controls which may be incomplete

**Target level:** Residual risk within an agreed time horizon, guided by the risk appetite

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<sup>2</sup> Adopted from ISO 31000 International Standard, COSO ERM and FRC UK Guidance on the Strategic Report

**Control:** measure that maintains and/or modifies risk

Controls include, but are not limited to, any process, policy, device, practice, or other conditions and/or actions which maintain and/or modify risk

Controls may not always exert the intended or assumed modifying effect

**Risk Appetite:** nature and extent of risk the organization is willing to take in pursuit of value and to achieve its long-term strategic objectives

**Risk categories:** a grouping or classification of similar types of risks based on their nature, characteristics, or impact on an organization. It helps in organizing and managing risks more efficiently by grouping them into broader categories, which allows for better understanding, assessment, and strategies to manage risk

## Relevant documents

- CGIAR Integrated Partnership: Risk Management Framework
- CGIAR Integrated Partnership: Risk Appetite
- Integrated Partnership Risk and Oversight Plan Narrative document