

Annex XXIII: Proposed risk dashboard and related categories and subcategories of risk

1. Table 1 summarizes the definition of the eight risk categories and 28 subcategories to be monitored.

Table 1: Risk categories and subcategories to be tracked


Category	Subcategory	Source of risk
Strategic	Climate impact & results	Failure to deliver the expected transformative mitigation and adaptation climate impact as defined by the Green Climate Fund's (the Fund's) objectives, investment criteria and the results management framework
	Concentration	Concentration on a limited number or types of AEs or geographies that fail to generate the required balance in mitigation/adaptation; pipeline of projects/programmes
	Portfolio management	Failure to build an optimal portfolio of projects/programmes as defined by the Fund's initial results management framework
	Accountability	Failure of governance to enable and make timely decisions in corporate affairs or to respond to COP guidance
	Country ownership	Failure to develop a portfolio of projects and programmes that is fully aligned with country priorities and strategies; that fosters the involvement of local actors; and that is consistent with the country's debt sustainability framework
Reputational	Business practices	Events or issues that have a material adverse effect on the Fund's credibility in developing countries or with contributors, AEs or civil society
	Unexpected shocks	Adverse publicity that occurs as a result of fraud, implementation failure or other types of shocks related to the Fund's operations
	AE and other party activities	Adverse publicity that occurs as a result of activities of AEs, or of other parties involved in projects/programmes that are not related to the Fund, or from their failure to disclose relevant information
Operational	AE and other party risk	Failure of AEs to comply with the Accreditation Master Agreement, including the information disclosure component. Lack of AE implementation capacity leading to lack of or slow disbursement; Failure of other parties involved in the Fund's projects and programmes to comply with their respective agreements with the Fund
	Fiduciary	Failure of the Fund to effectively exercise its fiduciary duty due to: <ul style="list-style-type: none"> (a) Failure of internal controls in administrative and operational procedures; (b) Failure to effectively monitor risks and take appropriate mitigation measures; (c) Poor management of AEs, executing entities or NDAs; and (d) Internal or external fraud
	Staffing	Operational failures, losses and other disruptions arising from the Fund's staffing model, including staff numbers and external consultants as well as problems with recruitment, retention, succession planning, and integrity and morale among the Fund's staff
	Business disruption	Disruption of business due to catastrophic events or system failures (hardware, software, telecommunications, wars)

Category	Subcategory	Source of risk
Legal	Legislative	Failure by the Fund, AEs or executing entities to implement legislative or regulatory requirements related to the Fund's operations or engagement in situations where governing laws or rules are ambiguous or untested
	Contractual	Use of defective contracts that expose the Fund to disputes and losses
	Non-contractual	The Fund, AEs or executing entities fail(s) to keep to the spirit, as well as the letter, of non-contractual law: for example, infringement of third-party intellectual property rights
Compliance	External	Failure to comply with the standards and codes of conduct that are set by international law and the host countries in which the Fund invests
	Internal	Failure of staff or board members to comply with the standards and codes of conduct that are set by the Fund itself through its policies and procedures
Performance	Temporal	Failure of AEs or executing entities to respect tenors and/or schedules pertaining to financial obligations or the execution of projects/programmes
	Monetary	Failure of AEs and executing entities to honour financial obligations (repayment of principal, interest, fees and/or expected return on equity) in a timely manner. This includes credit risk; counterparty risk; equity risk; and political risk including nationalization, expropriation, convertibility and transferability
	Investment criteria	Failure of AEs or executing entities to adhere to the investment criteria results to which they committed themselves
	Concentration	Failure to sufficiently diversify the portfolio of AEs and/or investments such that a material adverse event related to a restricted number of AEs and/or projects would have a portfolio threatening impact on the Fund
Funding	Conversion	Failure to convert pledges into contributions in a timely manner
	Encashment	Expected payments in cash and promissory payments, or the encashment of promissory notes, do not materialize within the expected time frame
	Reflow	Expected reflows to the Fund from the project portfolio do not materialize within the expected time frame
	Concentration	Failure to sufficiently diversify the portfolio of contributors such that a material adverse event related to one or a few key contributors would give rise to a Fund-threatening liquidity or solvency situation
Market	FX	Foreign exchange risk
	Interest rate	Changes in interest rates such as investment losses in the liquid portfolio managed by the Interim Trustee
	Liquidity	Timing mismatch between the cash inflows and cash outflows leading to a shortage in the ability of the Fund to face its payment obligations

Abbreviations: AE = accredited entity, COP = Conference of the Parties, FX = foreign exchange, H = high, M = medium, L = low.

- The risk dashboard where the risk categories and subcategories will be monitored is presented in Table 2.

Table 2: Risk dashboard

Risk type	Category	Subcategory	Priority (VH/H/M/L) ^a	Key performance metric	Triggers	Flag	Corrective action plan	
Non-financial risk	Strategic	Climate impact & results	TBD	TBD	<ul style="list-style-type: none"> • Target TBD • Limit TBD 		TBD in cases of flags	
		Concentration	TBD	TBD		TBD	TBD	
		Portfolio management	TBD	TBD		TBD	TBD	
		Accountability	TBD	TBD		TBD	TBD	
		Country ownership	TBD	TBD		TBD	TBD	
	Reputational	Business practices	TBD	TBD		TBD	TBD	
		Unexpected shocks	TBD	TBD		TBD	TBD	
		AE and other party activities	TBD	TBD		TBD	TBD	
	Operational	AE and other party risk	TBD	TBD		TBD	TBD	
		Fiduciary	TBD	TBD		TBD	TBD	
		Staffing	TBD	TBD		TBD	TBD	
		Business disruption	TBD	TBD		TBD	TBD	
	Legal	Legislative	TBD	TBD		TBD	TBD	
		Contractual	TBD	TBD		TBD	TBD	
		Non-contractual	TBD	TBD		TBD	TBD	
	Compliance	External	TBD	TBD		TBD	TBD	
		Internal	TBD	TBD		TBD	TBD	
	Financial risk	Performance	Temporal	TBD	TBD		TBD	TBD
			Monetary	TBD	TBD		TBD	TBD
			Investment criteria	TBD	TBD		TBD	TBD
Concentration			TBD	TBD		TBD	TBD	
Funding		Conversion	TBD	TBD		TBD	TBD	
		Encashment	TBD	TBD		TBD	TBD	
		Reflow	TBD	TBD		TBD	TBD	
		Concentration	TBD	TBD		TBD	TBD	
Market		FX	TBD	TBD		TBD	TBD	
		Interest rate	TBD	TBD		TBD	TBD	
		Liquidity	TBD	TBD		TBD	TBD	

Abbreviations: AE = accredited entity, FX = foreign exchange, H = high, M = medium, L = low, TBD = to be determined.

^a. Noting that for financial risks, a quantified scale would need to be developed reflecting expected potential losses.

3. The Secretariat is to further define each subcategory when working on developing the risk registry in consultation with the Risk Management Committee.