

AUDIT

Risk management audit

Swiss Investment Fund for Emerging Markets AG

KEY FACTS

Since 2011, the Swiss Investment Fund for Emerging Markets AG (SIFEM AG) has been Switzerland's development finance institution. The Confederation owns 100% of SIFEM AG's equity. SIFEM AG is part of Switzerland's economic development effort, and invests in around 70 funds and financial institutions. In turn, these intermediaries finance small, medium-sized and rapidly growing private enterprises in developing and emerging economies. As at 31 December 2023, its total assets amounted to just under CHF 684 million. It had active liabilities (investment promises and ongoing commitments) of around CHF 1 billion at end-2023.

The Federal Council manages SIFEM AG according to strategic objectives. These stipulate, among other things, that SIFEM AG must have a corporate risk management system based on ISO 31000¹.

The Swiss Federal Audit Office examined the quality of risk management at SIFEM AG. Its core activity, i.e. managing financial risk in the investment portfolio, is effective. By contrast, risk management for the company as a whole is patchy, is performed on an ad hoc or reactive basis and shows considerable room for procedural and substantive improvement.

Risk management at company level is poor

SIFEM AG does not have an effective risk policy or strategy to communicate how it intends to handle risks at company level, and which risks it can bear, to enable it to perform its tasks conscientiously, economically and in a targeted way. The risk policy and strategy should be approved by the Board of Directors. This body has a responsibility to set out the risk management tasks, powers and responsibilities clearly and unambiguously in the organisational regulations, as well as in agreements concluded with external service providers, and to implement them within the company.

A risk and measures catalogue for SIFEM AG is available in a draft version. However, SIFEM AG has not yet systematically identified and assessed the risks for the company as a whole, or defined the measures and associated responsibilities. The risks and the effectiveness of the measures are not regularly reviewed. SIFEM AG's risk management is not subject to sufficient monitoring. As a result, the Board of Directors is not well enough informed about SIFEM AG's risk situation to be able to intervene proactively and provide guidance.

The risk management system in its current form is unsuited to dealing with either the occurrence or the impact of risks, and is therefore ineffective.

¹ This standard sets out guidelines for implementing appropriate risk management in three stages within an organisation (principles, framework and process); see <https://www.iso.org/iso-31000-risk-management.html>