

Annex V: Risk management framework component I – revised risk register

I. Introduction

1. Through decision B.12/34, the Board adopted the risk register as contained in annex XXVIII and requested the Risk Management Committee (RMC) to review the probability, impact and resulting priorities of risks prior to the thirteenth meeting of the Board. A technical note was compiled to provide an approach and rationale that estimates the probabilities, impacts and resulting priorities in the risk register. Moreover, the Board indicated that the risk register will be updated at least once a year. In addition, the Board requested the Secretariat to monitor and report to the Board at each Board meeting any changes in the priorities of the risk register.

2. The Board, through decision B.13/35, adopted the proposed revision of the risk register and concluded that the proposal was reasonable. The RMC also recommended that the Board change the risk register update interval from “at least once a year” to “as frequently as the RMC deems necessary, but no less frequent than once every three years”, due to the fact that the risk environment in which the Green Climate Fund (“GCF”, “the Fund”) operates evolves as a result of external events, changes in the mix of instruments deployed by the GCF and other strategic priorities.

3. Through decision B.13/36, the Board requested the Secretariat, in consultation with the RMC, to develop the necessary methodologies to enhance the Secretariat’s risk management capacity.

4. This document is a component of the Risk Management Framework (“RMF”), and it contains an updated version of the GCF’s previous risk register (GCF/B.13/29). The updated technical note from the RMC regarding the risk register is contained in Appendix I. The risk register provides a comprehensive list of non-overlapping risk types that concern the GCF and a clear definition for each risk type in that list. The risk register brings the following benefits:

- (a) It provides a consistent terminology for the GCF to communicate about risk.
- (b) It helps define the mandate of the Office of Risk Management and Compliance by clarifying what should be a risk concern versus what should be a strategy concern.
- (c) It defines the structure around which the rest of the RMF can be defined, thus bringing consistency across the RMF.

5. Specifically, this new version ensures that the set of risks listed in the register are comprehensive and non-overlapping, and that it clarifies the philosophy of what should be a risk concern vs. strategic concern. Beyond the risk types and definitions, GCF’s previous risk register also included some other parameters on each risk type – most importantly the likelihood, impact, and mitigating actions. These other parameters too have been updated in this version of the risk register. The main focus of these updates was to ensure greater consistency in these parameters across various risk types and with the new proposed risk appetite statement. However, the parameters have a strong dependence on the rest of the RMF (including detailed processes and procedures which are a part of the RMF) which is currently being revised. Hence, these parameters should be reviewed again after the rest of the RMF has been detailed.

II. Linkages with previous decisions and other documents

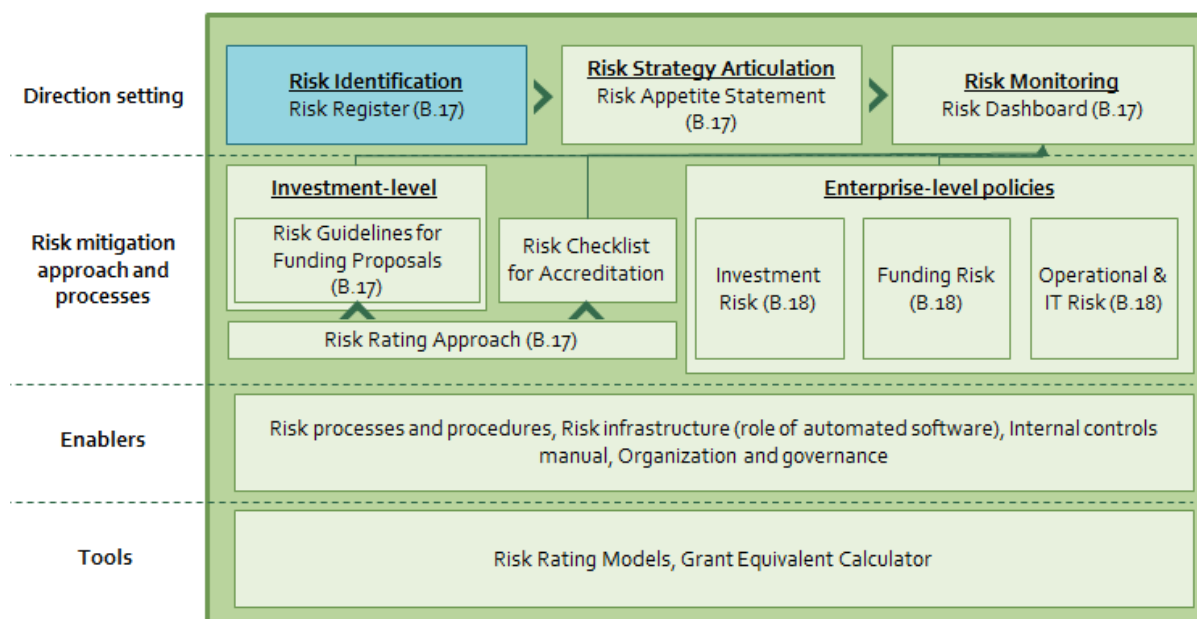
6. This document also has linkages with the following documents:

- (a) Document GCF/B.12/17 titled “Initial risk management framework: risk register, risk appetite update and Initial risk guidelines for credit and investment”
- (b) Document GCF/B.13/29 titled “Report on the proposed revision of the risk register”

III. Objective

7. This document is a component of the Risk Management Framework (RMF), and it contains an updated risk register. The risk register provides a comprehensive list of non-overlapping risk types that concern the GCF, and a clear definition for each risk type in that list.

Figure 1. Risk Management Framework (RMF) components



- 8. The risk register brings the following benefits:
 - (a) Provides a consistent language and terminology for the GCF to communicate about risk, outlining a comprehensive set of non-overlapping risks that GCF faces with clear definitions;
 - (b) It helps define the mandate for the Office of Risk Management and Compliance by clarifying what should be a risk concern versus what should be a strategy concern; and
 - (c) It defines the structure around which the rest of the RMF can be defined, thus bringing consistency across the RMF.
- 9. The risk register also summarizes mechanisms in place to identify, analyse and evaluate the risks. It can be used to assess the relative priority of the risks and to take control actions to mitigate them.

IV. Effective date

10. The revised risk register set forth in appendix I will take effect on September 1st 2017. If the Interim Trustee is unable to implement the requirements in the revised risk register, they will become applicable after the selection of the Permanent Trustee. Until that time, the GCF should monitor the Fund’s adherence to these requirements to the extent possible under the current agreement. It should be noted that beyond the list of risk types and their definitions, other parameters described in this risk register have a strong dependence on the rest of the

RMF (including the RMF's detailed elements like processes and procedures) which is currently being revised. Hence these parameters of the risk register should be reviewed again after the rest of the RMF has been detailed.

Appendix I: Updated technical note from the Risk Management Committee and the revised risk register

I. Introduction

1. In decision B.12/34, the Board adopted the risk register and requested the Risk Management Committee (RMC) to review the probabilities, impacts and resulting priorities of risks prior to the thirteenth meeting of the Board. This technical note was compiled to provide an approach and rationale that estimates the probabilities, impacts and resulting priorities in the risk register.
2. This technical note has been updated as part of the revisions proposed to the risk register in this document.

II. Definition

3. General definitions: Risk is a potential event that can threaten the achievement of an organization's objectives. Organizations take various actions to control risk within their risk appetite and risk tolerances. Risk that exists before organizations take mitigating actions is termed inherent risk, whereas risk that remains after control measures are taken is termed residual risk. A risk register is a documented collection of the risks impacting an activity or the organization, as well as the mechanisms in place to identify, analyze and evaluate the risks. It can be used to assess the relative priority of the risks and to take control actions to mitigate them. For each risk, the following parameters are identified:
 - (a) Probability and impact: The assessment of the likelihood of the risk events occurring and, if the risk event occurs, the overall impact on the organization;
 - (b) Risk tolerance: The level of appetite or tolerance that the organization has to the particular type of risk;
 - (c) Mitigation: Mechanisms that should ideally be in place to reduce the probability of occurrence, or to reduce the impact of, each type of risk if it were to occur. Potential mitigation measures include policies, procedures, internal controls, and analytical tools;
 - (d) Priority: The relative importance to the organization of each risk based on the combination of probability of occurrence and impact; and
 - (e) Key risk indicator: The parameter(s) used to measure the level of risk that materialized.
4. Two other parameters from the previous risk register (GCF/B.13/29) - Triggers and Owners – have been removed in this revision. The Triggers parameter was removed as it had strong overlaps with the Mitigation parameter. The previous risk register (GCF/B.13/29) also assigned multiple owners to each risk. It is recommended that the Owner parameter is considered for inclusion again once the rest of the RMF has been detailed and there is further clarity on ownership (i.e. a single owner) of each risk-related activity.

III. Proposed risk assessment approach

5. There are two types of risk: inherent risk and residual risk. Risk that exists before an organization takes mitigation actions is inherent risk, and risk that remains after control measures are taken is residual risk. The objective of risk management is to maintain the residual risk level within risk appetite and tolerance set by the board of an organization.
6. Ideally, the probability and impact of risk (and the resulting priority also) need to be based on the actual risk/loss events of the GCF. In such cases, the GCF can observe the risk

probability and impact from its historical risk data, thereby directly arriving at risk priority. However, many of the estimates of risks will always be based on "expert judgment" since some of the risk types will occur very rarely so as to allow the development of a meaningful historical database with any level of statistical significance.

7. As a start-up organization, the GCF does not have its own historical data, making it inevitable that it will rely on experts' professional judgment as a starting point. Therefore, it is useful to follow the flow of logic from inherent risk to residual risk considering mitigation measure.

IV. Initial assessment

8. The Probability of occurrence and Impact are defined as follows:

(a) Probability of occurrence

- (i) High – highly likely to occur within the next 12 months;
- (ii) Somewhat likely – would not be surprising if it occurred within the next 36 months;
- (iii) Somewhat unlikely – would be surprising if it occurred within the next 36 months; and
- (iv) Low – highly unlikely to occur within the next 36 months.

(b) Impact

- (i) High – a material adverse impact that could impede the organization's ongoing viability and/or its ability to meet its strategic objectives;
- (ii) Somewhat disruptive – an adverse impact that would be disruptive to the viability of the GCF and/or its ability to meet its strategic objectives;
- (iii) Somewhat non-disruptive – a relatively contained adverse impact that could impact the financials of the GCF and/or its ability to meet its strategic objectives by up to 10 per cent; and
- (iv) Low – minimal and contained impact.

9. The priorities for inherent and residual risks are assigned using the priority grid (Table 1) approved by the Board as part of the risk dashboard, and it is effectively the result of combining the probability and impact of occurrence as an estimation of the importance of such risks.

Table 1. Priority table

Probability of occurrence \ Impact	Low (L)	Somewhat non-disruptive (SND)	Somewhat disruptive (SD)	High (H)
Low (L)	Low priority	Low priority	Low priority	Medium priority
Somewhat unlikely (SU)	Low priority	Low priority	Medium priority	Medium priority
Somewhat likely (SL)	Low priority	Medium priority	High priority	High priority
High (H)	Medium priority	Medium priority	High priority	Very high priority

Source: Document GCF/B.10/07 titled "Initial risk management framework: methodology to determine and define the Fund's risk appetite"

Revised risk register

Risk code		1.1	1.2
Risk category		Compliance	Compliance
Subcategory		Internal compliance breach	Regulation and sanction/embargo breach and engagement in prohibited practices
Description		Failure of staff or Board members to comply with the standards and codes of conduct, set by the GCF itself through its policies and procedures, including: Travel Policy (as appropriate), Administrative Policies of the Fund, Policies on Ethics and Conflicts of Interest, Policies on ethics and conflicts of interest for other Board appointed officials and active observers, Information Disclosure Policy, cross-subsidization between providers of grants and loans (Financial Risk Management Framework), Gender Policy and Action Plan, Fiduciary Principles and Standards, Environmental and Social Safeguards	Failure of the GCF, AE/EEs, or other related parties to adhere to the laws and regulations, including sanctions and embargoes, in jurisdictions relevant to the operations or engagements of the GCF as well as to the GCF's prohibited practices requirements and Anti-Money Laundering and Countering the Financing of Terrorism Policy (as appropriate), etc.
Inherent risk	Prob.	Somewhat unlikely	Somewhat likely
	Impact	High	High
	Priority	Medium	High
Risk tolerance		GCF will completely avoid this risk (zero tolerance)	GCF will completely avoid this risk (zero tolerance)
Mitigation		The risk will be identified and mitigated as follows: 1) All HR decisions will be screened for this risk. 2) GCF will continuously evaluate internal processes and policies (including the GCF payments process) for this risk and take corrective action as required. It will also take necessary action to improve the Compliance/Ethics Culture across GCF through adequate communication efforts and staff and Board training. 3) GCF will continuously evaluate all internal processes and policies, Funding Proposals, and GCF's overall investments in projects / programmes for potential policy breaches, and take corrective action as required.	The risk will be identified and mitigated as follows: 1) Accreditation process: Potential AEs will be screened for this risk, and accreditation decisions will be taken accordingly. GCF will continue to evaluate AEs for this risk through the ongoing AE monitoring and evaluation and take corrective action as required. 2) Projects / programmes: Concept Notes and Funding Proposals will be screened for this risk, and such evaluations will influence the final decisions taken on them. GCF will continue to evaluate projects / programmes for this risk through the ongoing project / programme monitoring and review process and take corrective action as required. 3) All HR and procurement decisions will be screened for this risk. 4) The GCF will continuously evaluate internal processes and policies (including the GCF payments process) for this risk. and take corrective action as required. It will also take necessary action to drive a Compliance/Ethics Culture across GCF. 5) The GCF will continue to monitor for changes in laws and regulations, including sanctions and embargoes, applicable to GCF and take corrective action as required. GCF will also secure necessary privileges and immunities that are not yet in place and conduct periodic exchanges with home country authorities.
Residual risk	Prob.	Low	Somewhat unlikely
	Impact	High	High
	Priority	Medium	Medium
Key risk indicator		List of compliance breaches	List of compliance breaches; List of countries and exposures where GCF invests in without privileges and immunities

Risk code		2.1	2.2
Risk category		Legal risk	Legal risk
Subcategory		Contractual breach	Non-contractual breach
Description		Financial loss, sanction, and/or reputational damage resulting from the use of defective contracts or contractual relationships	Financial loss, sanction, and/or reputational damage resulting from Non-Contractual Rights Risk (the risk that GCF's assets are not properly owned or are infringed by others, or the infringement by GCF entity of another party's rights)
Inherent risk	Prob.	Somewhat likely	Low
	Impact	Somewhat disruptive	Somewhat non-disruptive
	Priority	High	Low
Risk tolerance		GCF will take this risk in a limited, controlled amount	GCF will take this risk in a limited, controlled amount
Mitigation		<p>The risk will be identified and mitigated as follows:</p> <ol style="list-style-type: none"> 1) GCF will screen its legal contacts (AMAs, FAAs, procurement contracts, etc.) for this risk. 2) GCF will continuously evaluate internal processes and policies for this risk and take corrective action as required. It will also take necessary action to improve the compliance culture across GCF. 3) GCF will continue to monitor for changes in law applicable to GCF and take corrective action as required. GCF will secure necessary privileges and immunities that are not yet in place and conduct periodic exchanges with home country authorities. 4) The General Counsel will review all contracts, when applicable, and take corrective action as required. 	<p>The risk will be identified and mitigated as follows:</p> <ol style="list-style-type: none"> 1) GCF will continuously evaluate internal processes and policies for this risk and take corrective action as required. It will also take necessary action to improve the Compliance/Ethics Culture across GCF. 2) GCF will continue to monitor for changes in law applicable to GCF and take corrective action as required. 3) The General Counsel will oversee legal documents and internal practices and take corrective action as required. GCF may use external counsel, if necessary. 4) GCF will continue to monitor AMA and FAA commitments and take corrective action as required.
Residual risk	Prob.	Somewhat unlikely	Low
	Impact	Somewhat disruptive	Somewhat non-disruptive
	Priority	Medium	Low
Key risk indicator		List of legal disputes; List of countries and exposures where GCF invests in without privileges and immunities	List of legal disputes

Risk code	3		4.1	4.2
Risk category	Reputation risk		Operational and IT risk	Operational and IT risk
Subcategory	N/A		GCF operational process errors	Disasters and other events
Description	Adverse perception which has a material effect on the credibility of GCF (beyond the Reputational damage which may be incurred due to one of the other risks in this register)		Failure to meet GCF's internal operations standards or non-compliance with external requirements that affect operations activities	Disruption of business due to natural or man-made catastrophic disasters
Inherent risk	Prob.	High	Somewhat likely	Somewhat unlikely
	Impact	Somewhat disruptive	Somewhat non-disruptive	Somewhat disruptive
	Priority	High	Medium	Medium
Risk tolerance	GCF will take this risk in a limited, controlled amount		GCF will take this risk in a limited, controlled amount	GCF will take this risk in a limited, controlled amount
Mitigation	Reputational risk can persist despite the broader risk mitigation measures in place. GCF's strategy will include a clear plan to mitigate and manage this risk ¹ . GCF will be informed by reputational risk monitoring, which will be identified and measured in media monitoring and engagement with AEs, NDAs, CSOs, and other stakeholders. GCF will also set a stakeholder engagement plan that has to be executed in cases where reputation risk is deemed high (e.g. frequent negative international coverage on a GCF-supported project). For reputational risks resulting from the complexity of applying for GCF funds or slow, inefficient decision-making processes, GCF will provide guidance and readiness programmes for relatively inexperienced AE/EE/NDAs, and distribute materials to facilitate awareness and understanding of the process.		GCF will implement controls in its operational processes to mitigate this risk. The effectiveness of these controls will be continuously evaluated through GCF's Risk Control Self-Assessment, and corrective action will be taken to modify controls where required.	GCF will set up a business continuity plan to prepare for such events, and socialize and train the organization on it. This plan will include a cloud-centric way of holding and securing information assets, combined with mobile computing to allow staff to work remotely and a business continuity management system consistent with ISO 22301:2012.
Residual risk	Prob.	Somewhat likely	Somewhat unlikely	Low
	Impact	Somewhat disruptive	Somewhat non-disruptive	Somewhat non-disruptive
	Priority	High	Low	Low
Key risk indicator	List of adverse publicity reports; List of grievances		Funding Proposal approval time; AE accreditation approval time	List of natural catastrophes, geopolitical events, wars, and terrorism affecting GCF's operations

¹ This will include a Communication strategy, which includes an approach to disseminating results. In addition, this risk will be mitigated through internal processes manuals, readiness programme, accreditation process, Country Programming outreach, financial management processes of the GCF, media monitoring, and participation of observers in Board meetings.

Risk code		4.3	4.4	4.5
Risk category		Operational and IT risk	Operational and IT risk	Operational and IT risk
Subcategory		IT systems failure	Cyber attack	Staffing risk
Description		Disruption of business due to unavailability / inaccessibility of IT infrastructure and applications.	Misappropriation of internal data and/or information by a third party through IT means, such as system security breach, hacking, phishing attacks, and cybercrime. Also includes hacking damage and malware / virus attacks.	Operational failures, losses and other disruptions arising from the staffing model of the GCF, including staff headcount level and external consultants as well as from problems with recruitment, retention, succession planning, integrity and morale among GCF staff.
Inherent risk	Prob.	Somewhat likely	Somewhat likely	High
	Impact	Somewhat disruptive	Somewhat disruptive	Somewhat disruptive
	Priority	High	High	High
Risk tolerance		GCF will take this risk in a limited, controlled amount	GCF will take this risk in a limited, controlled amount	Limited, controlled amount
Mitigation		GCF will set up an IT system evaluation, monitoring, and back-up strategy (in the event of a failure).	GCF will set up appropriate systems to assess, monitor, and prevent breaches, and establish protocols in the case of system breaches or data theft to minimize damages.	GCF will maintain a competitive compensation package, effective performance management system, and continuous learning opportunities. GCF will also take necessary actions to reduce vacancies and turnovers, increase staff morale, and address employee concerns or complaints.
Residual risk	Prob.	Somewhat unlikely	Somewhat unlikely	Somewhat likely
	Impact	Somewhat non-disruptive	Somewhat non-disruptive	Somewhat non-disruptive
	Priority	Low	Low	Medium
Key risk indicator		List of IT system failures	List of information security breaches	List of complaints on employee behavior; Employee turnover rate; Vacancy rate

Risk code		5.1	5.2	6.1
Risk category		Project/programme failure risk	Project/programme failure risk	Funding risk
Subcategory		Project/programme failure: Risk of non-compliance against internal requirements	Project/programme failure: Impact risk	Funds held in Trust: Foreign exchange (FX) risk
Description		Failure of the AE/EE or other related parties to comply with GCF's internal policies, guidelines, applicable regulations, and respective agreements (e.g. AMA, FAA) with involved parties to a project/programme.	Failure of the project/programme to deliver the expected transformative mitigation and adaptation climate impact	Loss in the value of contributions due to foreign exchange rate fluctuations
Inherent risk	Prob.	Somewhat likely	High	Somewhat likely
	Impact	Somewhat disruptive	Somewhat disruptive	Somewhat disruptive
	Priority	High	High	High
Risk tolerance		GCF will take this risk in a limited, controlled amount	GCF will actively take this risk to achieve its mandate	GCF will take this risk in a limited, controlled amount
Mitigation		Concept Notes and Funding Proposals will be screened for this risk, and the evaluation will influence the decisions taken on them. In addition, the risk will also be identified and measured in the accreditation process and AE monitoring process ² . GCF will also continue to evaluate projects / programmes for this risk through the ongoing project / programme monitoring and review process and take corrective action as required.	Concept Notes and Funding Proposals will be screened for this risk, and the evaluation will influence the decisions taken on them. In addition, the risk will be identified and measured in country programming outreach efforts and readiness programme. GCF will also continue to evaluate projects / programmes for this risk through the ongoing project / programme monitoring and review process ³ and take corrective action as required.	The risk will be monitored by the Secretariat through a contribution management system and mitigated through conversion of cash received to one of GCF's holding currencies, FX hedging, and continuous monitoring of the resulting FX position (enabling corrective action if required).
Residual risk	Prob.	Somewhat unlikely	High	Somewhat unlikely
	Impact	Somewhat disruptive	Somewhat disruptive	Somewhat non-disruptive
	Priority	Medium	High	Low
Key risk indicator		List of countries where GCF invests in without privileges and immunities; Customer Due Diligence Assessment Reports	Portfolio distribution by Project Success Risk Rating, Accredited Entities, Country, Results Area, Projects / Programmes etc.; Ongoing project delays; Impact achievements (Measurement of core adaptation and mitigation indicators)	Proportion hedged as percentage of total FX exposure

² The AE monitoring process will include monitoring of media and other public sources, and periodic interaction with NDAs.

³ The project / programme monitoring and review process will include assessment based on the GCF results management framework.

Risk code		6.2	6.3	6.4
Risk category		Funding risk	Funding risk	Funding risk
Subcategory		Funds held in Trust: Policy compliance risk	Funds held in Trust: Investment risk	Funding: Liquidity risk
Description		Failure to comply with GCF's policies on funds held in Trust	Losses in the value of investments of GCF's funds held in Trust due to market movements in the price of the securities	Timing mismatch between the cash inflows and cash outflows leading to shortages in the ability of the GCF to face its payment obligations
Inherent risk	Prob.	Somewhat likely	Somewhat likely	Somewhat likely
	Impact	High	Somewhat disruptive	Somewhat disruptive
	Priority	High	High	High
Risk tolerance		GCF will take this risk in a limited, controlled amount	GCF will take this risk in a limited, controlled amount	GCF will take this risk in a limited, controlled amount
Mitigation		GCF will set investment boundaries for its Trustee. The investment portfolio will continuously be monitored against those boundaries and the boundaries will be enforced using the arrangement with the Trustee ⁴ .	GCF will set risk targets for its Trustee. The investment portfolio will continuously be monitored against those targets and the targets will be enforced using the arrangement with the Trustee. GCF will also set concentration targets for its Trustee and monitor concentration levels ⁵ .	GCF's liquidity reserve will be analyzed in each Funding Proposal, and it will guide the decision taken on the Funding Proposal. GCF will continuously monitor its liquidity position vis-a-vis its Risk Appetite through various tools, such as cash flow models and contribution management system, and take corrective action as required.
Residual risk	Prob.	Low	Somewhat unlikely	Somewhat unlikely
	Impact	High	Somewhat disruptive	Somewhat non-disruptive
	Priority	Medium	Medium	Low
Key risk indicator		Confirmation that liquid asset portfolio ⁶ is not invested against the mission of the GCF.	Average credit rating of liquid asset portfolio. Confirmation that the Fund invests only in investment grade securities. Confirmation of the average and maximum duration for liquidity reserve ⁷ and other funds (see risk appetite statement).	Cash flow projection; Liquidity reserve size vs. target; Credit defaults

⁴ If the Interim Trustee is unable to implement these requirements, they will become applicable after the selection of the Permanent Trustee. Until that time, the GCF should monitor the Fund's adherence to these requirements to the extent possible under the current agreement.

⁵ If the Interim Trustee is unable to implement these requirements, they will become applicable after the selection of the Permanent Trustee. Until that time, the GCF should monitor the Fund's adherence to these requirements to the extent possible under the current agreement.

⁶ The liquid asset portfolio is defined as securities, cash or cash equivalents held in Trust or in GCF's bank accounts (see risk appetite statement).

⁷ The GCF will set an appetite level on the size of the GCF's liquidity reserve that will be equivalent to sufficient levels to sustain net funding requirements for 1 year (see risk appetite statement).

Risk code		6.5	7.1	7.2
Risk category		Funding risk	Financial investment risk	Financial investment risk
Subcategory		Funding: Contribution uncertainty risk	Equity investments: Valuation shock risk	Equity investments: Exit strategy risk
Description		Failure to convert all pledges into contributions in total, or within the promised time frame	Severe negative shocks to valuations of GCF's equity investments	Failure of GCF to exit its equity investments
Inherent risk	Prob.	Somewhat likely	High	High
	Impact	High	Somewhat disruptive	Somewhat non-disruptive
	Priority	High	High	Medium
Risk tolerance		GCF will take this risk in a limited, controlled amount	GCF will actively take this risk to achieve its mandate	GCF will actively take this risk to achieve its mandate
Mitigation		GCF will continuously evaluate its commitment authority and encashment schedule, and risk of payment roll backs and delays through the contribution management system, periodic engagements with contributors, and media and other public sources monitoring. The Board will be kept abreast with the funding position using the resource mobilization reports.	Concept Notes and Funding Proposals will be screened for this risk, and such evaluations will influence the decisions taken on them. GCF will continue to evaluate projects / programmes for this risk through the ongoing project / programme monitoring and review process and take corrective action as required.	Concept Notes and Funding Proposals will be screened for this risk, and such evaluations will influence the decisions taken on them. GCF will continue to evaluate projects / programmes for this risk through the ongoing project / programme monitoring and review process and take corrective action as required.
Residual risk	Prob.	Somewhat unlikely	High	High
	Impact	High	Somewhat disruptive	Somewhat non-disruptive
	Priority	Medium	High	Medium
Key risk indicator		Deviation from expected payment, deposit or encashment schedules; Percentage of pledges remaining unsigned; Percentage exposure to contributors (by contributor, financial instrument)	Changes in equity valuations relative to the initial equity investment per Funding Proposal; Changes in overall valuation of GCF's equity investment portfolio	List of equity investments without a clear exit strategy

Risk code		7.3	7.4
Risk category		Financial investment risk	Financial investment risk
Subcategory		Credit: Counterparty risk	Credit: Convertibility and Transfer Risk
Description		The risk that a GCF loan financing recipient will become unwilling or unable to satisfy the terms of a loan obligation to the GCF, or that the value of a loan asset declines due to a deterioration in the creditworthiness of the issuer	The risk that a government will impose a moratorium on, or otherwise prohibit private sector obligors from servicing their foreign currency debts in a timely manner by restricting the ability of the obligor to convert a local currency balance to a foreign currency balance and/or transfer a foreign currency balance to its foreign currency creditors.
Inherent risk	Prob.	High	Somewhat unlikely
	Impact	Somewhat non-disruptive	Somewhat non-disruptive
	Priority	Medium	Low
Risk tolerance		GCF will actively take this risk to achieve its mandate	GCF will actively take this risk to achieve its mandate
Mitigation		Concept Notes and Funding Proposals will be screened for this risk, and such evaluations will influence the decisions taken on them. Accreditation decisions will also be dependent on credit risk assessment. GCF will also continue to evaluate projects / programmes / AEs for this risk through the ongoing project / programme and AE monitoring (including credit risk monitoring) and review process and take corrective action as required.	Concept Notes and Funding Proposals will be screened for this risk, and such evaluations will influence the decisions taken on them. GCF will continue to evaluate projects / programmes for this risk through the ongoing project / programme monitoring and review process and take corrective action as required. NDAs will be involved to further mitigate this risk.
Residual risk	Prob.	High	Low
	Impact	Somewhat non-disruptive	Somewhat non-disruptive
	Priority	Medium	Low
Key risk indicator		Deviation of reflows from loan disbursements (split by deviations driven by counterparty risk vs. convertibility and transfer risk); List of delinquent loans with degree of delinquency and delinquent amount (split by delinquencies driven by counterparty risk vs. convertibility and transfer risk); Portfolio distribution by Credit Risk Rating	Deviation of reflows from loan disbursements (split by deviations driven by counterparty risk vs. convertibility and transfer risk); List of delinquent loans with degree of delinquency and delinquent amount (split by delinquencies driven by counterparty risk vs. convertibility and transfer risk)