



**GREEN
CLIMATE
FUND**

Meeting of the Board

6 – 8 July 2019

Songdo, Incheon, Republic of Korea

Provisional agenda item 6

GCF/B.23/Inf.08/Add.02

8 July 2019

Reports from committees, panels and groups of the Board of the Green Climate Fund – Addendum II

Summary

This document contains the reports on activities that have already conducted or are planned to be undertaken by the following committees and panels of the Board of the Green Climate Fund during the reporting period from 1 January to 31 May 2019:

- (a) Risk Management Committee.

I. Introduction

1. Through decision B.17/11, the Board adopted the first set of components of the Risk Management Framework, which included the revised risk register, risk appetite statement, risk dashboard, and risk guidelines for funding proposals. The Board also requested the Secretariat to further develop the risk dashboard and the underlying methodologies for consideration by the Board at its eighteenth meeting. In addition, the Board requested the Secretariat to continue with the development of appropriate risk rating models with the support from an external professional service provider and in consultation with the Risk Management Committee (RMC) and present the risk rating models for consideration by the Board at its nineteenth meeting.
2. At its eighteenth meeting, the Board took note of document GCF/B.18/05 titled “GCF risk management framework – Proposal by the Risk Management Committee”; however, no decision was taken under this item.
3. Through decision B.18/01, the Board approved the work plan of the Board for 2018 and decided to postpone the presentation of the risk rating methodologies for consideration by the Board to its twentieth meeting.
4. The Board through decision B.19/04 adopted the second set of components of the RMF which included three risk policies governing investment, non-financial and funding risks, respectively. Through the same decision, the Board also decided to update the risk dashboard with the revised approach to reporting on concentration and requested the Secretariat to publish the updated risk dashboard every quarter thereafter.
5. At its twentieth meeting, the agenda item on “Risk management framework: compliance risk policy” was not opened by the Board and therefore no decision was taken under this item. At the same meeting, through decision B.20/03, the Board took note of the updated work plan of the Board for 2018 and decided to defer the consideration of the risk rating models, *inter alia*, and requested the Secretariat, in consultation with the Co-Chairs and relevant committees, panels and groups of the Board, to progress its work on the matter and present them for consideration by the Board at the earliest possible opportunity.
6. In Bahrain, at the twenty-first meeting of the Board, the agenda item on “Risk management framework: compliance risk policy” was not opened and therefore no decision was taken under this item. At the same meeting, through decision B.21/04, the Board approved the workplan of the Board for 2019 and decided to defer the consideration of the remaining components of the risk management framework, *inter alia*, and requested the Secretariat, in consultation with the Co-Chairs and relevant committees, panels and groups of the Board, to progress its work on the matter and present them for consideration by the Board at the earliest possible opportunity.
7. At the twenty-second meeting of the Board, no decision was taken by the Board on agenda item “Risk management framework: compliance risk policy” and the item was deferred to B.23. At the same meeting, through decision B.22/02, the Board adopted the revised workplan of the Board and will also consider the legal risk policy and risk rating models at B.23.
8. In decision B.12/31 (d), the Board requested the Executive Director to regard the template Accreditation Master Agreement (AMA) as the basis for negotiations with accredited entities. The Executive Director will determine, in consultation with the risk and legal teams, and the RMC, whether a change is considered substantive on a case-by-case basis, and would require Board approval.

II. Report on activities of the Committee

9. In the reporting period from 1 January to 31 May 2019, the RMC welcomed two new members, Mr. Cheikh Sylla and Mr. Ali Gholampour, to the RMC in February 2019.
10. The RMC held four formal meetings and conducted activities via e-mail correspondence. The RMC discussed and provided guidance to the Secretariat on the mandates related to risk and compliance given by the Board, including: (i) development of the risk management framework, and its underlying policies, guidelines and tools; and (ii) AMA consultation.
11. Subsequent to the adoption of the second set of components of the risk management framework through decision B.19/04, the RMC reviewed the compliance risk policy which is an important element within the framework. As no decision was taken on this agenda item at its twenty-second meeting, the compliance risk policy was deferred to B.23. During the reporting period, the Secretariat and the RMC discussed the necessity of having references to sanctions in the compliance risk policy given the B.18-adopted AML/CFT policy without reaching consensus.
12. The RMC was kept up to date by the Secretariat on the ongoing development of the risk rating/scoring models. However, due to the heavy agenda for B.23, the presentation of the risk/scoring models was deferred to B.24.
13. The Secretariat also provided updates to the RMC on the continuing work of another component of the risk management framework scheduled to be presented at B.23 for consideration by the Board – legal risk policy. As more time was necessary for the development of the legal risk policy, the RMC recommended to the Co-Chairs to defer the presentation of the policy to B.24.
14. Furthermore, the Secretariat consulted with the RMC on the risk dashboards for Q4 2018 and Q1 2019. The Q4 2018 and Q1 2019 risk dashboards were published on the GCF website on 22 February 2019 and 23 May 2019, respectively.
15. During the reporting period, the RMC was consulted on the following AMAs:
- (a) AMA with the Fundo Brasileiro para a Biodiversidade (“FUNBIO”);
 - (b) AMA with the Ministry of Finance and Economic Management of Cook Islands (“MFEM”);
 - (c) AMA with the Protected Areas Conservation Trust (“PACT”);
 - (d) First amendment to the AMA with Ministry of Environment of Rwanda (“MOE”); and
 - (e) AMA with the Societe de Promotion et de Participation pour la Cooperation Economique, SA (“PROPARCO”).
16. The assessment of the Secretariat regarding the above AMAs was that the changes made to the AMAs are of a fit-for-purpose nature and reflect the legal nature and access modality of the entities, or are considered to be non-material drafting amendments which do not affect the underlying obligations of the accredited entity or the allocation of risk between the GCF and the accredited entity. Some changes reflect modifications to the template AMA based on the newly approved policies of the GCF.
17. During the review of the AMAs, a matter pertaining to the scope and definition of terminologies such as sanctions and embargoes in relevant documents of the GCF, including the AMAs, was discussed by the RMC. The RMC found that this matter was not under the remit of the RMC and acknowledged that the Co-Chairs have proposed a way forward.

III. Next Steps

18. The RMC may hold additional meetings in Songdo during B.23.
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