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**Annex XVI: Terms of reference of the Risk Management Committee****I. Role and functions**

1. The role of the Risk Management Committee is to ensure the development of an appropriate risk management framework for the Fund, enabling the Fund to exert due diligence and manage its risks prudently.
2. In fulfilling this role, the Risk Management Committee will:
  - (a) Oversee the development and implementation by the Secretariat of a financial risk management framework, consistent with decision B.05/17. In a second stage, oversee the development and implementation of a risk management framework that covers other types of risks to the Fund. These will enable the Fund, including its Private Sector Facility (PSF), to systematically identify risks, contextualize them and manage them appropriately;
  - (b) Oversee and review a register of strategic risks across the Fund;
  - (c) Monitor the management by the Secretariat of the Fund's overall risk profile, including the PSF, to confirm that the Fund is operating within Board-approved risk limits;
  - (d) Review and provide recommendations on periodic risk management reports and/or notification of material breaches of risk limits or procedures, as provided by the Secretariat;
  - (e) Review and provide recommendations on independent evaluations of the implementation of sound risk management practices by the Fund;
  - (f) Support the Executive Director in ensuring the continuous development of a risk- and compliance-aware culture in the Fund; and
  - (g) Consider any other risk-related matters the Board deems appropriate.
3. The Risk Management Committee will consider recommendations and advice provided to it by the Private Sector Advisory Group and the Investment Committee.

**II. Membership**

4. The Risk Management Committee will comprise:
  - (a) Three developing country Board members or alternate members; and
  - (b) Three developed country Board members or alternate members.
5. The Executive Director may attend the meetings of the Risk Management Committee in an advisory capacity.
6. Members of the Risk Management Committee will serve for an initial term of 18 months.

**III. Duration**

7. The Risk Management Committee will be a standing committee of the Board.
8. Three years following its establishment, the Board will evaluate the usefulness and continued necessity of the Committee.

**IV. Guidelines for operation**

9. Provisions will be put into place to manage actual and potential conflicts of interest.