

## Approved Risk Management and Assurance materials SYSTEM COUNCIL NOVEMBER 2017 PAPER

### Purpose

This document sets out the following materials, as approved by the System Council at its November 2017 meeting (Decision Ref: SC/M5/DP12).

Annex	Title	Decision maker	Timing and rationale	Pages
1	Risk Management Framework of the CGIAR System	SC	<u>November 2017</u> : Sets the overarching approach for risk management as a System – but recognizes the independence of the various operating bodies – including Funders and Centers.	2 - 9
2	Risk Appetite Statement of the CGIAR System	SC	<u>November 2017</u> : Takes the strategic objectives and identifies the scope of action that CGIAR is prepared to take to achieve CGIAR’s System Level Outcomes.	10 - 11
3	TOR for Assurance Oversight Committee of the System Council	SC	<u>November 2017</u> : Delivers on the action under the ‘ <i>CGIAR System Framework</i> ’ to have a small, specialized committee to comment on the quality and overall effectiveness of assurance and the capacity of assurance providers across the System, drawing heavily on the work of the SMB but who must be independent of the SMB to give the overall view of that state of assurance.	12 – 18

**Document category:** There is no restriction on the circulation of this document

**Prepared by:** CGIAR System Management Office under the oversight of the System Management Board’s Audit and Risk Committee<sup>1</sup> and in consultation with CGIAR’s Centers

<sup>1</sup> Comprised of three Center Board of Trustee Audit Committee Chairs and one independent member.

## RISK MANAGEMENT FRAMEWORK OF THE CGIAR SYSTEM

Approved by the System Council at its 5<sup>th</sup> meeting (SC/M5/DP12)  
10 November 2017

## Introduction

1. The scope of CGIAR's operations is significant, involving multiple national, regional and international partners and a geographic footprint that extends across the globe including into some of the world's most challenging environments. CGIAR cannot deliver on its mission without collective awareness of the evolving risks faced as opportunities are exploited. CGIAR recognizes that effective risk management is critical to its success and is a key element of good governance.
2. The nature of the CGIAR System brings a unique challenge to the identification of a shared vision of CGIAR's risk universe and how an appropriate balance between related opportunities and risks is achieved. The CGIAR System's Risk Management Framework ('RM Framework') is thus developed on the basis that CGIAR operates as an '*extended enterprise*', in which a number of organizations come together in a joint endeavor to achieve outcomes that none of them could have achieved on their own'.<sup>2</sup>
3. While each stakeholder within the CGIAR System defines its own internal risk management processes, this RM Framework provides a common set of risk management concepts and principles to guide how risks relevant to CGIAR as a System are overseen and managed.
4. In CGIAR's extended enterprise environment, effective risk management provides CGIAR's many stakeholders with adequate assurance that, as a System:
  - a. We embrace strategically relevant opportunities, current and new, in a way that best leverages our capabilities, with awareness of the potential trade-offs involved.
  - b. Where the exploitation of an opportunity nevertheless involves risks that cannot be fully mitigated, we are monitoring and continually evolving our actions to minimize adverse impacts or prevent loss of key assets.

## Overarching risk management principles

5. Building on the *Guiding Principles for the Governance of the CGIAR System*,<sup>3</sup> the *CGIAR System Framework*<sup>4</sup> and the *Charter of the CGIAR System Organization*<sup>5</sup>, CGIAR collaborates on risk management across the System according to the following principles:
  - **Responsibility for an entity's own internal risk management rests with its own management:** Risk management must be tailored, embedded across each entity taking human and cultural factors into account, and under the exclusive

---

<sup>2</sup> UK Institute of Risk Management, 'Managing risk in complex 21<sup>st</sup> century organizations – Executive Summary', 2014

<sup>3</sup> Agreed between CGIAR's Funders and Centers in February 2016, and incorporated into the CGIAR System Framework at Article 1, with the intent to guide the development of policies, procedures, guidelines and operations of the CGIAR System.

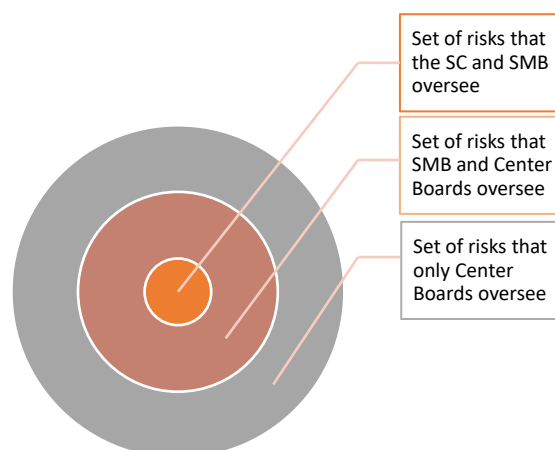
<sup>4</sup> <http://library.cgiar.org/bitstream/handle/10947/4371/CGIAR%20System%20Framework%20-%20WEB.pdf?sequence=4>

<sup>5</sup> <https://library.cgiar.org/bitstream/handle/10947/4370/Charter%20CGIAR%20Organization.pdf?sequence=4>

responsibility of management, who must ensure that it has capacity to meet expected standards.

- **Risk management is performed closest to the risk to maximize effectiveness:**

In CGIAR's extended enterprise environment it is accepted that a subset of CGIAR's key risks will need to be overseen by multiple stakeholders. Considering the Guiding Principle of Subsidiarity<sup>6</sup>, to the extent appropriate, some System-level risks will be monitored and managed by the System Management Board and/or System Council in addition to the Centers.



- **Effective risk management is dynamic, iterative and responsive to change:** As an innovation-driven System, CGIAR needs to adopt and implement strategic actions that are the most likely to support the achievement of its System Level Outcomes. We seek to obtain the best and most current balance of available opportunities against the most acceptable level of risks. We are committed to identify and measure key risks on a periodic basis, revisit our formerly agreed appetite for risk and formulate strategies to address significant risks as they arise.
- **Risk management is transparent and inclusive:** Some risks will require joint management because of the inherent nature of those risks in a multi-dimensional extended enterprise environment. Management of the respective entities involved will be responsible for exchanging the information needed to ensure that potential consequences of risk management action on the entire System are always considered.
- **Opportunities and risks are considered individually and in their aggregate:** CGIAR recognizes that several types of risks and opportunities may have the potential to influence the delivery of the same objective. Opportunities and potential System risk events will be assessed according to the System's risk appetite, possible response strategies, and which entity or function is most appropriate to take responsibility for that response (the "owner").
- **We ensure appropriately mandated, coordinated and resourced assurance providers<sup>7</sup> and promote the delivery of 'combined assurance' across the System to ensure effective monitoring and management of opportunities and**

<sup>6</sup> As set out in the CGIAR System Framework, Annex A; Paragraph 12

<sup>7</sup> Sources of assurance in a 'combined assurance' model relevant to the CGIAR System include (but are not limited to) Centers' management, internal control and compliance functions, internal audit and evaluation providers; external auditors; funder initiated audits and reviews; the System Organization and its respective bodies; the Internal Audit Function arrangements; and the ISPC, and the IEA.

**risks:**

To the largest possible extent, duplication between sources of assurance to Center Boards, the System Management Board and the System Council is to be avoided. As relevant, each source of assurance refers to its own professional framework, and seeks to comply with standards endorsed at international level by their respective professional bodies.

- **We share information as needed and take decisions promptly:** As risks are managed by multiple stakeholders across the CGIAR System, we value clear, transparent and timely communications to avoid missing opportunities, or the risk that an existing problem grows. Our aim is to foster a pro-active communications culture across the System, which is underpinned with communications and escalation/de-escalation strategies and plans for incident response by the most appropriate body.
6. This RM Framework draws upon risk management approaches and recommended practices under ISO 31000 and COSO’s September 2017 revised framework, as adapted to CGIAR’s extended enterprise environment.<sup>8</sup>

Operational objectives, associated families of risk and System-wide risk appetite

7. **Setting strategic System-wide operational objectives to achieve our goals:** To provide an essential link between CGIAR’s System Level Outcomes and the actions of the full breadth of CGIAR System stakeholders to deliver against those outcomes, Table 1 below sets out CGIAR’s operational objectives in the context of its extended enterprise environment (as may be amended from time to time):

**Table 1 – CGIAR System strategic operational objectives**

Delivery	<u>Deliver</u> quality science and other research outputs through effective partnerships, to provide critical improvements for food security, nutrition and resilience to climate change
Relevance	<u>Establish and maintain</u> CGIAR as a relevant and sustainable tool for agricultural research for development
Reputation	<u>Make</u> the association with CGIAR a rational and rewarding decision
Reliability	<u>Fulfill</u> formal commitments
Efficiency	<u>Generate</u> all benefits mentioned above efficiently and <u>provide</u> ‘value for money’

<sup>8</sup> (i) The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 6 September 2017 revised risk management framework titled ‘*ERM Framework: Enterprise Risk Management–Integrating with Strategy and Performance*’; and (ii) The 2009 standard of the International Organization for Standardization titled ‘*ISO 31000 - Risk Management: Principles and Guidelines*’

8. **Associated key risk families and opportunity and risk indicators:**

Table 2 below, as may be amended from time to time, identifies the families of risk that are utilized by CGIAR to provide a mechanism to identify:

- (i) Relevant opportunity and risk indicators for the risk families; and
- (ii) Appropriate assurance processes to provide evidence of reasonable assurance in regard to those risks.

**Table 2 – CGIAR System families of risk**

5 CGIAR STRATEGIC OPERATIONAL OBJECTIVES					CGIAR'S SYSTEM-WIDE FAMILIES OF RISKS
Delivery	Relevance	Reputation	Reliability	Efficiency	Resulting from missed opportunities
X	X	X			CGIAR is no longer a front runner
X	X		X		CGIAR loses its central role in Agricultural Research for Development
X		X	X		Non adherence to appropriate values
X	X	X	X		Unsatisfactory evidence and assurance received
X				X	Poor execution undermines capability

9. **Operating with a shared Risk Appetite Statement for System risks:** While the risk appetite of individual CGIAR System Funder, Centers and Partners will necessarily vary, consensus in decision-making for CGIAR as a System is reached through the System Council and the System Management Board, as guided by the System’s governing instruments and agreed strategic goals (System Level Outcomes).

10. As updated from time to time, the **CGIAR System Risk Appetite Statement**, a companion document this RM Framework, clarifies CGIAR’s overall willingness as a System to take risk in pursuit of its goals by:

- Communicating how much risk is agreed as being appropriate to take as a System to maximize CGIAR’s impact; and
- Providing a basis to assess how much risk is being taken, to inform future conversations on whether adjustments to the Risk Appetite Statement are required.

Roles and responsibilities across the System

11. **Operating within the CGIAR System’s highly collaborative model:** Center-own risks remain fully in the mandate of each Center’s Board of Trustees and management. However, effective management and oversight of CGIAR System opportunities and

risks will involve Centers mapping System risks that they oversee and manage to the CGIAR System Risk Register, and clarity on respective roles and responsibilities.

12. **Center Boards of Trustees** are responsible for:
- a. Approving Center-own risk management policies, escalation procedures, and a risk appetite statement for the Center that is informed by the CGIAR System Risk Appetite Statement for System-wide opportunities and risks;
  - b. Overseeing effective risk management within the Center for Center-identified risks, and for those CGIAR System risks where the Center is identified as a risk owner within the CGIAR System Risk Register (whether individually, or together with the System Management Board and System Council);
  - c. Taking prompt action on risks and risk incidents that have the potential to impact the CGIAR System, including escalating relevant risks and risk incidents to the System Management Board in line with agreed communication and escalation procedures; and
  - d. When necessary and in consultation with the System Management Board, assuming responsibility for and taking required corrective action on Center-specific issues with potential to impact the CGIAR System.
13. **The System Management Board** is responsible for:
- a. Maintaining a CGIAR System Risk Register for the CGIAR families of risks, and ensuring routine consideration of the related opportunity and risk indicators to assess for ongoing relevance and adequacy;
  - b. Developing and approving the CGIAR System Escalation Procedures in line with this RM Framework;
  - c. Obtaining and providing to the System Council on a periodic basis reasonable assurance that the CGIAR System opportunities are being acted upon in conformity with the CGIAR System Risk Appetite Statement, and this RM Framework; and
  - d. Taking all of actions attributed to the System Management Board in the CGIAR System Risk Management Guidelines; and
  - e. Identifying necessary corrective actions to ensure effective implementation of the CGIAR Portfolio and effective governance of the System in line with this RM Framework and other System policies.

In practice, the System Management Board's Audit and Risk Committee will support the System Management Board in delivery against its responsibilities, whose work is undertaken in consultation with Center Audit Committee Chairs and the System Council's **Assurance Oversight Committee**<sup>9</sup>.

14. **The System Council** is responsible for:
- a. Ensuring that the terms of reference for any advisory bodies to the System Council are risk-focused, and framed in a way that assists the delivery of combined assurance on opportunities and risks identified by the System from time to time;

---

<sup>9</sup> Name changed approved by the System Council; subject to agreement by the System Management Board and General Assembly.

- b. To the extent possible, providing timely information on budgetary outlook and anticipated changes in funding levels through the CGIAR Trust Fund and/or bilateral sources, to address the inherent financial risk issues for the System; and
- c. Providing strategic guidance to the System Management Board on possible systemic corrective actions that can enhance the capacity of the CGIAR System to deliver on its shared research agenda and to ensure ongoing effective governance of the System.

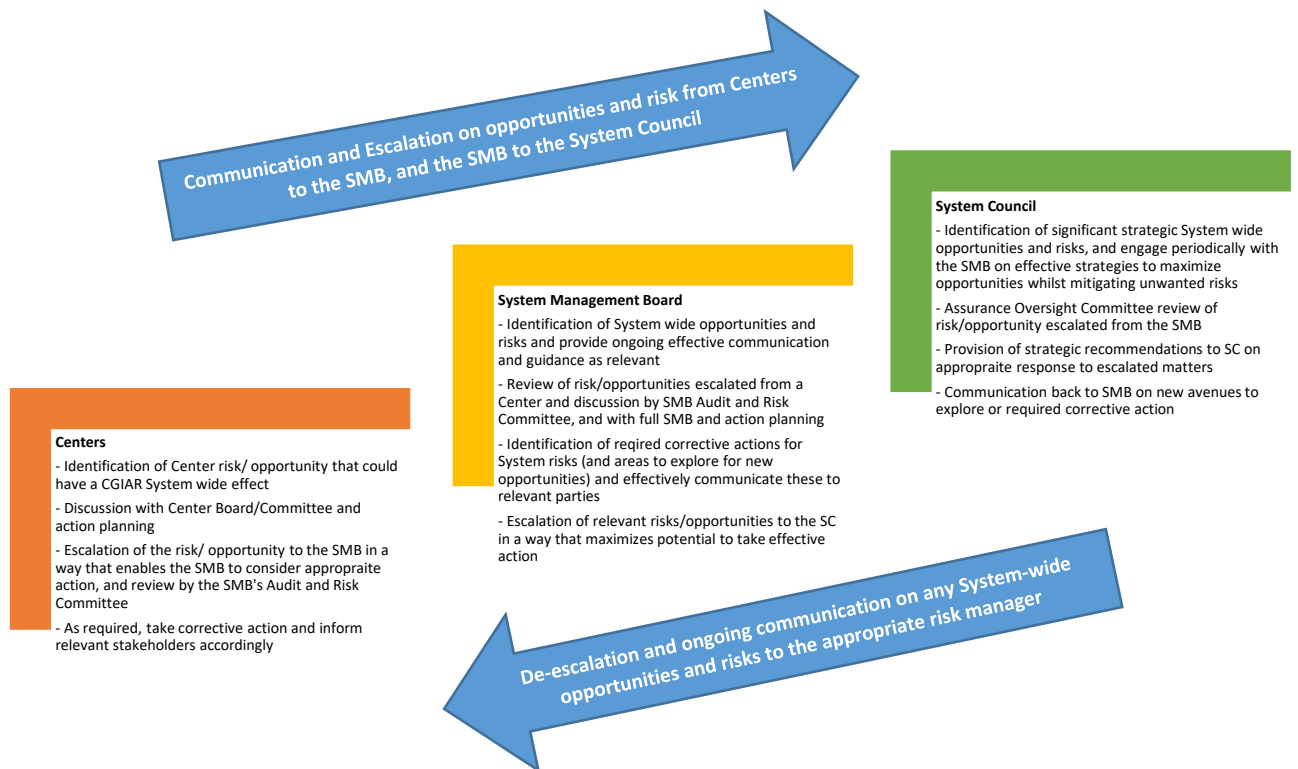
In practice, the System Council's [Assurance Oversight Committee], through an effective protocol with the System Management Board's Audit and Risk Committee, provides an effective communication bridge between the System Council and the System Management Board.

15. **CGIAR System Partners** represented on the System Council are responsible for:
- a. informing the System Council about significant opportunities and risk relevant to the CGIAR System, or likely to impact it; and
  - b. to the extent possible, providing opportunities for the CGIAR System to incorporate the outputs of individual Funder or other Partner-specific audits or reviews into the combined assurance model, to reduce duplication and enhance overall efficiency in the use of CGIAR System assurance resources.



CGIAR System communication and escalation principles

16. In line with the indicative model set out below, the information needed to act on any risk or opportunity will be escalated or de-escalated to the most relevant place in the System, with the originator of the information being informed of the outcome of related management action.



17. The CGIAR System Escalation Guidelines will:
  - a. Recognize the clear distinction between: (i) reporting on the status of risk issues as a means of communicating ongoing effective System-wide risk management practices; (ii) raising an issue to seek the inputs of others whilst still retaining risk ownership; and (iii) if a specific issue so requires, situations involving the potential transfer of risk ownership from one System body to another, and the conditions on which that transfer would be accepted;
  - b. Define conditions and, where relevant, thresholds for escalating (and de-escalating) relevant events; and
  - c. Set out the template for escalation and de-escalation of topics, to ensure that the party receiving the communication receives adequate information upon which to take informed, timely action.
18. Pending approval of CGIAR System Escalation Guidelines, each Financial Framework Agreement sets out an interim escalation process as agreed by CGIAR's Centers and the System Council.<sup>10</sup>

### Continuous Learning

19. CGIAR accepts that change is constant. Not only are the internal and external environments we operate in continually evolving, but also the field of risk management and the maturity of each of our entities in their risk management approaches.
20. CGIAR commits to taking the lessons we learn while implementing this framework and the developments in the risk management field and to improve and transform our extended enterprise risk management framework and approaches to ensure success in changing economic conditions. This commitment to constant improvement will be supported by a formal assessment being performed on a regular basis, leading to actionable recommendations.

---

<sup>10</sup> The interim process requires entities to promptly inform other System entities positioned closer to the funding source if there is a credible concern of financial irregularities, and of the corrective measures initiated. As a matter of practice, the transfer of information will be through the System Management Board, and matters will be escalated to the System Council as relevant

## CGIAR System Risk Appetite Statement<sup>11</sup>

### Introduction

In delivery of the goals of its ambitious Strategy and Results Framework 2016-2030, CGIAR strives to identify and measure an optimum balance between leveraging opportunities and managing risks.

CGIAR recognizes that its ‘extended enterprise’ environment, in which a number of organizations come together in a joint endeavor in order to achieve outcomes that none of them could have achieved on their own,<sup>12</sup> brings together a number of stakeholders and partners, each with their own risk appetites and priorities. As these stakeholders and partners work together to deliver on CGIAR’s mission, they are asked to make decisions guided by a common overarching understanding of to what extent risk-taking in pursuit of CGIAR’s goals should be maximized or minimized in the relevant circumstance.

### Risk appetite categories

CGIAR uses 4 categories to describe its willingness to take opportunities and manage risk to achieve its strategic operational objectives – with each area being indicative rather than exhaustive.

Categories	Opportunity and risk Philosophy	Tolerance for uncertainty
<b>3 Open</b>	CGIAR accepts and encourages opportunities presenting a risk of failure if the likelihood of inherent risks materializing combined with their potential impact results in the potential benefits outweighing the combined risk level	Fully anticipate uncertain outcomes or period-to-period variations
<b>2 Flexible</b>	CGIAR accepts opportunities presenting a risk of limited underachievement if the likelihood of risks materializing combined with their potential impact mean benefits more than offset losses	Expect some level of uncertainty, but will proactively manage potential impact
<b>1 Cautious</b>	CGIAR is only willing to accept risks if they are essential to delivery and there is a limited possibility of failure to achieve its objectives	Limited tolerance for uncertainty, with a preference for safe delivery
<b>0 Averse</b>	CGIAR is not willing to accept any level of risk; avoidance of risk is a core objective in decision making	Extremely low tolerance for uncertainty

<sup>11</sup> This statement draws on practices across partner and comparator organizations, as well as recognized international standards, including but not limited to The Gavi Alliance, IIA, COSO, Deloitte, and PwC published materials. Several Center risk appetite statements were also used as input to the development of this Statement.

<sup>12</sup> UK Institute of Risk Management definition; for details see [https://www.theirm.org/media/1155369/IRM-Extended-Enterprise\\_A5\\_AW.pdf](https://www.theirm.org/media/1155369/IRM-Extended-Enterprise_A5_AW.pdf)

Risk Appetite Statement relevant to CGIAR's strategic operational objectives

1. **Delivery**: In **delivering good science, partnerships and other research outputs that provide critical improvements for food security, nutrition and resilience to climate change**, CGIAR has an open risk appetite as it seeks to maximize research opportunities in pursuit of its goals, or System-Level Outcomes ('SLO's): Within that:
  - a. CGIAR has a cautious risk appetite regarding research practices and research data management, recognizing that high ethical and evidence-based standards are essential for delivery of high-quality science.
  
2. **Relevance**: In **establishing and maintaining CGIAR as a relevant and sustainable tool for agricultural research for development**, CGIAR has an open risk appetite, recognizing that research is a highly competitive domain. To maintain CGIAR's comparative advantage, opportunities must be actively sought out. Within that:
  - a. CGIAR has a cautious risk appetite regarding the effective implementation and maintenance of quality systems.
  
3. **Reputation**: In **ensuring that the association with CGIAR is a rewarding and rational decision**, CGIAR has a cautious risk appetite, recognizing that deviation from adherence to positive values and behaviors and potential negative public image would have a high adverse effect on the achievement of CGIAR's goals. Within that:
  - a. CGIAR has a flexible risk appetite in the communication of the outputs and outcomes of its activities in order to be innovative in keeping agricultural research for development high on the global agenda.
  
4. **Reliability**: In **fulfilling formal commitments**, CGIAR has a cautious risk appetite, as it seeks to ensure that relationships with research partners, suppliers and target households and consumers are respected and based on trust. Within that:
  - a. CGIAR is averse and has no tolerance regarding the misuse of funds or scientific fraud.
  
5. **Efficiency**: To **generate all benefits mentioned above efficiently and provide 'value for money'**, CGIAR has a flexible risk appetite, as it seeks to maximize research and organizational synergies and retain top talent, but recognizing the need to ensure that efficiency gains in one area do not undermine other areas.



## Annex 3

### Terms of Reference Assurance Oversight Committee of the System Council

#### Purpose

This Terms of Reference seeks to ensure that the right level of oversight is provided by the System Council on assurance matters, and that duplication between the respective mandates of this Committee and of the Audit and Risk Committee of the System Management Board<sup>13</sup> is avoided. This document includes the proposal that the System Council's standing committee be re-titled to 'Assurance Oversight Committee': to avoid confusion and to better position the System Council's Committee in our 'extended enterprise' environment.

#### A. Committee Purpose and System-wide context

1. **The Assurance Oversight Committee ("AOC"), a standing committee of the System Council ("Council") composed of a majority of independent members<sup>14</sup>.**
2. **Its purpose<sup>15</sup> is to provide:**
  - a. **The Council with assurance of the completeness and effectiveness of the Internal Audit Function and the independence of external audit functions, and a structured reporting line between internal and external auditors and the System Council; and**
  - b. **Oversight of system-wide governance, risk management and internal controls.**
3. **The AOC operates within the following context as agreed between CGIAR's Funders and Centers in June 2016:**
  - a. The Council's principal role is to keep under review the strategy, mission, impact and continued relevancy of the CGIAR System<sup>16</sup>;

<sup>13</sup> [https://cgspace.cgiar.org/bitstream/handle/10947/4641/SMB-ARC\\_TOR\\_approved17Dec2016.pdf?sequence=1](https://cgspace.cgiar.org/bitstream/handle/10947/4641/SMB-ARC_TOR_approved17Dec2016.pdf?sequence=1)

<sup>14</sup> As stated in Article 8.2 of the [CGIAR System Framework](#)

<sup>15</sup> As stated in Article 8.2(a) of the CGIAR System Framework

<sup>16</sup> As stated in Article 2(b) of the CGIAR System Framework

- b. CGIAR’s Funders provide guidance and financial resources for CGIAR Research and for the agreed operations of the CGIAR System Organization, which is governed by the CGIAR System Management Board (“Board”);
- c. The Board’s system-level oversight role is supported by a Board-appointed Audit and Risk Committee with a broad mandate in respect of System-level finance and risk and assurance matters;
- d. Between the Council and Board, it is the Council’s responsibility to approve a risk management framework of the CGIAR System, and it is for the Board to approve System-focused internal audit function arrangements that are aligned to the risk management framework and which arrangements take into consideration the existence of the internal audit arrangements of each Center;
- e. CGIAR’s Centers are autonomous organizations, each with their own Board of Trustees comprised of a majority of independent trustees, and supported by their respective Center’s management, risk and assurance structures and processes, including Center-specific finance, risk and/or audit committees;
- f. Agreed Guiding Principles<sup>17</sup> are intended to guide the development of policies, procedures and guidelines of the CGIAR System. These principles include (numbered 12), that “the principle of subsidiarity should guide policies and implementation, and overreach must be avoided. The Centers should be responsible for system functions that can be more efficiently and effectively executed by them and by CGIAR Research Programs and for the use of funds provided to them...”

**4. The AOC serves the Council in all matters covered by this Terms of Reference. In so doing, it shall be the responsibility of the AOC Chair to:**

- a. Maintain regular and open communication among AOC members and with the Council;
- b. Coordinate with the System Council’s Strategic Impact, Monitoring and Evaluation Committee to support the delivery of effective combined assurance in relation to scientific advice and evaluation elements; and
- c. Establish and maintain an effective consultation model with the System Management Board via its Audit and Risk Committee to facilitate delivery on the respective mandates of the two committees, thus ensuring open and transparent communications, and the appropriate escalation and de-escalation of matters as relevant to the differing oversight responsibilities within the CGIAR System.

---

<sup>17</sup> The Guiding Principles are recognized in Article 1 of the CGIAR System Framework and set out in full text in Annex A of the Framework, as agreed at the meeting of Centers and Contributors in February 2016.

B. Committee roles and responsibilities

5. Pursuant to the purpose set out in Article 2(a) above, the AOC's responsibilities comprise the following:

***Assurance functions related to internal and external audit***

- a. Provision of input on behalf of the Council into the periodic review and approval by the Board of terms of reference and a process for fulfilling the Internal Audit Function arrangements for the CGIAR System;<sup>18</sup>
- b. Provision of advice on the System's Internal Audit Function arrangements; whether they provide sufficient system-wide assurance consistent with the risk management framework of the CGIAR System and whether such arrangements are appropriately funded;<sup>19</sup>
- c. Consideration of consolidated lessons learned and prioritized recommendations relating to System-wide risks arising from the Board's review of findings and follow-up emanating from the Internal Audit Function, and providing advice to the Council on the appropriateness of planned actions;<sup>20</sup>
- d. Consideration of consolidated metrics on the quality and independence of internal audit arrangements and external audit providers throughout the System, and offer recommendations to the Council regarding any System-wide assurance risks or gaps which may arise;
- e. Serving as the conduit for a structured reporting line between the System Management Board and the Council regarding Internal Audit Function arrangements and external auditors; including providing recommendations to the Council that appropriate escalation and de-escalation processes are in place to respect the principle of subsidiary to the extent possible, having regard to the nature of the risk or assurance questions arising.

***Oversight of System-wide governance, risk management and internal controls***

- f. Provision of advice and recommendations to the Council regarding its approval and periodic review of the risk management framework of the CGIAR System and an appropriate risk appetite statement related to System-level risks<sup>21</sup>;

---

<sup>18</sup> Article 6.1(h) of the CGIAR System Framework. The review cycle would typically be each 3-5 years.

<sup>19</sup> Article 6.1 (i) of the CGIAR System Framework.

<sup>20</sup> Article 6.1 (j) of the CGIAR System Framework.

<sup>21</sup> Article 6.1(l) of the CGIAR System Framework. The review cycle would typically be every 3-5 years.

- g. Review of strategic-level risk exposures and the steps taken by the System Organization on the direction of the System Management Board to monitor and control such exposures, and reporting to the Council on such matters and any recommendations arising therefrom;
- h. Review of consolidated information on corrective actions taken by the System Management Board under funding agreements with Centers and the risk management framework of the CGIAR System, providing observations to the Council on the adequacy and relevance of those actions;<sup>22</sup>
- i. Provision of advice to the System Management Board on the reasonableness of business plans and budget projections for the Council’s advisory functions to inform the Board’s submission to the Council of consolidated System entity multi-year and/or annual work programs and budgets;<sup>23</sup>
- j. Review of key recommendations from the System Management Board arising from their review of consolidated system-level annual financial reports, providing feedback to the Council in line with the risk management framework of the CGIAR System;<sup>24</sup>
- k. Provision of advice to the Council regarding its approval of CGIAR policies relating to System-wide governance and risk management;<sup>25</sup> and
- l. Upon request, provision of input into the System Management Board’s commissioning of governance and management reviews of CGIAR Centers to complement the evaluations of the CGIAR Portfolio.<sup>26</sup>

## C. Composition and Chair

- 6. Composition. Membership of the AOC shall be composed of a maximum of five (5) persons, the majority of whom shall be independent members<sup>27</sup>. Other members shall be selected from amongst the Council’s voting member constituencies. In line with good governance practices, independent members shall not have been involved in any capacity with the CGIAR System in the 3 years prior to their appointment date.
- 7. Appointment process. AOC members are appointed by the System Council. As required, the System Council shall appoint an ad hoc nominating committee to undertake a search for membership candidates and make appointment recommendations. The CGIAR System Organization shall serve in a secretariat capacity to the nominating committee.

---

<sup>22</sup> Article 6.1 (bb) of the CGIAR System Framework.

<sup>23</sup> Article 6.1 (u) of the CGIAR System Framework.

<sup>24</sup> Article 6.1 (aa) of the CGIAR System Framework.

<sup>25</sup> Article 6.1 (k) of the CGIAR System Framework.

<sup>26</sup> Article 6.1 (dd) of the CGIAR System Framework.

<sup>27</sup> In line with the requirement in Article 8.2(a) of the CGIAR System Framework, the Committee shall have a majority of independent members.



8. Skills and experience. Persons serving as members of the AOC who are not System Council voting member constituency representatives shall have one or more of the following experience and skills:
  - a. Corporate governance
  - b. Financial and programmatic performance management
  - c. Internal audit and risk management
  - d. Ethics and investigation
9. Term of members. Each AOC member (including the Chair) shall serve on the committee for up to three years, and shall serve until their successor shall be duly designated or until such member's earlier resignation or removal by decision of the Council. AOC members may be renewed as determined by the Council.
10. Chair. The members of the AOC shall elect a Chair from amongst their members, using a simple majority vote, for a term of three years. The Chair may be re-appointed for one additional three-year term if supported by all other members of the AOC and endorsed by the Council. Whenever possible, the AOC Chair should be drawn from the independent members of the AOC.
11. Delegation of Authority. The AOC shall have the power to delegate on an exceptional basis its authority and duties to the AOC Chair.

#### D. Operations

12. Meetings. The AOC shall meet at least twice per year, preferably in advance of System Council meetings. Meeting dates shall be determined by the Chair in consultation with the other members. Meetings may be held virtually for efficiency purposes.
13. Quorum. A majority of members, one of whom is the Chair (or a temporary Chair nominated by the Chair should circumstances require), shall constitute a quorum for the transaction of business.
14. Agenda. The AOC Chair shall develop an annual rolling agenda, and for each meeting a draft Agenda distributed to committee members not less than 14 days before the meeting.
15. Meeting documents. Documents for each meeting will, to the extent practicable, be posted on a dedicated System Council AOC meeting site by the System Organization 7 days prior to each meeting to permit meaningful review in advance of the meeting.
16. Observers and other invitees. The Chair of the Audit and Risk Committee of the System Management Board shall have a standing invitation to all AOC meetings. The AOC Chair will ensure that other relevant stakeholders from across the System are invited to participate in meetings relevant to the meeting Agenda.

17. Authority and direct access. The AOC may seek any information it considers necessary to fulfil its responsibilities. The AOC shall have direct access to all internal and external assurance providers it considers necessary to fulfil its responsibilities.
18. Decision-making on matters for recommendation to the Council. The AOC Chair should aim for consensus on all decisions resulting in a recommendation being formally put to the Council. If consensus cannot be reached, both the majority and minority positions shall be reported to the Council.
19. Reporting. The AOC is under the formal authority of the Council. The AOC shall provide the Council with each meeting summary and regularly report on its meetings and other activities to the Council. As such, AOC meeting summaries may form public record documents of the Council. The Executive Director of the System Organization shall designate a resource person to serve as the secretariat officer for all meetings.
20. Communication. The AOC Chair should be in regular communication with the Chair of the Audit and Risk Committee of the System Management Board.
21. Participation in Council meetings. The AOC Chair shall be invited to attend the System Council meetings, if that person is not otherwise a member of the System Council<sup>28</sup>.

#### E. Declarations of interests and independence

22. Register of interests and continuing disclosure requirements for potential conflicts. All AOC members will be required to comply with the Council's policies on disclosure of interests, and a register of AOC member interests will be accessible to the AOC and Council members. Where an AOC member has a perceived or actual conflict of interest on a specific topic under discussion, they will make the circumstances known to the AOC, to ensure that discussions proceed in an open and transparent manner.
23. Declarations of independence. All external independent members will be required to sign a declaration of independence in the format approved by the Council.

#### F. Remuneration and financial support to attended meetings

24. Support. The external independent members of the AOC may receive a modest honorarium for service in accordance with any honorarium framework approved by the Council, in addition to support for travel expenses and per diem according to the stipulations of the System Organization's travel and expenses policy. Persons serving on the AOC who are affiliated with any System Council constituency are ineligible to receive an honorarium, but may be compensated for travel costs if from a developing country constituency.

---

<sup>28</sup> As stated in Article 3.3(a) of the CGIAR System Framework

- G. Committee performance and changes to the Terms of Reference
25. Performance. The AOC will review its own performance on an annual basis having regard to the principles and the purpose of these Terms of Reference and report the outcome of such reviews to the Council.
  26. Amendment. The AOC will review these Terms of Reference from time to time and recommend any proposed changes to the Council. The Council may amend these Terms of Reference in accordance with the provisions of the Framework.