

1 January 2023

Procedures and Terms of Reference of Board Committees



European Bank
for Reconstruction and Development

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A. Procedures of Board Steering Group and Board Committees

1. Introduction

- 1.1 The Board of Directors is supported in its decision making process by Board Committees established pursuant to Section 11 of the Rules of Procedure of the Board of Directors, which allows the Board (to the extent authorised by the Board of Governors) to “*establish such committees as may be appropriate to facilitate its work*”. Committees report to the Board and facilitate the Board’s decision-making by reporting their conclusions and the committee’s consensus view to the Board or are used as a forum to exchange views on matters of interest to the Board. Board Committees cannot vote on matters discussed by its members or formally adopt decisions.
- 1.2 The Board of Directors has established three Committees: the Audit and Risk Committee, the Budget and Administrative Affairs Committee (BAAC) and the Financial and Operations Policies Committee (FOPC) (together “the Committees”).
- 1.3 Coordination of the Committees’ work programmes is undertaken by the Board Steering Group (BSG).
- 1.4 Each Committee has a secretary provided by the Office of the Secretary General to assist the Chair in the execution of their responsibilities (the ‘Committee Secretary’).
- 1.5 The Board of Governors has established an Ethics Committee, the members of which are Board Directors. The Ethics Committee is governed by the *Rules of Procedure of the Ethics Committee*. Furthermore, two Board Directors are selected by the BSG to serve on the Bank’s Retirement Plan Committee.

2. Board Steering Group

- 2.1 The BSG is composed of two Directors serving as Chair and Vice Chair, the Chairs and Vice Chairs of the three Committees, the Secretary General and the Director, Board and Institutional Affairs. The BSG is open to all Directors who may express their views on issues under discussion. The meetings of the BSG are convened and chaired by the Chair or, in their absence, the Vice Chair.
- 2.2 The work programmes of the Committees are reviewed by the BSG on a monthly basis, with a view to prioritising the overall work of the Committees, Workshops, Board Information Sessions and other Board-related meetings. The BSG should ensure that the necessary attention and time is available for items of the highest priority, should ensure completeness of the work programmes, and should avoid overlaps. The BSG also considers the handling of cross-cutting topics and processes, which would impact on the work of several Committees and/or other Board-related meetings.

2.3 The Chair of the BSG, with the assistance of the Office of the Secretary General, is responsible for overseeing the nomination processes for Board Committees as set out in (and subject to) Section E.

3. Meetings of Board Committees – General Provisions

3.1 Meetings of each Committee are convened by the Chair or, in the Chair's absence, the Vice Chair of the Committee. The Chair must convene a meeting at the written request of any Committee member.

3.2 To the extent possible, a period of seven working days should be allowed between the holding of a Committee meeting and the holding of a Board meeting on the same subject.

3.3 The Chair, or in their absence, the Vice Chair, presides at Committee meetings. In the absence of both, the Committee selects one of its members to preside.

3.4 Four Committee members (or their representatives) constitute a quorum for any Committee meeting.

3.5 If any Committee member cannot attend a Committee meeting, they may be represented by the Alternate Director. If neither can attend, a Director's Adviser appointed as Temporary Alternate Director may represent the Committee member. The Committee Chair may invite relevant Bank personnel to attend Committee meetings for specific items.

3.6 Directors and Alternates who are not Committee members, and their Advisers, may attend Committee meetings. However, if several individuals from the same Constituency Office are present, interventions on each agenda item should be by one person only, unless otherwise agreed by the Chair. The Chair invites such Directors and Alternates to contribute to the Committee's discussion on the matter under consideration. In addition, the Chair may provide the opportunity for Directors and Alternates to submit views to the Committee Chair in advance of the meeting.

3.7 Committee members, relevant representatives of Management and the representative of the Office of the Secretary General have designated seats at the meeting table.

3.8 The Committee Secretary prepares the agenda for each meeting under the direction of the Chair.

3.9 There is no formal voting in Committees. Committee Chairs determine and summarise the sense of the meeting and make, where appropriate, a report to the Board (the "Chair's Report"). The report should reflect the views of Committee members, with separate mention being made of any differing or minority views whenever appropriate; it should also take into account views of non-members.

- 3.10 The Chair should strive to make clear conclusions on each item. Where a recommendation is required, the Chair should make every effort to reach a consensus among Committee members. Where this is not possible, the Chair should reflect the views of a majority of Committee members. For items going to the Board for approval, the Chair's conclusion should include a clear recommendation from the Committee to the Board.
- 3.11 Items going to the Board for approval are accompanied by a Chair's Report, which should include the recommendation, provide a summary of outcomes, key points discussed, and the reasons for any revisions or changes proposed by the Committee. Other points raised should be briefly noted. The Report should normally be circulated at least two working days prior to the Board meeting.
- 3.12 Where a Chair's Report is not required, a summary of key points discussed should be included in the minutes of the Committee meeting. Chairs reports and minutes of Committee meetings are prepared by the Committee Secretary under the direction of the Chair and submitted for approval by Committee members on a no-objection basis at two days' notice, or as otherwise decided by each Committee.
- 3.13 Committees consider matters falling within their respective Terms of Reference, including those in relevant Board documents. When a Board document is the subject of a Workshop, aspects of the document may be discussed by a Committee if they fall within the Committee's Terms of Reference.
- 3.14 Committee Chairs, in consultation with their Committees must establish a work programme covering the following months, with the assistance of the Committee Secretary and relevant Bank personnel.
- 3.15 In exceptional circumstances, a Committee may, with Board approval on a no-objection basis, decide to hold a meeting in closed session format (i.e. attended only by Committee members, the Committee Secretary and Bank personnel invited by the Chair). Following any such meeting, the Chair must make an appropriate report to the Board.
- 3.16 For items that are due to be discussed by the Board in an Executive Session, the same attendance criteria will apply for the Committee discussion as will apply at the Executive Session.
- 3.17 A Committee may decide to establish a working group which reports to the Committee, to consider specific matters. Directors and Alternates who are not Committee members, and their Advisers, may be members of such a working group.
- 3.18 Any commitments requiring follow-up by management should be recorded by the Committee Secretary in the minutes and noted in the commitments list.

4. Information for Board Committees

- 4.1 Committee documents must be distributed at least five working days before each meeting, unless otherwise agreed with the Chair.
- 4.2 A Committee may, through its Chair, request information or views from the President concerning matters under consideration by the Committee.
- 4.3 All Board members, whether or not members of particular Committees, shall have access to the information that the Committees consider necessary to discharge their responsibilities and functions, except for information related to individual employees and confidential information related to Bank personnel or third parties which is obtained or used in the course of proceedings under the Conduct and Disciplinary Rules and Procedures, Grievance Procedures, Appeals Procedures and Rules of Procedure of the Independent Project Accountability Mechanism or their respective successor rules and/or procedures. Where required to protect the sensitive nature of information, documents shall be made available on request for the period necessary for their discussion and shall be returned thereafter. Board and Committee members must fully respect and observe the confidentiality of any information provided to them.

5. Annual Reviews by Board Committees

- 5.1 Each Committee should prepare an annual report for consideration by the Board. The report should include a review of the activities of the Committee, and highlight key issues that have arisen in its area of competence and/or may require follow up in subsequent years. The report should also include an annual assessment of the Committee's performance.
- 5.2 In cooperation with management, each Committee should review the adequacy of its terms of reference on an annual basis. In this review, the Committee should pay special attention to the need to promote the adoption of best practices observed in the banking sector worldwide and in comparable international financial institutions. The outcome of the review is reported to the Board and the Committee's recommendations, if any, are submitted to the Board for approval.

6. Other Board-related Supplementary Meetings

- 6.1 In addition to the Committee meetings, the Board shall meet for Information Sessions and Workshops.
- 6.2 Workshops are chaired by a member of Bank personnel, usually at Managing Director or Vice President level, and shall be used for the discussion of Country Strategies or other subjects as required, ahead of consideration by the Board or its Committees, or where follow-up action by management is planned. Workshops are supported by a secretary provided by the Office of the Secretary General to assist the Chair in the preparation and delivery of the meeting. Workshop conclusions are prepared under the direction of the Chair and

submitted for approval by the Board on a no-objection basis as soon as possible after the meeting.

- 6.3 Information Sessions are informal meetings chaired by a member of Management and shall be used to provide information on specific issues, often to clarify certain aspects of a given subject and provide an opportunity for the Board to ask detailed or technical questions about the topic. No decision, indication of formal positions, or voting is taken at an Information Session, and due to the informal nature of these meetings, minutes are not produced.

B. Terms of Reference of the Audit and Risk Committee (ARC)

The Committee shall assist the Board of Directors in fulfilling its responsibilities in relation to the following:

1. **Oversee the integrity of the Bank's financial statements and its accounting, financial reporting and disclosure policies and practices.**
2. **Oversee the soundness of the Bank's systems of internal controls which management has established regarding finance and accounting matters and their effective implementation.**
3. **Oversee the Bank's Evaluation function, including its status, performance and ability to perform its duties independently**
4. **Oversee the Bank's Independent Project Accountability Mechanism (IPAM), including its status, performance and ability to perform its duties independently and in line with the provisions of the Project Accountability Policy;**
5. **Oversee the Bank's Internal Audit and Compliance functions.**
6. **Oversee the Bank's Risk Management function**
7. **Oversee the independence, qualifications and performance of the Bank's external auditor.**
8. **Discharge other responsibilities within its remit that the Board may assign to the Committee from time to time**

In fulfilling its responsibilities, the Committee shall have the rights and duties, and follow the principles and guidelines, contained in the provisions set out below.

1. **Oversee the integrity of the Bank's financial statements and its accounting, financial reporting and disclosure policies and practices.**
 - 1.1 The Committee shall meet with both the external auditor and financial management of the Bank to review the scope of the proposed audit for the current year and the audit procedures to be utilised, and at the conclusion thereof, review such audit, including any comments or recommendations of the external auditor. The Committee shall also review and discuss with them any significant events and transactions that may occur during the year.
 - 1.2 The Committee shall review with the external auditor and management material accounting and financial reporting policies, practices and procedures used by the Bank as well as material alternative treatments of financial information as permitted by the International Financial Reporting Standards (IFRS) that have been discussed with management. This includes the ramifications of such alternative treatments and the proper disclosure thereof, as well as any treatment of such financial information that may have been suggested by the

external auditors. These reviews shall include changes in important accounting principles and policies and their application.

- 1.3 The Committee shall review and discuss both with management and the external auditor audited annual financial statements and other key financial disclosures prior to their release. The Committee shall discuss with the external auditor its views or judgments on the integrity of such statements and reports.
- 1.4 The Committee shall review, at least annually, with the Bank's General Counsel significant pending litigation that may have a material impact on the Bank's financial condition or reputation. Notwithstanding the foregoing, the Committee shall be informed of any significant litigation on a timely basis.
2. **Oversee the soundness of the Bank's systems of internal controls which management has established regarding finance and accounting matters and their effective implementation.**
 - 2.1 In the areas under its responsibility, the Committee shall assist the Board in fulfilling its oversight responsibilities relating to the Bank's compliance with the provisions of the Agreement Establishing the European Bank for Reconstruction and Development (AEB), the Bank's policies and procedures, as well as any legal requirements.
 - 2.2 At least annually, the Committee shall review, with the external auditor and Management, the adequacy and effectiveness of the Bank's accounting, financial and other internal controls that Management has established regarding finance and accounting matters, including the resolution of identified material weaknesses, if any. The Committee shall review any recommendations and Management's proposals, including their accompanying timetables, to remove deficiencies and to improve or establish controls in this area. In particular, the Committee shall assess whether such internal controls are adequate for the purpose of timely identifying or uncovering any material compliance failure that could adversely affect the Bank's financial condition or reputation.
 - 2.3 The Committee shall be entitled to ask for and receive periodic reports from the Chief Internal Auditor on any significant deficiencies in the design or operation of internal controls and the adequacy of such controls for the purpose of identifying or uncovering any material compliance failure that could adversely affect the Bank's financial condition or reputation. It shall discuss with Management, including the Chief Compliance Officer, appropriate ways to address these deficiencies and systematically review Management's follow up.
 - 2.4 The Committee shall annually review with Management and the external auditor the basis for disclosures made in the Annual Financial Report regarding the control environment of the Bank. Such reviews shall include the external auditor's views on the competence level and adequacy of training of Bank personnel responsible for accounting, financial reporting and internal auditing.
 - 2.5 The Committee shall periodically review the measures taken by the Bank to establish and maintain procedures for (i) the receipt, retention and treatment of

complaints received by the Bank from any source, either internally or externally, in connection with any accounting, internal accounting controls, or auditing matters, and (ii) the submission by employees of the Bank, on a confidential and anonymous basis, of communications that involves any employee concerns regarding questionable accounting or auditing matters.

- 3. Oversee the Bank's Evaluation function, including its status, performance and ability to perform its duties independently**
- 3.1 The Committee shall periodically review and evaluate the functions performed by the Evaluation Department. In such reviews, the Committee shall assess whether the Evaluation Department (a) has a role that is commensurate to the Bank's purpose and needs, (b) has policies, procedures, methodologies, budgets and staffing resources that are adequate to perform its role and (c) performs according to expectations and objectives. The Committee shall also assess whether the Evaluation Department has the ability to perform its duties independently from the departments, units or Bank personnel over whom it exercises an oversight or review responsibility and that the Chief Evaluator has the ability to express opinions independently from other members of Management.
- 3.2 The Committee shall review the work programme reports of the Evaluation Department for its relevance and intended contribution to institutional performance, learning and accountability, in accordance with the Evaluation Policy and shall review annually the proposed scope of the three-year rolling work plan of the evaluation functions for the coming years and the process to implement the plan.
- 3.3 The Committee shall discuss and review any significant findings and recommendations of the evaluation functions and Management's responses to such findings and recommendations. The Committee shall discuss and review the summary progress report of the follow up actions by Management to address key issues related to these findings and recommendations.
- 3.4 The Committee retains the right to meet with the Chief Evaluator (including the Managing Director for the Banking Portfolio where management responses or follow-up is concerned) without members of Management being present.
- 3.5 The members of the Audit and Risk Committee, together with the Managing Director with responsibility for Human Resources, and the Chair of the BSG, will act as the Selection Committee for the recruitment of the Chief Evaluator and will make a recommendation to the President for decision by the Board for the engagement of the Chief Evaluator, without prejudice to the role of the BAAC.
- 3.6 The Audit and Risk Committee shall be consulted on the employment contract and remuneration of the Chief Evaluator, without prejudice to the role of the BAAC.
- 3.7 Any decision to remove the Chief Evaluator for cause shall be subject to approval by the Board and such decision shall be made on the basis of a report prepared

by the Audit and Risk Committee to be transmitted by the President to the Board. In the transmittal document, the President may express their disagreement with the course of action recommended by the Audit and Risk Committee.

- 4. Oversee the Bank's Independent Project Accountability Mechanism (IPAM), including its status, performance and ability to perform its duties independently and in line with the provisions of the Project Accountability Policy;**
- 4.1 The Committee shall periodically review and evaluate the functions performed by the Independent Project Accountability Mechanism. In such reviews, the Committee shall assess whether the Independent Project Accountability Mechanism (a) has a role that is commensurate to the Bank's purpose and needs, (b) has policies, procedures, methodologies, budgets and staffing resources that are adequate to perform its role and (c) perform according to expectations. The Committee shall also assess whether the Independent Project Accountability Mechanism has the ability to perform its duties independently from the departments, units or Bank personnel over whom it exercises an oversight or review responsibility and that the Chief Accountability Officer has the ability to express opinions independently from other members of Management.
- 4.2 The Committee shall review the work programme reports of the Independent Project Accountability Mechanism for its relevance and intended contribution to institutional performance and accountability, in accordance with the Project Accountability Policy and shall review annually the proposed scope of the work plans of the Independent Project Accountability Mechanism functions for the coming year and the process to develop the plan.
- 4.3 The Committee shall discuss and review any significant findings and recommendations of the Independent Project Accountability Mechanism and management's responses to such findings. The Committee shall discuss and review the action plan proposed management to address key issues related to these findings and recommendations, and will report to the Board as appropriate.
- 4.4 The Committee retains the right to meet with the Chief Accountability Officer (including the Vice President responsible for the Environmental and Social Policy (ESP) where ESP-related are concerned) without members of management being present.
- 4.5 The Committee's involvement in the recruitment process, the engagement / renewal of, objective setting, appraisal and removal of the Chief Accountability Officer are set out in the Project Accountability Policy.
- 5. Oversee the Bank's Internal Audit and Compliance functions.**
- 5.1 The Committee shall periodically review and evaluate the functions performed by the Internal Audit Department and Office of the Chief Compliance Officer (hereafter called "the Functions"). In such reviews, the Committee shall assess

whether the Functions (a) have a role that is commensurate to the Bank's purpose and needs, (b) have policies, procedures, methodologies, budgets and staffing resources that are adequate to perform their role, and (c) perform according to expectations. The Committee shall also assess whether each Function has the ability to perform its duties independently from the departments, units or Bank personnel over whom it exercises an oversight or review responsibility and that the Head of each Function has the ability to express opinions independently from other members of management.

- 5.2 The Committee shall review the proposed scope of the work plans of the Functions for the coming year and the process to develop these plans. The Committee shall also review any significant findings of the Functions and management's responses to such findings, as well as submissions relating to the activities of the Functions. The Committee shall discuss and review follow up action by management to address key issues related to these findings.
- 5.3 The Committee retains the right to meet with the Head of each Function without other members of Management being present.
- 5.4 The Committee's involvement in inter alia the recruitment process, the engagement of, objective setting, appraisal and removal of the Chief Internal Auditor are set out in the Terms of Reference for the Internal Audit Department. The Committee shall promptly report its views on the engagement of the Chief Internal Auditor to the Board. The President shall take the decision to remove the Chief Internal Auditor as set out in the Terms of Reference of the Internal Audit Department.
- 5.5 The Committee shall be consulted prior to the engagement of the Chief Compliance Officer, as set out in the Terms of Reference of the Office of the Chief Compliance Officer. The Committee shall promptly report its views on the engagement of the Chief Compliance Officer to the Board. The President shall take the decision to remove the Chief Compliance Officer in accordance with the guidance given by the Board in an Executive Session.

6. Oversee the Bank's Risk Management function

- 6.1 The Committee shall periodically review and evaluate the functions performed by the Risk Management Department. In such reviews, the Committee shall assess whether the Risk Management Department (a) has a role that is commensurate to the Bank's purpose and needs, (b) has policies, procedures, methodologies, budgets and staffing resources that are adequate to perform its role, and (c) performs according to expectations. The Committee shall also assess whether the Risk Management Department Function has the ability to perform its duties independently from the departments, units or Bank personnel over whom it exercises an oversight or review responsibility and that the Vice President Risk has the ability to express opinions independently from other members of management.
- 6.2 The Committee shall review any significant findings of the Risk Management Department and any responses to such findings. The Committee shall discuss

- and review follow up action by management to address key issues related to these findings.
- 6.3 The Committee retains the right to meet with the Vice President Risk without other members of management being present.
- 6.4 The Committee shall periodically review the risk profile of the Bank, including the Bank's overall risk appetite, the results of stress tests prepared by Risk Management, as well as regular reports covering key risk dimensions, including strategic, credit, market, liquidity, operational, and climate risks faced by the Bank.
- 7. Oversee the independence, qualifications and performance of the Bank's external auditor.**
- 7.1 The Committee shall periodically review, and make appropriate recommendations to the Board on, policies regarding the role and activities of the external auditor, including the provision of non-audit services. In the context of such reviews, the Committee shall satisfy itself as to the qualifications, independence and performance of the Bank's external auditor, who is ultimately accountable to the shareholders of the Bank. The Committee shall appoint one of its members to join, as an observer, any selection panel that is tasked with the identification and selection of the Bank's external auditor.
- 7.2 The Committee shall consider the President's proposal for the appointment and compensation of the external auditor (which proposal shall include the draft letter of engagement) and may make appropriate recommendations to the Board before the Board decides on the matter. The letter of engagement shall specify that, in the discharge of their professional responsibility to the Bank, the external auditor (a) shall communicate with the President and the Board, (b) shall, when requested by the Committee's Chair, attend any meeting of the Committee for the purpose of answering questions and giving explanations to the Committee, and (c) shall bring, without delay, to the attention of the President and the Committee any matter or issue which, in their opinion, ought to be given immediate consideration by the President and the Board. The Committee shall also consider the President's proposal for the removal of the external auditor, if necessary, and shall make appropriate recommendations to the Board before the Board decides on the matter.
- 7.3 The Committee shall, as often as it deems necessary, meet with the external auditor without Management being present.
- 7.4 The Committee shall participate in the discussion and the resolution of any disagreements between the Management and the external auditor as necessary.
- 8. Discharge other responsibilities within its remit that the Board may assign to the Committee from time to time**

- 8.1 In the areas under its responsibility, the Committee may make appropriate recommendations for the continuous improvement of and adherence to the Bank's policies, procedures and practices at all levels.
- 8.2 The Committee shall periodically oversee the systems, methods and results of contracting for goods, services and consultancy in technical assistance and operations including, for example, an annual review of purchasing, procurement and engagement of consultants' reports.
- 8.3 Consistent with its oversight function and subject to the powers of other bodies and officers under Bank's procedures for specific investigations (e.g., Conduct and Disciplinary Rules & Procedures, Terms of Reference of the Procurement Complaint Committee, Grievance Procedures, Appeals Procedures, the Independent Project Accountability Mechanism, etc.), the Committee may require investigations into any matters within the Committee's responsibilities. The terms of reference of, and budget for, such investigations shall be discussed with Management and shall be submitted to the Board for approval. Investigations to be carried out by the Evaluation Department shall be deemed to be material changes to the Evaluation Department's work programme and dealt with accordingly.
- 8.4 The Committee shall be entitled to obtain advice and assistance from an outside expert. The Board shall appoint the outside expert upon the recommendation of the Committee. For this, resources shall be made available to the Committee in the framework of the Bank's budget.
- 8.5 The Committee shall perform any other activities consistent with these Terms of Reference and the Bank's governing documents, as the Board or the Committee deems necessary or desirable.

C. Terms of Reference of the Budget and Administrative Affairs Committee (BAAC)

The Committee shall assist the Board of Directors in fulfilling its responsibilities in relation to the following:

- 1. Ensure that the budgetary, staff and administrative resources of the Bank are directed towards its agreed priorities**
- 2. Monitor efficiency, cost control and budgetary prudence**
- 3. Oversee the Bank's Special Funds (and in particular the Shareholder Special Fund), the uses of donor funding and relations with the donor community**
- 4. Oversee the Bank's Human Resources policies**
- 5. Fulfil specific responsibilities in relation to Governors, the President, Vice Presidents and Directors of the Bank**
- 6. Supervise the Bank's administrative arrangements**
- 7. Discharge other responsibilities within its remit that the Board may assign to the Committee from time to time**

In fulfilling its responsibilities, the Committee shall have the rights and duties, and follow the principles and guidelines, contained in the provisions set out below.

- 1. Ensure that the budgetary, staff and administrative resources of the Bank are directed towards its agreed priorities**
 - 1.1 The Committee shall review the Bank's budget, including its resources, budget planning, budget updates and any supplementary budget requests. .
 - 1.2 The Committee shall discuss, early in the business planning cycle, key issues guiding the preparation of the annual budget and business plan.
 - 1.3 The Committee shall review the annual budget and business plan proposals.
 - 1.4 As requested by the Board, or management, or on its own initiative, the Committee shall consider and make recommendations regarding any issues and policies with significant budget impact.
- 2. Monitor efficiency, cost control and budgetary prudence**
 - 2.1 The Committee shall review and monitor periodic reports on institutional performance, including: transition impact; operational performance; organisational performance; and, administrative and capital expenditure.

- 2.2 The Committee shall review instruments for the measurement of corporate performance, such as the corporate scorecard, the framework for performance reporting, and principles of planning and budgeting.
- 3. Oversee the Bank's Special Funds (and in particular the Shareholder Special Fund), the uses of donor funding and relations with the donor community**
- 3.1 The Committee shall provide guidance to management regarding the governance of the Shareholder Special Fund, including requests for modifying its Rules or making changes to its administrative arrangements or structure.
- 3.2 The Committee shall review the annual work plan and needs analysis of the Shareholder Special Fund.
- 3.3 The Committee shall provide guidance to management regarding the governance of Special Funds, including requests for establishing new funds, making modifications to the Rules of current Funds, or making changes in administrative arrangements or structures.
- 3.4 The Committee shall review the annual donor co-financing Report and other relevant reports related to the Bank's cooperation with donors and the use of donor funds.
- 3.5 The Committee shall, in the context of donor funding, consider as appropriate issues arising from the EBRD's co-operation with other IFIs or donors.
- 3.6 The Committee shall review the operational performance of the Bank's policies and procedures on technical co-operation as appropriate.
- 4. Oversee the Bank's Human Resources policies**
- 4.1 The Committee shall periodically review the Bank's Human Resources policies, including such issues as: staff recruitment criteria; staff development; performance evaluation and promotion criteria; gender equality; and work-life balance.
- 4.2 The Committee shall discuss, early in the business planning cycle, key issues relating to the Bank's Human Resources policies.
- 4.3 The Committee shall review the annual staff compensation and benefits programme proposals.
- 4.4 The Committee shall consider annual reports by the Bank's Ombudsman, and any reports on issues relating to the health and safety of Bank personnel.
- 4.5 The Committee shall consider annual reports from the Chair of the Administrative Tribunal and shall periodically assess the adequacy of the Bank's system of disciplinary procedures, grievances and appeals.

4.6 The Committee shall invite the Staff Council twice per year to give presentations to and exchange views with the Committee on matters set out in Section 11 of the Staff Regulation, namely: personnel policies, staff conditions of service and the establishment of procedures for the consideration of complaints and grievances of staff members. The modalities and timing of the meetings as well as possible additional meetings will be determined by the Committee Chair in consultation with the Chair of the Staff Council and the Managing Director with responsibility for Human Resources. The meetings will be minuted in the same way as regular BAAC meetings.

5. Fulfil specific responsibilities in relation to Governors, the President, Vice Presidents and Directors of the Bank

5.1 The Committee shall review logistical and budgetary arrangements relating to the Annual Meetings of the Board of Governors.

5.2 The Committee shall review proposals for submission to the Board of Governors concerning the appointment and remuneration of the President.

5.3 The Committee shall review proposals regarding the appointment and remuneration of Vice Presidents and the Chief Evaluator, while respecting the responsibilities of the Audit and Risk Committee relating to the Chief Evaluator.

5.4 The Committee shall review administrative and budgetary arrangements relating to Directors' Constituency Offices.

6. Supervise the Bank's administrative arrangements

6.1 The Committee shall review material issues concerning the fixed assets of the Bank, including arrangements concerning its headquarters and Resident Office buildings.

6.2 The Committee shall review issues related to business continuity planning and general administrative arrangements.

7. Discharge other responsibilities within its remit that the Board may assign to the Committee from time to time

7.1 The Committee shall perform any other activities consistent with the Committee's Terms of Reference and the Bank's governing documents, as the Board or the Committee deems necessary or desirable.

D. Terms of Reference of the Financial and Operations Policies Committee (FOPC)

The Committee shall assist the Board of Directors in fulfilling its responsibilities in relation to the following:

- 1. Review and oversee the parts of the Strategic Capital Framework (SCF) that fall within its remit**
- 2. Review and oversee the Bank's Financial Policies**
- 3. Review and oversee the Bank's Operations Policies, which includes but is not limited to sector strategies**
- 4. Oversee the annual review of the Bank's operations and lending strategy in each recipient country**
- 5. Review and oversee policies relating to transparency, disclosure and good governance, and the promotion of environmentally sound and sustainable development**
- 6. Discharge other responsibilities within its remit that the Board may assign to the Committee from time to time**

A fundamental part of the Committee's work in relation to policy oversight shall be to help identify, in conjunction with and in support of Management, forward-looking developments, particularly those that emerge from lessons learned from the reports and studies of the Evaluation Department and the Office of the Chief Economist.

In fulfilling its responsibilities, the Committee shall have the rights and duties, and follow the principles and guidelines, contained in the provisions set out below.

- 1. Review and oversee the parts of the Strategic Capital Framework (SCF) that fall within its remit**
 - 1.1 Without prejudice to the parts of the SCF that are considered by other Board Committees, the FOPC will review and oversee the preparation of the Strategic Capital Framework (SCF).
 - 1.2 As part of the five-year review of the Strategic Capital Framework, the Committee shall oversee the review of the capital stock of the Bank (as outlined in 5.3 of the AEB).
 - 1.3 As part of the five-year review of the Strategic Capital Framework, the Committee shall review the Bank's medium term strategy.
 - 1.4 The Committee shall review policies that implement the financial (i.e. capital-related) and operational aspects of the SCF.

1.5 The Committee shall review updates and reports on the above matters as appropriate.

2. Review and oversee the Bank's Financial Policies

2.1 The Committee shall review as required the Bank's financial policies¹. This includes but is not limited to: policies related to the Bank's capital and financial resources; the Capital Adequacy Policy (CAP); and key components of the methodology underpinning the Risk Adjusted Return on Capital (RAROC).

2.2 The Committee shall monitor the Bank's Treasury Operations through the annual consideration of the report on treasury activities. The Committee shall oversee and provide guidance on the review of the treasury authority. The Committee shall review on an annual basis the Bank's liquidity and borrowing programme.

2.3 The Committee shall discuss and report to the Board of Directors on Net Income Allocation, in preparation for the annual submission of a proposal to the Board of Governors (as outlined in Article 36 of the AEB).

2.4 The Committee shall review the Financial Sustainability Assessment as part of the annual budget process.

2.5 The Committee shall review updates and reports on the above matters as appropriate.

3. Review and oversee the Bank's Operations Policies, which includes but is not limited to sector strategies

3.1 The Committee shall review as required each of the Bank's sector policies (known as "sector strategies") and their implementation.

3.2 The Committee shall review other general operational policies.

3.3 The Committee shall consider and provide guidance on key operational initiatives (such as the Small Business Initiative), with particular focus on the monitoring of their results.

3.4 The Committee shall consider the annual Financial Intermediaries Report.

3.5 Under the Early Warning Procedure, the Committee shall consider projects and frameworks that: relate to areas identified by the Board of Directors for additional scrutiny; involve new ideas or approaches; or are considered exceptional or extraordinary. This is so that the Committee can be informed of such projects and frameworks as early as possible in the project cycle and before they become fully-fledged projects.

¹ NB: This does not include accounting related policies, as these are governed by IFRS.

- 3.6 The Committee shall review updates and reports on the above matters as appropriate.
- 4. Oversee the annual review of the Bank's operations and lending strategy in each recipient country**
- 4.1 The Committee shall oversee the annual review of the Bank's operations and lending strategy (known as the Country Strategy Delivery Reviews (CSDRs)) (as outlined in Article 11.2.i) of the AEB).
- 4.2 The Committee shall, when necessary, review the methodology and format of Country Strategies and the CSDRs.
- 5. Review and oversee policies relating to transparency, disclosure and good governance, and the promotion of environmentally sound and sustainable development**
- 5.1 The Committee shall review and oversee the promotion of transparency, disclosure and good governance in the Bank's operations. This includes reviewing the Access to Information Policy.
- 5.2 The Committee shall review and oversee the promotion of environmentally sound and sustainable development through the Environment and Social Policy (ESP) (as outlined in Article 2.vii) of the AEB).
- 5.3 The Committee shall review updates and reports on the above matters as appropriate.
- 6. Discharge other responsibilities within its remit that the Board may assign to the Committee from time to time**
- 6.1 The Committee shall consider requests for membership (as outlined in Article 3 of the AEB) and Recipient Country status.
- 6.2 The Committee shall review the Annual Review of the EBRD.
- 6.3 The Committee shall perform any other activities consistent with the Committee's Terms of Reference and the Bank's governing documents as the Board or the Committee deems necessary or desirable.

E. Process for the selection and nomination of Chairs, Vice Chairs and Members of Board Committees and of the Board Steering Group

1. Composition and Objectives

- 1.1 Each Committee consists of no more than eight members who must all be Directors. Two members of each Committee serve as Chair and Vice Chair.
- 1.2 The Board needs to ensure that its Committees operate in an effective manner, with due account taken of experience, continuity, representativeness and rotation in the appointment of Chairs, Vice Chairs and members².
- 1.3 The nomination process leading to Board approval of the composition of Committees and their Chair and Vice Chair must be transparent.

2. Nominations for Chairs, Vice Chairs and Members

- 2.1 An informal nomination and selection process is managed by the Chair of the Board Steering Group, supported by the Secretary General. It usually begins in the month of June. The President is kept informed. If the Chair of the BSG intends to nominate themselves, or to accept a nomination for a position of Chair or Vice Chair, they will immediately hand over the management of the entire nomination process to the Vice Chair of the BSG. Where the Vice Chair is also a candidate for nomination, the process will be managed by the longest serving Director who has confirmed in advance that they have no intention of standing.
- 2.2 The Chair of the BSG invites Directors to nominate themselves or fellow Directors to serve as Chairs and Vice Chairs of each Committee and the BSG. The Chair of the BSG, having checked the readiness of those nominated to serve as Chairs, circulates the list of nominations and invites Directors to indicate their preferences in a consultative process that gives them the option to do so without revealing their respective choices. The overall results are reported to all Directors.

Chairs and Vice Chairs

- 2.3 No Director representing the same constituency should serve for longer than two *consecutive years* as Chair or Vice Chair of any of the three Committees or the BSG.
- 2.4 If a Director representing the same Constituency has served previously as Chair or Vice Chair for two consecutive years, there should be a *one-year waiting period* before a Director accepts a nomination for a position of Chair or Vice Chair of another Committee / the BSG.

² In this context a recommendation from the external auditors on continuity in the chairing of the Audit and Risk Committee should be kept in view.

- 2.5 A Director or Alternate Director³ should only accept a nomination if they are likely to be available for the greater part of a full term (i.e. at least until the time of the forthcoming Annual Meeting); Directors should be advised accordingly at the outset of the nomination process. Nevertheless, if a Director has to leave unexpectedly in the course of their term of office, succession to their position of Chair or Vice Chair will follow the normal rules, whereby the Vice Chair succeeds the Chair and the longest-serving Director who is a member of the Committee succeeds as Vice Chair (see section 4).
- 2.6 At least one of the eight Chairs or Vice Chairs should be a national of a *Recipient Country*. Insofar as it is possible, a gender balance should be sought.
- 2.7 Nominations, which are confidential, should only be made for an individual who has been a member of the Board for at least *six months* prior to the beginning of the nomination process.

Committee membership

- 2.8 Each Director should serve as a member of a Committee.
- 2.9 No Director representing the same Constituency should be appointed to any Committee if that appointment would result in the membership of the Director and the Director's immediate predecessor to that Committee being longer than two years.

Derogations from the principles in points 2.3 to 2.9.

- 2.10 A derogation can be made where no other Director has accepted a nomination for a position of Chair or Vice Chair and where the position would otherwise be vacant.
- 2.11 Committee membership can be extended to three or four years, if the Director during the first two years was a member or a Vice Chair of that Committee before being nominated and elected as Chair.
- 2.12 Further derogations can be approved by the Board to accommodate other unforeseen circumstances.
- 2.13 The Chair of the BSG then invites each Director to declare first, second and third choices for membership in the Committees. On the basis of these preferences, and in consultation with individual Directors, the Chair of the BSG prepares a proposal for membership in all three Committees.

Selection process for Chairs and Vice Chairs

- 2.14 Any nominated Director can stand for only one position of Chair or Vice Chair.

³ Only a Director may serve as a member of a Committee and as Chair or Vice Chair. However, where a rotation or change is envisaged whereby an Alternate Director would become Director prior to the new Committee year, the Alternate Director is eligible for nomination.

- 2.15 Chairs and Vice Chairs are “selected” in a secret ballot by the majority of the total number of Directors⁴.
- 2.16 If there is more than one candidate for a position of a Chair or Vice Chair, successive rounds of balloting may be needed until a candidate receives the majority of the total number of Directors. Where, in any round of balloting, no candidate attains the required majority, the candidate who has received the least support shall be eliminated from the next round.
- 2.17 Candidates may withdraw at any time before or during the selection process; this principle applies also for the selection of Committee members.
- 2.18 The Chair of the BSG circulates the results of the above selection processes and presents the President with a draft proposal concerning Committee Chairs, Vice Chairs and members, for their consideration.

3. Appointment and Term of Committees

- 3.1 Members of Committees, including Chairs and Vice Chairs, are appointed by the Board on the recommendation of the President, after completion of the informal nomination processes set out above.
- 3.2 Committee Chairs, Vice Chairs and members are appointed for a term of one year starting on 1 September each year (the “Committee year”).

4. Vacancies

- 4.1 If a Committee member leaves before the end of their term on the Committee, their successor Director automatically assumes the outgoing Director’s membership on the Committee for the remainder of the term.
- 4.2 If the Chair leaves before the end of their term on the Committee or BSG, the Vice Chair replaces them as Chair for the remainder of the term. In this case, the position of Vice Chair is filled by the Committee selecting one of its members. A Committee member should make their desire to stand as Vice Chair known to the Committee. In the event that there is more than one candidate, a secret ballot will be run by the Chair (with support from OSG). The candidate receiving the most support from Committee Members takes the Vice Chair role. The Chair shall not take part, as in the event of a tie, the Chair shall have the casting ballot. In the event that there are no candidates, the Vice Chair position is taken by the longest serving Director who is a member of the Committee. The incoming Director takes up the vacant position of Committee member. In the case of the Vice Chair of the BSG, the position would be taken by a Director who holds no position as a Committee Chair or Vice Chair. A Director should make their desire to stand as BSG Vice Chair known to the BSG members. In the event that there is more than one candidate, a secret ballot will be run by the BSG Chair (with

⁴ This ballot remains informal, as voting on any decision of the Board of Directors has to comply with the voting requirements of Article 29 of the Agreement Establishing the Bank.

OSG support) in which each Committee Chair and Vice Chair shall take part. The candidate receiving the most support takes the Vice Chair role. The BSG Chair shall not take part, as in the event of a tie, the Chair shall have the casting ballot. In the event that there are no candidates, the Vice Chair position is taken by the longest serving Director who holds no position as a Committee Chair or Vice Chair.

- 4.3 If an election of the Board of Directors takes place during the term of a Committee or BSG, re-elected Directors continue, after the election, as Chairs, Vice Chairs or members of the Committee or BSG to which they belonged before the election. Successor Directors assume the outgoing Director's membership on the Committee for the remainder of the term.

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