

PUBLIC

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK AND
THE INTER-AMERICAN INVESTMENT CORPORATION

**STANDING COMMITTEES OF THE BOARDS OF EXECUTIVE DIRECTORS OF
THE IDB AND THE IIC**

**CONSOLIDATED PROCEDURES
AND
TERMS OF REFERENCE. APPROVED VERSION**

Under the Access to Information Policy, this document is subject to Public Disclosure.

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Foreword

This compilation of the current procedures and terms of reference for Committees of the Boards of Executive Directors of the Inter-American Development Bank (“IDB” or “Bank”) and the Inter-American Investment Corporation (“IIC” or “Corporation”)¹ is intended to facilitate the work of individual Directors and their staff.

Amendments to these procedures were approved by the IIC Board of Executive Directors on 29 October 2019 (CII/DR-97-15) and by the IDB Board of Executive Directors on 4 November 2019 (DR-525-52). The attached version supersedes all the other documents previously approved regarding Committee procedures and terms of reference.

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Abbreviations

Agreements	Agreement Establishing the IDB and Agreement establishing the IIC
AUG	Office of the Executive Auditor
Boards	Board of Executive Directors of the IDB and the Board of Executive Directors of the IIC
Committees or Standing Committees	Committees of the IDB and the IIC Boards that are subject to these Consolidated Procedures
Constituency	The country or countries represented by a single Executive Director
Management	Management of the IDB or Management of the IIC, as applicable
SEC	Office of the Secretary

¹ Notwithstanding the IIC’s rebranding to IDB Invest, the IIC’s legal name shall continue to be used to identify the institution in documents of a legal nature such as these procedures, in accordance with document CII/GN-353.

I. DEAN AND VICE DEANS OF THE BOARDS OF THE IDB AND THE IIC

- 1.1 The Dean of the Boards will be the Executive Director with the longest full-time service as Executive Director of the IDB. Time served as Alternate Executive Director of the IDB will count.
- 1.2 The Vice Dean of the Boards will be the Executive Director with the longest full-time service as Executive Director of the IIC. Time served as Alternate Executive Director of the IIC will count.² If the Dean is from a Regional Developing member country, the Vice Dean will be the IIC Executive Director with the longest full-time service from a member other than a Regional Developing member country, and vice versa.
- 1.3 Subject to paragraphs 1.1 and 1.2, both the Dean and the Vice Dean shall be either Executive Director or Alternate Executive Director in both Boards.
- 1.4 The terms of the Dean and the Vice Dean will be limited to two (2) consecutive years. The terms of the Dean or the Vice Dean will not be interrupted in the case that another Executive Director fulfills the requirements set forth in Sections 1.1. or 1.2 and 1.3 to become Dean or Vice Dean during such terms. The outgoing Dean will not be eligible for a new term as Dean during the two years immediately after his or her term. The outgoing Vice Dean will not be eligible for a new term as Vice Dean during the two years immediately after his or her term.
- 1.5 Should the Dean leave the Boards before the end of his or her term, he or she will be replaced by the Executive Director who fulfills the requirements set forth in paragraph 1.1 and a new term will start.
- 1.6 Should the Vice Dean leave the Boards before the end of his or her term, the Executive Director who fulfills the requirements set forth in paragraph 1.2 will become the new Vice Dean, and a new term will start.
- 1.7 The Dean will serve as the Chairperson of the Steering Committee and will not serve as Chairperson or as Vice Chairperson of any other Standing Committee.

II. AUTHORITY TO CREATE BOARD COMMITTEES

- 2.1 Each Board may appoint such Committees as it deems advisable.
- 2.2 Currently, there are five Standing Committees of the IDB Board that are subject to these Consolidated Procedures: the Audit Committee, the Budget and Financial Policies Committee, the Organization, Human Resources and Board Matters Committee, the Policy and Evaluation Committee, and the Programming Committee. Annexes I through VI contain the Terms of Reference that govern these Committees.
- 2.3 There are two Standing Committees of the IIC Board that are subject to these Consolidated Procedures: the Committee of the Board of Executive Directors and the Audit Committee. Annexes VII and VIII contain the Terms of Reference that govern these Committees.
- 2.4 The Steering Committee is a joint IDB-IIC Standing Committee, also subject to these Consolidated Procedures.

² For the purposes of the paragraphs 1.1 and 1.2, only time served on the Boards during the ten-year period preceding the appointment as Dean or Vice Dean shall be counted to establish the length of full-time service, even if time served during such ten-year period was not continuous.

- 2.5 In the event of conflict between the Terms of Reference and these Consolidated Procedures, the relevant Terms of Reference shall prevail.
- 2.6 The Boards' Conduct Committee shall not be considered a Standing Committee of the Boards. With the exception of express references to the Conduct Committee herein, the Conduct Committee shall function in accordance with the Code of Conduct and its Operating Guidelines. These Consolidated Procedures do not apply to the IIC Executive Committee³ or the IIC Special Ad-Hoc Committee of the Board of Executive Directors for Problem Projects⁴ (the Ad-Hoc Committee for Problem Projects).

III. MEMBERSHIP

- 3.1 Members of the Standing Committees will consist of all the Executive Directors of the respective Board.
- 3.2 There will be one person representing each Constituency at the table. Such person may be the Executive Director, the Alternate Executive Director, the assigned Counselor or, in the case of the Standing Committees of the IIC, the Temporary Alternate Executive Director.

IV. COMMITTEE CHAIRPERSONS

- 4.1 Each Standing Committee will have a Chairperson, a First Vice Chairperson, and a Second Vice Chairperson, with the exception of the Steering Committee, which has a Dean and a Vice Dean.

A. Eligibility

- 4.2 Only Executive Directors with at least nine (9) months of full-time service on one of the Boards may serve as Chairperson of a Standing Committee of such Board, unless otherwise approved by such Board.
- 4.3 Service time as an Alternate Executive Director on one of the Boards will count towards eligibility for Standing Committee Chairpersonship on such Board.
- 4.4 An outgoing Committee Chairperson who remains as Executive Director at the end of his or her term shall serve as First Vice Chairperson of that Committee for the subsequent term.
- 4.5 A Chairperson of a Standing Committee on one of the Boards may not simultaneously serve as a Chairperson of a Standing Committee of the other Board.

B. Selection

- 4.6 In consultation with the Vice Dean and the Executive Directors of the corresponding Board, the Dean will submit the list of proposed Chairpersons and Vice Chairpersons of the Standing Committees to the respective Boards for approval. If the term of the Dean is within the last 30 calendar days of his or her mandate, the incoming Dean

³ The Executive Committee is governed by the regulations established in document CII/DR-4-13 (or any successor thereof).

⁴ The Ad-Hoc Committee for Problem Projects is governed by the Terms of Reference established in document CII/GN-146-2 (or any successor thereof).

shall be included in the consultations. All Committee Chairpersonships of each Board are open to all eligible Executive Directors of the respective Board.

- 4.7 In the nomination of Committee Chairpersons, preference should be given to those eligible candidates who have not served the previous year while ensuring, whenever possible, a balance in representation from Regional Developing and other member countries. Expertise and gender balance shall also be taken into account.

C. Term

- 4.8 Chairpersons and Vice Chairpersons will serve for one year; exceptionally, if approved by the respective Board, service may be extended by one year. To ensure a smooth transition, new Committee Chairpersons should be selected in early June for appointment on 1 July.

D. Interim appointment

- 4.9 If a Director resigns from a position of Chairperson, the First Vice Chairperson will substitute as Chairperson until the end of the original term. The Second Vice Chairperson will become First Vice Chairperson and a new Second Vice Chairperson shall be appointed.

E. Duties of Chairperson

- 4.10 In consultation with the members of the Committee, the Chairperson will be responsible for establishing the Committee's work program, setting the agenda for its meetings and submitting the program for consideration of the Steering Committee. The Office of the Secretary will maintain an updated guidebook for Committee Chairs that includes practical steps for managing the Committee Chairperson responsibilities.

V. COMMITTEE REVIEW

A. Forms of Committee review

- 5.1 Topics may be submitted to a Standing Committee for review in different forms:

a. For information

- 5.2 Documents distributed for information of a Standing Committee will not be placed on a meeting agenda, unless requested by an Executive Director. In most cases, the Chairperson will not submit a report to the respective Board.

b. For discussion

- 5.3 Depending on whether a document requires Board approval, it may be distributed as follows:
- 5.4 Documents that do not require approval by the Board will be distributed for discussion and the Committee will take note. The Chairperson will decide whether or not to submit a report to the respective Board.
- 5.5 Documents that require Board approval will be distributed for discussion by the Committee and subsequently sent to the Committee of the Whole for consideration and to the Board for approval. The Chairperson will submit the corresponding report to the respective Board.

c. By streamlined procedure

- 5.6 Documents that are not expected to generate discussion within a Committee, but that require Board approval, may be submitted to the Committee by streamlined procedure. The Chairperson will decide whether documents may be submitted to the Committee in this form. Any Director may request an interruption of the procedure to place the item on the appropriate Committee agenda for discussion. This procedure may also apply to items requiring Committee endorsement, but neither Committee discussion nor Board approval.
- 5.7 Following authorization from the Chairperson, SEC will advise Committee members when a document is distributed by streamlined procedure. Members are given a deadline to express any objection to the document (usually within five working days of document distribution). If no comments are received by the specified deadline, the Chairperson will understand that there is agreement within the Committee regarding the topic presented and a record of such agreement will be made in the minutes of the subsequent meeting of the Committee. The Chairperson will decide whether or not to submit a report to the respective Board.

B. Informal meetings of the Committee

- 5.8 The Chairperson may call informal meetings of the Committee to allow for a more open forum for discussion (no minutes are prepared for informal sessions). These sessions may include:
- i. Discussing issues for which there is no clear consensus within the members of the respective Board, before formally submitting it to the Committee;
 - ii. Gathering ideas and suggestions from the members of the respective Board regarding an upcoming topic to be formally presented to the Committee; and
 - iii. Presenting topics of interest to the members of the respective Board, for which a formal document may or may not be presented to the Committee.

C. Document advance-circulation requirements

- 5.9 All documents submitted to a Committee for discussion are subject to an advance-circulation period (in both languages) of at least ten working days before they may be discussed in a formal meeting of a Committee. Documents may be posted on the SEC website initially in one language. However, the advance-circulation period begins from the time the document is posted in both languages. This requirement applies to the initial presentation of the matter to the Committee. The Chairperson will determine distribution requirements for additional information or for changes made to original documents.
- 5.10 Documents submitted by streamlined procedure will have an advance-circulation period of five working days in both languages.
- 5.11 Audiovisual presentations, when used as visual aids accompanying a principal document, shall be posted on the SEC website in both languages at least two working days before they are to be presented to a Committee.
- 5.12 Audiovisual presentations used as principal documents (when there is no underlying document) will be subject to the same distribution period requirements as

documents submitted for discussion of a Committee (ten working days), unless otherwise agreed by the Committee Chairperson.

- 5.13 There are no advance-circulation requirements for documents submitted to an informal meeting of a Committee.

D. Exceptions to document circulation requirements

- 5.14 Exceptions to circulation requirements are decided by the Chairperson, in consultation with the members of the Committee concerned. If Management has good reason to request a shortened circulation period, a request is to be submitted to the Chairperson, through SEC, in writing. The Chairperson, after determining the view of the majority of the Committee members, will inform Management of the Committee's decision in writing, with a copy to SEC. Members of the Board may also request a shortened or extended circulation period. The same procedure outlined above shall be followed. All communications are to be via e-mail.

E. Revision of a document previously considered by a Standing Committee

- 5.15 A Standing Committee may recommend that a document be submitted to the respective Committee of the Whole after it has been revised to reflect the changes/additions requested by the Standing Committee. The Chairperson, after reviewing the modifications, will inform SEC when satisfied that the revised document reflects the Committee's instructions. SEC will distribute the revised document to the respective Board after receiving notification from the Chairperson. Revised documents may also be resubmitted to the Committee should the Committee so decide. In this case, the Chairperson will determine the appropriate distribution period.
- 5.16 Revised documents will be posted on the SEC website at least three working days before they are submitted to the Committee of the Whole, unless the Chairperson, after appropriate consultation, instructs otherwise.

VI. MEETINGS OF STANDING COMMITTEES

A. Agendas

- 6.1 SEC produces agendas for the Standing Committees in consultation with the Committee Chairperson and Management, and posts them on the SEC website in both languages, in principle, at least ten working days in advance of the meeting. All changes to the agendas must be authorized by the Chairperson. The item "Other business" will be included on all agendas (with specific sub-items as necessary). SEC will prepare tentative agendas one month in advance for meetings of each Standing Committee, using the most recent information provided by Departments of the IDB or the IIC, as the case may be.

B. Convening, attendance and participation

- 6.2 In general, Committee meetings should be convened with a minimum of ten working days' notice.
- 6.3 At the request of the Committee Chairperson, the President of the IDB and Chairperson of the IIC Board, and any staff member may attend meetings of that Committee.

- 6.4 Any Executive Director or Alternate Executive Director may attend and participate in any meeting of any Committee of the Board of the institution to which he or she is appointed. It shall be up to each Executive Director's office to decide on attendance by Counselors or Temporary Alternate Executive Directors, as the case may be.
- 6.5 Members of the Board seated at the table represent the position of the corresponding Executive Director. Other accompanying members may only speak if recognized by the member seated at the table.
- 6.6 All Executive Directors, Alternate Executive Directors, Counselors, and Temporary Executive Directors will be provided with all documentation distributed in connection with the work of any Committee of their respective institution, including notices of meetings, agendas, policy documents, background papers, and minutes.

C. Executive sessions

- 6.7 At the request of the Chairperson or of any Executive Director, meetings of a Standing Committee may be held in executive session and shall be attended only by the Chairperson, the Executive Directors, Alternate Executive Directors, the Secretary and such other persons as may be specifically designated by the members. Executive sessions do not require advanced notice. Minutes of executive sessions will only record the Committee's recommendation.

D. Absence of Chairperson

- 6.8 If unable to call or chair a meeting, the Chairperson will ask the First Vice Chairperson, or, if unavailable, the Second Vice Chairperson to call or chair the meeting. In the absence of the Chairperson and the two Vice Chairpersons of a Committee, the Chairperson may ask the Executive Director placed highest on the Executive Directors' order of precedence of the respective institution to chair a meeting.
- 6.9 Committee meetings will not be suspended due to a Chairperson's absence. They may be suspended only in the absence of the Chairperson and both Vice Chairpersons.

VII. JOINT MEETINGS OF THE STANDING COMMITTEES OF THE IDB AND THE IIC BOARDS OF EXECUTIVE DIRECTORS

- 7.1 The Standing Committees of the IDB and the IIC Boards of Executive Directors may hold joint meetings as necessary to consider matters of common interest. Joint meetings will be cochaired by the Chairpersons of the respective Committees, who will decide on a case by case basis who will lead the discussions. Joint minutes and summaries of deliberations will be prepared by the Office of the Secretary, subject to the circulation and approval procedures established in chapter X of this document.
- 7.2 In joint meetings of IDB and IIC Committees, at the table there shall be one person representing each Constituency of the IDB Board and one person representing each Constituency of the IIC Board whose Executive Directors do not hold the same position in the IDB Board of Executive Directors. In their interventions, Committee members shall indicate on whose behalf they are speaking (i.e. Constituency and institution).

VIII. NO VOTING IN STANDING COMMITTEES

- 8.1 The decision-making prerogatives of each Board under the respective Agreements and the Regulations of each Board shall be respected. Accordingly, the Committees shall have no decision-making powers and shall not settle any issue through any sort of voting procedure.

IX. CHAIRPERSON REPORTS

- 9.1 Each Committee shall be responsible for ensuring that its business is conducted properly and with reasonable dispatch. When necessary, the Chairperson of each Committee shall present a report to its respective Committee of the Whole reflecting the relevant issues, the different points of view expressed by Directors, and supporting arguments set forth in the Committee's deliberations, and shall present recommendations and options to be considered by the Board.
- 9.2 Chairperson reports are prepared only for matters that will be submitted for subsequent consideration by the respective Committee of the Whole and/or Board. Once a Standing Committee has completed its discussion of an agenda item, the respective Committee coordinator will prepare a draft report (unless otherwise informed by the Committee Chairperson) and submit it to the Chairperson for revision and clearance.
- 9.3 Should the matters under consideration require the approval of the respective Boards of Directors, a joint Chairpersons' report will be prepared and submitted by the Chairpersons to the respective Boards of Directors, unless otherwise decided. Should the Chairpersons have divergent views, the matter shall be brought to the Steering Committee for further consideration.
- 9.4 The Chairperson reports will be posted on the SEC website at least three (3) working days before they are considered in the Committee of the Whole, unless the Chairperson, with the Committee's concurrence, agrees otherwise.
- 9.5 Chairperson reports are not consensus documents. While the Chairperson may want to consult with members of the Committee regarding the content, the final version of the report is the decision of the Chairperson.

X. SUMMARIES OF DELIBERATIONS AND MINUTES⁵

- 10.1 The Office of the Secretary shall be responsible for providing each Committee with a coordinator, with the exception of the Conduct Committee, which will be supported by a Secretary. In consultation with the Chairperson, this coordinator will be responsible for posting the agenda and relevant documents on the SEC website.
- 10.2 SEC will prepare draft minutes within two working days of each formal Committee meeting reflecting the outcome of the discussion. Draft summaries of deliberations will be prepared within ten working days of each formal meeting, contain a detailed account of the proceedings and reflect a description of the items discussed and the conclusions reached. IDB and IIC Management will be given the opportunity to

⁵ This section only applies to the IIC once the new Access to Information Policy becomes effective.

- comment on the draft minutes and summaries of deliberations before they are forwarded to the Committee Chairperson.
- 10.3 The summary of deliberations will include a separate heading – “Recommended Decisions and Actions” – that clearly states the outcome of the discussion, including the next steps to be taken with regard to the document and sufficient detail on Committee requests.
 - 10.4 The draft summary of deliberations and minutes will be sent electronically for review by the Chairperson. If no objections or changes are proposed by the Chairperson within three working days, the summary of deliberations and minutes will be provisionally posted on the SEC website, and when timing allows, placed on the agenda of the Committee’s next meeting (summaries of deliberations and minutes must be posted for a minimum of three-working days in both languages before being placed on an agenda). Once the summary of deliberations and minutes are posted on the agenda, Directors with comments should direct them to the Chairperson before or during the meeting, or request a postponement of their consideration. For summaries of deliberations and minutes whose consideration is postponed, all comments must be provided to SEC within 24 hours of the meeting or they will be reposted on the agenda of the subsequent meeting without being modified. Revised versions of summaries of deliberations and minutes must be marked to reflect the proposed changes. If no objections are raised during or prior to the meeting, they will be considered approved.
 - 10.5 In exceptional cases, a Committee Chairperson may request approval of the summary of deliberations and minutes virtually, on an expedited basis. A record of such virtual approval will be made in the summary of deliberations and minutes of the subsequent Committee meeting.
 - 10.6 Directors wishing to have their statements recorded in the summary of deliberations and/or in the minutes will make such a request at a meeting, and subsequently submit them in writing (electronic file) to SEC. These statements will be translated in both languages and attached to the summary of deliberations and/or in the minutes.
 - 10.7 Agendas, minutes and Chairpersons’ reports of meetings of Standing Committees of the Boards will be made available to the public subject to IDB’s Access to Information Policy and its Implementation Guidelines or IIC’s Disclosure of Information Policy (or any successor thereof), as the case may be.⁶ Summaries of deliberations of meetings of Standing Committees of the IDB Board will be eligible for public disclosure ten years after their approval.⁷ Summaries of deliberations of meetings of the Standing Committees of the IIC Board will be deemed confidential and not subject to public disclosure.
 - 10.8 Summaries of deliberations and minutes are not to be prepared for informal Committee meetings.

⁶ IDB’s Access to Information Policy (document GN-1831-28) or IIC’s Disclosure of Information Policy (document CII/GN-129-7).

⁷ Access to Information Policy (document GN-1831-28), Access to Information Policy Classification and Declassification System and Review Process (document GN-1831-31) and Access to Information Policy Implementation Guidelines (document GN-1831-36).

XI. PROGRAMMING OF STANDING COMMITTEES' WORK

A. Committee work programs

- 11.1 An annual work program will be prepared and adopted before the summer recess for each Standing Committee, with the participation of Management. Managing the program will be the responsibility of the Committee Chairperson in his or her role as facilitator, with support from SEC. SEC will gather input from the IDB or IIC Management, as the case may be, concerning the documents expected to be submitted and the schedule of their production. The annual work program will broadly define the Committee's objectives and priorities until June of the following year.⁸
- 11.2 At the end of his or her mandate, the Committee Chairperson, with support from SEC, will prepare an annual report identifying the Committee's main achievements as well as areas where further work is required. A draft of the report will be shared with the incoming Committee Chairperson and will be distributed for information to the respective Board, normally by the end of June. The Chairperson's Annual Report shall be made available to the public, subject to the policies regarding access to information of the respective institution.⁹

⁸ For an explanation of the process to develop the IDB Standing Committees' work programs please refer to document [DR-737](#).

⁹ IDB's Access to Information Policy (document GN-1831-28) and IIC's Disclosure of Information Policy (document CII/GN-129-7) (or any successor thereof).

TERMS OF REFERENCE OF THE STANDING COMMITTEES OF THE BOARDS

Steering Committee of the IDB and IIC Boards

1. The Steering Committee is an advisory body to the Boards of the IDB and the IIC. Its functions include reviewing and conferring with Management on all matters relating to preparation and follow-up on the Boards' work programs and other relevant matters.

Responsibilities and duties

2. Foster an active and fluid dialogue between the Boards and Management.
3. Coordinate the scope, nature, and timing of the handling of items within the various committees.
4. Coordinate and follow up on the work program of the Boards' Committees. This program will be updated on an ongoing basis and reviewed by the Steering Committee normally on a monthly basis.
5. Receive and follow up on concerns and initiatives put forward by Executive Directors on various issues.
6. Approve IDB Director travel and IDB Board budgetary allocations as set forth in the current IDB travel procedures and IDB Board budget guidelines.¹⁰
7. For personnel appointments that do not fall under the responsibility of an appropriate Board Committee, under the Board's jurisdiction, the Steering Committee will delegate responsibility for an appointment to an appropriate Committee for eventual approval by the respective Board and the President.
8. Organize the annual retreat of the Boards. Preferably, the retreat should be held after the Annual Meeting of the Boards of Governors (during the second quarter of the year).

Membership and Chairperson

9. The Steering Committee will consist of the Chairpersons of the Standing Committees of the IDB and the IIC, the Executive Director of the Bank's largest shareholder, the Dean and the Vice Dean. Matters concerning IDB and IIC cooperation, and other matters involving both the IDB and the IIC shall be addressed by all Committee members.
10. Matters concerning exclusively the IDB shall be decided only by members representing the Bank. Matters concerning exclusively the IIC shall be decided only by members representing the IIC.
11. Executive Directors who are not members of the Steering Committee may channel any questions and comments concerning proposals on the agenda through the Dean or Vice Dean. Notwithstanding the foregoing, Executive Directors who are not members of the Steering Committee may request to intervene at a meeting of the Steering Committee if unable to channel comments beforehand via the Dean or Vice Dean.

¹⁰ Refer to document [DR-568-3](#) for travel procedures and document [GA-202-11](#) for Board budget guidelines (or any successor thereof).

12. The Dean calls and chairs the meetings of the Steering Committee. In the absence of the Dean, the Vice Dean may chair the meeting of the Steering Committee, previously called by the Dean.
13. In exceptional circumstances, any member of the Board may request a meeting of the Steering Committee proposing an issue for the agenda.
14. Any absent member of the Steering Committee will be replaced by the First Vice Chairperson or, in the latter's absence, the Second Vice Chairperson of the Committee concerned.
15. The Dean will help coordinate relations and dialogue among the Steering Committee members and between the members and other Directors, as well as the IDB or IIC Management, as appropriate.

Meetings and minutes

16. The Committee will hold meetings on a monthly basis. The date for the next meeting will be set at each Steering Committee meeting. In exceptional circumstances, additional meetings may be called. The procedures for distribution of the agenda and related documents shall be the same as for the Standing Committees, except for special circumstances when the Dean determines otherwise. Each member of the Steering Committee may designate the Alternate Executive Director, a Counselor or a Temporary Alternate Executive Director to attend Committee meetings as an observer. Also, Executive Directors, Alternate Executive Directors, Counselors and Temporary Executive Directors who are not members of the Steering Committee may attend Committee meetings as observers. However, only one such representative per member country may attend. This limitation of one representative per member country shall not apply to the Steering Committee members themselves, and each Steering Committee member may designate another representative of his or her same nationality as an observer.
17. At the request of the Dean or any Committee member, meetings of the Steering Committee may be held in executive session and shall be attended by its members and any other persons as may be specifically requested by the Committee.
18. The Committee may invite the President of the IDB and Chairperson of the IIC Board, the Secretary, members of Senior Management, and other support staff as necessary to establish and review the configuration of the overall work program of the Boards or for informal meetings.
19. SEC will prepare the minutes of Steering Committee meetings in one language and clear them with the Dean. SEC will translate and post the provisional minutes on the SEC website. Minutes will be included in the agenda for approval by the Steering Committee at its subsequent meeting.

Board Conduct Committee, IIC Executive Committee and IIC Ad Hoc Committee for Problem Projects

20. The Conduct Committee, the IIC Executive Committee, and the IIC Ad Hoc Committee for Problem Projects shall not report to or be coordinated by the Steering Committee in the performance of its functions. The responsibilities and duties of the Steering Committee with regard to the Conduct Committee shall be limited to the receipt of

reports from the Conduct Committee as expressly provided in paragraphs 21 and 22, below.

21. The Conduct Committee shall be authorized to direct the IDB and the IIC, with due regard for available budgetary allocations, to enter into contracts and to incur expenses that the Conduct Committee determines to be necessary for the performance of its functions, and shall report the incurrence of such expenses to the Steering Committee.
22. The Conduct Committee shall report to the Steering Committee on the designation of the Disclosure Review Officer.
23. Any reporting by the Conduct Committee to the Steering Committee shall conform to the confidentiality requirements of the Code of Conduct and its Operating Guidelines (DR-545-40). Accordingly, the Steering Committee may meet in executive session when discussing such matters concerning the Conduct Committee.

Audit Committee of the IDB Board

1. The primary purpose of the Audit Committee is to assist the Board in overseeing the Bank's financial reporting, risk management and internal control processes, the internal and external audit functions, and the Bank's activities in promoting institutional integrity with regard to matters involving prohibited practices, and the fiduciary aspects of the Bank's policies and activities. Consistent with this function, the Audit Committee exists to encourage continuous improvement of, and foster adherence to, the Bank policies, procedures, and practices at all levels. The Audit Committee's role is also to provide an open avenue of communication with and between the External Auditor, Management, the Office of the Executive Auditor (AUG), the Office of Institutional Integrity (OII), and other offices responsible for risk management and for administering the Bank's sanctions procedures, and the Board.
2. All members of the Audit Committee shall strive to have a working familiarity with basic finance, risk management, accounting practices and internal controls. The Audit Committee shall implement an orientation educational program and, when necessary, continuing educational programs to enhance the financial, risk management, accounting and internal controls literacy of its members.

Responsibilities and duties

3. The Audit Committee shall meet regularly and, as circumstances dictate, report regularly to the Board regarding the execution of its duties and responsibilities. The Audit Committee should meet periodically in separate executive sessions, as necessary, with Management, AUG, and the External Auditor. The Audit Committee may request any staff member to attend a meeting of the Audit Committee or to meet with any members of, or advisors to, the Audit Committee. The Audit Committee may occasionally conduct joint meetings with other Board Committees on matters of common interest. The Members of the Audit Committee shall not use, or allow to use, directly or indirectly, other than for the interest of the Bank, information obtained in the course of his or her involvement in the Committee, which is not available to the public.
4. To fulfill its responsibilities and duties the Audit Committee shall:
 - a. **Financial reporting**
5. Review and discuss, prior to their release and as required by accounting rules, the Bank's quarterly and annual financial statements, and other significant reports or financial information to be submitted to outside parties.
6. Review with Management major issues regarding accounting principles and financial statement presentations, including any significant changes in the Bank's selection or application of accounting principles.
7. Review Management's evaluation of the effectiveness of internal controls over financial reporting, including Management's plan for the year, conclusions reached, significant deficiencies and material weaknesses detected, and actions taken to correct them.

b. Risk management and internal controls

8. Review Management's strategy and actions to ensure that an adequate and effective risk management process is in place for all major functions (financial, operational, information systems, and administrative and support), including how Management ensures that its strategy is operating as intended, including within approved risk parameters.
9. Review Management's actions to ensure that: (1) adequate and effective financial, operational and information systems are in place; (2) internal controls therein are complied with; and (3) for any assessment thereof, actions are taken in a timely manner.

c. External auditors

10. Review the performance and recommend to the Board the appointment, compensation, removal, and work plan for the External Auditor for audit and audit-related services.
11. Establish criteria for determining the approval of allowable services, if any, to be performed by the External Auditor. The External Auditor's participation in non-audit services shall be limited to exceptional audit-related services approved by the Board on the recommendation of the Audit Committee.
12. Review and confirm, at least annually, the External Auditor's compliance with each of (a) its own independence and rotation policies by obtaining statements from the External Auditor relating to its various relationships with the Bank; and (b) the Bank's separate independence and rotation policies (as set from time to time by the Board, upon recommendation of the Audit Committee).
13. Review with the External Auditor the results of the annual audit and, if applicable, significant deficiencies, material weaknesses and audit differences, along with the corresponding Management's response and action plan.
14. Discuss with the External Auditor regarding all critical accounting policies and practices that have been discussed with Management and any other required communication in accordance with generally accepted auditing standards (i.e. the standards of the Public Company Accounting Oversight Board of the USA or successor standards).
15. At least annually, obtain and review a report by the External Auditor describing its internal quality procedures and any material issues raised by the most recent external auditor's quality control review. In addition, obtain updates from the External Auditor, as necessary, in connection with any material issues raised by authoritative bodies in connection with the External Auditor's practice as a public accountant.

d. Internal audit (AUG)

16. In consultation with the Bank's President, participate in, review and concur with the appointment or re-appointment of the Executive Auditor. The Chairperson of the Audit Committee or another member designated by him or her shall participate on the selection panel and keep the other Committee members informed throughout the selection process. The Audit Committee, through the Chairperson, shall promptly be informed by Bank Management of any process which Management believes is expected to result in the separation from employment of the Executive Auditor.

17. Review the charter,¹¹ operations, and organizational structure of the AUG; periodically review the budget, staffing and responsibilities of the AUG.
18. Review the performance and effectiveness of the AUG, including its compliance with the Institute of Internal Auditors' International Professional Practices Framework.
19. Receive and recommend to the Board its approval of the AUG's plan for the year and request, if necessary, specific changes to the plan.
20. Have access to the AUG internal audit reports, including the corresponding Management action plans. Meet regularly with the AUG to review this information, including the degree to which agreed action plans are being implemented.
21. On a regular basis, and at its discretion, meet in executive session with the AUG to discuss any matter that the Audit Committee or the AUG believes should be discussed in this forum.

e. Institutional integrity matters

22. In consultation with the Bank's President, participate in, review and concur with the appointment or re-appointment of the Chief of the OII and the Case Officer. The Chairperson of the Audit Committee or another member designated by him or her shall participate on the selection panel and keep the other Committee members informed throughout the selection process. The Committee shall also concur with the designation by the President of the Chairperson of the Sanctions Committee. The Audit Committee, through the Chairperson, shall promptly be informed by Bank Management of any process which Management believes is expected to result in the separation from employment of the Chief of OII or of the Case Officer. Further, the Audit Committee, through the Chairperson, shall promptly be informed if the designation of the Chairperson of the Sanctions Committee ceases to be effective.
23. Review the adequacy and effectiveness of the system for monitoring compliance with Bank policies and procedures regarding matters dealing with prohibited practices.
24. Review, periodically and at its discretion, with the Chief of the OII, the Case Officer and the Chairperson of the Sanctions Committee, significant activities and outcomes for their respective Offices with regard to matters pertaining to prohibited practices.
25. Review and endorse provisions to ensure that the Bank has established and maintained appropriate, efficient and consistent procedures to protect confidentiality and anonymity in the receipt, retention and treatment of complaints and allegations submitted by Bank employees or others regarding prohibited practices, including questionable accounting or auditing matters.
26. Review the adequacy and effectiveness of the system of internal controls over all relevant sanctions procedures consistent with the Audit Committee's mandate.

¹¹ Refer to document [DR-569-13](#).

27. Review periodically the role and functions of the Sanctions Committee and other sanctions-related staff. If necessary, meet with appropriate officers to discuss Management's plan to address cases concerning prohibited practices, in line with the Audit Committee's mandate.
28. Meet with the Ethics Officer at least annually to obtain updates from the Ethics Officer on compliance with the Code of Ethics and Professional Conduct.
29. Obtain regular updates from the Legal Department regarding compliance with various legal and regulatory matters.

f. Other responsibilities

30. Perform other activities related to these terms of reference as requested by the Board.
31. Exercise the authority to obtain advice and assistance from outside advisors as deemed appropriate to perform its duties and responsibilities.
32. Request and oversee special investigations as needed.
33. Review the Committee's terms of reference periodically and propose to the Board any necessary modification thereto. This would be done in consultation with the Organization, Human Resources and Board Matters Committee, as provided in its terms of reference.

Budget and Financial Policies Committee (BUFIPOL) of the IDB Board

1. The primary purpose of the BUFIPOL is to: oversee management's administrative and capital budgets and review policies which have a bearing on the Bank's financial position.

Responsibilities and duties

a. Budget

2. Consider and discuss Management's proposals regarding the budget of the Bank as well as the financial and strategic framework on which it is based, and propose the guidelines on the broad priorities and budget policy directions for the next fiscal year. The agreed assumptions for the lending program for the year or subsequent years, the estimated level of income generation, and the level of administrative resources needed to achieve planned operational goals will be taken into account.
3. Review the proposal of the Administrative and Capital Budget for the next fiscal year, within a context of multiyear programming, and propose recommendations to the Board for the respective budget resolutions and associated performance benchmarks.
4. Consider Management's program budget execution performance reports during the current fiscal year, linking them to the respective strategic objectives, as well as the review of results obtained, and present recommendations to the Board to assist in its consideration of said reports.
5. Monitor the implementation by Management of the performance agreements adopted in conjunction with the approval of each year's Administrative and Capital Budget of the Bank.

b. Financial policies

6. Consider and review policy changes that would have a significant impact on the allocation of budgetary resources, and to present recommendations to the Board on their implications.
7. Review relevant financial issues and policies which have a bearing on the Bank's current and future financial position, such as liquidity policy, borrowing capacity and authorizations, currency management, liquid investments, loan loss provisioning, capital adequacy, income policy, and concessional resource sustainability.
8. The Committee will discuss periodically with Management the work program of the Finance Department in relation to any of the Bank's financial issues and policies, including the income management model and loan pricing.

c. Other

9. Review the Committee's terms of reference periodically and propose to the Board any necessary modification thereto. This would be done in consultation with the Organization, Human Resources and Board Matters Committee, as provided in its terms of reference.

Organization, Human Resources, and Board Matters Committee (OHRA) of the IDB Board

1. The purpose of the Organization, Human Resources, and Board Matters Committee is to review proposals and make recommendations to the Board and Bank Management on issues concerning: (a) the organization of the Bank; (b) Human Resources; (c) Information and Communications Technology; (d) Board matters; and (e) the Board of Governors and the Annual Meeting.

Responsibilities and duties

a. Organization of the Bank

2. Review and monitor, in cooperation with Management, the overall organization of the Bank with the aim of making recommendations for changes in areas such as: (a) operational procedures for processing of loans and technical cooperation operations; (b) delegation of authority and decentralization; (c) organizational arrangements between the Banks' governing bodies; and (d) modifications to the Bank's organizational structure.

b. Human Resources

3. Review, monitor and make recommendations to the Board on the Bank's human resources strategy and policies, particularly those pertaining to staffing, compensation, performance evaluation, and other issues dealing with working conditions.
4. Consider with other Committees and Management the repercussions on the human resources strategy and policies of recommendations of other Committees, and consider proposals to address the issues identified.
5. Review Senior Management appointments, within the Committee's jurisdiction, which require Board approval.
6. The Chairperson of the Organization, Human Resources and Board Matters Committee of the IDB Board shall act as Chairperson of the Nominating Committee, according to the Statute of the Administrative Tribunal (Annex I, regulation of the Nominating Committee of the Administrative Tribunal)¹².

c. Information and Communications Technology

7. Review and discuss the information technology strategy of the Bank, including periodic updates on its implementation, making recommendations to the Board as needed.

¹² Statute of the Administrative Tribunal of the Inter-American Development Bank Group (document GA-76-50).

d. Board Matters

8. Review, monitor and make recommendations regarding the effective and efficient implementation of those actions which directly affect the Board, such as: (a) the execution of the Board's budget; (b) operational procedures regarding the approval of loans and technical-cooperation operations; (c) Secretariat functions; (d) Board procedures and terms of reference (in consultation with the appropriate Committee(s) and the Steering Committee); (e) Board training and travel; and (f) areas of Bank activity not covered by existing Board Committees.
9. Propose to the Board such administrative or operations measures as the Committee may deem necessary to better perform its functions, and in particular for effective functioning of the Board.

e. Board of Governors and the Annual Meeting

10. Discuss issues related to the functioning of the Board of Governors.
11. Recommend to the Board meeting sites for the Annual Meeting and discuss logistics related to the meeting.

Policy and Evaluation Committee (PEC) of the IDB Board

1. The primary purpose of the Policy and Evaluation Committee is to review newly developed Bank policies and modification to existing policies. This includes review of new lending instruments, monitoring the Bank's processes in development effectiveness, evaluation, oversight, and serving as channel of communication between the Board and the Office of Evaluation and Oversight and the Independent Consultation and Investigation Mechanism.

Responsibilities and duties

a. Policy development

2. Make recommendations to the Board with respect to the development, updating, and review of Bank operations policies and strategies.
3. Recommend to the Board the approval of Management's Annual Work Program for policy development, together with a schedule specifying priorities of proposals for new policies and strategies, and revision, and the planned timing for their presentation to the Committee.
4. Management's Annual Work Program will include, inter alia, the following:
 - (i) The status of the development of new policies and strategies, and revisions.
 - (ii) The plan for monitoring and evaluating, on an ongoing basis, the body of operational policies and strategies, and the experience of the Bank with their implementation.
 - (iii) Periodic information on: best practices currently in existence for new policy proposals; resource availability and capacity; skills available in the Bank to implement the new policies and to evaluate their performance; and a plan of action to promote the new or revised policies, including factors such as communication, training requirements, and modification of Bank manuals.
5. The Committee will consider the following with a view to making recommendations to the Board on:
 - (i) (a) Reports produced by the Independent Consultation and Investigation Mechanism (MICI), namely the Compliance Review Reports; (b) MICI reports distributed to the Board of Executive Directors for consideration by Short Procedure, when the procedure is interrupted by an Executive Director; (c) MICI reports distributed to the Board of Executive Directors for information, when an Executive Director requests their consideration.
 - (ii) The Annual Work Program and Budget of the MICI (jointly with the IIC Committee of the Board of Executive Directors). This document will

subsequently be submitted to the consideration of the BUFIPOL by Streamlined Procedure.

6. The Committee will be responsible for the process for the appointment of the MICI Director, in accordance with the “Terms of Reference for the Director of MICI”.
7. The Committee will review periodically the policy implications of lessons learned from ongoing and completed evaluation reports.

b. Evaluation and relations with the Office of Evaluation and Oversight

8. The Board has a continuing stake in timely and effective feedback on Bank operations as tangible support in policy development, planning, and decision-making across its mandate. The vehicles by which this feedback is provided in an ordered and systematic manner are, in the main, through the Bank’s programs of evaluation and oversight, and development effectiveness framework.
9. The Committee will consider the following with a view to making recommendations to the Board on:
 - (i) Evaluation reports and other activities of the Office of Evaluation and Oversight.
 - (ii) Reports on the results obtained from other parts of the Bank Evaluation System, including evaluation reports presented by Management as part of the annual departmental business plans; and work involving the active participation of the borrowers and beneficiaries.
 - (iii) The Annual Work Program and Budget of the Office of Evaluation and Oversight (jointly with the IIC Committee of the Board of Executive Directors), which includes the evaluation of Bank strategies, operational policies, country programs, operations, and institutional processes. This document will subsequently be submitted to the consideration of the BUFIPOL by Streamlined Procedure.
10. Review periodic reports from the Office of Strategic Planning and Development Effectiveness (SPD) on progress in implementing Board decisions resulting from evaluation reports, studies, and the development effectiveness framework. The Committee will be the official channel of communication between the Board and the Office of Evaluation and Oversight. The Director of the Office will maintain close contact with the Chairperson of the Committee to ensure that he or she is apprised of the progress of work and other aspects of the Office that may, in the normal course of business, be raised with the Committee.
11. The Committee will be responsible for the process for the appointment of the OVE Director, in accordance with the “Terms of Reference for the Director of OVE”.

c. Other

12. Review the Committee’s terms of reference periodically and propose to the Board any necessary modification thereto. This would be done in consultation with the

Organization, Human Resources and Board Matters Committee, as provided in its terms of reference.

13. Review Senior Management appointments, within the Committee jurisdiction, which require Board approval.

Programming Committee of the IDB Board

1. The purpose of the Programming Committee is to consider and recommend appropriate action to the Board on proposals, execution reports, and initiatives encompassing activities of the Bank's country and regional programming, monitoring of the loan portfolio results and outcomes, and other related areas which fall within the realm of operational mandates set forth by the Board of Governors. The Committee also recommends for Board approval the allocation of concessional resources and the programming of operations within the IDB Grant Facility.

Responsibilities and duties

a. Country and regional programs

2. Consider and provide direction with respect to country papers and their evaluations, regional program papers, and related periodic execution reports presented by the Regional Managers. Wherever appropriate, the Committee will make relevant recommendations to the Board to facilitate the dialogue with borrowers and other partners in development. Special attention will be given to satisfactory implementation of program goals and delivery.
3. Review the annual portfolio management reports, as well as periodic monitoring reports on country loan portfolios, with a view to ensure that appropriate and timely follow-up measures are taken to develop the Bank's future loan pipeline with the borrowers.
4. Review regular reporting on the Bank's overall programming, including disbursements and approvals.
5. Review regular reporting on technical cooperation projects and trust funds, both for proposed and ongoing activities.
6. Review and recommend approval of the allocation of concessional resources and the programming of operations within the IDB Grant Facility.

b. Special initiatives and programs

7. Review and provide direction relating to special initiatives or programs proposed by Management in new or emerging priority sectors or areas where the Bank undertakes pilot projects and programs.
8. Consider and review Management execution reports in order to monitor periodically the development impact and performance results from such programs and projects.

c. Other

9. Review the Committee's terms of reference periodically and propose to the Board any necessary modification thereto. This would be done in consultation with the

Organization, Human Resources and Board Matters Committee, as provided in its terms of reference.

Committee of the Board of Executive Directors of the IIC

The Committee's basic responsibility will be to consider and review the following issues, inform the Board of Executive Directors thereon, and present relevant conclusions and recommendations for the Board's consideration by means of a report to be prepared by the Committee's Chairperson. It will also consider and review such other matters as the Board may decide to entrust to it.

A. Budget and organization

1. Consider and review proposals from Management pertaining to the financial and strategic framework for the Corporation's three-year business plan, and propose guidelines on broad priorities and budget policy directions for the next fiscal year, giving due consideration to the level of resources needed to accomplish the planned operational goals.
2. Consider and review the proposed administrative and capital budget for the next fiscal year submitted by Management, and present the respective draft resolution and proposed performance agreement to the Board for consideration. Also, monitor Management's implementation of the agreement during the course of the year.
3. Review budget performance reports presented by Management.
4. Review periodically the Corporation's budget policies, as well as any issue that might have a significant impact on the allocation of budgetary resources.
5. Consider and review proposals and formulate recommendations to the Board and to Management on matters relating to: (a) the organization of the Corporation; (b) human resources; and (c) Board matters.

B. Policies and evaluation

1. Make recommendations to the Board with respect to the development, updating, and review of the Corporation's financial and operating policies and strategies.
2. Consider and review periodically Management's work program for developing, updating, and reviewing the aforementioned policies and strategies.
3. Consider policy proposals and strategies submitted by Management.
4. Review periodically the evaluation system of the Corporation.
5. Review the reports prepared by the independent evaluators, and follow up on the implementation of the recommendations approved by the Board of Directors.
6. Discuss policies with respect to the risk assessment conducted by the

Corporation, including in the areas of social and environmental, integrity and financial risks, and discuss the implementation of such policies.

7. Consider the reports produced by the Independent Consultation and Investigation Mechanism (MICI), namely (a) the Compliance Review Reports, (b) MICI reports distributed to the Board of Executive Directors for consideration by Short Procedure when the procedure is interrupted by an Executive Director, and (c) MICI reports distributed to the Board of Executive Directors for information when an Executive Director requests their consideration, and (d) the Annual Work Program and Budget of the MICI (jointly with the PEC and BUFIPOL of the IDB Board, the latter by Streamline procedure), with a view to making recommendations to the Board of Executive Directors.

Audit Committee of the IIC Board

Purpose

1. The purpose of the Audit Committee is to assist the Board of Executive Directors (Board) in its oversight of: (i) the Corporation's accounting and financial reporting processes, and internal controls over financial reporting, (ii) the qualifications, independence, reports and written communications of the Corporation's External Auditor, and (iii) the performance, work program, and reports of the Corporation's internal audit function, which is carried out by the IDB Office of the Executive Auditor (AUG).
2. The Board recognizes that while the Audit Committee has certain duties and responsibilities pursuant to these Terms of Reference, the Audit Committee is not responsible for guaranteeing the accuracy of the Corporation's financial statements. Management is responsible for ensuring the quality of the Corporation's accounting and financial reporting processes, including the preparation and fair presentation of the Corporation's financial statements and disclosures. The Audit Committee, in the exercise of its fiduciary responsibilities, will ascertain the degree to which Management has carried out those responsibilities.

Membership and Meetings

3. The Audit Committee shall be composed of four members of the Board from four different countries and four different chairs of the Board, appointed by the Board based on a proposal prepared by the Dean of the Board in consultation with all the Executive Directors. Members of the Audit Committee may be (a) Executive Directors, and (b) Alternate Executive Directors and Temporary Alternate Executive Directors designated as eligible by the corresponding Executive Director. In preparing and considering the proposal, the Dean and the Board, respectively, shall seek to achieve the following: (i) that the Audit Committee members be financially literate¹³ and that at least one member must have accounting or related financial management expertise, and (ii) balanced participation from both regional developing member countries and other member countries.
4. The Dean's membership proposal shall also specify the proposed Audit Committee members who shall serve as Chairperson and Vice Chairperson. The following eligibility requirements shall apply to the Chairperson and Vice-Chairperson: (i) at the time of his or her appointment, the Chairperson of the Audit Committee shall be an Executive Director with at least one full year of service where time served as Alternate Executive Director will count towards eligibility,

¹³ Following best practices, Audit Committee members should be able to read and understand financial statements, including the Corporation's balance sheet, income statement and cash flow statement.

and (ii) the Vice-Chairperson may be an Executive Director, Alternate Executive Director or Temporary Alternate Executive Director.

5. Members of the Audit Committee, including the Chairperson, will serve for a two-year term, which may be extended by the Board. Members may not delegate their functions and may be removed by the Board in its discretion. Regardless of a member's change to Executive Director, Alternate Executive Director or Temporary Alternate Executive Director during the member's two-year term (or any extension thereof), including in the case of the Chairperson, the member may continue as a member of the Audit Committee for the remaining term.
6. During the Chairperson's absence, the Vice Chairperson shall act in his or her stead. If there is a vacancy in the Audit Committee's membership, a new member shall be appointed for the remainder of the term of the outgoing member in accordance with the procedure established in paragraphs 3 and 4 of these Terms of Reference. Paragraph 4.8 of the Rules of Procedure for Committees of the Board of Executive Directors (Document CII/DR-97-5 and any successor thereof) relating to Chairperson and Vice Chairperson vacancies shall not apply.
7. The Audit Committee may engage a financial expert to assist the Audit Committee in the execution of its functions, especially in (i) defining the Audit Committee's agenda, (ii) providing technical advice to the Audit Committee, and (iii) participating in discussions with Management, the External Auditor and AUG.
8. The Audit Committee shall implement an on-boarding program and, when necessary, on-going educational programs as needed to enable the Committee to better fulfill its functions.
9. The Audit Committee shall meet with such frequency and at such intervals as it determines necessary to carry out its duties and responsibilities, but in any case, not less than four times a year. The Audit Committee shall meet periodically, and at its discretion, in separate executive sessions, as necessary, with Management, AUG, and the External Auditor. The Audit Committee may request any staff member to attend a meeting of the Audit Committee or to meet with any members of, or advisors to, the Audit Committee. The Audit Committee may conduct joint meetings with other IIC or IDB Board committees on matters of common interest.
10. The quorum for meetings of the Audit Committee shall be three of its members. The Executive Directors, Alternate Executive Directors and Temporary Alternate Executive Directors who are not members of the Audit Committee (the "Non-Members") may attend its meetings. Additionally, Non-Members shall channel any questions or comments concerning matters on the agenda through the Chairperson or may send such questions and comments in writing to Management, at least three business days in advance of a meeting of such committee. Notwithstanding the foregoing, Non-Members may ask to intervene at a meeting of such committee on an exceptional basis when they deem that it is not possible or appropriate to channel comments via the Chairperson or via Management consultation.

11. The Audit Committee is a standing committee of the Board of Executive Directors and is subject to the Rules of Procedure for Committees of the Board of Executive Directors (Document CII/DR-97-5 and any successor thereof) (the "Rules of Procedure"). In the event of a conflict between the Audit Committee Terms of Reference and the Rules of Procedure, the Audit Committee Terms of Reference shall prevail.

Duties and Responsibilities

12. To fulfill its duties and responsibilities, the Audit Committee shall:
 - a. **Accounting and Financial Reporting Processes and Internal Controls over Financial Reporting**
13. Review and discuss, prior to their release, the Corporation's quarterly financial statements with Management, and the annual audited financial statements with Management and the External Auditor.
14. Review financial statements disclosures relating to transactions between the Corporation and any related party or person.
15. Discuss annually the effect of legal, regulatory and accounting developments on the Corporation's financial statements.
16. Discuss annually the effect of off-balance sheet arrangements, if any, on the Corporation's financial statements.
17. Review reports and communications to Management prepared by the External Auditor (such as communications required to be sent by External Auditors, including any management letter or schedule of unadjusted differences delivered in connection with the year-end audit) or by the Executive Auditor, and any responses to the same by Management.
18. Review the Corporation's financial reporting processes, based on consultations with the External Auditor and AUG. Such review shall include a consideration of major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles.
19. Review the adequacy of the Corporation's internal controls, based on consultations with the External Auditor and AUG. Such review shall include monitoring management's mitigation efforts of known deficiencies in the design and/or operating effectiveness of internal control over financial reporting, and any special audit step adopted in light of identified deficiencies.
20. Discuss with the External Auditor, the External Auditor's judgment about the quality, not just the acceptability, of the accounting principles applied in the Corporation's financial reporting.

21. Review with the External Auditor, AUG and Management the extent to which any previously-approved changes or improvements in financial or accounting practices and internal controls have been implemented.
22. Review periodically with the Corporation's General Counsel the Corporation's compliance with legal and regulatory requirements.
23. Review periodically with Management the procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by staff of the Corporation of concerns regarding questionable accounting or auditing matters.

b. External Auditor

24. Oversee the work of the External Auditor and recommend to the Board the appointment, compensation, removal, and work plan for the External Auditor for audit and audit-related services.
25. Establish criteria for determining the approval of allowable services, if any, to be performed by the External Auditor. The External Auditor's participation in non-audit services, if any, shall be limited to exceptional audit-related services approved by the Board on the recommendation of the Audit Committee.
26. Review compliance by the External Auditor with rotation arrangements. The External Auditor may not serve for more than two consecutive five-year periods, and the Lead Audit Engagement Partner and Engagement Quality Control Reviewing Partner shall rotate off the audit at least every five years, on a staggered basis. No partner engaged by the External Auditor in any capacity or combination thereof in relation to the IIC audit shall remain so engaged for more than seven consecutive years.
27. Review, at least annually, a report by the External Auditor describing: (i) the External Auditor's internal quality control procedures; (ii) any material issues raised by the most recent internal quality control review, or peer review, of the External Auditor or by any inquiry or investigation by governmental or professional authorities; (iii) any steps taken to deal with any such issues; and (iv) all relationships between the External Auditor and the Corporation. Discuss with the External Auditor any issues or relationships disclosed in such report that, in the judgment of the Audit Committee, may have an impact on the competence or independence of the External Auditor.
28. Discuss the competence, performance and independence of the External Auditor.

c. Internal Audit (AUG)

29. Review and recommend to the Board for its approval AUG's audit plan for the year, and request, if necessary, specific changes to the plan.

30. Meet regularly with AUG to review the results of audits performed, including the degree to which agreed action plans are being implemented.
31. Discuss the competence, performance and cooperation of AUG and Management.

d. Other Responsibilities

32. Report regularly to the Board, both with respect to the activities of the Committee generally and with respect to any issues that arise regarding the quality or integrity of the Corporation's financial statements, and the Corporation's compliance with legal and regulatory requirements.
33. Review the Audit Committee Terms of Reference periodically and propose to the Board any necessary modifications thereto, in consultation with the Committee of the Board and in line with relevant best practices.
34. Perform such other duties and responsibilities delegated to the Audit Committee by the Board, consistent with the purpose of the Audit Committee contemplated in paragraph 1.
35. The Chairperson of the Audit Committee shall prepare, at the end of his or her term, a final report identifying the committee's main accomplishments and areas in need of additional work.

Transitory Provision

36. In order to have staggered terms, two of the four members shall be initially appointed for a one-year term and the Chairperson shall be appointed for a two-year term.
37. The Audit Committee, in consultation with the Committee of the Board, shall review these Terms of Reference after the first year of operations to discuss lessons learned with respect to the governance structure and functioning of the Committee, and make recommendations to the Board as necessary and in line with relevant best practices.