



RISK COMMITTEE

– TERMS OF REFERENCE

The Revised Terms of Reference of the Risk Committee (the “Committee”) were adopted by the Board of Directors (the “Board”) on 2 October 2024.

OBJECTIVES:

The Committee shall:

- advise the Board on the implementation of the Risk Appetite Framework and report on the overall current and future risk appetite and risk culture of the Bank;
- oversee senior management’s activities in managing credit, market, liquidity, operational, legal, compliance, reputational and other risks, and actions to mitigate such risks and to ensure implementation of effective risk management, policies, procedures and processes;
- ensure reports to the Board include details of all corrective action;
- have the authority to seek from any officer of the Bank such information as may be required to fulfil its objectives.

1. Membership/Composition

- 1.1. The Committee shall consist of a minimum of three (3) members and a maximum of five (5) members.
- 1.2. The CEO shall be a member of the Committee. With the exception of the CEO, the committee members shall be Non-Executives.
- 1.3. The Chairperson of the Committee shall be an Independent Non-Executive Director but shall not be the Chairperson of the Board or the Chairperson of the Audit Committee.
- 1.4. Members should be well versed with the Bank’s risk management processes in general, and have a broad understanding of financial and business risks as well as the economic environment.
- 1.5. One (1) member of the Committee may be a member of the Credit Committee concurrently, provided that the said member is not the Chairperson of either of the aforementioned Committees.
- 1.6. The Committee may have one member from the Audit Committee. However, the said member shall neither participate in the debate nor vote on any matter decided by the Committee when same is considered by the Audit Committee [e.g. Expected Credit Loss (ECL)].
- 1.7. In the absence of the appointed Chairperson, the members present shall nominate one of them to chair the meeting.

2. Meetings

- 2.1. Frequency of Meetings - At least once every quarter or more frequently as circumstances require.
- 2.2. The Company Secretary of the Bank shall act as Secretary of the Committee.
- 2.3. The Company Secretary shall be responsible for organising and scheduling Committee meetings at the request of the Chairperson or by any of its members. In his absence, he/she shall be replaced by his/her Deputy or an authorised officer.
- 2.4. The notice of each meeting of the Committee confirming the venue, time and date and enclosing an agenda of matters to be discussed shall, other than under exceptional circumstances, be communicated to each member of the Committee at his/her known registered address or electronic communication/email or Board Vantage.
- 2.5. The Agenda as well as the documents pertaining to each committee shall be addressed to all members at least four (4) business days prior to the Committee meeting. In case of urgent matters, a prior notice of two (2) business days shall apply.
- 2.6. The requirements provided above may be varied subject to the written consent of all members. The Minutes of the Committee shall be submitted for approval of the Committee at the following meeting.

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2.7. Deliberations assented by all members entitled to receive notice of a meeting of the Committee, shall be valid and effective as if they had been passed at a meeting of the Committee duly convened and held.

3. Secretary

3.1. The Company Secretary shall act as the Secretary of the Committee and will ensure that members receive Minutes and all other relevant documents in a timely manner to enable full and proper consideration to be given to all matters raised in the Agenda.

4. Quorum

4.1. The quorum for any Meeting shall be a majority of its members.

5. Minutes of Meetings

5.1. The Secretary shall ensure that Minutes include all matters arising, discussions and decisions of each Committee, including a record of the names of those present and in attendance; and

5.2. Draft minutes of Committee meetings shall be circulated to all members of the Committee within 15 business days of the Meeting or earlier.

6. Role & Responsibilities

6.1. To advise the Board on the Bank's overall current and future risk appetite, to oversee senior management's implementation of the Risk Appetite Framework and risk management policies, to ensure these are in line with regulatory and corporate governance best practice and to report on the evolution of the Bank's risk culture;

6.2. To review and consider, on at least an annual basis, the adequacy of the risk management framework and policies, identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively; To ensure infrastructure, resources and systems are in place for risk management, namely to ensure that the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk-taking activities;

6.3. To review management's periodic reports on risk exposure, risk portfolio, risk appetite, stress testing and risk management activities;

6.4. To provide oversight and ensure appropriate design and execution of stress and scenario testing; including review and approval of the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and Expected Credit Loss (ECL) frameworks, which should include:

- the roles and responsibilities of the Board, Senior Management, Assurance functions (comprising Risk Management, Compliance and Internal Audit) as well as other stakeholders responsible for ongoing activities within the stress testing framework including scenario/model development/results; reporting, control and monitoring of data, results obtained and their end use;
- Assessment of the performance of the risk methodologies, assumptions and scenarios and their effectiveness, and to make recommendations for remedial actions as necessary;
- To conduct periodic reviews of policies and procedures to ensure compliance to Bank of Mauritius Guidelines on Stress Testing.

6.5. To identify principal risks, including those relating to credit, market, liquidity, operational, legal, compliance, reputational and other risks and actions to measure, manage and mitigate these risks;

6.5.1. Management of Stage 2 and Stage 3 assets;

6.6. To oversee climate-related and environmental risk matters including establishment of appropriate risk policies and to reviewing their effectiveness;

- 6.7. To appoint the Chief Risk Officer who, among other things, shall have no revenue-related performance targets, and shall provide assurance that the oversight of risk management is independent from operational management, and is adequately resourced with proper visibility and status in the Bank;
- 6.8. To ensure that the Chief Risk Officer provides regular reports to the Committee, senior management and the Board on his/her activities and findings relating to the Bank's risk appetite framework;
- 6.9. To develop an evolving and challenging risk culture within the Bank, and to ensure that adequate training is delivered to all relevant staff on a regular basis.

7. Reporting Responsibilities

- 7.1. The Chairperson shall report to the Board after each meeting, covering the Committee's deliberations on all matters within its duties and responsibilities.

8. Other matters

- 8.1. The Committee is authorised to seek information from any officer or employee of the Bank, all of whom are directed to co-operate with any request made by the Committee;
- 8.2. The Committee shall have access to outside or other independent professional advice as it considers necessary to carry out its duties at the Bank's expense within any reasonable budgetary guidelines as indicated by the Board;
- 8.3. The Committee shall have access to sufficient resources in order to carry out its duties, including full access to the Bank's secretariat for assistance as required;
- 8.4. The Committee shall give due consideration to laws, regulations and any published guidelines or recommendations;
- 8.5. Regular training on risks and related subject should be provided to the members for continuous development, as decided by the Committee;
- 8.6. The Committee shall arrange for periodic reviews of its own performance and review its Terms of Reference on at least an annual basis to ensure it is operating at maximum effectiveness, and should recommend any changes it considers necessary to the Board for approval.