



RISK MANAGEMENT
COMMITTEE

TERMS OF REFERENCE

A. CONSTITUTION

The Board of SBM Bank (Mauritius) Ltd (“Bank”) has established the Risk Management Committee (“Committee”) to supervise the Bank’s overall current and future risk appetite, oversee the senior management’s implementation of the risk appetite framework and reporting on the state of risk. The Committee shall assist the Board in fulfilling its responsibility with respect to (i) oversight of the Bank’s risk management framework, including policies and practices in managing credit, market, operational, legal, compliance and other risks; and (ii) oversight of the Bank’s policies and practices related to funding risk, liquidity risk and price risk which are significant components of market risk and risk pertaining to capital management.

B. COMPOSITION

The Board of the Bank must appoint a minimum of 4 (four) and a maximum of (7) seven Directors to be Members of the Committee.

The Chief Executive of the Bank shall be a Member of the Committee. With the exception of the Chief Executive, the Committee Members should be non-executive persons with a reasonable number being familiar with risk management.

The Chairman of the Board may be a Member of the Committee but not its Chairperson. The Chairman of the Committee shall ideally be an independent non-executive Director.

Only Members of the Committee have the right to attend the Committee meetings. However, the Committee may invite the executive directors of the Board and other non-member including the Head of Risk Management to attend all or part of any meeting as and when appropriate and necessary.

C. SECRETARY

The Company Secretary or his/her nominee, shall be the secretary of the Committee and will ensure that the Committee received information and papers in a timely manner to enable full and proper consideration to be given to issues.

D. QUORUM

The quorum necessary for the transactions of business shall be three (3) members.

E. RESPONSIBILITIES

The main duties of the Committee are to:

- a) Oversee the development of a solid and effective risk management framework for the Bank by implementing rigorous internal processes and controls in terms of people, systems, policies and reporting;
- b) Receive quarterly reports from the Chief Risk Officer on the implementation and effectiveness of the Bank’s risk management framework and risk appetite;
- c) Establish and review the adequacy of risk management control techniques and methodologies and monitor their effectiveness, particularly in the areas of credit, market, liquidity and operational risks;
- d) Review the principal risks, including but not limited to credit, market, liquidity, operational, legal, compliance (including AML/CFT risk) and reputational risk and the actions taken to mitigate these risks;
- e) Ensure a Chief Risk Officer (“CRO”) / Head of Risk Management is appointed, who, amongst other things, 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 organization;
- f) Review the Bank’s risk management framework, including policies and practices supporting this framework in managing credit, market, operational, legal, compliance and other risks;
- g) Review / exercise oversight on the Bank’s policies and practices relating to funding risk, liquidity risk, price risk and risk pertaining to capital management;
- h) Review and recommend to the Board any proposal which might have an impact on the current risk appetite and strategy of the Bank including introduction of new products;
- i) Ensure that the Bank’s Chief Executive Officer facilitates training programmes for directors and Senior Management to enable them to have a robust understanding of the nature of the business, the nature of the risks, the consequences of risks being inadequately managed and the techniques for managing the risks effectively;

E. RESPONSIBILITIES (Cont'd)

The main duties of the Risk Management Committee are to (Cont'd):

- j) Review and recommend to the Board the delegated lending authority framework including the sanctioning powers of the Bank's Management Credit Forum, Credit Underwriting Team Forum and lower approving authorities;
- k) Review the state of risk culture in the Bank along with the Risk team's recommendations on the risk appetite in the light of changing circumstances;
- l) Monitor Management's performance in controlling risk, in light of the established policies, procedures and limits of authority, and approve any departure from the Board-approved framework with proper rationale justifying the departure;
- m) Receive and act upon relevant reports from the regulators, and internal and external auditors, in respect of risk management guidelines and specific risk events;
- n) Review the CRO-drafted Internal Capital Adequacy Assessment Process (ICAAP) Report on an annual basis and make recommendations thereon to the Board;
- o) Review material outsourcing arrangements, the Disaster Recovery Plan, and Business Continuity Plan;
- p) Monitor material legal cases brought against the Bank and major events of fraud and irregularities;
- q) Review and recommend to the Board the 'Risk Management Report' published in the Annual Report;
- r) Receive periodic information on risk exposures and risk management activities from senior officers of the Bank;
- s) Review and approve the work plan of Risk Management Team on an annual basis; and
- t) Discuss, review and recommend to the Board any other matter or issue which is relevant to the Risk Management of the Bank.

F. REPORTING AND ACCOUNTABILITY

The Risk Management Committee will regularly report to the Board on all significant matters it has addressed and with respect to such other matters that are within its responsibilities. In addition it will oversee the preparation of and review disclosures with respect to the Bank's risk policies.

G. AUTHORITY

In furtherance of its duties, the Committee shall have direct access to and receive regular reports from management of the Bank with respect to such information it may request and which pertains to its responsibilities. The Committee shall receive regular reporting and communication from the Risk Management Team about the Bank's risk profile, current state of risk culture, utilisation against risk appetite, limits, limits breaches and mitigation plans. The Committee shall have the authorisation to conduct or authorise investigations into any matter which falls under the scope of its responsibilities and to engage independent professional advisors as it deems appropriate.

H. REVIEW

The Committee will review the Terms of Reference at least annually and submit it to the Board for approval together with such amendments as it deems necessary and appropriate in light of the Bank's requirements and any legal and regulatory developments.

I. ASSESSMENT

At least annually, the Board, acting through the Committee, will assess its effectiveness in fulfilling its responsibilities and duties as set out in the Terms of Reference and adopted by the Board.

J. CHAIR

Each year, the Board on the recommendation of the Committee will appoint one Member to be its Chair. If, in any year, the Board does not appoint a Chair, the incumbent Chair will continue in office until a successor is appointed.

K. MEETINGS*1. Frequency:*

- The Committee will meet on a quarterly basis, however ad-hoc meetings may also be convened by the Chair or any Member of the Committee, the Chief Executive Officer or the Secretary; and
- The Chairperson, at his/her discretion, may invite other executives to attend and to be heard at meetings of the Committee.

2. Notice:

- Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its Members; and
- Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall other than under exceptional circumstances, be forwarded to each Member of the Committee, any other person required to attend, no later than five working days before the date of the meeting or as per timeline agreed with the Chairperson.

L. MINUTES AND PROCEEDINGS

- The Committee secretary shall take minutes of meetings. These shall be reviewed and approved by the Members of the Committee.
- The minutes of all meetings of the Committee, or summaries thereof, shall be submitted to the board at the immediate quarterly board meeting, the agenda for each such board meeting shall provide an opportunity for the chairperson of the Committee to report orally on any matters of importance as well as on the Committee's findings and shall recommend actions.

M. REMUNERATION

Having regard for the functions performed by the Members of the Committee in addition to their functions as directors in relation to the activities of the Committee, Members of the Committee may be paid such special remuneration in respect of their appointment as shall be fixed by the Board. Such special remuneration shall be in addition to the annual fees payable to directors.

N. REMOVAL AND VACANCIES

Any Member of the Risk Management Committee may be removed and replaced at any time by the Board of Directors, and will automatically cease to be a Member as soon as he or she ceases to be a Director. The Board will fill vacancies on the Risk Management Committee by appointment among qualified Members of the Board.