



**TERMS OF REFERENCE**

**THE RISK MANAGEMENT COMMITTEE**

## **Risk Management Committee**

### **Terms of Reference**

#### **1. Constitution**

At a meeting held at 4th Floor Nexteracom Building Ebene on 18 September 2019, the Board of Directors of AfrAsia Bank Limited (the 'Bank') resolved to establish for the company a standing committee to be known as the Risk Management Committee ('Committee'), in accordance with these Terms of Reference which were adopted at a Board Meeting held on 18 September 2019.

#### **2. Membership**

- With the exception of the CEO, the Committee members should be non-executive persons and of at least 1 independent director with a reasonable number of directors should have an adequate familiarity with risk management of the Bank.
- The Chairperson of the board may be a member of the committee but not its Chairperson.
- The Chairperson of the Committee shall ideally be an independent director.
- The Secretary of the Company shall act as Secretary to the Committee on meetings.

#### **3. Composition**

- The Committee will consist of at least three members.
- The Board will appoint committee members and the committee chair.
- The quorum for decisions of the Committee shall be fixed by the Committee and if not so fixed, shall be any four members present throughout the meeting who shall vote on the matter for decision. No business shall be transacted at a meeting of the Committee if a quorum is not present. Some approvals will be made via circulation and same quorum applies.

#### **4. Meetings**

- Meetings will be held as the Committee deems appropriate. However, the Committee should meet at least once every quarter. Meetings should be organised so that attendance is maximised. The Chairperson of the Committee or any member of the Committee may call a meeting at any other time.
- The notice of each meeting of the Committee confirming the venue, time and date and enclosing an agenda of items to be discussed shall, other than under exceptional

circumstances, be forwarded to each member of the Committee, not less than four working days prior to the date of the meeting.

- Minutes of all meetings shall be circulated to all the members of the Committee and may also, if the Chairperson of the Committee decides, be circulated to other members of the Board.

## **5. Duties**

The duties of the Committee shall be:

- Review the principal risks and have a global view on all risks which the bank is facing which includes but not limited to credit, market, liquidity, operational, legal, compliance and reputational risks and the actions taken to mitigate the risks.
- The main focus of the committee shall also be to ensure that the bank maintains a satisfactory liquidity and solvency ratio at all times.
- Requirement of the Head of Risk to provide regular reports to the Committee, senior management and the Board on his/her activities and findings relating to the Bank's risk appetite framework.
- Formulate and make recommendations to the board in respect of risk management issues including limits setting and risk appetite framework, which is well understood throughout the Bank. All corporate, operational, and financial policies should support the framework, which should be forward-looking and consistent with the Bank's short-term and long-term strategic plan. The framework should set benchmarks as to the acceptable risk limits, taking into account relevant financial, operational, and macroeconomic factors.
- Receive periodic information on risk exposures and risk management activities from senior officers.
- Ensure that the CEO 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 the risks being inadequately managed and the techniques for managing the risks effectively.
- Review and approve discussions and disclosure of risks.
- Provide prior endorsement for appointment and removal of the Head of Risk who, among 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 Bank.
- Ensure independence of the Head of Risk from operational management without any requirement to generate revenues.

- Monitoring of Large credits, Impaired credits and the overall level of provisioning
- Review of Restructured facilities which shall be approved by the sanctioning authority (one level higher) than the initial approver

## **6. 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, and pursuant to the specific power conferred upon the Board by the Constitution of the Company, 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.

## **7. General**

- The Committee, in carrying out its tasks under these Terms of Reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties.
- The Board will ensure that the Committee will have access to professional advice both inside and outside the Company in order for it to perform its duties.
- The Committee shall be subject to regular evaluation by the board.
- These Terms of Reference may be amended as required, subject to the approval of the Board.

**APPROVED BY THE BOARD OF DIRECTORS ON 18 SEPTEMBER 2019.**