

**V. IFC MODEL DOCUMENTS FOR FINANCIAL INSTITUTIONS**

**A. Risk Management Committee Model Charter for Financial Institutions**

*Approved*  
*by decision of the Board of Directors*  
of [the Financial Institution] “ \_\_\_\_\_ ”

*Board Minutes*

No \_\_\_\_\_

of \_\_\_\_\_ 20\_\_

*Signature of the Chairperson of the Board*

\_\_\_\_\_ dated this \_\_ day of \_\_\_\_\_, 20\_\_

[The Company Seal]

*Risk Management Committee Charter*

of [THE FINANCIAL INSTITUTION]

“ \_\_\_\_\_ ”

## Table of Contents

1. GENERAL PROVISION .....	3
2. DEFINITIONS.....	3
3. PURPOSES OF THE COMMITTEE .....	9
4. AUTHORITY AND RESOURCES .....	9
5. THE RISK GOVERNANCE STRUCTURE .....	10
6. RESPONSIBILITIES.....	12
7. MEMBERSHIP AND ORGANIZATION .....	16
8. MEETING ATTENDANCE AND NOTICE.....	18
9. RELATIONSHIP WITH OTHER BOARD COMMITTEES .....	19
10. REPORTING TO THE BOARD AND SHAREHOLDERS.....	20
11. COMMUNICATING TO EXTERNAL STAKEHOLDERS.....	20
ANNEX: THE THREE LINES OF DEFENSE .....	22

### Color Coding:

Provisions in black:	“Acceptable” provisions, considered the minimum requirements with which the organization should comply.
Provisions in green:	“Better” provisions, which represent further steps to strengthen corporate governance and risk management in the organization.
Provisions in blue:	“Desirable” provisions, indicating that the organization has more mature corporate governance and a more established risk management system.
Provisions in red:	“Best Practice” provisions, indicating that the organization aspires to conform with the highest international corporate governance and risk management practices.

## 1. General Provision

- 1.1. The Risk Management Committee (the Committee) is a board-level committee established by resolution of the Board of Directors (the Board) to assist the Board in managing risk. The establishment of the Committee is incorporated into the Bank's [corporate charter, articles of association, corporate governance policy, bylaws].
- 1.2. This Charter defines the purpose, scope, and authority of the Committee. It further defines the responsibilities of Committee members, the meeting proceedings and remuneration of the members.
- 1.3. The Charter reflects the Bank's objective to fully meet the Basel Accord guidelines on financial risk assessment and the principles of managing capital and risks, as well as other practices such as ISO 31000, which all constitute generally accepted international best practices in risk governance and management.

## 2. Definitions

- 2.1. For the purposes of this Charter, the following terms shall have the following meanings:
  - 2.1.1. Business Continuity Plan (BCP) - a documented collection of procedures and information developed, compiled, and maintained in readiness for use during an incident to enable an organization to continue to deliver its critical products and services at an acceptable predefined level.
  - 2.1.2. Business Continuity Planning - the process of developing prior arrangements and procedures that enable an organization to respond to an event in such a manner that critical business functions can continue within planned levels of disruption. The result of the planning process is the BCP.
  - 2.1.3. Counterparty Risk - risk to each party to a contract that the counterparty will not fulfill its contractual obligations.

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| 2.1.4. Compliance Risk                                      | - risk of legal or regulatory sanctions, material framework loss, or loss to reputation as a result of a financial institution's failure to comply with laws, regulations, rules, related self-regulatory organizational standards, and codes of conduct applicable to its business activities.                                |
| 2.1.5. Credit Risk  | - risk of loss arising because a borrower or buyer does not make payments as promised in a transaction. Such an event is called a default (also, "default risk").  |
| 2.1.6. Enterprise Risk Management                           | - a process effected by the board, management and other personnel, applied strategically and across the enterprise, designed to identify potential events that may affect the entity, and to manage risk so that it remains within its risk appetite, to provide reasonable assurance regarding the achievement of objectives. |
| 2.1.7. Environmental and Social Risk                        | - risk of adversely impacting people or the environment through inadequate or failed internal processes, people, and systems, or through external events.  |
| 2.1.8. Event  | - an incident, whether internal or external, that affects achievement of objectives.   |
| 2.1.9. Internal Capital Adequacy Assessment Process (ICAAP) | - internal process of determining the adequacy of capital, commensurate with the risk profile, in current, future, and stressed scenarios beyond the minimum prescribed capital requirements.  |
| 2.1.10. Impact  | - the effect of an event, which can be positive or negative relative to objectives.  |

## 2.1.11. Independent Non-executive Directors

- Independent Director means a director who is a person who:

1. has not been employed by the Company or its Related Parties in the past five years;
2. is not, and is not affiliated with a company that is an advisor or consultant to the Company or its Related Parties;
3. is not affiliated with a significant customer or supplier of the Company or its Related Parties;
4. has no personal service contracts with the Company, its Related Parties, or its senior management;
5. is not affiliated with a non-profit organization that receives significant funding from the Company or its Related Parties;
6. is not employed as an executive of another company where any of the Company's executives serve on that company's board of directors;
7. is not a member of the immediate family of an individual who is, or has been during the past five years, employed by the Company or its Related Parties as an executive officer;
8. is not, nor in the past five years has been, affiliated with or employed by a present or former auditor of the Company or of a Related Party; or
9. is not a controlling person of the Company (or member of a group of individuals and/or entities that collectively exercise effective control over the Company) or such person's brother, sister, parent, grandparent, child, cousin, aunt, uncle, nephew or niece or a spouse, widow, in-law, heir, legatee and successor of any of the foregoing (or any trust or similar arrangement of which any such persons or a combination thereof are the sole beneficiaries) or the executor, administrator or personal representative of any Person described in this sub-paragraph who is deceased or legally incompetent,

and for the purposes of this definition, a person shall be deemed to be "affiliated" with a party if such person (i) has a direct or indirect ownership interest in; or (ii) is employed by such party; "Related Party" shall mean, with respect to the Company, any person or entity that controls, is controlled by or is under common control with the Company.

- 2.1.12. Internal Control
  - a process, effected by an entity's board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in (a) effectiveness and efficiency of operations; (b) reliability of financial reporting; and (c) compliance with applicable laws and regulations.
- 2.1.13. Key Risk Indicators
  - metrics used by organizations to provide an early signal of increasing risk exposure in various areas of the enterprise.
- 2.1.14. Legal Risk
  - risk of a loss owing to the unexpected application of a law or regulation, or because a contract cannot be enforced, or from an unexpected lawsuit.
- 2.1.15. Liquidity Risk
  - risk that the financial institution is unable to meet its cash flow obligations as they fall due or experiences significant cost in doing so. It also refers to the inability to generate cash from the sale of assets in a timely fashion or without substantial reduction in value.
- 2.1.16. Market Risk
  - the risk of losses from movements in market prices for assets.
- 2.1.17. Non-Executive Directors
  - directors who do not have executive management responsibilities within the organization.
- 2.1.18. Operational Risk
  - risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

# Control Environment Toolkit: Risk Governance

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| 2.1.19. Opportunity       | - possibility that an event will occur and positively affect the achievement of objectives.   |
| 2.1.20. Reputational Risk | - risk arising from negative perceptions on the part of customers, counterparties, shareholders, investors, or regulators, which can adversely affect the ability to maintain or establish business relationships and access to funding.  |
| 2.1.21. Risk              | - anything that can affect the ability of an enterprise to meet its objectives.   |
| 2.1.22. Risk Analysis     | - a process intended to reveal the nature of potential risk and determine the level of risk.  |
| 2.1.23. Risk Appetite     | - the broadly based level of risk the entity is willing to seek or accept in pursuit of long-term objectives.   |
| 2.1.24. Risk Assessment   | - the process of identifying risks, assessing the critical functions necessary to continue business operations, defining the controls in place to reduce exposure, and evaluating the cost of such controls. Risk assessment often involves an evaluation of the probability of a particular event. |
| 2.1.25. Risk Governance   | - the principles of good governance, applied to the identification, assessment, management and communication of risk. It incorporates the principles of accountability, participation, and transparency in establishing policies and structures to make and implement risk-related decisions.       |

# Control Environment Toolkit: Risk Governance

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| 2.1.26. Risk Management           | - coordinated activities to direct and control risk.  |
| 2.1.27. Risk Management Framework | - the complete set of components that provide the foundation and organizational arrangements for designing, implementing, monitoring, reviewing, and continually improving risk management throughout the organization.   |
| 2.1.28. Risk Management Policy    | - a statement of overall intent and direction related to risk management.   |
| 2.1.29. Risk Management Process   | - the systematic application of policies, procedures, and practices to identifying, analyzing, evaluating, addressing, monitoring, and reviewing risk, as well as to establishing the context for these activities and to risk-related communications and consulting. |
| 2.1.30. Risk Measurement          | - evaluation of the likelihood and magnitude of a risk.   |
| 2.1.31. Risk Tolerance            | - the boundaries of risk-taking, outside of which the organization is not prepared to venture in the pursuit of long-term objectives.   |
| 2.1.32. Strategic Risk            | - risk of loss resulting from failure in the execution of a business strategy or failure to respond to a changing business environment.   |
| 2.1.33. Stress Testing            | - a process for evaluating the impact of substantial, unexpected adverse scenarios.   |
| 2.1.34. Threat                    | - an event with potentially adverse consequences.   |

## 3. Purposes of the Committee

- 3.1. The purpose of the Committee is to assist the Board in overseeing, monitoring, and reviewing the effectiveness of the Bank's risk management framework, capital adequacy framework, and other matters related to the management of capital adequacy, credit risk, market risk, asset and liability management, operational risk, compliance, and all other risks relevant to the Bank as identified in a comprehensive process of assessing risk. This includes but is not limited to reputational, strategic and legal risks. Specifically, the Committee shall:
  - 3.1.1. Oversee the implementation of a risk management framework consistent with regulatory requirements, monitor the Bank's capital adequacy and liquidity according to Bank policy and regulatory requirements, and ensure management's proper allocation of capital to business units;
  - 3.1.2. Oversee and monitor senior management's performance in implementing the Bank's risk management policy and related procedures and practices based on the risk management framework, and review and challenge management on assumptions and risk implications of business strategies;
  - 3.1.3. Review and recommend for Board approval risk appetite and risk management strategies; and
  - 3.1.4. Adhere to international standards for best practices in corporate governance and risk management, and specific standards for financial institutions (e.g., Basel II for banks and Solvency II for insurance companies).

## 4. Authority and Resources

- 4.1. The Committee is authorized by the Board to discharge its duties within the terms of this Charter. The Committee shall have the right to:
  - 4.1.1. Seek any information it requires from any employee and members of management in carrying out the Committee's work;
  - 4.1.2. Request that management appear before it to account for management's delegated responsibilities in respect of risk management;
  - 4.1.3. Obtain outside independent professional advice and services (e.g., risk management consultants, financial experts, legal counsel) and secure the attendance of outside experts with relevant experience and expertise as it deems necessary in the performance of its duties; and
  - 4.1.4. Perform any other duties required by the Board within the scope of the authority of the Committee as set forth herein.

4.1.5. The proposals developed by the Committee are recommendations only and thus non-binding on the Board until and unless adopted.

4.1.6. The Committee shall receive an annual budget to discharge of its duties and, subject to the approval of the Board, has the right to access additional funds if so required.

## 5. The Risk Governance Structure

5.1. The risk management process forms part of the corporate governance framework of the Bank. The board and management of the Bank have established a risk governance structure to manage major risks faced by the Bank, oversee the framework for ensuring capital adequacy, and provide reasonable assurance that the Bank's key objectives will be achieved.

5.2. Key risks measured and managed by the Bank are credit risk, market risk, liquidity risk, operational risk, compliance risk, counterparty risk, legal risk, reputational risk, as well as other risks that emerge from time to time.

5.3. The Board shall adopt a "three lines of defense" model in risk governance, where management is the first line of defense, the risk management committee and the chief risk officer are the second line of defense, and internal audit is the third line of defense.

5.4. As the first line of defense, management is responsible for the day-to-day management of risks that are integrated with operations and decision-making processes. Major risk categories, particularly those related to regulatory requirements, are managed through executive-level committees. The executive-level committees are established by the Board to manage and make decisions on the Bank's capital, liquidity and associated risks at the operational level and are jointly responsible for ensuring adequate risk measurement and management and for making decisions in their respective areas of authority.

5.4.1. The Group Risk Management Committee (GRMC), chaired by the chief executive officer (CEO), manages the Bank's risks at the strategic and portfolio levels. It also sets country and sector limits based on the Bank's established risk appetite and limits established by the Bank's risk tolerances and the prevailing regulatory requirements.

5.4.2. The Asset and Liability Management Committee (ALCO), chaired by the CEO, is responsible for supporting the management of the Bank's market risk, capital and liquidity positions. Through ALCO, the CEO manages the Bank's capital adequacy framework, giving due consideration to prevailing statutory and regulatory requirements, current and planned business activities, and internal limits set for various business lines/sectors.

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- 5.4.3. The Credit Committee (CC), chaired by the chief risk officer (CRO), approves credit applications and monitors the performance of the credit portfolio of the Bank.
  - 5.4.4. The Investment Committee (IC), chaired by the chief investment officer, assesses risks related to investment proposals and makes recommendations to the Board.
  - 5.4.5. The Operational Risk and Compliance Committee (ORCC), chaired by the CRO, manages the operational and compliance risks associated with the Bank's operations. It also evaluates new products related to client suitability.
- 5.5. As the second line of defense, the Committee is delegated by the Board to provide oversight of risk management. The Committee sets risk management policies and receives reports from the CRO and the executive-level risk committees on their performance and reviews risk issues that require the Board's attention.
- 5.6. The CRO is directly accountable to the Committee but administratively reports to the CEO.<sup>1</sup> The CRO is responsible and accountable for the execution of the risk management policy and development of risk management strategies. Specifically, the CRO has the following responsibilities:
- 5.6.1. Ensure the accuracy, completeness and currency of the risk register;
  - 5.6.2. Ensure that adequate and feasible risk control measures are in place;
  - 5.6.3. Ensure that risks are effectively monitored, updated, controlled and reported in accordance with the limits and parameters set by the Board;
  - 5.6.4. Coordinate the activities of the executive-level risk committees; and
  - 5.6.5. Advise the Board, the Committee and management on technical matters related to risk management.
- 5.7. The CRO manages the Risk Management Department (RMD), which is responsible for risk measurement and risk assessment at the transaction level. The RMD provides analytical support to the executive-level risk committees in their evaluation and decision-making processes. The RMD is divided into several units specializing in specific risks.

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<sup>1</sup> Other options for CRO reporting lines are (i) a hard line to the risk management committee with a dotted line to the CEO; (ii) a hard line to the CEO with a dotted line to the risk management committee; or (iii) a hard line to both the CEO and the risk management committee. International best practice guidance is not entirely clear on one agreed-upon model. See discussion in note 6 of IFC's "Control Environment Toolkit: Risk Governance" (2013, at p. 18).

- 5.8. As the third line of defense, the audit committee, internal auditor and external auditor provide independent assurance regarding the risk management process. [Refer to the Audit Committee Charter for information on its responsibilities.]

## 6. Responsibilities

- 6.1. The Committee assists the Board in providing oversight for the risk management framework and systems of the Bank and ensures that all key strategic risks are managed in accordance with the relevant policies and in line with the risk appetite levels and risk tolerance limits set by the Board (based on recommendation by the Committee).

### 6.2. Risk Governance

- 6.2.1. The Committee oversees the setting of policies and strategies to manage risk. Specifically, the Committee shall:
- 6.2.1.1. Oversee the development, implementation and management of a risk management framework to meet the Bank's objectives, legal and regulatory requirements, and other external requirements (such as those of rating agencies);
  - 6.2.1.2. Review and recommend for Board approval significant risk management policies, particularly where Board oversight is required by law or regulation, and direct management to develop and implement additional policies relating to risk management and capital management;
  - 6.2.1.3. Oversee the development of an overall risk management strategy to guide the Bank in meeting its business objectives while managing risk effectively. This should include specific strategies for capital and liquidity management and management of credit, market, operational, compliance, reputational, and other key risks;
  - 6.2.1.4. Oversee the implementation of the risk management program, and review its quality and soundness;
  - 6.2.1.5. Oversee the development of a business continuity strategy and plan, to be implemented in the event of business interruption;
  - 6.2.1.6. Ensure that the Committee adopts best practices in corporate governance in discharging its duties in the governance of risk management;
  - 6.2.1.7. Oversee the adoption and implementation of an enterprise-wide risk management framework, policies, and processes, according to international standards such as Basel, to facilitate the management of the Bank's risks in a coordinated and systematic manner, and to integrate risk management into the business planning and decision making processes;

- 6.2.1.8. Review periodically, with input from the internal auditor, CRO and/or external advisors, the effectiveness of the risk management systems; and
  - 6.2.1.9. Keep abreast of developments in international standards and best practices in risk governance and risk management and make recommendations to the Board where changes are appropriate for the Bank.
  - 6.2.1.10. Oversee the periodic review of the effectiveness of the environmental and social risk management system.
- 6.3. ***Enterprise-Wide Risk Appetite Levels and Risk Tolerance Limits***
- 6.3.1. The Committee advises the Board on the Bank's risk appetite levels and risk tolerance limits, including specific internal limits for various risk categories such as capital adequacy and liquidity management.
  - 6.3.2. The Committee shall review at least annually the Bank's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, and the external economic and business environment, and make recommendations to the Board as appropriate.
  - 6.3.3. The Committee shall initiate a review of the Bank's risk appetite levels and its risk tolerance limits immediately if major events occur that are considered to have major impacts on the Bank.
- 6.4. ***Risk Identification, Assessment, Control and Monitoring***
- 6.4.1. The Committee shall ensure that management has put in place a comprehensive risk management process in accordance with regulatory requirements. **It shall also oversee the adoption of international standards specific to banking, e.g., Basel and/or ISO 31000.** The Committee shall:
    - 6.4.1.1. **Oversee the establishment of a risk register with clearly defined risk categories and risks, and oversee the development of key risk indicators to monitor the key risks identified;**
    - 6.4.1.2. Review the risk identification and assessment methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
    - 6.4.1.3. Review management's assessment of the portfolio of risks against the Bank's risk appetite and strategic plan;
    - 6.4.1.4. Be apprised of the significant risks in terms of their measurement, the control measures applied, and trends, and ensure that management is responding to these risks appropriately and competently with specific risk responses. These risks include market risks, credit risks, operational risks,

liquidity positions, and other major risk concentrations as deemed appropriate.

- 6.4.1.5. Review and recommend a limit structure to control risk exposure within risk appetite parameters. Ensure that ongoing monitoring of compliance with the limits is performed by [\_\_\_\_\_],<sup>2</sup> and that exceptions require approval;
- 6.4.1.6. Monitor key risk indicators reported by management and determine requisite actions for significant variances;
- 6.4.1.7. Regularly receive disaggregated data on major risk categories from responsible managers;
- 6.4.1.8. Review and monitor actions taken with respect to compliance and internal audit reports where they are relevant to the risk function;
- 6.4.1.9. Oversee the process of identifying the top 10 strategic and operational risks faced by the Bank;
- 6.4.1.10. Monitor risks across relevant group structures or affiliates, as warranted, along the supply chain;
- 6.4.1.11. Ensure and monitor compliance with Basel II in terms of the three pillars, namely, minimum capital requirements, the supervisory review process, and market disciplines; and
- 6.4.1.12. Review developments and changes in legal and regulatory requirements, and recommend strategies to the Board to address them.

## 6.5. ***Risk Communication and Reporting***

- 6.5.1. The Committee shall recommend to policies to the Board, and establish the process and criteria for communicating and reporting risk information internally and externally:
  - 6.5.1.1. Ensure that risks are clearly categorized and defined, and that one set of definitions is used throughout the Bank;
  - 6.5.1.2. Determine escalation criteria for reporting risks reporting. Ensure that all significant risks are communicated to appropriate management levels and that the most significant risks are escalated to the Board;
  - 6.5.1.3. Review the format and content of risk management information that is reported to the Board and the Committee;

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<sup>2</sup> Enter the relevant department, group or function, depending on the bank's structure.

- 6.5.1.4. Ensure that management has provided complete and accurate risk information and has made all reasonable efforts to identify and assess all key risks; and
- 6.5.1.5. Review and recommend policies and procedures for communicating risk information to external stakeholders, including but not limited to shareholders, the public, and the media, under normal circumstances and in crisis situations (refer to Section 11).
- 6.5.2. The CRO shall provide regular updates to the Committee on changes in the banking regulations and their impacts on the Bank's risk management system. The CRO shall also provide regular reports to the Committee on capital market activities in which the Bank is involved, such as securitization, and off-balance-sheet activities, and the impacts of such activities on the Bank's risk profile.
- 6.5.3. The CRO shall keep the Committee informed of any issues related to the top 10 strategic and operational risks and their impacts on the Bank's ability to meet its business objectives.
- 6.6. ***Appointment and Dismissal of the Chief Risk Officer***
  - 6.6.1. The Committee shall ensure that the CRO has adequate authority, resources and support to fulfill his/her responsibilities.
  - 6.6.2. The Committee shall endorse the job description of the CRO. Committee members shall interview the final shortlisted candidates during the selection of the CRO. The appointment and dismissal of the CRO shall require a recommendation by the Committee.
- 6.7. ***Performance Evaluation***
  - 6.7.1. The format and frequency of the Committee's performance evaluations shall be the same as that of the Board in accordance with the prevailing Board policy.
  - 6.7.2. The Committee shall review the Charter annually and recommend any amendments to the Board.
  - 6.7.3. The Committee shall annually carry out internal evaluations of its work and performance during the previous year.
  - 6.7.4. As the Bank's corporate governance matures, independent evaluation of the effectiveness of the Committee as a whole shall be conducted by external consultants every three years.

## 7. Membership and Organization

### 7.1. *Composition*

- 7.1.1. The Committee shall consist of a minimum of three members. **Members shall be selected among the non-executive directors on the Board [and at least one-third shall be independent].**
- 7.1.2. At least one Committee member shall have an understanding of environmental and social risks.
- 7.1.3. If the Bank invests in sensitive industries,<sup>3</sup> at least one Committee member shall have in-depth knowledge of the environmental and social risks related to those industries.
- 7.1.4. At least one Committee member shall have expertise in environmental and social issues generally.
- 7.1.5. The Committee may invite senior management of the Bank or others to attend a Committee meeting if the Committee considers it appropriate.

### 7.2. *Committee Chairperson*

- 7.2.1. The Chairperson of the Committee shall be appointed by the Chairperson of the Board, or elected by the Committee from among the Committee members.
- 7.2.2. The Committee Chairperson will convene and chair the Committee meetings. In the absence of the Chairperson, based on majority vote of the members present, another member of the Committee shall act as the chairperson of the meeting.
- 7.2.3. **The Committee Chairperson should be an independent non-executive director appointed by the Board on the recommendation of the nomination committee.**
- 7.2.4. **The Committee Chairperson shall have the necessary skills and knowledge to oversee the Bank's risk management systems and practices. He or she shall preferably have experience in the finance industry and in governing and managing risk in banking.**
- 7.2.5. The Chairperson shall have the stature and experience to lead the Committee and communicate effectively with the Chairperson of the Board, other Board members, and senior management.

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<sup>3</sup> Examples of "sensitive industries" include oil, gas and mining, heavy industry (steel, cement) and chemical manufacturing and large agro-commodity production or processing.

## 7.3. ***Nomination, Appointment and Dismissal***

- 7.3.1. Members of the Committee shall be current Board members and shall be appointed by the Board through nomination by the [board/corporate governance committee/nomination committee]. **Members shall be appointed for a term of one year, subject to renewal.** Members with less than 75% attendance at Committee meetings shall not be considered for reappointment.
- 7.3.2. The [Corporate Governance Committee/Nomination Committee] shall recommend to the Board early termination of the appointment of a member of the Committee in accordance with policies and procedures set out in the Bank's corporate governance policy.

## 7.4. ***Individual Committee Member Qualifications***

- 7.4.1. Members of the Committee shall have the necessary skills, expertise and knowledge in the areas of risk management and banking. **At least one member, if not the Chairperson, shall have direct experience in governing and managing risks in the banking environment.**
- 7.4.2. Collectively, the Committee shall have sufficient knowledge of the Bank's major business areas and strategies, and material risks associated with those business areas, to assess the effectiveness of the Bank's risk management system and recommend improvements in the system to the Board.
- 7.4.3. The Committee members shall be familiar with the Basel Accord (Basel II, Basel III and other relevant banking standards) and other regulatory requirements as well as risks associated with banking operations.

## 7.5. ***Training***

- 7.5.1. **The Committee Chairperson shall from time to time review the competency of the Committee members in discharging their duties and ensure that training and education are provided to them, as part of the induction program for new members, and on an on-going basis as new risk categories or new standards emerge.**

## 7.6. ***Remuneration***

- 7.6.1. Committee members shall be remunerated solely for fulfilling their obligations to the Committee. Remuneration shall be governed by the Board policy on compensation of Board members.
- 7.6.2. **The Committee Chairperson and other Committee members shall receive an annual emolument, in addition to their fees as a member of the Board, to reflect their additional responsibilities. Additional amounts, such as per**

meeting fees or disbursements such as travel expenses, shall be payable according to the relevant policy.

7.6.3. Remuneration and payment policies shall be recommended by the remuneration committee, in consultation with the corporate governance and nomination committee, endorsed by the Board, and adequately disclosed in annual reports.

## 7.7. *Secretary*

7.7.1. A member of the Bank's staff shall be appointed as the secretary to assist the Committee Chairperson in preparing the agendas for Committee meetings and distributing them to members in advance, together with supporting documents. He/she shall also attend the meetings to take minutes and ensure that meetings are conducted in accordance with the relevant corporate governance policies. He/she shall also be responsible for maintaining and distributing Committee meeting minutes. *The Company Secretary shall be the secretary of the Committee.*

## 8. Meeting Attendance and Notice

### 8.1. *Frequency of Meetings*

8.1.1. Meetings may be held as often as necessary to properly carry out the Committee's functions and duties in a timely manner. At a minimum, [the Committee shall meet semiannually within the fiscal year with additional meetings as necessary / *the Committee shall meet four times per fiscal year, with meetings scheduled once every three months, with additional meetings as necessary*]. Committee meetings shall be included in the annual calendar of regular Board and Committee meetings approved by the Board at the beginning of each fiscal year.

8.1.2. [*Ad hoc meetings may be convened by the Chairperson of the Committee / The Committee Chairperson or any two Committee members may convene additional meetings if required*]. The Chairperson of the Board, chairperson of the audit committee, CEO, CFO or CRO may also request that a meeting be convened.

### 8.2. *Notice of Meeting*

8.2.1. Unless otherwise agreed, notice of each meeting, confirming the venue, time and date, shall be given to members and any other persons required to attend / *no less than 48 hours prior to the meeting / no less than one week prior to the meeting*].

8.2.2. The meeting agenda shall be distributed to the members together with the meeting notice. Should the Committee Chairperson decide that confidentiality is required with respect to an agenda item, a general

description of the subject to be discussed and an explanation of the need for confidentiality shall be included in the agenda.

## 8.3. *Conduct of Meetings*

- 8.3.1. Meetings shall be the principal form for carrying out the work and activities of the Committee.
- 8.3.2. Quorum shall be a simple majority, e.g., the presence of two of the members of a three-member committee. A duly convened Committee meeting where a quorum is present shall be competent to exercise any or all of the authorities, powers and discretions vested in or exercisable by the Committee.
- 8.3.3. Meetings shall be conducted in accordance with the provisions of the Bank's corporate charter / articles of association / corporate governance policy governing the meetings of directors.
- 8.3.4. Meetings may be held in person, by telephone, web, or other means of electronic communication agreeable to the Committee, provided that each member in attendance has the opportunity and means to express his/her view on each of the agenda items. The Committee shall have the discretion to act by unanimous written consent in lieu of a meeting.
- 8.3.5. Independent members of the Committee (independent non-executive directors and/or non-executive directors) shall meet at least once per year without the presence of executive officers.

## 8.4. *Minutes of Meetings*

- 8.4.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and absent.
- 8.4.2. Minutes of Committee meetings shall be prepared and circulated to all members of the Committee.
- 8.4.3. Prior to each Committee meeting, minutes of the most recent meeting shall be distributed to the members in advance and subject to approval at the meeting. Members of the full Board shall have access to the approved minutes of the Committee.

## 9. **Relationship with Other Board Committees**

- 9.1. The Committee Chairperson shall work with the audit committee chairperson to ensure that the work of the two Committees is complementary and without unnecessary overlap in activities with respect to risk management. The Committee shall rely on the audit committee to provide assurance that internal controls in relation to each of the key risks are in place.

- 9.2. The Committee Chairperson shall coordinate with the remuneration committee chairperson with the objective of ensuring that the Bank's compensation and benefits arrangements provide incentives to senior executives to enhance the value of the Bank but do not encourage them to take excessive risks to the detriment of the interests of the shareholders.

## 10. Reporting to the Board and Shareholders

- 10.1. The Committee Chairperson shall report formally to the Board, at each Board meeting, on the activities and major decisions of the Committee since the most recent Board meeting. Approved minutes of the Committee meetings shall also be made available to the Board.
- 10.2. The Committee, as part of the Board, shall be accountable to the shareholders. The Bank's performance in risk management shall be reported in the annual report.
- 10.3. The Committee shall submit an annual report to the Board on the activities of the Committee during the year. This report shall describe the status of the Bank's risk management, the areas requiring improvement, and the Committee's recommendations for addressing areas requiring improvement.
- 10.4. The Bank shall include a discussion of its risk management activities, including environmental and social risk management activities, in the annual report.
- 10.5. The Committee Chairperson (or another member of the Committee if the Chairperson is unable to attend, or a duly appointed delegate if no Committee members are able to attend) shall attend the Bank's annual general meeting to respond to any questions from shareholders regarding the Committee's activities.
- 10.6. As part of its annual report, the Bank shall include integrated financial, environmental and social reports.

## 11. Communicating to External Stakeholders

- 11.1. Transparency is an essential component of sound corporate governance, which also applies to risk management. The Committee shall ensure that policies, procedures and responsibilities with respect to communicating risk information to key external stakeholders are in place. Such communications shall be part of the corporate communications policies and plan.
- 11.2. Under normal circumstances, the Committee shall ensure routine timely disclosure of governance and risk management policies and practices, and foreseeable risk factors, in accordance with relevant legal, regulatory, and business requirements. For specific stakeholders, the Bank shall provide:
- Information on the Bank's capital adequacy and risk management practices to the regulators to fulfill the regulatory requirements;

- Information to support risk assessment by rating agencies to support the rating process; and
- Information on the potential risks associated with the banking products offered to the public in accordance with regulatory requirements and internal policies.

If the Bank is publicly listed, communication and disclosure of risk information to external parties, particularly information considered price-sensitive, shall adhere to the disclosure requirements in the relevant listing rules.

- 11.3. The Committee shall ensure that the crisis management plan and business continuity plan are ready for execution. The plans shall set out details regarding organization, procedures, checklists, and templates to enable efficient and effective response to a crisis, continuity of critical business functions, and full recovery of business operations. The Committee shall endorse the plans and determine the criteria for invoking the plans, consistent with the Bank's risk appetite levels.
- 11.4. The corporate communications department shall be responsible for all corporate communication matters. The Committee shall advise the Board on the assignment of spokespersons to ensure the consistency, accuracy, and appropriateness of communications. The Chairperson of the Board, the CEO, the CFO, and/or the head of corporate communications shall be the spokespersons with respect to predefined issues.

## Annex: The Three Lines of Defense



Source: IFC, Access to Finance