



**RISK MONITORING
COMMITTEE CHARTER**



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I. OBJECTIVES

The Board Risk Monitoring Committee (RMC) shall assist the Board in setting up risk strategies and to assess and monitor the risk management process of The Mauritius Commercial Bank Ltd (Bank). The Committee shall also advise the Board on risk issues and shall monitor the risk of the different portfolios against the set risk appetite.

This Charter is posted on the organisation's website.

2. COMPOSITION

- 2.1 The members of the Board Risk Monitoring Committee (RMC) shall consist of the Chief Executive, and at least three non-executive directors. The Chairperson and the members of the Committee shall be appointed by the Board of Directors of The Mauritius Commercial Bank Ltd ("Board") on the recommendations of the Nomination and Remuneration Committee (NRC).
- 2.2 The Chairperson shall be an independent non-executive director.
- 2.3 The Chief Risk Officer shall act as secretary.
- 2.4 All members of the Committee shall have a broad understanding of the business and economic environment, of financial and business risks and of the country's legal and statutory infrastructure.
- 2.5 The Board may at any time remove member/s from the Committee and fill any vacancy/ies created by such removal.

3. MEETINGS

- 3.1 Meetings shall be held at least quarterly, or more frequently as circumstances require.
- 3.2 The Chairperson shall convene a meeting upon the request of any Committee member who considers it necessary.
- 3.3 The quorum for the Committee shall be three with the presence of at least two independent non-executive directors. In case of absence of an independent non-executive director the Chairperson of the RMC may appoint another independent non-executive director in replacement.
- 3.4 The Chairperson of the Committee may in case of absence designate an alternate. In case of absence of the Chairperson and where no alternate has been designated, the NRC or the Chairperson of the Board shall appoint an independent non-executive director to chair the meeting.
- 3.5 The Committee may request any officer or employee to attend any meeting and provide pertinent information as necessary.
- 3.6 All decisions shall be taken on a majority of votes. In case a majority cannot be obtained, the Chairperson will have a casting vote.

4. ROLES AND RESPONSIBILITIES

- 4.1 The duties and responsibilities of the members of the Committee shall be in addition to those set out for a member of the Board.
- 4.2 The principal duties of the RMC shall consist in reviewing and recommending to the Board for approval the risk appetite, reviewing and exercising oversight of capital management, monitoring the risk of the different portfolios against the set risk appetite, and advising the Board on corresponding strategies, as well as reviewing the risk management framework.

In order to achieve this objective the Committee shall perform the following tasks:

4.2.1 Risk Appetite

Once the capital allocation is determined and the Bank's strategic plan adopted, the RMC, in consultation with the Risk Once the capital allocation is determined and the Bank's strategic plan adopted, the RMC shall be responsible for recommending to the Board for approval the risk appetite in terms of Credit, Market / Asset Liability Management, and for reviewing such risk appetites and tolerances as may be appropriate in the light of changing circumstances and the conclusions from the review of the different risk portfolios as described below.

The Risk Appetite shall be guided in its determination by formulating a three year forecast of capital consumption and funding required supporting the set risk appetite and business ambitions.

In exceptional circumstances, such as the uncertainty caused by the Covid-19 pandemic, the Risk Appetite may be determined based on only a one year forecast of capital consumption and funding required, if such an approach is consistent with the Board's own decisions and actions.

4.2.2 Capital Management

The RMC shall review, challenge and exercise oversight of the capital management and advise the Board on strategies for capital management. In that respect, it shall:

- Monitor the utilization of capital and current capital adequacy.
- Ensure that the Bank has, at all times, sufficient capital to meet its risks appetite and to provide for growth and for unexpected losses. It shall also verify that capital is adequately allocated to the different risk areas, according to the Basel 2 recommendations, international standards, and future regulatory developments.
- Ensure that the return on capital by risk category is in line with the budgeted figures.

Furthermore, the RMC shall review and recommend to the Board for approval the Internal Capital Adequacy Assessment Process (ICAAP), with a particular focus on the different stress tests conducted, corresponding impacts on capital adequacy and profitability, as well as crisis management and corresponding contingency plans.

The RMC shall immediately report to the Board of any significant departure from the set allocation and from the budgeted return on capital per category.

4.2.3 Credit Risk

The RMC shall be responsible for carrying out a regular review of the credit portfolio against credit risk appetite targets (e.g. split of exposures between domestic and international, retail and non-retail, and between the different sectors of the economy).

In that respect, the report shall put the emphasis on credit concentration and large exposures, exposures to banks, exposures to country risks, risk profiles of the different portfolio, measured through either internal or external ratings, and asset quality of the different portfolios, measured through non performing rates.

Furthermore, the main impaired exposures shall be disclosed and discussed with a particular focus on residual risks after taking into consideration risk mitigating factors such as the net realizable value of collaterals, and corresponding provisions are to be validated prior to submission to the Audit Committee.

The RMC shall further require reports from senior management of the Bank in respect of all significant excesses over approved credit limits, if any, with explanations as to causes for such excesses and action plans for rectification.

4.2.4 Market Risk/Asset Liability Management Risk (ALM)

The RMC shall review the market risk/ALM risk against market risk appetite approved by the Board.

It shall thus be responsible for regularly reviewing the split between the different market risk categories, that is, between discretionary and non-discretionary forex positions, between securities held in the trading book and in the non-trading book, between short-term, medium-term, long-term and very long-term maturities, distinguishing between position taking and customer business activities. It shall also monitor and review risk appetite targets sets in terms of balance sheet structure, maturity transformation and funding mix.

Market Risk also covers liquidity risks, whereas in that respect, the RMC shall monitor the different liquidity targets (such as liquid asset ratio, maturity gaps, loan to deposits ratio, depositor's concentration, etc) against set risk appetite.

4.2.5 Legal and Regulatory Risk

The RMC shall be responsible for reviewing Legal and Regulatory risk arising from changes in laws and regulations as well as from potential legal contingent liabilities and make such recommendations as it considers appropriate to the Board for approval.

4.2.6 Risk Management Framework and Risk Culture

The RMC shall review and challenge the design and implementation of the risk management framework and make such recommendations as it considers appropriate to the Board for approval. In that respect, the RMC shall in particular ensure that the risk management function has adequate independence, resources and access to information to perform its duties.

The RMC shall also review the capability of the Bank to identify, assess and manage new risk types, as well as actions taken to mitigate those new risks.

Furthermore, the RMC shall seek satisfaction that an appropriate risk culture prevails in the organization, while ensuring that proactive programs are in place within the Bank to ensure all MCB personnel are adequately trained and tested on Risk issues on a regular basis.

4.2.7 Reports from Risk Committees

The RMC shall receive reports and recommendations from the Risk SBU and from the relevant Executive Risk Committees such as the Executive Credit Committee ("ECC") and the Asset and Liability Committee ("ALCO"), and shall draw such conclusions as may be appropriate as a result of their consideration of such documents. The RMC shall also receive reports from the Risk SBU regarding reputational and strategic risks, which are essentially longer term risks split between internal and external risks, the latter being outside the control of the Bank.

5. OTHER PROVISIONS

5.1. Professional advice

The Board has an agreed procedure whereby directors are able to seek independent professional advice, should the need arise. The professional services procured shall be at the Company's expense and prior approval of the Chairperson is required.

5.2. Access to information

The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.

5.3. Reporting

The Chairperson of RMC shall report formally to the Board in a timely manner on its proceedings after each meeting on all matters within its duties and responsibilities. A report will be made at least quarterly when the Board examines the quarterly and annual financial statements for approval and release.

Any significant issues having impact on the affairs or reputation of the Bank shall be reported by the Chairperson of the Board to the Boards of the relevant holding companies.