



Finlease

**RISK MANAGEMENT
AND CONDUCT REVIEW
COMMITTEE CHARTER**

Finlease

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1. OBJECTIVES

The Risk Management and Conduct Review Committee (RMC) shall assist the Board in setting up risk strategies and to assess and monitor the risk management process of Finlease Company Limited. The Committee shall also advise the Board on risk issues and shall monitor the risk of the different portfolios against the set risk appetite.

The Committee is also responsible for monitoring and reviewing related party transactions, their terms and conditions and ensuring the effectiveness of established procedures and compliance with the Bank of Mauritius Guidelines.

This Charter is posted on the organisation's website.

2. COMPOSITION

- 2.1 The members of the RMC shall consist of the Managing Director and a minimum of three independent directors. The chairperson and the members of the Committee shall be appointed by the Board of Directors.
- 2.2 The Chairperson shall be an independent non-executive director.
- 2.3 The Secretary to the Board shall act as secretary to the RMC.
- 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.

3. MEETINGS

- 3.1 Meetings shall be held 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.
- 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 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 of 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 Company's strategic plan adopted, the RMC shall be responsible for recommending to the Board for approval the risk appetite in terms of Credit, Market and Operational risks as spelt out in the policies of the company. The RMC is also responsible 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.

Any change in the Risk Appetite should therefore be reflected in the policies.

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 Company 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 regulatory requirements

The RMC shall immediately report to the Board of any significant departure from the set allocation.

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 Corporate, as well as between the different sectors of the economy and different classes of assets).

In that respect, the report shall put the emphasis on credit concentration and large exposures, risk profiles of the different portfolio, and asset quality of the different portfolios, measured through non-performing rates.

Furthermore, the main impaired exposures shall be disclosed 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.

4.2.4 Market Risk

The RMC shall review the market 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 short-term, medium-term, long-term funding.

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/borrowings ratio, depositor's concentration, etc) against set risk appetite.

4.2.5 Operational Risk

The RMC shall review the assessments and reports on operational risk against the agreed risk tolerances and ensure that the Company's Business Continuity Plan is up-to-date.

Operational risk includes technical, human resources, security, and business continuity risks.

Furthermore, the RMC shall consider and make appropriate reports and recommendations to the Board on any significant departure from the pre-set risk tolerance targets, risk mitigation (e.g. insurance), and on the allocation of capital, if any, to the different business lines.

4.2.6 Risk Management Framework, Compliance and Risk Culture

The RMC shall review and challenge the design and implementation of the risk management framework and recommend 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 company 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 Company to ensure all personnel are adequately trained and tested on Risk and Compliance issues on a regular basis.

4.2.7 Reports from Auditors

The RMC shall receive reports and recommendations from the Internal and External Auditors as well as from the Compliance officer of the company.

5. RELATED PARTY TRANSACTIONS

The Committee is also responsible for monitoring and reviewing related party transactions, their terms and conditions, and ensuring the effectiveness of the established procedures and compliance to the Bank of Mauritius Guidelines.

The mandate of the Committee will include the following:

- Ensure that a policy on related party transactions is submitted to and approved by the Board;
- Seek the approval of the Board for any write-off of related party credit exposure;
- Review such policy at least once a year, to ensure their continuing adequacy and submit proposed changes to the approval of the Board;
- Require the management of the Company to establish procedures to comply with the requirements of the Bank of Mauritius guideline;
- Review the procedures periodically to ensure their continuing adequacy and enforcement, in the best interest of the Company;
- Review, ratify and approve each credit exposure to related parties;
- Ensure that market terms and conditions are applied to all related party transactions;
- Review the practices of the Company to ensure that any transactions with the related parties that may have a material effect on the stability and solvency of the Company are identified and dealt with in a timely manner;

- Report periodically and in any case not less frequently than on a quarterly basis to the board of directors on matters reviewed by it, including exceptions to policies, processes and limits.

6. DEFINITION OF RELATED PARTIES

Interpretation of the Guideline of Bank of Mauritius on Related Parties leads to the identification of the following categories of related parties:

Category 1

This includes credit exposures to

- a person who has significant interest in the Company;
- a director of the Company;
- a director of a body corporate that controls¹ the Company;
- the spouse, child and parent of a natural person covered in (a) or (b) or (c) above;
- any entity that is controlled² by a person described in (a) or (b) or (c) or (d) above; and
- any entity in which the Company has significant interest, excluding a subsidiary of the Company as mentioned in Category 2 (e) below.

Category 2

This includes credit exposures to

- senior officers, which are outside the terms and conditions of employment contracts;
- the spouse, child and parent of senior officers;
- senior officers of a body corporate that controls³ the Company;
- any entity that is controlled⁴ by a person described in (a) or (b) or (c) above; and
- a subsidiary of the Company with no shareholder (natural person) holding directly or indirectly more than a significant shareholding in the parent Company.

Category 3

This includes credit exposures to senior officers, which are within the terms and conditions of employment contracts.

The regulatory limits for each category are defined in Section 18 of the Guideline.

7. LIMITS ON TRANSACTIONS WITH RELATED PARTIES

- The Committee will ensure that transactions with related parties as defined are regularly reported to it.
- Members of the RMC conflicted at time of ratification of related party exposure should declare their interests and not participate in the ratification of the transactions.
- It should ensure that regulatory limits defined in the Bank of Mauritius Guideline are adhered to at all times.

8. OTHER PROVISIONS

8.1 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.

8.2. 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.

8.3 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 submitted 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 Company shall be reported by the chairperson of the Board to the Board of the relevant holding company.

^{1,3} For this purpose, 'control' has the same meaning as in the Companies Act 2001.

^{2,4} For this purpose, a natural person shall be deemed to control an entity if he/she owns, directly or indirectly, 10 per cent or more of the capital or voting rights of that entity. In other cases, it has the same meaning as in the Companies Act 2001.