

**MINUTES OF THE SIXTH AUDIT, RISK AND COMPLIANCE MEETING OF THE NEW DEVELOPMENT BANK HELD AT SHANGHAI, CHINA ON MARCH 1, 2018 AT 11:30 AM**

PRESENT:

**Members of the Audit, Risk and Compliance Committee**

- i. Mr. Dondo Mogajane (Director for South Africa, Chairperson)
- ii. Mr. Shixin Chen (Director for China)
- iii. Mr. M. M. Kutty (Director for India)
- iv. Mr. Tiago Berriel (Alternate Director for Brazil, on behalf of the Director for Brazil)
- v. Mr. Andrey Bokarev (Alternate Director for Russia, on behalf of the Director for Russia)
- vi. Mr. Guoqi Wu (Alternate Director for China)
- vii. Mr. K. V. Kamath (President and Board Member)

**Advisors and other participants accompanying Committee Members**

- i. Ms. Ludmila Vidigal Silva, Coordinator-General for International Cooperation and Development at the Secretariat for International Affairs, Ministry of Finance, Brazil
- ii. Mr. Martin Normann Kämpf, Consul for Trade and Investment, Consulate General of Brazil in Shanghai
- iii. Ms. Elena Zamorina, Consultant, Department for International Financial Affairs, Ministry of Finance, Russia
- iv. Mr. Prashant Lokhande, Counsellor (Economic) of the Embassy of India, Beijing
- v. Mr. Weijie Liu, Director, Department of International Financial and Economic Cooperation, Ministry of Finance, China
- vi. Ms. Rui Jin, Staff member, Department of International Financial and Economic Cooperation, Ministry of Finance, China
- vii. Mr. Andile Kuzwayo, Director: BRICS Global and Emerging Market, International and Regional Economic Policy, National Treasury, South Africa

## **Vice Presidents**

- i. Mr. Sarquis Sarquis, Vice-President and Chief Risk Officer (“CRO”)
- ii. Mr. Vladimir Kazbekov, Vice-President and Chief Administrative Officer (“CAO”)
- iii. Mr. Xian Zhu, Vice-President and Chief Operations Officer (“COO”)
- iv. Mr. Leslie Maasdorp, Vice President and Chief Financial Officer (“CFO”)

## **New Development Bank Staff and external Auditors**

- i. Mr. Subrahmanya Pulle Srinivas, Director General, Front Office of the President
- ii. Mr. Naveen Srivastava, Director General, Corporate Secretary
- iii. Ms. Lynette Milne, Director General, Finance, Budget and Accounting
- iv. Ms. Yolande Dwarika, Chief, Corporate Secretary
- v. Mr. Srinivas Yanamandra, Chief, Compliance
- vi. Mr. Kamal Ahuja, Chief, Internal Audit
- vii. Mr. Sanjay Chiboo, Chief, Finance, Budget and Accounting
- viii. Ms. Miya Liu, Junior Professional, Corporate Secretary
- ix. Mr. Jeff Tao, Independent Audit, Deloitte
- x. Mr. Leon Fan, Independent Audit, Deloitte
- xi. Ms. Annie Pan, Independent Audi, Deloitte

### **1. Adoption of the Agenda**

The agenda was considered and adopted by the Audit, Risk and Compliance Committee (“**the Committee**” or “**the ARC**”).

### **2. Leave of absence**

The absence of the Directors for Brazil and Russia was recorded. The Director for Brazil and the Director for Russia and were represented by the respective Alternate Directors.

### **3. Adoption of the Minutes and Summary of the 5<sup>th</sup> ARBC**

The Minutes (2018-ARBC06-DOC-003) and Summary (2018-ARBC06-DOC-004) of the 5<sup>th</sup> Committee Meeting held on November 20, 2017 were approved without amendment.

### **4. Matters Arising from previous meetings**

The Committee considered the Note on Matters Arising from the 5<sup>th</sup> Audit, Risk, Budget and Compliance Committee meeting (2017-ARBC04-DOC-005). The matters arising were discussed under agenda item 10.

**5. Audited Financial Statements for the year ended December 31, 2017**

The Committee reviewed the Note on the Financial Statements (2018-ARC06-DOC-006) and the Audited Financial Statements for the year ended December 31, 2017 (2018-ARC06-DOC-006a). The Committee recommended that the Board of Directors (“**the Board**”) approve the Audited Financial Statements for the year ended December 31, 2017, for submission to the Board of Governors.

**6. Review of Accounting Policy and Measurement**

The Committee reviewed the Note on the Proposed Revisions to the Accounting Policy and Measurement (2018-ARC06-DOC-007) and the revisions to the policy (2018-ARC06-DOC-007a), (2018-ARC06-DOC-007b) and (2018-ARC06-DOC-007c). The Committee recommended that the Board approve the revisions to the Accounting Policy and Measurement.

**7. Unaudited Financial Statements of Project Preparation Fund**

The Committee reviewed the Unaudited Financial Statements of Project Preparation Fund (2018-ARC06-DOC-008a) and recommended that the Board approve the Condensed Unaudited Financial Statements of the Project Preparation Fund, for submission to the Board of Governors.

**8. Risk**

**a. Quarterly Risk Report for period ending December 31, 2017**

The Committee considered the Quarterly Risk Report for the period ending December 31, 2017 (2018-ARC06-DOC-009) and took note thereof.

**b. Operational Risk Report for the period July 1, 2017-December 31, 2017**

The Committee considered the Operational Risk Report for the period for the period July 1, 2017 -December 31, 2017 (2018-ARC06-DOC-010) and took note thereof.

**c. Proposal for Credit Risk Concentration Limits**

The Committee considered the Proposal for Credit Risk Concentration Limits (2018-ARC06-DOC-011) and recommend that the Board of Directors approve the Credit Risk Concentration Limits, applicable from January 1, 2021. The Committee further agreed to review Annex II of the proposal after six months.

**d. Polices for Review**

The Committee considered the proposed revisions of the following risk management policies:

- Interest Rate Risk Management Policy

The Committee considered the Note on the Proposed Revisions of the Interest Rate Risk Management Policy (2018-ARC06-DOC-012) and the revisions to the policy (2018-ARC06-DOC-013), (2018-ARC06-DOC-013a) and (2018-ARC06-DOC-013b). The Committee recommended that the Board approve the revisions to the Interest Rate Risk Management Policy.

- Exchange Rate Risk Management Policy

The Committee considered the Note on the proposed Revisions to the Exchange Rate Risk Management Policy and the revisions to the policy proposed revisions of the Exchange Rate Risk Management Policy (2018-ARC06-DOC-014a and 2018-ARC06-DOC-014b). The Committee recommended that the Board approve the revisions to the Exchange Rate Risk Management Policy.

- Credit Risk Management Policy

The Committee considered the Note on the Proposed Revisions to the Credit Risk Management Policy (2018-ARC06-DOC-015, 2018-ARC06-DOC-015a and 2018-ARC06-DOC-015b). The Committee recommended that the Board approve the revisions to the Credit Risk Management Policy.

**9. Compliance**

The Chief, Compliance presented the Compliance Update to the Committee (2018-ARC06-DOC-016). The Committee noted the Compliance Assessment Report for 2017 and the Anti-Money Laundering Report. The Committee also considered and recommended that the Board approve the Compliance Management Plan for 2018.

**10. Internal Audit**

**Internal Audit Update and Internal Audit Report**

The Committee considered the Note from the Internal Audit division together with the Internal Audit Plan 2018 (2018-ARC06-DOC-017), Internal Audit Proposal 2018 (2018-ARC06-DOC-17b), the Follow up on 2017 Observations from Internal Audit Department Report (2018-ARC06-DOC-17c) and the Internal Audit Report prepared by PwC (2018-ARC06-OC-018). The Committee took note of the internal audit update and reports, and

the recommendations contained therein. The Committee recommended that the Board approve the Internal Audit Plan for 2018 and approve the increase of fees to PwC.

**11. Closed Session**

The Committee met with Chief, Internal Auditor and independent auditors separately in a closed session.

**12. Any Other Business**

No other matters were discussed. The meeting ended with the Chairperson's thanks to Members of Committee and Management for their participation during the Meeting.