

**MINUTES OF THE ELEVENTH AUDIT, RISK AND COMPLIANCE COMMITTEE
MEETING OF THE NEW DEVELOPMENT BANK HELD AT SHANGHAI, ON JUNE 24,
2019 AT 14:00**

PRESENT:

Members of the Audit, Risk and Compliance Committee

- i. Mr. Enoch Godongwana (Director for South Africa, Chairperson)
- ii. Mr. Marcos Troyjo (Director for Brazil)
- iii. Mr. Andrey Bokarev (Alternate Director for Russia)
- iv. Mr. K. Rajaraman (Director for India)
- v. Mr. Prashant Goyal (Alternate Director for India, via videoconference)
- vi. Mr. Wencai Zhang (Director for China)
- vii. Mr. Zhengwei Zhang (Alternate Director for China)
- viii. Mr. K. V. Kamath (President and Board Member)

Advisors and other Participants accompanying Committee Members

- i. Ms. Raquel Porto Ribeiro Mendes, Head of the Division for Sustainable Development at the Secretariat for International Affairs, Ministry of Economy, Brazil
- ii. Ms. Elena Zamorina, Consultant, Department for International Financial Affairs, Ministry of Finance, Russia
- iii. Mr. Prashant Lokhande, Counsellor (Economic) of the Embassy of India in China, India
- iv. Ms. Guanzhu Wang, Director, Division V, Department of International Financial and Economic Cooperation, Ministry of Finance, China
- v. Mr. Yuanjie Yang, Director, Program and Policy Division, Department of International Financial and Economic Cooperation, Ministry of Finance, China
- vi. Mr. Weifeng Yang, Deputy Director, Division V, Department of International Financial and Economic Cooperation, Ministry of Finance, China
- vii. Ms. Rui Jin, Staff Member, Division V, Department of International Financial and Economic Cooperation, Ministry of Finance, China
- viii. Mr. Andile Kuzwayo, Director, BRICS, Global and Emerging Market, International and Regional Economic Policy, National Treasury, South Africa

- ix. Ms. Didintle Letsie, Senior Economist, 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 Independent Auditors

- i. Ms. Yolande Dwarika, Chief, Corporate Secretary Division
- ii. Mr. Weijie Liu, Principal Professional, Corporate Secretary Division
- iii. Ms. Miya Liu, Junior Professional, Corporate Secretary Division

The following staff members and representatives of independent auditors attended the meeting for relevant agenda items with the approval of the Chairperson:

- iv. Mr. Jose Luiz Fernandez, Director General, Risk Management Division
- v. Mr. Bharan Kumar Guntupalli, Chief, Risk Management Division
- vi. Mr. Maxim Choumarov, Chief, Risk Management Division
- vii. Mr. Manish Singh, Chief, Human Resources Division
- viii. Mr. Srinivas Yanamandra, Chief, Compliance Division
- ix. Mr. Kamal Ahuja, Chief, Internal Audit Division
- x. Mr. Saurabh Ghugre, Executive Assistant to CFO and Interim Controller
- xi. Mr. Leon Fan, Independent Auditor, Deloitte
- xii. Ms. Annie Pan, Independent Auditor, Deloitte

1. Adoption of the Agenda

The agenda (2019-ARC11-DOC-001) was considered and adopted by the Audit, Risk and Compliance Committee (“Committee” or “ARC”).

2. Leave of Absence

The absence of the Director for Russia was recorded. The Director for Russia was represented by the Alternate Director for Russia. The meeting had the requisite quorum.

3. Adoption of the Minutes and Summary of the 10thARC Meeting held on March 31, 2019

The Minutes (2019-ARC11-DOC-003) of the 10th ARC Meeting held on March 31, 2019 was approved by the Committee, and the Summary (2019-ARC11-DOC-004) of the 10th ARC Meeting held on March 31, 2019 was approved by the Committee, as amended.

4. Matters Arising from Previous Meetings

The Committee considered the Matters Arising from the 10thARC Meeting of the New Development Bank (2019-ARC11-DOC-005) and took note thereof.

5. Independent Audit

a. Quarterly Audited Financial Statements for the New Development Bank for the period ended March 31, 2019

The Committee considered the Note on New Development Bank Quarterly Audited Financial Statements for the period ended March 31, 2019 (2019-ARC11-DOC-006-a) and the Independent Auditor's Report and Condensed Financial Statements for the three months ended March 31, 2019 (2019-ARC11-DOC-006-b). The Committee recommended that the Board of Directors ("Board") approve the Quarterly Audited Financial Statements for the New Development Bank for the period ended March 31, 2019.

b. Quarterly Audited Financial Statements for the Project Preparation Fund of the New Development Bank for the period ended March 31, 2019

The Committee considered the Note on Project Preparation Fund Quarterly Audited Financial Statements for the period ended March 31, 2019 (2019-ARC11-DOC-007-a) and the Independent Auditor's Report and Condensed Financial Statements for the Project Preparation Fund of the New Development Bank for the period ended March 31, 2019 (2019-ARC11-DOC-007-b). The Committee recommended that the Board approve the Quarterly Audited Financial Statements for the Project Preparation Fund of the New Development Bank for the period ended March 31, 2019.

6. Risk

a. Quarterly Credit Risk Report for the period ended March 31, 2019

The Committee considered the Quarterly Credit Risk Report for the period ended March 31, 2019 (2019-ARC11-DOC-008) and took note thereof.

b. Quarterly Market and Liquidity Risk Report for the period ended March 31, 2019

The Committee considered the Quarterly Market and Liquidity Risk Report for the period ended March 31, 2019 (2019-ARC11-DOC-009) and took note thereof.

c. Quarterly Operational Risk Report for the period ended March 31, 2019

The Committee considered the Quarterly Operational Risk Report for the period ended March 31, 2019 (2019-ARC11-DOC-010) and took note thereof.

7. Review of Policies

a. Exchange Rate Risk Management Policy

The Committee considered the Schedule of Changes (2019-ARC11-DOC-011-a), the revised Exchange Rate Risk Management Policy in track-change mode (2019-ARC11-DOC-011-b) and the revised Exchange Rate Risk Management Policy in clean version (2019-ARC11-DOC-011-c). The Committee recommended that the Board approve the revised Exchange Rate Risk Management Policy.

b. Interest Rate Risk Management Policy

The Committee considered the Schedule of Changes (2019-ARC11-DOC-012-a), the revised Interest Rate Risk Management Policy in track-change mode (2019-ARC11-DOC-012-b) and the revised Interest Rate Risk Management Policy in clean version (2019-ARC11-DOC-012-c). The Committee recommended that the Board approve the revised Interest Rate Risk Management Policy.

c. Credit Risk Management Policy

The Committee considered the Schedule of Changes (2019-ARC11-DOC-013-a), the revised Credit Risk Management Policy in track-change mode (2019-ARC11-DOC-013-b) and the revised Credit Risk Management Policy in clean version (2019-ARC11-DOC-013-c). The Committee recommended that the Board approve the revised Credit Risk Management Policy.

d. Liquidity Risk Management Policy

The Committee considered the Schedule of Changes (2019-ARC11-DOC-014-a), the revised Liquidity Risk Management Policy in track-change mode (2019-ARC11-DOC-014-b) and the revised Liquidity Risk Management Policy in clean version (2019-ARC11-DOC-014-c). The Committee recommended that the Board approve the revised Liquidity Risk Management Policy, taking into account comments by the Committee.

c. Operational Risk Management Policy

The Committee considered the Schedule of Changes (2019-ARC11-DOC-015-a), the revised Operational Risk Management Policy in track-change mode (2019-ARC11-DOC-015-b) and the revised Operational Risk Management Policy in clean version (2019-ARC11-DOC-015-c). The Committee recommended that the Board approve the revised Operational Risk Management Policy.

8. Compliance Update

The Committee considered the Compliance Update (2019-ARC11-DOC-016) and took note thereof.

9. Internal Audit

a. Internal Audit Report for period ended March 31, 2109

The Committee was informed that the Quarterly Internal Audit Report for the period ended March 31, 2019 was in progress since KPMG was appointed as the Bank's internal auditor on March 31, 2019, and it would be circulated to the next Committee meeting for consideration.

b. Status of Audit Observations from previous Audit Reports

The Committee considered the Note from the Internal Audit Division (2019-ARC11-DOC-017) and took note thereof.

10. Closed Session

The Committee met with the Chief, Internal Audit and the representatives of the Independent Auditor, Deloitte respectively in a closed session.

11. Any Other Business

No other matters were discussed. The meeting ended with thanks from the Chairperson of the Committee.