
MINUTES OF THE 12TH MEETING OF THE BOARD OF DIRECTORS OF THE NEW DEVELOPMENT BANK HELD AT SHANGHAI, CHINA ON NOVEMBER 20, 2017 AT 11:15 AM

PRESENT:

Board of Directors and Alternate Directors

- i. Mr. Marcello Estevão (Director for Brazil)
- ii. Mr. Andrey Bokarev (Alternate Director for Russia)
- iii. Mr. Dinesh Sharma (Director for India)
- iv. Mr. Shixin Chen (Director for China)
- v. Mr. Guoqi Wu (Alternate Director for China)
- vi. Mr. Andile Kuzwayo (Temporary Alternate Director for South Africa)
- vii. Mr. K. V. Kamath (President and Board Member)

Other Advisors and Attendees accompanying Directors

- i. Ms. Raquel Porto Ribeiro Mendes, Head of the Division for Sustainable Development, Secretariat for International Financial Affairs, Ministry of Finance, Brazil
- ii. Ms. Elena Zamorina, Consultant, Department for International Financial Affairs, Ministry of Finance, Russia
- iii. Mr. Weijie Liu, Director, Department of International Financial and Economic Cooperation, Ministry of Finance, China
- iv. Ms. Rui Jin, Staff member, Department of International Financial and Economic Cooperation, Ministry of Finance, China

Vice Presidents

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

New Development Bank Staff

- i. Mr. Subrahmanya Pulle Srinivas, Director General, Front Office of the President
- ii. Mr. Shaohua Wu, Director General, Project Financing
- iii. Mr. Naveen Srivastava, Director General, Corporate Secretary
- iv. Ms. Lynette Milne, Director General, Finance, Budget and Accounting
- v. Mr. Yury Surkov, Director General, Operations Policy and Project Implementation and Support
- vi. Mr. Levan Zolotarev, Director General, Treasury and Portfolio Management
- vii. Mr. Sergio Suchodolski, Director General, Strategy and Partnerships
- viii. Ms. Yolande Dwarika, Chief, Corporate Secretary
- ix. Mr. Sanjay Chiboo, Chief, Finance, Budget and Accounting
- x. Mr. Manish Singh, Chief, Human Resources
- xi. Mr. Garvit Sah, Senior Professional, Project Financing
- xii. Mr. Jianshi Yao, Executive Advisor of the COO
- xiii. Mr. Ningqian Zhang, Executive Advisor of the COO
- xiv. Mr. Charlie Tian, Young Professional, Project Financing
- xv. Ms. Miya Liu, Consultant, Corporate Secretary

1. Adoption of the Agenda

The Chairperson recalled that a note concerning a component change in relation to the Loan of up to USD 460 million to the Government of the Russian Federation for the Judicial System Support Project was circulated and proposed to include this item in the agenda, as item 6(d). The Board of Directors (the “Board”) adopted the agenda, as amended.

2. Leave of Absence

The absence of the Directors for Russia and South Africa was recorded. The Director for Russia was represented by the Alternate Director and the Director for South Africa was represented by a Temporary Alternate Director.

3. Approval of the Minutes and Summary of the 11th Board of Directors Meeting held August 30, 2017 and the Special Board of Directors held on September 29, 2017

The Board approved the Minutes (2017-BD12-DOC-003) and Summary (2017-BD12-DOC-004) of the 11th meeting held on August 30, 2017, via teleconference. The Board approved the Minutes (2017-BD11-DOC-005) and Summary (2017-BD11-DOC-006) of the Teleconference of the Board of Directors held on September 29, 2017.

4. Record of approval of matters agreed to during the inter-sessional period

The Board took note of the following inter-sessional decisions taken since the 11th Board of Directors meeting:

- (i) Approval of the Independent Auditor's Report and Financial Statements for six months ending June 30, 2017;
- (ii) The Memorandum of Understanding between the Inter-American Development Bank and the Inter-American Investment Corporation on General Cooperation was approved, for circulation to the Board of Governors for approval. Resolution 2017-BG-R028 was adopted by the Board of Governors on 10 October 2017; and
- (iii) Approval of the appointment of the proposed candidate in the position of Director-General: Risk Management.

5. Matters Arising from previous meetings

The Board considered the matters arising from the previous meetings (2017-BD12-DOC-007). The following matters were discussed in detail:

Sovereign and non-sovereign operations

The Board took note of the oral update provided by the COO which indicated that the Bank would undertake more non-sovereign operations as its capacity in this area grew and would maintain the balance between sovereign and non-sovereign operations dynamically.

Financial Risk Assessment Model

The CFO indicated that the Treasury division was working on developing a detailed financial risk assessment model. The Board took note of the progress and requested that a presentation on the financial risk assessment model be done at the next Board meeting.

Expansion of new membership

The Board considered the Notes on Membership Expansion (2017-BD12-DOC-008 and 2017-BD12-DOC-009) and agreed to have further consultations on this issue.

Progress on Memoranda of Understanding

The Board considered the Note on Partnerships (2017-BD12-DOC-008a). The Director General, Strategy and Partnerships introduced the note which elaborated on all the partnership activities undertaken. The Board took note of the report.

Economic report

The Board noted that the economic report was circulated at the BRICS Summit in Xiamen and hard copies were distributed to the Board members. The preparation of the economic report has been outsourced and the President requested the Directors comments on the report.

The Board took note of the matters arising from the 7th, 8th, 9th and 10th meeting of the Board of Directors.

6. Project proposals

(a) Loan of USD 345 million (Tranche 1: USD 100 million) to the Government of the Republic of India for Rajasthan Water Sector Restructuring Project for Desert Areas Multi-tranche Financing Facility

The Board considered the proposed loan of USD 345 million to the Government of the Republic of India for Rajasthan Water Sector Restructuring Project for Desert Areas (2017-BD12-DOC-010) in the form of a Multi-tranche Financing Facility (Tranche 1: USD 100 million). The project proposal was approved by the Board. The Board approved on an exceptional basis, the increase to the limit of retroactive financing not exceeding 20% of Tranche 1 loan amount for eligible Project expenditures incurred since April 30, 2016.

(b) Loan of USD 68,812,100 to the Government of the Russian Federation for the Ufa Eastern Exit Project

The Board considered the proposed loan of USD 68,812,100 to the Government of the Russian Federation for the Ufa Eastern Exit Project (2017-BD12-DOC-011). The project proposal was approved by the Board. The Board further approved the procurement of

goods, works and services from non-member countries, as needed. The Board adopted Resolution 2017-BD-R017.

(c) Project Pipeline

The Board considered the proposed project pipeline and took note of the progress made.

(d) Component change in relation to the Loan of up to USD 460 million to the Government of the Russian Federation for the Judicial System Support Project

The Board considered the Note on the Component Change in relation to the Loan of USD 460 million for the Judicial System Support Project (2017-BD12-DOC032) and approved the change to the project.

7. Report of the Chairperson of Audit, Risk, Budget and Compliance Committee

The Chairperson of the 5th Audit, Risk, Budget and Compliance Committee (“ARBC”), provided a report on the Fifth meeting of the ARBC.

The Board took note of the Quarterly Risk Report for the period ending September 30, 2017 and the Quarterly Operational Risk Report for the period ending June 30, 2017.

The Board approved the Budget for 2018 of USD 55.36 million. Furthermore, the Board noted that the proposed increase in the average base salaries component of the budget was only for budgeting purposes and not linked to a performance management policy. Any actual increase and its utilisation would be subject to Board approval. The Board took note of the Budget Utilisation report for 2017. It was further decided that a quarterly report on budget performance would be presented to the Budget, Human Resources and Compensation Committee.

The Board took note of the Audited Financial Statements for the nine months ended September 30, 2017.

The Board took note of the Compliance update and approved the amendments to the Whistleblower Procedure as well as the amendments to the Code of Business Conduct and Ethics that is applicable to Management and Staff. The Board decided that the Code of Conduct for Board officials would be reviewed by the Budget, Human Resources and Compensation Committee before submission to the Board of Directors for consideration and submission to the Board of Governors for approval. The Board took note of the closed session held by the ARBC.

8. Policies

a. Performance Management Policy

The Board considered the proposed Performance Management Policy (2017-BD12-DOC-014), the Note on Performance Management Policy (2017-BD12-DOC-013a) as well as the Note on the Performance Management Process of 2017 (2017-BD12-013b). The Board decided that the Performance Management Policy should be further considered, taking into the account the suggestions of the Board particularly with regard to provisions of performance assessment and evaluation. The Board requested that the note on the Performance Management Policy would be further refined. The Board approved the proposal concerning the performance management process for 2017.

b. Terms of Reference for the Budget, Human Resources and Compensation Committee and corresponding changes to the Board of Directors Governance Structure

The Board considered the Note on the Budget, Human Resources and Compensation Committee (“BHRC”) (2017-BD12-DOC-015) and the Terms of Reference of the Budget, Human Resources and Compensation Committee (2017-BD12-DOC-016). The Terms of Reference and amendments to the Board Governance Structure were approved by the Board, subject to the amendment that the BHRC shall meet quarterly or as needed. It was also agreed that the Code of Conduct for Board officials would be discussed by the BHRC at the next meeting.

c. Review of the Policy on Loans with Sovereign Guarantee and the Note on Sovereign Loan Pricing

The Board considered the proposed amendments to the Policy on Loans with Sovereign Guarantee (2017-BD12-DOC-020, 2017-BD12-DOC-021, 2017-BD12-DOC-022 and 2017-BD12-DOC-023) and the Note on Sovereign Loan Pricing (2017-BD12-DOC-024). The Board concluded that the policy would be further amended to incorporate the changes requested by the Board Members and thereafter the revised policy would be re-submitted to the Board for its approval. The Board also took note of the schedule of sovereign loan charges and approved the proposal that the cost of funds be reviewed and updated by the Finance Committee on a quarterly basis or earlier as needed and that the Board be informed of the same.

d. Disclosure of Minutes

The Board considered the Note on Disclosure of Minutes of Board of Directors Meetings (2017-BD12-DOC-025) and decided that the Information Disclosure Policy should be followed.

9. Extension of implementation of certain risk limits

The Board considered the Note on Extension of Applicability of Certain Risk Limits (2017-BD12-DOC-026). The Board approved the single counterparty concentration limit of 5% and single jurisdiction concentration limit of 50% be applicable from December 31, 2019. The Board also approved the maximum stipulated limit of on the amount of liquidity at 150%, of net cash requirements for the next twelve months, be applicable from December 31, 2020.

10. Operationalisation of the NDB Project Preparation Fund for Technical Assistance

The Board considered the Note on Operationalisation of the NDB Project Preparation Fund (the "PPF") for Technical Assistance (2017-BD12-DOC-027). The Board decided to authorise the President to open accounts and operationalise the NDB-PPF and adopted Resolution 2017-BD-R018.

11. Recruitment and Diversity Update

The Board considered the diversity report (2017-BD12-DOC-031) and Recruitment Update Report (2017-BD12-DOC-031b). The Board noted these reports and requested additional information to be provided by the Management.

12. Board of Governors 3rd Annual Meeting

The Board considered the Note on Board of Governors 3rd Annual Meeting (2017-BD12-DOC-029) and decided that the Corporate Secretary should provide suggestions for alternate dates for the 3rd Annual Meeting taking into account all the other relevant activities which were taking place in 2018, for the consideration of the Board.

13. Draft Calendar of Board meetings for 2018 and venue of the next meeting

The Board was presented the draft calendar of Board meetings for 2018 (2017-BD12-DOC-030). The Board decided that the calendar will be redrafted, taking into consideration the 3rd Annual Meeting date and that this be circulated to the Board for

consideration. The next meeting could tentatively take place in December by way of teleconference in order to discuss the remaining project proposals.

14. Any other matters

The Corporate Secretary indicated that the Summary Proceeding of the Second Annual meeting would be circulated.

The Chairperson of the Board expressed his thanks to Mr. Sharma for his contribution to the Board. He acknowledged Mr. Sharma's experience and contribution to the work of the Board and wished Mr. Sharma all the best in his retirement. The President of the Bank noted that Mr. Sharma was one of the most constant and longest standing Board members. The President noted that this was another transition for the Bank and acknowledged Mr. Sharma's contribution to the New Development Bank. The Director for China also expressed his gratitude to the Director for India for his contribution. Mr. Sharma expressed his thanks to the Board and wished them well in their future work on the Board.

15. Closure

The Meeting ended with thanks from the Chairperson of the Board.