



# **BOARD CHARTER**

# BOARD CHARTER FOR SBM BANK (MAURITIUS) LTD

The Board of SBM Bank (Mauritius) Ltd has adopted this Board Charter and Corporate Governance Statement and each Director has undertaken to observe the requirements of the Corporate Governance Statement.

The philosophy of the Board will be to adopt best practices that are consistent with principles of good corporate governance and best practice recommendations.

The Corporate Governance Statement reflects the position the Company will take on issues of corporate governance. The Company's practice will be to regularly review its position and make the necessary changes where appropriate.

## 1. Objective and scope of the Board

- 1.1. The objectives of the Board are to work in unity with the management team of the company so as to achieve not only profits but also long term sustainability of the company.
- 1.2. The main objectives of the company are to become more profitable, but in line with good corporate governance practices, the primary objective should be to take the right decisions for the company in order to ensure that in the future, the company would still be up and running and be as strong as ever while taking into consideration all stakeholders; the environment and finally its prosperity.

## 2. The duties and Responsibilities of the Board

- 2.1. The Board shall have the power to take decisions on behalf of the company, approve financial budgets such as operational expenses and capital expenses, devise and monitor strategy for the company and evaluate and monitor strategic risk.
- 2.2. It is the duty of the board to ensure the prosperity of the company and to always put the success of the company before their own interests. Additional powers of the Board are set out in the Company's constitution.
- 2.3. The Board shall approve the institution's corporate plan covering short term and long term business objectives, strategy together with appropriate policies including those relating to risk management, capital adequacy, liquidity, risk appetite, compliance, internal controls, communication policy, director selection, and orientation and evaluation;

## 3. Board Proceedings

### 3.1. Appointment of Chairperson

- 3.1.1. The Board of Directors shall designate an independent or non-executive director to act as Chairman of the Board.
- 3.1.2. The Chairperson must be suitably qualified possessing a University degree or equivalent and have proven experience in the field of EITHER banking OR financial services, Law or any other relevant expertise related to the principal activities undertaken by the Company.
- 3.1.3. The Chairperson is appointed at a Board Meeting of the company held right after the Annual General Meeting. This Board meeting is held to ratify the new Board composition with the directors appointed at the AGM. The Chairperson is appointed until the next AGM of the company.
- 3.1.4. The Chairperson is responsible for the balanced composition and the leadership of the Board. The Chairperson, in coordination with the Chief Executive Officer, represents the company and maintains relations with significant external partners. The Chairperson maintains a close relationship with the CEO.

### 3.2. Appointment of Chief Executive Officer

- 3.2.1. The Chief Executive Officer is appointed by the Board of the Company. The criteria required for the post is that the person selected should:
  - 3.2.1.1. hold a relevant University degree or equivalent;
  - 3.2.1.2. have significant experience as a professional banker in a senior Executive post;
  - 3.2.1.3. be fit to act as a director according to the terms laid out in the Companies Act 2001 of Mauritius/Banking Act and Bank of Mauritius Guidelines;
  - 3.2.1.4. be approved by any regulatory body as may be required;
  - 3.2.1.5. agree to a credit and criminal check to be performed by the company on the person before being selected by the Board of the company.
  - 3.2.1.6. The Chief Executive Officer is responsible for the general management of the company.
- 3.2.2. The role consists notably of:
  - 3.2.2.1. defining and proposing to the Board of Directors, strategies likely to contribute to the profitable development of the company;
  - 3.2.2.2. implementing the decisions made and strategies adopted by the Board of Directors;
  - 3.2.2.3. personifying and communicating group values and, through his conduct, inspiring the conduct of senior management and senior employees;
  - 3.2.2.4. appointing, evaluating and submitting proposals to the Nomination and Remuneration Committee concerning the development and remuneration of senior management;
  - 3.2.2.5. further to discussion with the Board on the division of responsibilities on all operational issues, serve as the chief spokesman for the company for communication with shareholders and other stakeholders;
  - 3.2.2.6. providing the Board of Directors with the information necessary and useful for the effective discharge of the duties thereof and informing it of any initiatives and decisions taken in performance of his duties.
- 3.2.3. The Chief Executive Officer shall be an authorised signatory for the daily management of the company finances. He is, ex officio, a member of the Board of Directors of the company, and where permitted by law, shall be a member of some of the Board committees.

### 3.3. The Board's working procedures

- 3.3.1. Unless otherwise determined by the Directors, the quorum necessary for the transaction of the business of the Board may be fixed by the Board and unless so fixed, shall be Eight (8).

- 3.3.2. The Board of Directors meets at least four times a year. Additional meetings are held when business needs require, but efforts will be made to keep additional meetings to an absolute minimum. Decisions of the Board of Directors are taken by a majority of votes but the Board will seek to achieve consensus where possible.
- 3.3.3. The Company Secretary attends meetings and prepares draft minutes for approval by the Board at their next meeting. He/she will assist the Chairperson and Chief Executive Officer in the preparation of meetings, ensures that minutes are kept and made available to Directors, ensures that the Board functions properly and, in general ensures compliance with the laws and regulations applicable to
- 3.3.4. The Chairperson, the Company Secretary and the CEO shall see to it that the management, in a timely manner, provides the Board and its committees with the information they need to properly function.

3.4. Persons allowed to be "in attendance" at Board Meetings

- 3.4.1. Subject to the approval of the Chairperson, the persons normally invited to the Board are those working closely on the matters to be discussed at specific Board Meetings. These persons may include the Chief Finance Officer, Chief Risk Officer and Chief Operations Officer or any other subject matter expert as deemed necessary by the Board.

3.5. Agenda Items for Board and Committee Meetings

- 3.5.1. The notice of Meeting and Agenda for the Board and Committee Meetings are sent one week in advance, unless otherwise agreed with the Chairperson. The Board packs for these meetings are also sent one week in advance to afford Directors sufficient time to prepare, debate and contribute to meetings in a meaningful manner.

3.6. Frequency of meetings

- 3.6.1. Board and committee meetings shall be held at the frequency required by law or at such frequency as may be required to effectively transact the business of the Board and committees. Typically this will be at least four times during a calendar year, but efforts will be made to keep additional meetings to an absolute minimum.

**4. Board Structure**

4.1. Size of the Board/ Membership composition

- 4.1.1. The Board has a unitary structure comprising of an appropriate balance of executive, non-executive and independent directors;
- 4.1.2. The number of directors allowed to sit on the Board of the company shall be of such number as to allow the Board to discharge its functions effectively, provided that it is in compliance with requirements of the Bank of Mauritius and of the Bank's Constitution.
- 4.1.3. The composition of the Board where applicable is proposed by the Remuneration and Nomination Committee before the AGM of the company as a recommendation to the Board. The Board then recommends the appointment of these directors for approval by the shareholders at the Annual General Meeting.

4.2. Selection of Directors

- 4.2.1. Potential directors are identified as per their field of expertise, the contribution that they could make to the company, the time they can commit to the company, their directorships to make sure that they do not sit on the Board of competitors, their values and ethical standards and their willingness to act in the best interests of the company.
- 4.2.2. Once the candidate has been approved by the Board, the candidate will then be required to sign a letter of appointment as Director to the Board, which shall state that the candidate shall owe a duty to the Board and to the Company as director, that he will act in good faith and that he is willing to commit a specific amount of time to the Company.
- 4.2.3. As a matter of priority, the newly appointed director will need to have a Board induction conducted by the Company Secretary in order to acquaint him with the premises of the company, its activities, its staff and all the documents necessary for him to perform his duties in the best way possible. Arrangements will include face-to-face meetings with members of the senior management team.

4.3. Director Qualifications

- 4.3.1. Directors or alternate Directors shall have appropriate qualifications and as a minimum must (a) hold a University degree or equivalent and (b) qualify as a fit and proper person in accordance with Bank of Mauritius guidelines and (c) shall not have been convicted of an offence relating to financial crime or other criminal acts.

**5. Criteria for appointment and reappointment of directors**

- 5.1. The appointment of new Directors is on the basis of objective criteria. In the best interests of the company, the Board of Directors may however take exceptions from these terms. Each Director excluding any executive director shall be elected by a separate resolution at the Annual Meeting of Shareholders, for one year but shall be eligible for re-election.

**6. Criteria for independence**

- 6.1. A director is deemed to be independent where in general he has no relationship with the company or any other company such that his independence could be called into question.
- 6.2. The assessment of independence takes into account the following criteria among other factors:
  - 6.2.1. not being an executive director or employee of the company or any associated company, and not having been in such position for the 3 financial years;
  - 6.2.2. not having been employed by any other financial institution regulated by the Bank of Mauritius in an executive capacity for the preceding 3 financial years;
  - 6.2.3. not receiving significant additional remuneration from the company or any associated company, apart from the fee received as an independent director;
  - 6.2.4. not having a significant shareholding in the company, or being a director or executive manager of any company, having a significant shareholding in the company;
  - 6.2.5. not having, or having had within the preceding year, a significant business relationship with the company or an associated company, either directly or as partner, shareholder, director or senior employee of a body that has such a relationship;
  - 6.2.6. not being, or having been within the preceding 3 years, a partner or employee of the external auditor of the company or an associated company;
  - 6.2.7. not holding a crossed directorship and not having other significant links with other directors through involvement in other companies or bodies;
  - 6.2.8. not being a close family member of an executive director or of persons in the situations described above.

### 6.3. Resignation from the Board

6.3.1. Any director who wishes to resign from the Board of the Company shall send a formal letter informing of the resignation to the Chairperson of the company sufficiently in advance prior to the resignation date, with a copy sent to the Company Secretary. It would be good practice to also inform the fellow directors of the resignation, either at the last Board Meeting that the resigning director attends or through email.

### 6.4. Attendance to Board Meetings

6.4.1. All the directors of the company should attend the Board meetings scheduled for the year. Should they not be able to attend meetings due to illness or unforeseen urgencies, they shall inform the Company Secretary as soon as possible in order for the Company Secretary to make arrangements to ensure a quorum is present.

6.4.2. However, should a director be abroad or unavailable to come to the place where the meeting is held, the said director may where possible attend the meeting by teleconference or by telephone.

## 7. **Delegation of Board powers**

7.1. The company is duly bound vis-à-vis third parties by 2 directors as well as within the bounds of day-to-day management through the Chief Executive Officer. The Company may also be duly represented by special representatives within the limit of their mandates. As regards the internal decision making process, the dual signature principle is systematically applied save as regards acts and undertakings of minor importance.

## 8. **Committees**

### 8.1. Establishment of Committees

The Board of the company has constituted a number of committees in line with regulatory requirements, the Code of Corporate Governance and best practice. The Board of the company shall have as a minimum have an:

1. Audit Committee
2. Remuneration & Nomination Committee
3. Risk Management Committee
4. Corporate Governance & Conduct Review Committee
5. Strategy Committee
6. Board Supervisory Committee .

The terms of reference of the committees of the Board are attached to the Board Charter.

### 8.2. Committee Reporting

Each committee must promptly inform the Board of the actions it has taken and major developments of which it becomes aware. Each Board member has unrestricted access to all committee meetings and records. The Board shall receive a report from the Chairman of each committee describing the committee's actions and findings.

## 9. **Consultation**

9.1. The Chairperson and the Chief Executive Officer shall meet regularly, to enable them to keep a close relation with each other, and together monitor the Company's performance, review progress on major projects and prepare the Board of Directors' meetings.

## 10. **Board Evaluation, Training and Remuneration**

### 10.1. Board Evaluation

10.1.1. The Board regularly assesses, at least every 2 years, its size, compositions, how it operated and interacts with management and the individual contribution of each director's work to the operation as a whole, in order to continually improve the effectiveness of its activity and the contribution thereof to the proper governance of the company and of its group. The Board may meet at such intervals without the Chief Executive Officer or other executive Directors being present in order to evaluate its interaction with the Chief Executive Officer as well as other matters of general importance.

10.1.2. A Board Evaluation exercise is carried out on a yearly basis in order to monitor and improve the Board performance. At least once in every three years, the exercise will be conducted by an independent external evaluator.

### 10.2. Training

10.2.1. The directors of the company are strongly encouraged to attend training which could help them to perform their duties towards the company more effectively. This training shall be at the company's expense. At least once a year, this will involve training on governance developments.

### 10.3. Remuneration

10.3.1. Remuneration of the Directors will be determined by the Board, taking cognizance of the roles performed and practices on the market. In addition to a per diem for out of pockets expenses, Directors may also be paid for all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings and committees of the Directors or in connection with the business of the Company.

## 11. **Other Board Practices**

### 11.1. Duties and responsibilities of Directors

11.1.1. The duties and responsibilities of the directors are set out in the Companies Act 2001 and the Banking Act 2004.

11.1.2. All directors of a company are expected to carry out their duties honestly, in good faith, in the best interests of the company, with diligence and skill, as a reasonably prudent person would in comparable circumstances.

### 11.2. Prior Notice of Outside Directorships

11.2.1. Every director, before his appointment, must disclose the name of the companies on which he is already a director. Should the person be appointed on the Board of additional companies while in office at the company, he shall disclose to the Board the new directorship as soon as he has been appointed on the Board of the other company.

### 11.3. Procedure in case of conflict of interest

11.3.1. When a conflict of interest arises, the director who is facing the conflict shall declare his interests to the other members of the Board, such conflict to be minuted in the register of interests of the company. The director shall not vote on the issue in which he is in conflict, shall stay away from deliberations and if requested by the Board, shall absent himself from the proceedings during that time.

### 11.4. Director Access to Officers and Employees

11.4.1. All directors wishing to have information on the company shall have access to officers and employees of the company provided that these directors do not interfere in the day to day activities or give executive instructions. As a gesture of courtesy they will inform the executive directors of their intention to seek information.

11.4.2. The directors, on an individual basis or jointly, shall have access to independent professional advice relating to Company business. This is subject to approval by the Board or if it relates to the affairs or business of a committee, upon approval of the Chairperson of that committee.

### 11.5. Closed period

11.5.1. No directors are allowed to deal in the shares of SBM Holdings Ltd during the closed period, that is, one month prior to a Board Meeting of SBM Holdings Ltd whereby financial implications and dividend distributions shall be discussed. The Company Secretary of SBM Holdings Ltd shall be sending an email to all the directors at the start of the closed period informing them of the beginning of same.

### 11.6. Directors' insurance cover

11.6.1. The directors of the company shall be adequately covered under an insurance cover for Directors liability.

### 11.7. Procedure for nomination of an alternate director

11.7.1. A Director shall have the power to appoint by prior written notice to the Company Secretary and Chairman, an alternate Director among the existing Directors of the Company for the meeting(s) who shall be entitled to exercise his voting and other powers as a Director provided always that no director shall be appointed alternate to more than 1 director at the same time. This provision notwithstanding, the Bank strongly advises against the use of alternate director procedures.

### 11.8. Credit and criminal checks

11.8.1. The Company Secretary may, at such interval as the Board may determine, request a bank reference and a character certificate from the directors of the company to ensure that the directors remain at all times fit to act as a director of the company.

### 11.9. Confidentiality

11.9.1. All matters and information related to the company and disclosed to the directors of the Board shall at all times remain confidential and shall not be disclosed to anyone except the persons entitled to receive them.

### 11.10. Reasonable expenses

11.10.1. Any budget provided by the company to the members of the Board for air tickets, accommodation, travel and entertainment shall be reasonable.

## 12. **General Management**

### 12.1. Appointment and evaluation of management

12.1.1. The Bank must put in place a formal procedure for the evaluation of the performance of the managers, senior employees and other staff, on the basis of their duties, appropriate Key Performance Indicators and the annual objectives set for them. The committees and or management boards use these evaluations on which to base their decisions as to development and remuneration.

### 12.2. Supervision of Management

12.2.1. In supervising the management, the Board shall consider:

- (i) the achievement of the organisation's objectives;
- (ii) the strategy and risks in the organisation's activities;
- (iii) the structure and operation of the internal risk management, audit and control systems;
- (iv) the financial reporting process;
- (v) compliance with law and regulations; and
- (vi) any other matters the law requires the Board to consider.

## 13. **Remuneration**

13.1. The Bank pursues a policy of remuneration designed to attract and retain within the various activities, staff and managers, having the appropriate profile and to motivate them by means of the appropriate incentives. This policy is supported by external equity criteria based on external comparable functions as well as on internal equity criteria, between colleagues within the company.

## 14. **Rules of conduct**

14.1. The rules of conduct applicable to directors are with regard to transactions in shares, transactions with the group, conflicts and confidentiality. The rules regarding confidentiality are also applicable to managers and staff.

## 15. **Relations with shareholders and investors**

### 15.1. Participation to General Meetings

15.1.1. Notices of meetings, information notes explaining draft resolutions, and entry requirements for meetings are stated in the notice of meeting.

## 16. **Dividend policy**

16.1. The Board of Directors recognises the importance of providing a stable and sustainable dividend policy consistent with its commitment to shareholders. The Board of Directors may at its discretion and subject to satisfying solvency requirements, declare the payment of a dividend, subject to Bank of Mauritius approval.

**17. Financial communication**

- 17.1. The company pursues an active financial communication policy. In addition to publication of its financial results, the market is regularly informed of events of use to shareholders and investors in assessing its performance or the performance of the company and the value of the securities it issues.

**18. Succession planning policy**

- 18.1. The Board of Directors will ensure that a clear and relevant roadmap within a well-defined framework is provided by the company's Human Resources Department on how to create and maintain a robust succession planning program that aligns talent management with the vision of the company and ensures that employees have development opportunities to improve their skills. One of the main objectives is to ensure that the company, as an organization, has a leadership plan in place for success in the future.
- 18.2. The role of the Human Resources function in succession planning is to identify, attract and recruit people who will adhere to the company's culture and to help them develop their skills to manage and lead the organization on a perennial basis.
- 18.3. Company succession planning policy, as an equal opportunity employer, is to recruit the best suited people, develop their knowledge, skills, and abilities, and prepare them for advancement or promotion into ever more challenging roles.
- 18.3.1. It should compile the skills, abilities and goals of each employee, while comparing them to the needs of current and future responsibilities.
- 18.3.2. Adequate succession planning ensures that all human assets are constantly developed to fill each needed role.
- 18.3.3. Effective succession planning prepares the company for
- 18.3.3.1. Expansion;
- 18.3.3.2. Loss of any key personnel;
- 18.3.3.3. Employee promotions;
- 18.3.3.4. Organizational remodeling for opportunities.