

## **BOARD CHARTER**

Board members are the link between the shareholders and the Bank and are collectively responsible to lead and control the organisation to enable it to attain its strategic objectives. In discharging its duties, the Board should be guided by the interests of the Bank / Group and its business and shall take into account the interest of the stakeholders. The Board is ultimately accountable to the shareholders.

The broad responsibilities of the Board are to:

- Set the Bank’s vision, mission and values.
- Determine the strategy and policy of the Bank and its subsidiaries to achieve those objectives.
- Monitor and evaluate the implementation of strategies, policies and performance measurements.
- Exercise leadership, enterprise, integrity and judgement in directing the Bank.
- Identify and assess key risk areas of the business and ensure measures are taken to mitigate those risks.
- Ensure that effective internal controls systems are in place to safeguard the Bank’s assets.
- Ensure compliance with laws and regulations, including risk management and corporate governance practices and disclosure requirements.
- Assess auditors’ work both internal and external.
- Approve the annual report.
- Approve important capital investment of the Bank, including new products and services.
- Evaluate performance and review compensation of senior management and directors.
- Ensure adequate succession planning.
- Ensure adoption of good corporate governance practices.
- Ensure effective communication with shareholders.

In order to meet all the legal and regulatory requirements and effectively discharge its duties including the exercise of adequate oversight over the activities of the subsidiaries and other entities of the organization, the Board may delegate some of its functions to specialised board committees. From time to time, the Board may delegate specific assignments to directors or other parties to better guide the Board in important matters requiring significant expertise.

Delegation however does not discharge the Board from its duties and responsibilities and while delegating authorities, the Board should bear in mind its fiduciary duties and responsibilities under the Companies Act.

For better integration / coordination and also to avoid replication of unnecessary structures, parent-level matrix and business line management structures are encouraged.

### **Board Composition**

The Board should be composed of at least 7 members and should not exceed 11 members. The Board should have a mix of independent, non-executive and executive directors, with 40% independent directors, and at least 2 executive directors. For the banking sector, where the definitions of “independent” and “executive” conflict, the definition as per the Bank of Mauritius Guidelines will prevail over the Code of Corporate Governance (the Code).

All members of the Board should be individuals of integrity and, collectively, should bring a blend of knowledge, skills, objectivity and experience to the Board to enable it to carry out its functions effectively.

Directors will be nominated provided they meet the criteria set by the Bank, in accordance with Banking Act 2004 / Bank of Mauritius guidelines on Fit and Proper Person Criteria and the Code.

Directors will be elected or re-elected at the annual meeting and their maximum consecutive term will be 5 years in accordance with the Bank's Constitution. Their retirement should be planned to ensure some continuity, i.e. there should be staggered retirement of directors.

### **Chairperson**

The members of the Board shall elect a non-executive Chairperson, who must possess demonstrated expertise and experience in the field of financial services and is knowledgeable in Information Technology to provide firm and objective leadership. The Chairperson should not be involved in the day-to-day running of the business and should not be a full-time employee of the Bank.

In view of the increasing supervisory functions required of the Board, detailed in the various Bank of Mauritius guidelines, the Chairperson should devote sufficient time to the Bank to enable the Board to diligently discharge its duties and responsibilities. The main roles of a Chairperson shall be to:

- Preside over meetings, encourage participation of directors in board matters and mediate differences of opinion.
- Participate in the nomination of directors to ensure that the Board has the right mix of competencies, skills, objectivity and expertise.
- Evaluate the performance of directors collectively and individually.
- Guide the Board and Senior Management ensuring time for consultation, preparing of agenda and minutes and supervision of implementation of resolutions.
- Ensure adequate succession planning for the directors and management.
- Ensure that all relevant information on financial and operating matters are placed before the Board to enable directors to reach informed decisions.
- Ensure adoption of good corporate governance practices.
- Maintain relations with the shareholders of the Bank and ensure that information is clearly communicated to them through appropriate disclosure.

The Chairperson will be appointed for a pre-approved term, in accordance with the Bank's Constitution, Bank of Mauritius guidelines and the Code.

### **Executive Directors**

The Board shall also appoint at least 2 executive directors to whom some functions will be delegated. The executive directors will have the responsibility for managing the day-to-day business and operations of the Bank. The Board will have to designate a Chief Executive whose responsibility amongst others will be to:

- Develop and recommend to the Board a long term strategy and vision for the Group that would generate adequate shareholder value.
- Develop and recommend to the Board annual business plans and budgets that support the long term strategy of the Group.
- Provide to the Board all relevant financial and operating information to enable them to assess performance.
- Strive to achieve the Group's financial and operating goals.
- Serve as the chief spokesman for the company on all operational issues, further to discussion with the Board on the division of responsibilities for communication with shareholders and other stakeholders.
- Maintain a positive and ethical work climate that is conducive to attracting, retaining and nominating a diverse group of top-quality employees at all levels of the Company.
- Foster a corporate culture that promotes ethical practices, offers equal opportunities, encourages individual integrity and fulfills social responsibility objectives.

The executive directors shall be appointed in the manner as provided in the Bank's Constitution.

### **Company Secretary**

To ensure the smooth functioning of Board and Board Committee meetings, the Board should appoint a Company Secretary to:

- Assist the Chairperson of the Board with the agenda, information gathering and other logistics.
- Devise induction and training programmes for the new directors.
- Keep minutes and records of the Board/Board Committee meetings.

### **Board Committees**

The Board shall have the following committees to which it can delegate some of its duties:

- Audit Committee
- Risk Management Committee
- Remuneration & Nomination Committee
- Credit Committee
- Strategic Planning Committee
- Corporate Governance and Conduct Review Committee

The terms of reference of those committees, together with their self-evaluation checklists are attached. The composition of the committees will be reviewed at least once a year to ensure the balance of specialist skills, independence and experience, in accordance with the Bank of Mauritius guidelines.

The board may co-opt specialists as permanent members of committees. Such co-opted specialists should comprise a minority on the committee and not disclose confidential information.

Directors shall fill in an evaluation assessment form at the end of each financial year to assess the collective effectiveness of their respective Committee and the Board. In addition the Chairperson will individually appraise the directors.

The Committees shall submit to the Board the minutes of proceedings of their meetings and the minutes of proceedings relating to the respective subsidiary will be put up to the respective board of the subsidiaries

### **Board meetings**

The Board shall meet at least six times annually and meetings shall be convened by the Chairman, as scheduled or at the request of one or more directors. Meetings may be held by telephone or videoconference, provided that participants can hear each other simultaneously.

The meeting will be presided by the Chairperson or in his absence, by a director designated by the Chairperson / directors. The quorum shall be five directors. The Chairperson of the meeting shall consult with the absent members by telephone or other means whenever possible. Resolutions should be preferably passed by unanimous vote. The minutes of proceedings of each meeting shall be approved at the following meeting as evidence that the resolutions have been adopted.

At least once a year, the non-executive directors shall meet separately to discuss the functioning of the Board and the executive directors, collectively as executive management and in their individual capacity, and address any issues that arise thereof, if any.

### **Remuneration**

In order to promote transparency, the compensation of the directors will be disclosed in the annual report. The remuneration of directors will be debated and recommended by the Remuneration Committee to the Board. Directors must not participate in discussions regarding their own packages.

### **Conflict of Interest**

Directors must avoid instances that may give rise to conflicts of interests or which may be perceived by others as conflicting situations. Full information on any conflict or potential conflict of interest must be made known to the Board and fellow directors and the onus will be on the directors to advise the Board on any change in their situation.

On declaration of his interest, the concerned director shall not participate in the discussions and/or decision taking process on the transaction in relation to which conflict arises but can continue to be present. The transaction may however be concluded and approved at market terms and conditions. Related party transactions will also be disclosed in accordance with disclosure requirements and accounting policies and standards.

### **Review**

The Board's Charter may be reviewed at least once a year or as may be required with the introduction of or amendment to laws, regulations and practices.

## AUDIT COMMITTEE - TERMS OF REFERENCE

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### A. COMPOSITION

The Audit Committee shall be elected by the Board and shall be made up of at least four directors who shall be independent directors. The quorum shall be three members. The Chairman of the Board should not be a member or Chairman of the Audit Committee. In addition to the members, the **Executive Director(s)**, The Head of Internal Audit and External Auditor(s) should be in attendance.

The parent board audit committee shall also encompass the subsidiaries.

**All the members should have financial awareness and at least one member (preferably the Chairman) should have the necessary accounting and financial management expertise to properly assist and advise the committee in the execution of its duties and responsibilities.**

### B. TERMS OF REFERENCE

#### ▪ Financial Reporting

The Audit Committee shall provide assurance that financial disclosures made by management reasonably portray the Company and its subsidiaries financial conditions, results of operations and long term commitments. To accomplish this, the audit committee shall:

- Critically review the draft financial and interim reports, prospectus and other financial circulars / documents.
- Consider the appropriateness of the accounting policies applied and whether they are prudent and consistent with prior practice and comply with regulations and legal requirements.
- Consider the validity of any changes in accounting treatment or disclosure by comparing with the previous year.
- Review critical accounting issues.
- Review significant estimates based on judgment which are included in the financial statements.
- Review adequacy of provisions including provision for credit impairment losses.
- Consider any difference of opinion between auditors and management on the level of provisions, on accounting treatment or on disclosure.
- Consider the quality of financial information disclosed to the shareholders and other stakeholders
- Review the financial reporting process with a view to ensuring the company's compliance with accounting standards and financial matters and the applicable laws and regulations.

#### ▪ External Audit

- Make recommendations for the appointment and retention of the external auditors.
- Review and discuss the scope of the audit and audit plan, including for the subsidiaries.
- Consider differences of opinion between management and the external auditor.

- Evaluate the performance, objectivity and independence of the external auditor.
  - Review the nature and extent of non-audit services provided by the external auditors.
  - Obtain assurance from the auditors that adequate accounting records are maintained.
- **Internal Audit**
    - Review the objectives of the internal audit function and the annual plan of action.
    - Review the scope of internal audit and audit plan.
    - Assess the adequacy and performance of the internal audit function and the adequacy of available resources.
    - Review significant matters reported by the internal auditor.
    - Review significant differences between Management and the internal auditors.
    - Review the cooperation and coordination between the internal and external auditors.
- **Internal Control Systems**
    - Review the systems of internal controls to ascertain its adequacy and effectiveness.
    - Review and discuss any previously identified material weaknesses in controls and deficiencies in system.
    - If considered necessary, recommend additional procedures to enhance the system of internal controls.
    - Review internal and external auditors' reports (management letter) and management's response thereto and consider status of actions taken by management.
    - Identify any change necessary to the agreed audit scope or to other services as a result of any weaknesses or deficiencies revealed.
- **Meetings**
    - Meets at least 4 times annually and present the minutes of proceedings of the meetings to the Board and the relevant parts to the respective board of the subsidiaries.
    - Meets at least once annually with management and internal auditors in separate sessions to discuss any matters that each of these groups believes should be discussed separately.
    - Meet the external auditors independently of management at the start of every Audit Committee meeting to discuss any issue in the absence of management.
    - Have direct channels of communications with the internal and external auditors if need be.

## **RISK MANAGEMENT COMMITTEE - TERMS OF REFERENCE**

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### **A. COMPOSITION**

The Risk Management Committee shall be elected by the Board and shall be made up of at least four directors. The Chairman of the Committee should be a non-executive director. The quorum

shall be three members. The Executive Director(s) should be in attendance. The Head of Risk Management and where necessary, other officers may be requested to attend.

The parent board risk committee shall also encompass the subsidiaries.

## **B. TERMS OF REFERENCE**

- Focus on risk identification, evaluation, measurement, monitoring and risk management processes.
- Review policy for management of risks particularly in the areas of Credit, Market, Interest, Liquidity, Operational and Technological risks, namely:
  - Ensuring adequate credit policies and procedures with clear credit concentration limits, approval limits, exposure limits, credit risk mitigation techniques and credit diversification.
  - Ensuring adequate interest rate risk management policies including management of asset and liability position within specified limits.
  - Ensuring appropriate methodologies and systems are in place to identify and adequately assess and manage operational risks.
- Review and approve the delegated lending authority framework including the sanctioning powers and composition of the Credit Committee and Forums. The Credit Committee should preferably comprise at least three directors (including 2 non-executive directors).
- Review enterprise-wide risk, portfolio risk profile and the portfolio management plan.
- Review large exposures and large impaired assets.
- Review major cases of fraud, irregularities and any legal matters that could have a significant impact on the company's business, together with the legal advisor if necessary.
- Review and approve provisioning for credit, market, operational and legal issues in line with regulatory guidelines/requirements and review unusual and significant contingencies and commitments.
- Write off for amounts above Rs1.0M after review of the Executive Forum.
- Review and approve new products and services.
- Review adequacy of insurance coverage.
- Ensure adequate controls and information systems are in place to implement the Bank's policies

## **REMUNERATION & NOMINATION COMMITTEE - TERMS OF REFERENCE**

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### **A. COMPOSITION**

The Remuneration Committee shall be elected by the Board and shall be made up of at least four directors of which the Chairperson and the majority members shall be independent directors. The Chief Executive can contribute in determining the remuneration of Senior Executives, and the Committee should consider his recommendations. The quorum shall be three members. No member of the Remuneration Committee can be involved or vote on committee decisions in regard to his/her own remuneration.

The parent board remuneration committee shall also encompass the subsidiaries.

## **B. TERMS OF REFERENCE**

- Focus and review of Key Performance Indicators (KPIs).
- Recruitment or promotion to Senior Executive and to approve the remuneration, benefits and other terms and conditions of the service contracts of such officers.
- Recommend to the Board the terms and conditions of the service contract, including remuneration packages of the Executive Directors.
- Review and approve the terms and condition of the service contracts of other directors both executive and non-executive if any, including compensation benefits for those services.
- Review the reward policy to ensure that the Company's executives are fairly rewarded for their efforts to the Bank's overall performance and also to demonstrate to all the stakeholders in the business that the remuneration of the Senior Executives is done objectively.
- Reward Senior Executives based on KPIs such as economic value added, RAROC, profitability, business levels etc.
- Approve productivity bonus policy for employees.
- Approve salary revisions and service conditions of other employees of the Bank / Group, taking into consideration suggestions / demands of Trade Unions.
- Review and approve policy on staff welfare and fringe benefits.
- Determine the level of Board fees for directors to be recommended to the shareholders.
- Ensure accurate disclosure of directors' remuneration in the financial statements.
- Review and recommend nomination of directors to the Board based on a proper director selection process, namely:
  - Plan the composition of the Board with strategic consideration and objective.
  - Ensure adequate succession planning for Board of Directors and Chief Executive Officer.
  - Develop the specification for appointment to the Board: qualifications, integrity and independence, experience, understanding of changes taking place nationally, regionally and internationally, etc.
  - Search for, screen and select the potential directors.
  - Ensure the right balance of skills, expertise and independence.
  - Review the effectiveness of the Board, both individually and collectively and recommend appropriate adjustments to the Board.
  - Ensure that transparent procedures exist for shareholders to recommend potential candidates.
  - Orientation of Directors - Discussion of the responsibilities and legal obligations of a director and the Board as a whole. The program will also include a discussion of the nature of the business of the Bank, current issues within the bank, conditions in the industry, corporate strategy.

Meet at least 3 times annually and present the minutes of proceedings of meetings to the Board and the relevant parts to the respective board of the subsidiaries.

## **CREDIT COMMITTEE - TERMS OF REFERENCE**

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### **A. COMPOSITION**

The Credit Committee shall be elected by the Risk Committee and shall be made up of at least three directors with banking experience. The quorum shall be at least three members of which 2 members shall be non-executive independent directors.

The parent board credit committee shall also encompass the subsidiaries.

## **B. TERMS OF REFERENCE**

- Review the methodologies for assessing the country risks and recommend appropriate country exposure limits.
- Review the methodologies for assessing bank risks and recommend appropriate bank exposure limits.
- Review and approve all facilities exceeding the delegated authority of the Management Credit Forums as set out in the Credit Policy.
- Review and approve the restructure of credit facilities as per the Credit Policy.
- Ensure that concentration of risks are within the risk tolerance of the Group.
- Review and approve substantial equity investments.

In view of the nature of the business and urgent requests for credit approval that have to be entertained between meetings of the Credit Committee, any two members of the committee (including the Chairman) may subject to the recommendation of the Chief Executive and after discussion / consultation with the Credit Underwriting Team (i) Review and approve all facilities exceeding the delegated authority of the Management, (ii) Review and approve the restructure of credit facilities as per the Credit Policy, (iii) Ensure that concentration of risks are within the risk tolerance of the Group and (iv) Review and approve substantial equity investments. Ratification will be sought at the subsequent meeting of the Credit Committee.

Meets at least once a month to approve facilities within their sanctioning authority and present the minutes of proceedings of the meetings to the Board and the relevant parts to the respective board of the subsidiaries.

## **STRATEGIC PLANNING COMMITTEE - TERMS OF REFERENCE**

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### **A. COMPOSITION**

The Strategic Planning Committee shall be elected by the Board and shall be made up of a majority of non-executive directors. The quorum shall be at least three members and at least one Executive Director should be member.

The parent board strategic committee shall also encompass the subsidiaries.

### **B. TERMS OF REFERENCE**

- Review strategic plans and annual or quarterly corporate objectives and budgets.
- Review effectiveness of Group strategies.

- Review the issues of fundamental importance to the Group and proposals from management that are material to the group’s objectives.
- Approve and monitor large projects.
- Ensure that capital is fully optimised / capital management.
- Review and monitor the investment in information technology and strategic assets and ensure that they are prioritised according to group strategy.

Meets at least twice annually and present the minutes of proceedings of meetings to the Board and the relevant parts to the respective board of the subsidiaries.

**CORPORATE GOVERNANCE & CONDUCT REVIEW COMMITTEE - TERMS OF REFERENCE**

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**A. COMPOSITION**

The Committee shall be composed of not less than three members, who will be independent non-executive directors. Appointments to the Committee shall be approved by the Board for a period of three years extended by no more than one additional two-year period. The Group Chief Executive will attend the meetings of the Committee. The quorum for decisions of the Committee shall be three members of whom two must be independent non-executive directors.

**B. Terms of reference**

- Advise the Board on all aspects of corporate governance and to recommend the adoption of best practices as appropriate for the SBM Group (‘the Bank’);
- Determine, agree and develop the Bank’s general policy on corporate governance in accordance with the Code of Corporate Governance for Mauritius and Bank of Mauritius Guidelines;
- Recommend to the Board any closed periods during which the directors and any other persons in the Bank who are privy to price sensitive information shall not be permitted to trade in shares or securities of the Bank;
- Approve the corporate governance report to be published in the Bank’s annual report;
- Ensure that all reporting requirements and disclosures made in the annual report are in compliance with the disclosure provisions in the Code of Corporate Governance.
- Act as the principal forum at Board level for ensuring that the high behavioural standards required of Board Members and Senior Management are consistently maintained.
- Ensure that adequate policies and procedures are in place for the conduct of business with related parties, and for monitoring the flow of business and exposure to such related parties, in light of regulatory requirements and best practices.
- Evaluate reports received from Senior Management, Group Risk, Internal and External Auditors in respect of the conduct of business with related parties.

Meets at least three times annually and present the minutes of proceedings of meetings to the Board and the relevant parts to the respective board of the subsidiaries.