

## **Board of Directors Charter**

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## **1. Scope**

- 1.1 The Board of Directors (“the Board”) of Silver Bank Limited (SBL or “the Bank”) is responsible for overseeing the Bank’s management and business affairs and making all major policy decisions of the Bank.
- 1.2 The Board has adopted this Board of Directors Charter. This Charter, together with the Bank’s Constitution and the Terms of References of the Board sub-committees, provide the authority and practices for governance of the Bank.

## **2. Corporate Governance Mission**

- 2.1 The Bank aspires to the highest standards of ethical conduct: acts in a good faith; reports results with accuracy and transparency; and maintains full compliance with the laws, rules and regulations that govern the Bank’s business.
- 2.2 The Board of Directors shall provide central leadership to the Bank, establish its objectives and develop the strategies that direct the on-going activities of the Bank to achieve these objectives. Directors shall determine the future of the Bank; protect its assets and reputation. They will consider how their decisions relate to “stakeholders” and the regulatory framework. Directors shall apply skill and care in exercising their duties to the Bank and are subject to fiduciary duties. Directors shall be accountable to the shareholders of the Bank for the Bank’s performance and can be removed from office by them.

## **3. Board of Directors and Management**

- 3.1 The primary responsibility of the Board is to provide effective governance over the Bank’s affairs for the benefit of its shareholders, and to balance the interests of its diverse constituencies, including its customers, correspondent, employees, suppliers and local communities. In all actions taken by the Board, the directors are expected to exercise their business judgment in what they reasonably believe to be in the best interests of the Bank. In discharging that obligation, directors may rely on the honesty and professional integrity of the Bank’s senior executives and its outside advisors and auditors.
- 3.2 The management is responsible for implementation of decisions and strategies approved by the Board of Directors. The Board’s excessive involvement in routine operations of the Bank may undermine its responsibility as well as the management’s accountability.

## **4. Strategic Planning Process**

- 4.1. The Board of Directors is ultimately accountable and responsible for the affairs and performance of the Bank. The Board will establish the objectives of the Bank and develop the strategies that direct the on-going activities of the Bank to achieve these objectives
- 4.2. The Board is responsible for:
  - a) The adoption and annual review of strategy;
  - b) The adoption and review of management structure and responsibilities;

- c) The adoption and review of the systems and controls framework; and
- d) Monitoring the implementation of strategy by management.

4.3. The Board shall have an annual strategy review process in which the Board shall:

- 4.3.1. Review and approve the Bank's business plans and the inherent levels of risks in these plans;
- 4.3.2. Assess the adequacy of capital to support the business risks of the Bank;
- 4.3.3. Set performance objectives;
- 4.3.4. Review the performance of executive management; and
- 4.3.5. Review major capital expenditures, divestitures and acquisitions.

4.4. The Board is also responsible for ensuring that the systems and controls framework, including the Board structure and organisational structure of the Bank, is appropriate for the Bank's business and associated risks. The Board must ensure that collectively it has sufficient expertise to identify, understand and measure the significant risks to which the Bank is exposed in its business activities.

## **5. Director Selection and Board Composition**

Good governance principles require independence, transparency and flexibility. The Board acknowledges the importance of Board structure and, as a consequence, the Board seeks to recommend the following when implementing an effective governance structure in the Bank.

### **5.1 Criteria for Composition of the Board**

- 5.1.1. The Board should carry members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated.
- 5.1.2. The factors to be considered by the Board in its review of potential candidates include:
  - Whether the candidate has exhibited behaviour that indicates he or she is committed to the highest ethical standards and the values adhered to by the Bank.
  - Whether the candidate has had broad business, governmental, non-profit or professional experience that indicates that the candidate will be able to make a significant and immediate contribution to the Board's discussion and decision-making in the array of complex issues facing a financial services business.
  - Whether the candidate has special skills, expertise and background that add to and complement the range of skills, expertise and background of the existing directors.

- Whether the candidate has had a successful career that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make.
- Whether the candidate will effectively, consistently and appropriately take into account and balance the legitimate interests and concerns of all of the Bank's shareholders and other stakeholders in reaching decisions.
- Whether the candidate will be able to devote sufficient time and energy to the performance of his or her duties as a director.

5.1.3. The application of these factors involves the exercise of judgment and cannot be measured in any mathematical or routine way.

## 5.2 Quorum of the Board

5.2.1. A meeting of the Board will not be valid unless attended by not less than half of the directors, provided that the number of those present must not be less than four.

## 5.3 Number of Directors

5.3.1 The Bank shall be administered by a Board of Directors consisting of eight members of which four shall be independent directors.

## 5.4 Term for Directorship

5.4.1 Members of the Board of Directors shall be elected for a three-year renewable term. An elected member of the Board may be re-elected upon the expiry of his term of office.

## 5.5 Frequency of Meetings

5.5.1 The Board will meet at least four times each financial year and upon invitation of the Chairman or at least by two Board members. All directors must attend the meetings whenever possible and the directors must maintain informal communication between meetings. The interval between two meetings shall not exceed four months.

5.5.2 Individual Board members must attend at least 75% of all Board meetings in a given financial year to enable the Board to discharge its responsibilities effectively. Voting and attendance proxies for Board meetings are prohibited at all times.

## 5.6 Limits on Board memberships

5.6.1 Each person serving as director must devote the time and attention necessary to fulfil the obligations of a director. Key obligations include appropriate attendance at the Board and an adequate review of preparatory material. Directors are also expected to attend the AGMs of the shareholders.

5.6.2 Board members must obtain permission from the Board of Directors before accepting any other bank directorship.

5.6.3 No Board member may have more than one directorships of a Bank within Mauritius.

## 5.7 Independent Directors

5.7.1 At least four board members should be independent directors.

## 5.8 Appointment of Directors

5.8.1 The Bank must have a written appointment agreement with each director which recites the directors' powers, duties, responsibilities and accountabilities and other matters relating to their appointment including their term, the time commitment envisaged, the committee assignment if any, their remuneration and expense reimbursement entitlement, and their access to independent professional advice when that is needed.

5.8.2 When a new director is inducted, the Chairman of the Board, assisted by the Bank's legal counsel or Compliance Officer, should review the Board's role and duties with that person, particularly covering legal and regulatory requirements of the Bank of Mauritius and other domestic regulations.

## 5.9 Determination of Directors' Independence

5.9.1 The Bank recognizes that independent directors and directors who are deemed not independent all make valuable contributions to the Board and to the Bank by reason of their experience and judgment.

An independent director:

- Is not a "controller" of the Bank i.e.:
  - a) A chief executive or managing director of the Bank;
  - b) A chief executive or managing director of another company of which the Bank is a subsidiary or associate;
  - c) A person who (either alone or with an associate) is or would be a holder or proposed transferee of significant ownership (ten percent or more) or controlling interests in the Bank; or
  - d) A person (whether alone or with an associate) in accordance with whose instructions the directors of the Bank or persons who are controllers of the Bank are accustomed to act.
- Is not an associate of a person who is employed by the Bank in an executive capacity
- Is not a former employee of the Bank until five years after employment or any other material connection has ended

- Is not a professional advisor to the Bank
- Is not a large depositor of or large borrower from the Bank (i.e. whose deposits or credit facilities exceed 10% of the capital base of the Bank)
- Has no significant contractual or business relationship with the Bank, which could be seen to materially interfere with the person's capacity to act in an independent manner
- Does not receive additional remuneration from a company apart from director's fees; does not participate in the Bank's share option or performance related pay scheme; and is not a member of the Bank's pension scheme.

5.9.2 Independence of judgment in decision making is expected from all of the Bank's non-executive directors. The extent to which non-executive directors meet the above definition of independence will be reviewed regularly through the Bank's conflict of interest and director evaluation processes.

## **6. Board Committees**

- 6.1 The standing committees of the Board are (a) the Audit Committee, (b) the Risk Management Committee, (c) the Corporate Governance, Remuneration & Compensation Committee and (d) the Conduct Review Committee. The Board shall appoint committee members after consultation with the individual directors. Committee chairs and members shall be rotated.
- 6.2 Each committee shall have its own written Terms of Reference, which shall comply with the applicable corporate governance rules, and other applicable laws, rules and regulations. The Terms of References shall set forth the mission and responsibilities of the committees as well as qualifications for committee membership, committee structure and operations and reporting to the Board.
- 6.3 The terms of reference shall specify the frequency of the committee meetings. The Chair of each committee, in consultation with the appropriate members of the committee and senior management, shall develop the committee's agenda. At the beginning of the year, each committee shall establish a schedule of major topics to be discussed during the year (to the degree these can be foreseen). The agenda for each committee meeting shall be furnished to all directors in advance of the meeting.
- 6.4 The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

## **7. Board Operations**

### **7.1 Position of the Chairman**

The Chairman of the Board will be non-executive.

### **7.2 Role of the Chairman**

7.2.1 The Chairman of the Bank is expected to fulfil the following responsibilities:

- Ensure that the Board provides leadership and vision to the Bank
- Ensure that the Board is participating in setting the aims, strategies and policies of the Bank
- Ensure that there is adequate monitoring of the pursuit and attainment of the goals and aims of the Bank
- Direct the Board discussions to effectively use time to address the critical issues facing the Bank
- Ensure that directors are enabled and encouraged to play their due role in the meetings
- Ensure that directors have adequate opportunities to express their views
- Ensure that directors are provided with sufficient and timely information
- Ensure that minutes properly reflect decisions
- Participate in the on-going development of the Board as a whole and directors individually; and
- Uphold this Charter

7.2.2 The Chairman must not be a current or previous executive of the Bank, and shall be selected by the Board on the basis of the person's competence, achievements and record as a leader.

7.2.3 The Chairman shall not be entitled to vote or participate in the deliberations on any matter in which he/she has a personal interest, or be counted in the quorum on such meetings.

### 7.3 Attendance of Meetings

7.3.1 Directors are expected to Board meetings and meetings of committees and subcommittees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and materials that are important to the Board's understanding of the business to be conducted at a Board meeting should be distributed to the directors prior to the meeting, in order to provide time for review. The Chairman should establish a schedule of meetings to be held over the course of the ensuing year. Each Board member is free to suggest items for inclusion on the agenda or to raise subjects that are not on the agenda for that meeting, subject to the provisions of the Memorandum and Articles covering Board of Directors' meetings.

7.3.2 Directors may attend Board meetings through video or telephone conferencing. In addition (in absence of travel restrictions), attendance through video or telephone conferencing must not exceed 75% of total Board meetings for one year.

7.3.3 Directors may attend meetings of committees on which they serve, through video or telephone conferencing. In addition (in absence of travel restrictions), attendance through video or telephone conferencing must not exceed 75% of total Board meetings for one year.

7.3.4 Board members must step down if they are unable to attend four or more consecutive Board meetings of the Board without approval of the Board.

#### 7.4 Conduct of Meeting

7.4.1 The Chairman will determine the degree of formality required at each meeting while maintaining the decorum of such meetings. In any event, the following general rules will apply:

- The Chairman will ensure that all members are heard
- The Chairman will also retain sufficient control to ensure that the authority of the chair is recognised so that a degree of formality can be reintroduced when it is required to make progress
- The Chairman will take care that the decisions are properly understood and well recorded
- The Chairman will ensure that the decisions and debates are completed with a reasonably formal resolution recording the conclusions reached

#### 7.5 Code of Conduct for Directors

7.5.1 The directors have adopted the following code of conduct in respect of their behaviour:

- To act with honesty, integrity and in good faith, with due diligence and care, in the best interest of the Bank and its stakeholders
- To act only within the scope of their responsibilities
- To have a proper understanding of the affairs of the Bank and to devote sufficient time to their responsibilities
- To keep confidential Board discussions and deliberations
- Not to make improper use of information gained through the position as a director
- Not to take undue advantage of the position of director



- To ensure his/her personal financial affairs will never cause reputational loss to the Bank
- To maintain sufficient/detailed knowledge of the Bank's business and performance to make informed decisions
- To be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions of the Board
- Not to agree to the Bank incurring an obligation unless he/she believes at the time, on reasonable grounds, that the Bank will be able to discharge the obligations when it is required to do so
- Not to agree to the business of the Bank being carried out or cause or allow the business to be carried out, in a manner likely to create a substantial risk of serious loss to the Bank's creditors
- To treat fairly and with respect all of the Bank's employees and customers with whom they interact
- Not enter into competition with the Bank
- Not demand or accept substantial gifts from the Bank for himself/herself or his/her associates
- Not take advantage of business opportunities to which the Bank is entitled for himself/herself or his/her associates
- Report to the Board any potential conflict of interest
- Absent themselves from any discussions or decision-making that involves a subject in which they are incapable of providing objective advice or which involves a subject or proposed conflict of interest

7.5.2 The directors' adherence to this Code of Conduct will be periodically reviewed. Additionally, this Code of Conduct should be published in the Annual Report or on the website, with copies also available on request.

## 7.6 Directors' Access to Independent Advisors

7.6.1 The Board and shall have the power to hire and fire independent legal, financial or other advisors, as they may deem necessary to serve the committee, without consulting or obtaining the approval of senior management of the Bank in advance.

## 7.7 Succession Planning

7.7.1 The Board will consider succession planning at least annually.

## 7.8 Board Access to Management

7.8.1 Board members will have complete access to the CEO, and through the CEO to management.

## **8. Evaluation of Board Performance**

8.1 The Board shall conduct an annual review of its performance. This review shall include an overview of the talent base of the Board as a whole as well as an individual assessment of each director's qualification under corporate governance rules and all other applicable laws, rules and regulations regarding directors; consideration of any changes in a director's responsibilities that may have occurred since the director was first elected to the Board and such other factors as may be determined by the Committee to be appropriate for review. Each Committee shall annually prepare an evaluation of its performance as provided in its charter.

## **9. Director Orientation and Continuing Education**

9.1 The Bank shall provide an orientation program for new directors, which shall include presentations by senior management on the Bank's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its operations, its Code of Conduct, its management structure and executive officers and its internal and external auditors. The Bank shall also make available continuing education programs for all members of the Board. All directors are invited to participate in the orientation and continuing education programs.

## **10. Chairman and CEO Performance**

10.1 The Board of Directors shall review the performance of the Chairman and the CEO in order to ensure that are providing the best leadership for the Bank.

## **11. Code of Conduct**

11.1 The Bank will adopt a Code of Conduct and other internal policies and guidelines designed to support the mission statement set forth above and to comply with the laws, rules and regulations that govern the Bank's business operations. The Code of Conduct will apply to all employees of the Bank and its subsidiaries, as well as to directors, temporary workers and other independent contractors and consultants when engaged by or otherwise representing the Bank and its interests.

11.2 The Board shall monitor compliance with the Code of Conduct and other internal policies and guide lines.

## **12. Prohibition Against the Use of Insider Information**

12.1 The Board shall ensure that policies are in place that prohibit insider trading.

12.2 Directors shall not, at any time, deal in any of the Bank's securities or securities of any other listed company when they are in possession of unpublished price-sensitive information in relation to those securities.

- 12.3 Directors shall not deal in the Bank's securities on considerations of short-term gains.
- 12.4 Directors shall not deal in any securities of their own company without first notifying the Board and receiving a form of acknowledgement. The Board shall notify the other directors and receive a form of acknowledgement. As a minimum, the Bank shall maintain a written record stating that the appropriate notification was given and acknowledged, which shall also serve as a written confirmation for the concerned director.
- 12.5 Directors shall not make any unauthorised disclosure of any confidential information, whether to co-trustees or any other person. Directors shall not use confidential information for their benefit or the benefit of others.
- 12.6 Directors, senior management and associated persons shall not purchase or sell any securities of the Bank during "Closed Periods".
- 12.7 The grant to directors or senior management of an option to subscribe or purchase their issuer's securities shall be regarded as dealing by them if the price at which the option may be exercised is fixed at the time of the grant. If an option is granted to directors or senior management on terms whereby the price at which the option may be exercised is to be fixed at the time of exercise, the dealing shall be regarded as taking place at the time of exercise.
- 12.8 The restrictions on dealings by directors shall be equally applicable to any dealings by their spouses, or by or on behalf of any minor. It is the duty of the directors to seek avoidance of any restricted dealings at a time when they are not free to deal.
- 12.9 When directors place investment funds under professional management where they retain or exercise influence, the investment managers shall be made subject to the same restrictions and procedures as the directors themselves in respect of proposed dealings in the Bank's securities.
- 12.10 Directors who act as trustees of a trust should ensure that their co-trustees are aware of the identity of any company of which they are directors, so as to enable the co-trustees to anticipate possible difficulties. Directors/trustees shall avoid acting in breach of trust and refrain from divulging or abusing confidential information.
- 12.11 Any director who is a beneficiary, but not a trustee, of a trust which deals in the Bank's securities shall ensure that the trustees notify him/her after they have dealt in such securities on behalf of the trust, in order that he/she in turn may notify the Bank. The beneficiary shall ensure that the trustees are aware of the companies on which he/she is a director.
- 12.12 A list of directors and senior managers dealing in the securities of the Bank since the date of the previous list shall be circulated to members of the Board or maintained in a register.

### **13. Policies to Prohibit Conflicts of Interest**

- 13.1 The Board will ensure that policies are in place that prohibit (or strictly limit) potential conflicts of interest, in cases such as:
- Related party transactions

- Potential misuse of corporate assets
- Possible use of privileged information for personal advantage

13.2 A member of the Board or any manager shall not have any interest whether directly or indirectly in transactions or contracts made for the account of the Bank, except with an authorization of the General Meeting.

13.3 A Director shall declare to the Board any personal interest, whether direct or indirect, he/she may have in matters brought before the Board. This declaration shall be recorded in the minutes and the interested director shall not participate in the debates or voting on the resolutions to be adopted in this respect.

13.4 The Chairman of the Board shall communicate to the General Meeting, when it is convened, the result with respect to the transactions and contracts in which any Director has a personal interest. Such communication shall be accompanied by a special report from the auditor and the Bank shall disclose such transactions in its financial statements in accordance with applicable accounting standards and regulations.

13.5 Violation of such restriction shall result in claiming compensation from the member for the damages caused to the Bank. The said provision shall not apply to ordinary transactions that the Bank enters into with its customers and those made by way of public bidding shall, however, be exempted from this restraint if the member has submitted the best offer.

13.6 The Board shall also ensure that any decisions to enter into transactions under which Board members or any member of management would have conflicts of material interest are formally approved by the full Board.

#### **14. Board's Responsibility for Disclosure**

14.1 The Board shall oversee the process of disclosure and communications with internal and external stakeholders. The Board shall ensure that disclosures made by the Bank are fair, transparent, comprehensive and timely and reflect the character of the Bank and the nature, complexity and risks inherent in the Bank's business activities.

#### **15. Annual Review of Internal Corporate Governance**

15.1 The Board shall assess and document, on an annual basis, whether the corporate governance processes that it has implemented have successfully achieved their objectives and consequently confirm whether the Board itself is fulfilling its own responsibilities. The Board shall also identify any material deficiencies and problems and draw up action plans and timetables for their correction. This may be discharged by one of the Board's Committees.

#### **16. Indemnification**

16.1 The Bank shall provide reasonable directors and officers liability insurance for the directors and shall indemnify the directors to the fullest extent permitted by law and the Bank's Constitution.

## **17. Amendments**

- 17.1 The Board may amend this Board of Directors Charter, or grant waivers in exceptional circumstances, provided that any such modification or waiver may not be a violation of any applicable law, rule or regulation and further provided that any such modification or waiver is appropriately disclosed.