WARWYCK

PRIVATE BANK

# Board Charter &

# Terms of Reference for

# Board Committees

*Mauritius, 11 December 2018*

*Updated by: Assistant Company Secretary*

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## 1. Introduction

Board members (collectively referred to as "the Board" or "Board") are the link between the shareholders and the operating entity, that is, Warwyck Private Bank Ltd (hereinafter referred to as the "Bank").

The Bank of Mauritius's Guideline on Corporate Governance states that *"The board has the ultimate responsibility for the safety and soundness of the financial institution. It must oversee the institution's business strategy, internal organisation and governance structure, its risk management and compliance practices, and key personnel decisions. It is essential that there be a clear demarcation of responsibilities and obligations between the board and management. The board should be independent from management"*. In discharging its duties, the Board should be guided by the interests of the Bank and its business and shall take into account the interest of the stakeholders, in accordance with the provisions of the relevant legislations and corresponding guidelines of the Bank of Mauritius.

The Board is ultimately accountable to the shareholders.

The broad responsibilities of the Board are to:

- Set the Bank's vision, mission and values;
- Set the objectives and determine the strategies, policies and performance measurements of the Bank to achieve those objectives;
- Monitor and evaluate the implementation of strategies, policies and performance measurements;
- Identify and assess key risk areas of the Bank and ensure measures are taken to mitigate those risks;
- Ensure that effective internal control systems are in place to safeguard the Bank's assets;
- Ensure compliance with laws and regulations and best practice in risk management, corporate governance and disclosure;
- Appoint internal and external auditors and assess auditors' work;
- Oversee the collation, production and approval of the annual report;
- Approve important capital investments of the Bank;
- Approve new products and services;
- Appoint a Chief Executive Officer (CEO), senior management personnel and directors, set their remuneration and evaluate their performance;
- Monitor the performance of its sub-Committees
- Implement Policies & Procedures to manage conflict of interest
- Ensure effective communication with shareholders and other key stakeholders.

In order to meet all the legal and regulatory requirements and effectively discharge its duties, the Board may delegate some of its functions to board committees. The Board may also delegate specific assignments to directors or other parties on important matters requiring significant and specific expertise.

Delegation does not discharge the Board from its duties and responsibilities including but not limited to its fiduciary duties and responsibilities under the Companies Act 2001 (As Amended).

## 2. Board Composition

The Board should be composed of at least five (5) natural persons as directors. The Board should have a mix of independent, non-executive and executive directors. A minimum of 40% of the directors shall be independent directors, and at least two (2) of the directors shall be executive directors as per the definitions of "independent director" of the Bank of Mauritius ("BOM")'s Guideline on Corporate Governance (the "BOM Governance Guideline")

The Chief Executive Officer (CEO) of the Bank shall be a member of the board. The Chairperson of the Board shall be an Independent Director.

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, and in accordance with Banking Act 2004/Bank of Mauritius Guideline on Fit and Proper Person Criteria and the Code.

Directors will be elected or re-elected at the annual meeting Directors' retirement should be staggered whenever practically possible to ensure continuity. Proper succession planning shall be a priority for the board.

The Board shall ensure clear demarcation of duties, responsibilities and authorities between the Board and the management. To that end, the Board shall clearly define and communicate the CEO's job description, limits of management responsibility and performance metrics for assessing CEO's effectiveness in achieving the corporate objectives set by the Board. The CEO, together with the Board, is responsible for the Banks' performance and shall create an accountability framework for all Bank's top and middle management levels to be approved by the Board and reviewed on an annual basis. The Board will be responsible for determining the strategy of the bank and for measuring performance against that strategy.

Directors shall undergo an annual independent board assessment and development exercise at the end of each financial year to assess the collective effectiveness of the Board, its sub committees and individual board members' performance.

## 3. Chairperson

The members of the Board shall elect by simple majority a Chairperson who shall be a non-executive and an independent director with expertise and experience in the field of financial services. The Chairperson must not be involved in the management of the Bank nor be a full-time employee of the Bank.

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 the Board meetings, encourage equal and fair participation of all 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 on an annual basis;
- Guide the Board and senior management in preparing the agenda and minutes on the Board meetings and monitor the implementation of Board resolutions with the assistance of the Company Secretary;
- 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 mechanisms.

## 4. Executive Directors

The Board shall appoint at least two (2) executive directors to whom some functions of the Board will be delegated. One of the executive directors shall be the Chief Executive Officer who will be appointed by the Board and whose responsibility amongst others will be to:

- Develop and recommend to the Board a long-term strategy and vision for the Bank 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 Bank;
- Provide to the Board all relevant financial and operating information to enable them to assess the Bank's performance;
- Strive to achieve the Bank's financial and operating objectives;
- Serve as the spokesman for the Bank on all operational issues, further to discussion with the Board on the division of responsibilities for communication with shareholders and other stakeholders;
- Create and maintain work climate that is conducive to attracting, developing and retaining quality employees at all levels of the Bank;
- Ensure working conditions that offer equal opportunity for all employees to deliver services in line with the Bank's strategy, policies and objectives;
- Ensure implementation of all corporate and brand values of the Bank and incessant adherence to these values by all employees;
- Ensure implementation and adherence to all policies and procedures of the Bank.

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

## 5. Company Secretary

To ensure the smooth functioning of Board meetings and Committees' meetings. The Board shall appoint a Company Secretary to:

- Assist the Chairperson of the Board in preparation of the Board meetings, information gathering and other issues that may facilitate smooth dispensation of the Chairperson's duties;
- Devise induction and training programmes for the new directors;
- Keep accurate and up to date minutes and records of the Board and the Board committee meetings;
- Advise board members about board procedures together with the legal and regulatory framework for Mauritius;
- Ensure that all related party transactions and conflicts of interest of board members, are recorded accurately and timeously.

## 6. Board Committees

Pursuant to Section 18(6) of the Banking Act 2004, the Board shall establish board committees as the directors' may deem necessary for Board's effective discharge of its responsibilities.

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

1) Audit & Compliance Committee
2) Risk Management Committee
3) Remuneration and Nomination Committee
4) Conduct Review Committee
5) Non-Executive Directors Committee

These board committees are comprised of the members of the Board and other attendees such as subject matter experts and consultants where deemed necessary. From time to time other senior management officers of the Bank may also be in attendance.

The terms of reference of those committees are attached in Appendices 1 to 5. The composition of the committees will be reviewed as and when necessary to ensure the balance of specialist skills, independence and experience, in accordance with the BOM Governance Guideline and the Companies Act 2001 (As Amended).

Directors shall undergo an independent evaluation at the end of each financial year to assess the collective effectiveness of their respective committees. In addition, the Chairperson will appraise the effectiveness of each of the committees. The evaluation exercise may also be delegated to an independent third party.

The committees shall submit to the Board the minutes of proceedings of their meetings which shall be tabled and noted at the next Board Meeting.

## 7. Board meetings

As per the BOM Governance Guideline, '*The Board of Directors shall meet at least once every quarter*'.

Board meetings shall be convened by the Chairperson, as scheduled or at the request of one or more directors, or if requested by a director to do so, by the secretary. Meetings may be held by telephone or videoconference, provided that participants can hear each other simultaneously.

The meeting will be presided over by the Chairperson or, in his absence, by a director designated by the Chairperson or the Board members present. The quorum shall be four directors. Resolutions shall be passed by a simple majority vote. If a resolution by majority consensus cannot be reached, the Chairman may defer the decision pending further consultation and discussion. The minutes of proceedings of each meeting shall be tabled and approved at the next Board Meeting. Formal approval will occur at the following meeting as evidence that the resolutions have been adopted.

## 8. Non-executive Directors' Meeting

The non-executive directors shall meet at least once a year without presence of the executive directors to discuss the functioning of the Board and the individual performance of the executive directors and their performance as the Bank's management. The meeting will be called and presided by the Chairperson or in his absence, by a director designated by the Chairperson.

## 9. Remuneration

The total remuneration of the directors will be disclosed in the Bank's annual report.

The board shall have a clear policy and set guidelines for determining the remuneration of executives, directors and key employees. The remuneration should be aligned to the Bank's financial performance, market conditions and relevant regulatory guidelines. The remuneration of directors will be debated and recommended to the Board by the Remuneration Committee.

## 10.Conflict of interest

Directors must avoid instances that may give rise to conflicts of interests. The conflict of interest includes but is not limited to instances in which a particular director's business or personal interests outside the Bank may be in conflict with the Bank's interests.

It is each director's personal responsibility to appraise the Board members in writing of any actual or potential conflict of interest. A Directors' Interest Register will be kept by the Company Secretary which will be reviewed and updated if necessary at the beginning of each board meeting or at least once, at the first board meeting at the beginning of each calendar year.

On making such declaration, the concerned director shall not participate in the discussions and/or decision-making process on the transaction in relation to which the conflict arises. The transaction may however be concluded and approved at market terms and conditions, by the remaining board members. Related party transactions will also be disclosed in accordance with disclosure requirements and accounting policies and standards, while taking account of confidentiality issues.

## 11.Confidentiality & Non-Disclosure

Directors must not disclose the confidential information relating to the Bank to any person outside the Board without the authority of the Board.

Directors are not permitted to use in any manner the confidential information that they may have learned by the nature of their role as one of the directors of the Bank to further their own personal interests or interest of their associates outside the activities of the Bank as per the Companies Act 2001 (As Amended) and the Banking Act of 2004 (As Amended).

For the purposes of clarifying the exact nature and extend of the confidentiality each director shall sign official confidentiality agreement with the Bank or take an Oath of Confidentiality.

## 12.Non-Competition

Directors shall not advise, or hold any equity in, or have executive or non-executive influence, directly or through representatives, in any organisation, commercial or not for profit, that is in direct competition with the Bank or pursues political, social or business agenda that is contrary to Bank's interests, without the prior and express written approval of the Board.

## 13.Insurance

Director liability insurance will be provided for each director for the length of their tenure on the board. Same will be renewed annually.

## 14.Charter Review

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

## APPENDIX 1: AUDIT & COMPLIANCE COMMITTEE - TERMS OF REFERENCE

### A. COMPOSITION

The Audit & Compliance Committee shall be elected by the Board and shall be made up of at least three (3) directors, all of whom must be independent directors; and shall serve from the time of their appointment until the date of the next annual meeting. The quorum shall be two members. The Chairperson of the Board shall not be a member of the Audit & Compliance Committee. Audit & Compliance Committee meetings are attended by its members and by the CEO**,** the head of internal audit and external auditor(s). All the members should have the appropriate level of financial knowledge, skill and competency appropriate for the private banking sector and at least one member (preferably the Committee's Chairperson) should have significant, relevant and recent financial expertise be conversant with both international auditing standards and international financial reporting standards so as to properly assist and advise the Committee in the execution of its duties and responsibilities.

### B. TERMS OF REFERENCE ('TOR')

The Committee is authorised by the board to:

1) Investigate any activity within the TOR;
2) Seek any opinion from an independent expert should it deem necessary; and
3) Obtain full cooperation from any officer in the bank in order to perform its duties

#### a) Financial Reporting

The Audit & Compliance Committee shall provide assurance that financial disclosures made by management reasonably portrays the Bank's financial conditions, results of operations and long-term commitments. To accomplish this, the audit committee shall:

- Oversee the work of the internal and external auditor(s);
- Critically review the draft financial and interim reports 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 judgement 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 applicable laws and regulations.
- Undertake to fully and expressly disclose any findings which could put the bank at risk.
- review of the audited financial statements for adequacy before their approval by the board.

**b) External Audit – The Audit & Compliance Committee shall undertake to:**

- Make recommendations to the shareholders for the appointment, re-appointment, removal and remuneration of the external auditors;
- Approve the engagement letter setting out the scope and terms of external audit;
- Review and discuss the scope of the audit and audit plan for the Bank, if any;
- 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 auditor;
- Obtain assurance from the auditors that adequate accounting records are maintained;
- Oversee any non-audit advisory services.

**c) Internal Audit – The Audit & Compliance Committee shall undertake to:**

- Oversee 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 and report on significant matters reported by the internal auditor;
- Review and report on significant differences between Management and the internal auditors;
- Review and oversee the cooperation and coordination between the internal and external auditors.

**d) Internal Control Systems – The Audit & Compliance Committee shall undertake to:**

- Oversee the systems of internal controls to ascertain its adequacy and effectiveness;
- Review and report on 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.

**e) Compliance – The Audit & Compliance Committee shall undertake to:**

- Ensure that the Compliance function has the necessary support in conducting its duties towards the bank;
- Receive and consider reports of the compliance function;
- Receive, consider and approve the compliance-related plan and policies;
- Recommend any compliance related measures to be taken for effective management of any compliance related risk or similar matters;
- Apprise the board of major compliance issues or matters, as and when necessary;
- Any other functions related to compliance, which need consideration at strategic level.

**Audit & Compliance Committee Meetings shall be held as follows:**

The Audit & Compliance Committee shall meet at least four (4) times per year and present the minutes of the meetings to the Board.

The Committee shall have direct channels of communications with the internal and external auditors.

The internal auditor and external auditor shall have unrestricted access to the chairman and any member of the committee as required in relation to any matter falling within the remit of this committee.

**Mandates & Process:**

If the board does not accept the Audit & Compliance Committees' recommendation especially with reference to appointment or removal of the external auditor, the Committee shall include a statement in the annual report explaining its recommendations and reasons why the board has taken a different stance.

Where a disagreement between the board and its Committees cannot be resolved, the chairman of the Audit & Compliance Committee shall report the matter to the shareholders as part of the report on its activities within the annual report.

The chairman of the Audit & Compliance Committee shall attend the annual meeting of the Bank.

## APPENDIX 2: RISK MANAGEMENT COMMITTEE - TERMS OF REFERENCE

### A. COMPOSITION

A financial institution must have a board-approved risk appetite framework, which is well understood throughout the organisation The Risk Management Committee shall be elected by the Board and shall be made up of at least three directors, including at least one independent director. The Chairman of the Committee should be an independent director. The quorum shall be two members. With the exception of the CEO, the committee members should be non-executive persons. The Committee should be composed of suitably qualified members. The Chief Risk Officer and where necessary, other officers may be requested to attend.

### B. TERMS OF REFERENCE

The Risk Management Committee shall focus on risk identification, evaluation, and measurement, monitoring and risk management processes. Within this scope the Committee shall:

- Review policy for management of risks particularly in the areas of Credit, Market, Interest, Liquidity, Operational and Technological risks, namely:
    - Ensuring adequate and critical 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;
    - formulate and make recommendations to the board on risk management issues.
    - Appointment of a chief risk officer
    - Ensuring independence of the chief risk officer from operational management
    - requirement of the chief risk officer to provide regular reports to the committee, senior management and the board on his activities and findings relating to the institution's risk appetite framework
    - Review any legal matters pending that could have a significant impact on the bank;
    - Oversee any decisions requiring a significant amount of judgement;
    - Review any policies which detect fraud including the whistle blowing framework.
- 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;
- Approve write off for the amounts above USD 10,000;
- 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;
- Meet at least four times annually and present the minutes of proceedings of meetings to the Board.

## APPENDIX 3: NOMINATION AND REMUNERATION COMMITTEE - TERMS OF REFERENCE

### A. COMPOSITION

The Nomination and Remuneration Committee shall be elected by the Board and shall be made up of at least three directors of which the Chairperson and the majority members shall be non-executive directors. The quorum shall be two members. The committee's function in relation to remuneration of non-executive for reason of self-interest should be limited to recommendations to the full board.

### B. TERMS OF REFERENCE

**The Nomination and Remuneration Committee shall undertake the following:**

- Meet at least 3 times annually and present the minutes of proceedings of meetings to the Board.

**Directors and Chief Executive Officer**

- The Committee will be responsible to establish a formal and transparent procedure for developing a policy on executive remuneration and fixing the remuneration packages of individual directors;
- Plan the composition of the Board within the objectives and strategic considerations of the Bank;
- Ensure adequate succession planning for the Board, its Chairperson and the CEO;
- Develop the specification for appointment to the Board (qualifications, expertise, integrity and independence, experience, sound knowledge of the financial sector, understanding of changes taking place nationally, regionally and internationally etc.) and ensure that these specifications are met;
- Search for, screen and select the potential directors;
- Propose the overall level of the Board's fees to the shareholders;
- Review and approve the terms and conditions of the service contracts of the directors, if any, including compensation and benefits;
- Ensure that transparent procedures exist for shareholders to recommend potential candidates to the Board;
- Consider and approve a program for directors' orientation that will include responsibilities and legal obligations of a director and the Board as a whole and the nature of the business of the Bank, current issues within the Bank, conditions in the industry, and corporate strategy and values.

**Employees**

- Set and review Key Performance Indicators (KPIs) of senior management;
- Consider and approve CEO's proposals for appointments, terms and conditions and remuneration of the Bank's senior management;

- Approve senior management appointment and terms and conditions of service;
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- Review the reward policy to ensure that the Bank's executives are fairly rewarded and demonstrate **to all the stakeholders that the remuneration policy for the Bank's executives is determined in an objective and transparent manner**;
- Set, revise and recommend for approval the performance-based rewards for

  the Bank's senior executives, to the main board;

- Set, revise and recommend for approval the performance-based reward policy

  for all Bank's employees, to the main board;

- Set, revise and recommend for approval all salary and terms of service policies and procedures, to the main board; and
- Set, review and recommend for approval the policy on staff welfare and fringe benefits, to the main board

## APPENDIX 4: CONDUCT REVIEW COMMITTEE - TERMS OF REFERENCE

### A. COMPOSITION

The Conduct Review Committee shall be elected by the Board and shall be made up of at least three independent directors. The quorum shall be two members. The executive directors may be in attendance.

### B. TERMS OF REFERENCE

The conduct Review Committee shall ensure that policies and procedures are established to comply with the requirements of the guideline on related party transactions and shall undertake the following:

- Meets at least four times per year and present the minutes of proceedings of meetings to the Board;
- Review the policies and procedures to ensure their continuing adequacy and enforcement;

review and approve each credit exposure to related parties;

- Review all proposed material transactions and practices of the Bank to ensure that any transaction with the related parties that may have a material effect on the stability and solvency of the Company are identified and dealt with in a timely manner;
- Ensure that transaction terms and conditions with a related party comply with the spirit of the guideline and are consistent with market practice.

The Board shall have an oversight of the Conduct Review Committee and any write–off of related party credit exposures shall be subject to the prior approval of the Board.

## APPENDIX 5: NON-EXECUTIVE DIRECTORS COMMITTEE - TERMS OF REFERENCE

### A. COMPOSITION

The Non-Executive Directors Committee shall be made up of all the non-executive directors of the board, excluding the executive directors. The quorum shall be three members. The executive directors shall not be in attendance. Any subject matter experts or advisors will also be invited to attend if necessary.

### B. TERMS OF REFERENCE

The Non-Executive Directors Committee shall:

- Meet at least once a year or as often as deemed necessary and present the minutes of proceedings of meetings to the Board;
- Review the effectiveness of the Board, both individually and collectively and recommend appropriate adjustments to the Board;
- Review the processes of the board and ensure its independence from management;
- Make recommendations to the board with regards to members and chairmen of the sub committees;
- Make recommendations to the board on its size, composition and structure when necessary;
- To discuss the general functioning of the board
- To periodically assess the CEO’s and other Executive Director’s effectiveness in achieving approved corporate objectives and risk appetite framework;