

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE TWO – THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

The Board is responsible for the overall stewardship of the Bank and thus plays a vital role in ensuring that the appropriate level of corporate governance is maintained.

The powers of Directors are set out in the Bank's Constitution and in the Terms of Reference for the Board. The Board is aware of its responsibilities to ensure that the Bank adheres to all relevant legislations such as The Banking Act 2004 (amended 12 August 2021), the Financial Reporting Act 2004, the Financial Services Act 2007 and The Companies Act 2001 of Mauritius. The Board reassesses its Terms of Reference as and when required.

The Board also follows the principle of good corporate governance as recommended in the "National Code of Corporate Governance 2016" and BOM's "Guidelines on Corporate Governance 2001" (revised October 2017). It reviews and approves whenever deemed necessary the Bank's Code of Ethics to warrant that they are in line with the Bank's objectives and also monitors and evaluates the Bank's compliance with its Code of Ethics.

The Board acknowledges that the Bank is not in compliance with Principle Two of the Code as at 30 June 2021 on the following matter:

- The Board composition does not include an Executive Director.

Moreover, the Board is also in the process of reviewing the Board sub-committee compositions of the Bank to address the following matters:

- The sub-committees' membership are not evenly shared among Directors;
- The chairpersonship of the different sub-committees is not evenly shared among Directors; and
- There are a few sub-committees which are currently being chaired by the Board's Chairperson.

The Board is of opinion that when the re-composition exercise is completed, the Bank will comply with the principles and guidelines of the Code.

## THE KEY FUNCTIONS OF THE BOARD COMPRISE:

- Determining the Bank's purpose, strategy and values - the Board is responsible to set the long-term goals, do the strategic planning and propose action plans;
- Monitoring and evaluating the implementation of strategies, policies, management performance criteria and business plans - the Board must provide guidance and maintain effective control over the Bank, and monitor management in carrying out Board's plans and strategies;
- Exercising leadership, enterprise, intellectual honesty, integrity, objectivity and judgment in directing the Bank as to achieve sustainable prosperity for the Bank;
- Ensuring that procedures and practices are in place to protect the Bank's assets and reputation. Thus, the Board must regularly review processes and procedures to guarantee the effectiveness of the Bank's internal control systems;
- Considering the necessity and appropriateness of installing a mechanism by which breaches of the principles of Corporate Governance could be reported;
- Defining levels of materiality, reserving specific powers for itself and delegating other related matters with the necessary written authority to the management. These matters should be monitored and evaluated by the Board on a regular basis. Such delegation by the Board must have due regard for the Directors' statutory and fiduciary responsibilities to the Bank, while taking into account strategic and operational effectiveness and efficiency;
- Retaining full and effective control over the Bank and be responsible for the appointment and monitoring of management in its implementation of the Board's approved plans and strategies;
- Questioning, scrutinising and monitoring, in a pro-active manner the performance of management, the Board sub-committees and the individual Directors;
- Always remaining responsible for the overall stewardship of the Bank and must be ready to question, scrutinise and monitor, in a proactive manner, management's performance;
- Identification of key risk areas and key performance indicators of the business enterprise to enable the Bank to generate economic profit and eventually to enhance shareholders' value in the long-term. The interests of society at large must also be recognised;
- Ensuring that the Bank's policies and systems are effective enough to achieve a prudential balance between the risks and potential returns to the shareholders;
- Ensuring that the Bank's operations are conducted prudently and within the framework of laws and Board policies and that any deviation is reported to an appropriate level of management, or if necessary, to the Board;
- Ensuring the integrity of the institution's risk management practices and internal controls, communication policy, Director's selection, orientation and evaluation;
- Ensuring that the necessary internal controls and management systems are put in place to monitor effectively the operations and to ensure that the Bank complies with all relevant laws, regulations, codes of best business practice and policies;
- Recording of the facts and assumptions on which the Board relies to conclude that the business will or will not continue as a going-concern in the financial year ahead. If not, the Board must record the steps it is taking;
- Monitoring and assessing risks in order to achieve the continuous viability of the Bank at all times;
- Setting a policy in relation to the frequency, purpose, conduct and duration of the Board's and the Committees' meetings;
- Ensuring that there are efficient and timely dissemination and briefings of information to the Board Members before any meeting. This must also include an agreed procedure whereby the Directors can obtain appropriate independent professional advice at the Bank's expense when necessary;

## THE KEY FUNCTIONS OF THE BOARD COMPRISE: (Cont'd)

- Enabling Non-Executive Directors get access to management without the presence of the Executive Directors. This procedure must be agreed collectively by the Board;
- Regular identification, monitoring and reporting of the non-financial aspects relevant to the Bank's business;
- Ensuring that it communicates with the shareholders and the relevant stakeholders (internal and external) openly and promptly with substance prevailing over form. Proper means of communication to be put in place so as to both communications with and to receive feedback from the shareholders and other stakeholders;
- Appointing a Chief Executive Officer and to satisfy itself of the integrity of the Chief Executive Officer. Moreover, the Board must ensure that the succession is professionally planned in a timely manner;
- Appointing Bank Secretary and in so, doing satisfy itself that the appointee is fit and proper and has the requisite attributes, experience and qualification to properly discharge his/ her duties;
- Balancing between 'CONFORMANCE' and 'PERFORMANCE'. Conformance is compliance with the various laws, regulations and codes governing companies. Ensuring the performance requires the development of a commensurate enterprise culture within the organisation so that returns to shareholders are maximised while respecting the interests of other stakeholders; and
- Contributing fully in developing and sustaining the enterprise culture. Thus, the Board must be constituted in a manner that provides a balance between enterprise and control.

The Terms of Reference is available for consultation on the Bank's website.

(<https://www.afriasiabank.com/en/about/corporate-governance/governance-framework>)



## PRIOR APPROVAL OF THE BOARD

As per The Companies Act 2001 of Mauritius, the Terms of References and the Bank's Constitution, decisions also requiring prior approval of the Board includes the following:

- Issue of other shares;
- Consideration for issue of shares;
- Shares not paid for in cash;
- Authorisation of distribution;
- Shares issued in lieu of dividend;
- Shareholder discount;
- Purchase of own shares;
- Redemption at option of Bank;
- Restrictions on giving financial assistance;
- Change of Registered Office;
- Approval of amalgamation proposal;
- Short form amalgamation; and
- Transfer of shares.