



**MCB MICROFINANCE LTD
BOARD CHARTER**

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1. INTRODUCTION

The Board of Directors Charter sets out the objectives, roles and responsibilities and composition of the Board of MCB Microfinance Ltd (“MCBMF” or the “Company”). This Charter should be read in conjunction with the Company’s Constitution or the Companies’ Act 2001 as applicable and in case a dispute in content or meaning arises, the wording of the Constitution/Companies’ Act 2001 as applicable shall prevail.

2. OBJECTIVES

The objective of the Board is to define the company’s purpose, strategy and value and determine all matters relating to the directions, policies, practices, management and operations of the company. The board shall thereafter ensure that the company is being managed in accordance with the directions and delegations of the Board.

3. COMPOSITION

- 3.1. The Board shall consist of not less than three or more than seven Directors.
- 3.2. The Board shall generally comprise of a mix of executive, non-executive and independent directors, but can also consist of only executive and non-executive directors.
- 3.3. Board members should be qualified for their positions, have a clear understanding of their role and be able to exercise sound judgement about the affairs of the Company. Board composition is reviewed systematically to ensure that non-executive directors between them bring the range of skills, knowledge and experience necessary to direct the Company going forward.
- 3.4. The Chairperson of the Board shall be a non-executive director or an independent director.
- 3.5. The Board shall comprise Directors from both genders as members of the Board with at least one male and one female director.

4. APPOINTMENT, EVALUATION AND REMUNERATION OF THE BOARD/COMMITTEE MEMBERS

- 4.1 The appointment process has been delegated to the Remuneration, Corporate Governance and Ethics Committee (RCGEC) of MCB Group Limited (“MCBG”) which recommends to the Board of the Company the members to be appointed.
- 4.2 At each Annual meeting of the Company all directors in office shall be re-elected.
- 4.3 The effectiveness of the Board and the Committees as a whole shall be regularly reviewed and assessed as well as the performance of individual directors.
- 4.4 The Board must have a formal and transparent policy in respect of directors’ remuneration. Currently the same policies applicable to the holding company, MCB Group Limited, are followed.

5. MEETINGS

- 5.1 The Board must determine the frequency of the Board meetings, which shall generally be held each quarter.
- 5.2 The quorum for Board Meetings shall be the majority of directors.
- 5.3 Meetings are convened, wherever possible, so that directors are able to attend and participate in person. Where personal attendance by some or all directors is not possible, meetings are convened and conducted by means of audio, or audio and visual, communication by which all Directors participating and constituting a quorum can simultaneously hear each other throughout the meeting.
- 5.4 In case of absence of the Chairperson, another Chairperson shall be nominated by the other directors by a majority of votes.

6. ROLE AND RESPONSIBILITIES OF THE BOARD

The Board is ultimately responsible and accountable for the affairs of the company. The delegation of authority to any committee does not discharge the responsibility of the Board in respect of the actions and decisions of a committee.

6.1 Strategy

- 6.1.1 The Board should establish the strategic objectives and corporate values and, should ensure that they are communicated throughout the organisation.
- 6.1.2 The Board must retain full and effective control over the company and its capital resources and is responsible for monitoring management in respect of implementation of Board plans and strategies.
- 6.1.3 The Board should exercise leadership, enterprise, intellectual honesty, integrity and judgment in directing the company so as to achieve sustainable prosperity for the company.
- 6.1.4 The Board shall keep track of the competitive position of the Company and the evolution of main competitors.
- 6.1.5 The Board shall encourage a culture that promotes ethical and responsible decision making.

6.2 Control and Risk

- 6.2.1 The Board is responsible for setting principal policies in respect of risk and conduct of business for the company. The Board must regularly monitor that management is running the business in accordance with such policies.
- 6.2.2 The Board shall ensure that clear lines of responsibility and accountability exist and are enforced throughout the organisation.
- 6.2.3 The Board shall ensure that there is appropriate oversight by management consistent with Board policy.
- 6.2.4 The Board shall ensure that procedures and practices are in place that protects the Company's assets and reputation. It shall therefore review processes and procedures on a regular basis to ensure effectiveness of the MCBMF's internal control systems.
- 6.2.5 The Board has the duty of ensuring that the company complies with all the relevant laws, regulations and codes of business practice.
- 6.2.6 The Board shall on a reasonable basis satisfy itself that appropriate audit arrangements are in place and operating effectively.

6.3 Financials

The Board is responsible for:

- 6.3.1 Approval of the annual statutory financial statements ensuring that they have been prepared using the appropriate accounting policies and standards and fairly presents the state of affairs of the Company.
- 6.3.2 Approval of capital expenditures, contracts, acquisitions and disinvestments as per authorised limits set up by the Board.
- 6.3.3 Declaration of dividends when appropriate and determine the amount of dividend to be declared.
- 6.3.4 Approval of the budget at least annually.

6.4. Interests of Shareholders and Other Stakeholders

6.4.1. When carrying out its roles the Board shall consider:

- the primary objective of the Company which is to continue to build sustainable value for shareholder.
- the expectations of the shareholder, other stakeholders and the community and that directors will undertake their responsibilities with honesty, integrity, care and diligence, in accordance with the law and in a manner which reflects the highest standards of corporate governance and with the consideration of the Corporate Social Responsibility of the Company.

6.4.2. The Board should ensure that the Company is governed in a transparent manner through accurate and timely information to the public, through its reports to the relevant authorities and in its annual report.

7. ROLE AND FUNCTION OF THE CHAIRPERSON

7.1. Election

The Chairperson is elected by his or her fellow directors and shall not be an executive director.

7.2. Duties

He/she should be a firm, objective and open-minded leader, assuming his/her role by bringing independence of mind and intellectual honesty. Apart from being fully conversant with the key networks of the organisation and have sound knowledge of the activities of the organisation work, the Chairperson is expected to be impartial and objective so as to support or take the right decisions concerning the organisation.

7.3. Responsibilities

The main responsibilities of a Chairperson can be summarised under the following areas:

7.3.1. Strategy and Management of the Company:

- To ensure that the board is effective in its tasks of setting and implementing the company's direction and strategy.
- To co-ordinate the Committees to ensure that appropriate policies and procedures are in place for the effective management of the organisation.
- To ensure that the decisions by the Board are executed.
- To sign the Statement of Compliance to be filed with the Financial Reporting Council along with a director to confirm whether the Company has complied fully, partially or has not complied with the Code of Corporate Governance.

7.3.2. Leadership:

- To provide overall leadership to the board, be impartial and resolve differences in the most constructive way, whilst encouraging and ensuring the active participation of all directors in discussions and board matters.
- To participate in the selection of the board members whilst ensuring that the board has an appropriate mix of competencies, experience, skill and independence.
- To provide support and supervision to the CEO.

7.3.3. Presiding and conducting meetings effectively:

- To set the agenda for Board meetings, therefore giving the meetings their direction and scope.
- To preside over the board meetings and shareholders meetings of the company and to ensure the smooth functioning of the Meetings.
- To ensure that board meetings take place regularly and that all the relevant information and facts are placed before the board to enable the directors to reach informed decisions.
- To ensure that each meeting is planned effectively, conducted according to the constitution and that matters are dealt with in an orderly, efficient manner.
- To ensure that proper minutes are taken and sign the minutes of board meetings and shareholders' meetings jointly with the Secretary. Minutes which have been signed correct by the chairperson of the meeting are prima facie evidence of the proceedings.

7.3.4. Relations with Shareholders

- To act as the Company's leading representative and be the spokesperson at functions and meetings to present the aims and policies of the Company.
- To maintain sound relations with the Company's shareholder/s and ensuring that the effective communication and disclosures are being carried out.
- To ensure that all directors be made aware of the concerns of the major shareholders and other key stakeholders and that their views be communicated to the Board as a whole.

7.3.5. Induction, Development, Succession and Performance Evaluation

- To ensure that newly appointed directors participate in an induction program.
- To ensure that the development needs of the directors are identified and appropriate training be provided to continuously update the skills and knowledge of the directors so that they fulfill their role on the Board and its committees.
- To identify the development needs of the board as a whole to promote its effectiveness as a team.
- To oversee a formal succession plan for the Board, CEO and certain senior management position in collaboration with Remuneration and Corporate Governance Committee.

8. ROLE OF EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS

- 8.1 Non-Executive and Independent directors collectively should contribute to the development of the strategy, analyse and monitor the performance of management against agreed objectives. Whenever required, they should challenge proposals presented by management and request additional information where they consider that information is necessary to support informed decision-making.
- 8.2 Non-Executive and Independent directors collectively should provide independent judgement in all circumstances.
- 8.3 Non-executive and independent directors individually should inform themselves to a reasonable extent about the subject matter of all decisions they are called upon to make as directors of the Company.
- 8.4 Non-Executive and independent directors are expected to maintain the skills required to discharge their obligations to the Company and to the extent necessary newly appointed directors may request suitable induction courses which would be made available to them, upon request.
- 8.5 All directors are expected to take reasonable steps to satisfy themselves that financial information released to the markets and shareholders is accurate and that the Company has adequate and proper financial controls and systems of risk management.
- 8.6 All directors are bound by fiduciary duties and duties of care and skill.
- 8.7 Executive directors must always manage the conflict between their management responsibilities and their fiduciary duties as a director in the best interests of the Company. Additionally, executive directors have the additional responsibility of ensuring that the information laid out before the Board is an accurate and true representation of their understanding of the Company's affairs.

9. ROLE OF COMPANY SECRETARY

9.1 Compliance

- 9.1.1 To ensure that the organisation complies with its constitution (if applicable), all relevant statutory and regulatory requirements, codes of ethics and procedures established by the Board.
- 9.1.2 To inform Board of all legislations relevant to or affecting meetings of shareholders and directors.
- 9.1.3 To continually review developments in corporate governance.

9.2 Board members - Appointment, Guidance and Development

- 9.2.1 To ensure that procedures for the appointment of directors are properly undertaken.
- 9.2.2 To facilitate the proper induction of directors into their role.
- 9.2.3 To provide the Board as a whole and directors individually with guidance as to their roles and responsibilities, advising and assisting the directors with respect to their duties and responsibilities, in particular compliance with prevailing regulations.
- 9.2.4 To act as a channel of communication and information for non-executive directors.
- 9.2.5 To assist the Chairperson in governance processes such as Board and Committee evaluation.

9.3 Organisation of Meetings of the Company

- 9.3.1 To prepare the agenda of Board, Board Committees and shareholders' meetings in consultation with the Chairperson and the CEO and to circulate the agendas and supporting documents in a timely manner.
- 9.3.2 To ensure that there is a quorum for meetings.
- 9.3.3 To take minutes of Board/Annual meetings and circulate draft minutes to all members and to ensure that minutes of proceedings of Board meetings and meetings of shareholders as well as resolutions of the Board are properly maintained.
- 9.3.4 To ensure that Annual and Special Meetings of Shareholders are held in accordance with the requirements of the Companies Act and the Company's Constitution.
- 9.3.5 To ensure that proxy forms are correctly processed and that the voting process whenever applicable is carried out correctly at meetings of shareholders.

9.4 Communication with Shareholder

- 9.4.1 To ensure that the shareholder's interests are taken care of and act as a primary point of contact for the shareholders.
- 9.4.2 To communicate with the shareholder and arrange payment of dividends and/or interest, issuing documentation regarding corporate events being undertaken by the Company such as rights and bonus issues and maintaining good shareholder relations.

10. BOARD COMMITTEES

The Board may from time to time establish standing and ad hoc Committees to assist it in carrying out its responsibilities. For each Committee the Board shall adopt a Charter setting out its role, composition, powers, responsibility, structure, resources and any other relevant matters. The appointment of a Chairperson and of the members of any Board Committee shall be made by the Board.

Proceedings of Committees shall be reported to the Board to allow other directors to be informed and seek clarifications from the Committee members, if so desired.

Committees must have timely access to the resource and information necessary for them to fulfill their duties. This will include secretarial and administrative support, as well as resources such as legal advisers and outside specialists, as necessary. Management and staff should be advised that they must cooperate with the Committees and supply all information as required in a timely fashion.

The Board shall make funds available to the Committees to enable them to seek independent legal, accounting or other advice, as necessary.

11. OTHER PROVISIONS

11.1 Professional advice

The Board has an agreed procedure whereby directors are able to seek independent professional advice, should the need arise. The professional services procured will be at the Company's expense and prior approval of the Chairperson is required.

11.2 Conflict of interests

- Transactions between the Company and its directors or shareholder are sources of conflicts of interest.
- The personal interests of a director, or persons closely associated with the director must not take precedence over those of the Company and its shareholder.
- A director should make a best effort to avoid conflicts of interest or situations where others might reasonable perceive there to be a conflict of interest.
- A director shall forthwith after becoming aware of the fact that he/she is interested in a transaction or proposed transaction with the Company, disclose same to the Board and cause same to be entered in the Interests Register.
- The Board has developed a corporate code of ethics that addresses issues that relate, inter alia, to conflicts of interest, particularly relating to directors and management.

11.3 Access to information

The Board shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.

11.4 Reporting

All matters likely to have an impact on the affairs or reputation of the Company shall be reported by the Chairperson of the Board to the Board of MCB Group Limited.