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# BOARD CHARTER

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LA PRUDENCE LEASING FINANCE CO. LTD



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### CHAIRPERSON'S MESSAGE

As the steward of our long-term value creation, our Board of Directors (the "Board") has been a key driver of our commitment to sustainability.

This Charter relates primarily on the effectiveness, responsibilities and accountability of our Board; furthermore, it has the ultimate purpose of facilitating effective, entrepreneurial and prudent management that can deliver the long-term success of our organisation.

In a time of change, we aim at establishing a framework of company processes and attitudes that add value to the business, help build its reputation and ensure its long-term continuity and success.

Our Board must take a leading role in championing sustainability across our entire business enterprise. More than executives and other employees, we are responsible for ensuring long-term shareholder success and value to depositors.

We are called upon to promote sustainability priorities in corporate strategy, risk management and performance in order to meet our fiduciary responsibility towards our depositors.

We need to think deeply about the way in which we carry out our role and the behaviours that we display, not just about the structures and processes that we put in place.

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Chairperson

### INTRODUCTION

La Prudence Leasing Finance Co. Ltd (hereinafter referred to as the “Company”) is a private Company licensed to carry out the activities of Leasing and Non-Bank Deposit Taking.

Due to its dual activities, the Company is licensed by both the Financial Services Commission (Leasing Activities) and the Bank of Mauritius (Non-Bank Deposit Taking).

This Board Charter (the “Charter”) sets out the roles, responsibilities, structure and processes of the Board within the realm of the Laws, Regulations, Codes, Rules and Guidelines applicable in Mauritius including the Companies Act 2001 and National Code of Corporate Governance under the aegis of the Financial Reporting Act 2004, Guidelines, Circulars and any such recommendation issued by the Financial Services Commission and the Bank of Mauritius (the “Regulators”) and also its Memorandum and Articles of Association. In the event of any contradiction between the Memorandum and Articles of Association and any of the Laws, Regulations, Codes and Guidelines issued by the Regulators, the latter shall prevail and the Memorandum and Articles of Association be amended accordingly.

The Legislations, Regulations, Codes and Guidelines are deemed to form part in this Charter and the Board Members undertake to amend and update this Charter as and when required.

## 1. THE ROLES OF THE BOARD

The role of our Board is to oversee executive management and the proper functioning of the organisation.



The Board's roles are to:

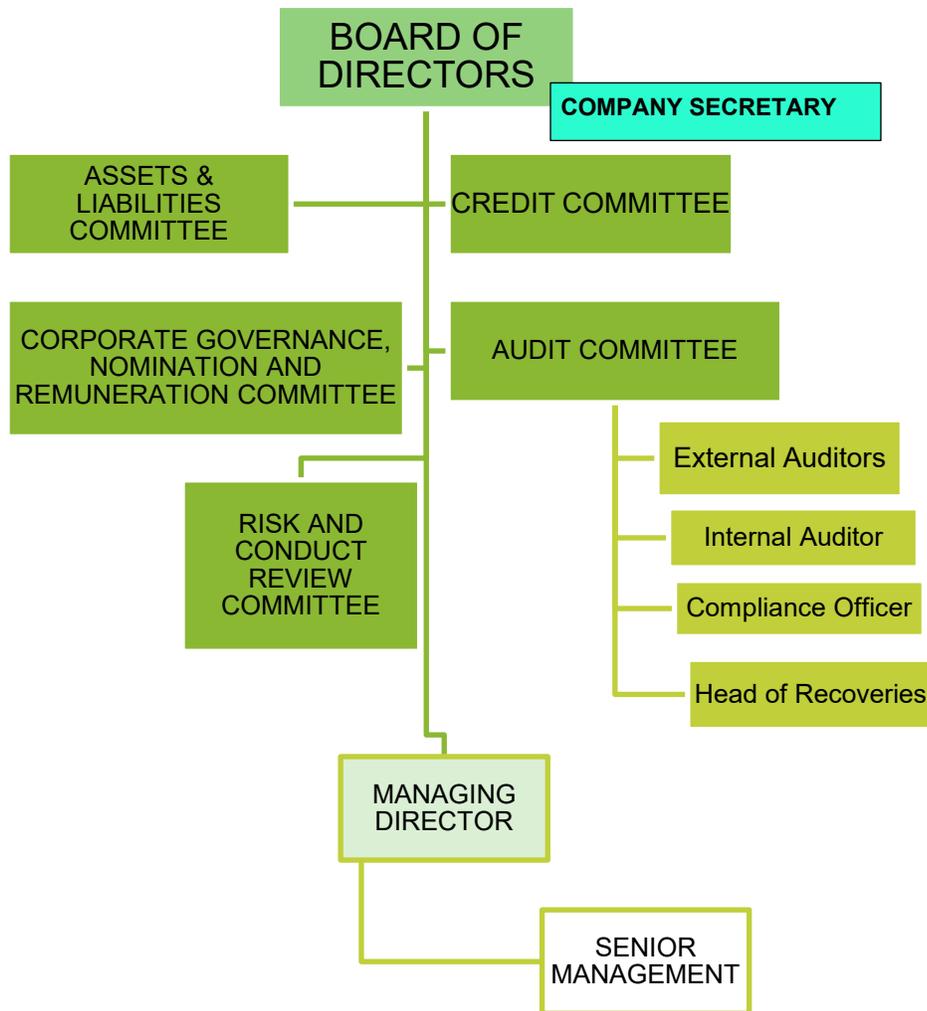
- provide direction for management by well-thought and regular revised open discussion on Strategy and Risk Management;
- through its **Code of Ethics (Annex A)**, demonstrate ethical leadership, by: -
  - displaying and promoting throughout the company, behaviour consistent with the culture and values it has defined for the organisation;
  - Creating through its Board & Senior Executive Appraisal System, a performance culture that drives value creation without exposing the company to excessive risk of value destruction;
  - making well-informed and high-quality decisions based on a clear line of sight into the business;

- creating the right framework for helping directors meet their statutory duties under the relevant statutory and regulatory regimes;
- be accountable, particularly to those that provide the company's capital, depositors and creditors; and
- to think carefully about its governance arrangements and evaluate their effectiveness.
- Adopt internal Anti Money Laundering and Combating the Financing of Terrorism and Proliferation ("AML/CFT") policies and procedures and allocate responsibilities to ensure that AML/CFT policies and procedures that meet AML/CFT legal obligations are introduced and maintained. The Board should also be fully committed to an effective Compliance programme by establishing appropriate procedures and ensuring their effectiveness. The Board should also set a clear risk appetite as regards to AML/CFT and ensure a compliance culture where financial crime is not acceptable.

## 2. THE STRUCTURE OF THE BOARD

The size and composition of our Board should reflect the scale and complexity of the company's activities.

The Directors must have the necessary qualities, competencies and experience that will allow them to perform the duties and carry out the responsibilities required of the position in the most effective manner (Guideline on Fit and Proper Person Criteria).



2.1. Board Composition

2.1.1. Appointment

The Board should be composed of at least 5 members and should not exceed 15 members as per the constitution approved by the Bank of Mauritius on 20 April 2018.

Pursuant to Section 18 of the Banking Act 2004 and relevant changes in the Company’s shareholding structure the Board should have a balance of independent, non-executive and executive directors out of which, at least 50 per cent must be independent directors.

Therefore, the Board should comprise a minimum of 3 Independent Directors but not less than 8 when the maximum number of 15 Directors is attained.

The statutory appointment, resignation, removal and disqualification procedures are provided for in line with the Companies Act 2001; however, this appointment is subject to the approval of the Regulators.

No person shall be appointed or reappointed as a Director unless the appointment has been approved by the Regulators in line with the Fit & Proper criteria as expressed by Section 46 of the Banking Act 2004 and Section 20 of the Financial Services Act 2007.

The Board shall appoint a Director upon recommendation of its Nomination Committee, in line with the latter's Terms of Reference.

The Board shall ensure that the **Directors' Letter of Appointment (Annex B)** reflects their commitment and responsibilities towards the Company.

### *2.1.2. Term*

A director may serve for a maximum term of six years. This limitation shall not apply to an executive director.

The outgoing director may, with the prior approval of the Bank of Mauritius, be reappointed as director on the Board after having observed a cooling period of two years; subject to the approval of the Bank of Mauritius pursuant to the criteria set out in Section 46 of the Banking Act 2004.

### *2.1.3. Board Protagonists*

#### I. Chairperson

The Chairman must be an independent Non-Executive Director.

The Chairman cannot have been the Managing Director at any time during the previous three years.

The Chairperson should devote sufficient time to the Company to enable the Board to diligently discharge its duties and responsibilities.

The Chairperson shall abide by the Chairperson Position Statement.

The main roles of the 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 himself, the directors and management, especially the MD, Chief Operating Officer and Head of Finance and Risk 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 Company and ensure that information is clearly communicated to them through appropriate disclosure.

## II. Non-Executive Directors (“NEDs”)

NEDs are not part of the executive team nor fall within the criteria of an Independent Director.

A NED typically does not engage in the day-to-day management of the Company, but is involved in policy making and planning exercises.

In addition, non-executive directors' responsibilities include the monitoring of the executive directors and acting in the interest of the company stakeholders.

### III. Executive Director

An Executive Director means a member of the Board who is in full time employment of the Company.

The Board shall appoint at least 1 Executive Director to whom some functions will be delegated, with option of having an additional executive director depending on the situation. The Executive Directors will have the responsibility for managing the day-to-day business and operations of the Company.

The Board shall ensure that the commitment and responsibilities of the Executive Directors and their accountability to the Board are clearly stated and that monitoring by the Board is duly effected.

### IV. Independent Director

The Independent Directors shall not be/ have been:

- previously employed by the Company or the group of which it currently forms part of, in any executive capacity for the preceding 3 financial years.
- previously employed by any other financial institution regulated by the Bank of Mauritius in an executive capacity for the preceding 3 financial years.
- a related party to an individual who is or has been in any of the past 3 financial years employed by the Company or the group in an executive capacity.

- an adviser to the Company or the group other than as a member of the Board.
- in relationship or interest in the Company or group which could or could reasonably be perceived to materially affect the exercise of his judgement in the interest of the Company;
- a director of an immediate and/or ultimate holding company
- a director of a company which holds 10 per cent or more of the shares of the Company;
- a director of a company in which the Company holds 20 per cent or more of its shares shall not be considered as an independent director of the Company.
- a former employee receiving a pension or any other benefits from the Company.

### V. Company Secretary

The company secretary must have access to Board members (executive, non-executive, Managing Director and chairperson).

The secretary is responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

The Company Secretary is responsible for the co-ordination of all Board business including agendas, convocations, Board papers, minutes and all statutory filings.

### 3. BOARD COMMITTEES

The Code of Corporate Governance requires Board to set up Board Sub-Committees to handle specific areas of Board responsibilities.

Board Sub-Committees enable the workload of the Board to be shared and effectively carried out by physically delegating responsibility to appropriately qualified Directors and other Committee members to undertake a detailed review of critical functions within the Company.

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

- Audit Committee (***Refer to Terms of Reference – Annex C***)
- Risk and Conduct Review Committee (***Refer to Terms of Reference – Annex D***)
- Corporate Governance, Nomination and Remuneration Committee (***Refer to Terms of Reference – Annex E***)
- Assets and Liabilities Committee (***Refer to Terms of Reference – Annex F***)
- Credit Committee (***Refer to Terms of Reference – Annex G***) The Board Sub-Committees shall require clear Terms of Reference stating:
  - role and responsibilities;
  - mode and periodicity of Reporting to the Board;
  - composition;
  - structure and membership requirements advisable; and
  - frequency of meetings

In determining the composition of a Committee, the Board must consider matters such as the Director's:

- qualifications;
- technical skills, expertise and general experience;
- industry knowledge;
- ability for constructive questioning;
- interest in the work of the Committee.

#### **4. ORGANISATION OF THE BOARD**

##### *4.1. Board Meetings & Attendance*

Board Members are expected to:

- use their best endeavours to attend Board meetings and to prepare thoroughly;
- to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board table.

The Board will meet at least once every quarter and will hold additional meetings as the occasion requires.

The meeting will be presided by the Chairperson or in his absence, by a director designated by the Board.

The quorum shall be as provided by Article 107 – 109 of the Memorandum and Articles of Association. In essence, the quorum should comprise at least 50 percent of the total number of Directors that constitute the Board at the time of the meeting. The Company Secretary shall have the responsibility of guiding the Board on this requirement.

The minutes of proceedings of each meeting shall be approved at the following meeting as evidence that the resolutions have been adopted.

### *4.2. Board Information*

The chairperson is responsible for ensuring that the directors receive accurate, timely and clear information.

Board Packs containing matters on the Agenda must be sent to the Directors at least 7 days prior Board Meetings.

The Board responsibilities should, through its Company Secretary, ensure that information submitted by Management are circulated within the Board and its committees.

Management has an obligation to provide accurate, timely and clear information, but directors should seek clarification or amplification where necessary.

### *4.3. Remuneration*

The board will determine the level of remuneration paid to members within any limitations imposed by shareholders. 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.

Executive members will receive no fees but will be paid as employees of the company in accordance with their contracts of employment with the company.

**4.4. *Induction of new members***

On their first appointment, Independent and NEDs shall have the benefit of an induction program aimed at deepening their understanding of the company and the business and the environment and markets in which the company operates.

As part of the program, members will receive the essential Board and company information and will meet key management.

Members are expected to keep themselves abreast of changes and trends in the business and in the company's environment and markets and to keep abreast of changes and trends in the economic and legal climate generally.

**4.5. *Board and Board Sub-Committees' evaluations***

The Board and sub-Committees will critically evaluate every two years, their own performance, and their own processes and procedures to ensure that they are effectively fulfilling their role, including through self-evaluation and anonymous evaluation by all members of the Board, with the assistance of the Company Secretary.

The Chairperson position will be further discussed with the rest of the Board.

Evaluation of the Board by an external and independent facilitator shall be considered by the Board at least once every two years.

If an external facilitator is employed, the identity of the evaluator should be disclosed in the annual report.

***4.6. Directors Professional Development***

The chairperson should regularly review and agree with each director on his or her training and development needs.

Legislations and regulatory requirement change; the chairperson should, at the least, ensure that the directors continually update knowledge in respect of:

- Role and responsibilities of Directors;
- Corporate Governance

The Company Secretary shall assist the Chairperson in developing and updating the directors' knowledge and capabilities.

***4.7. Succession Planning***

The Board should satisfy itself that suitable plans are in place for the orderly succession of appointments to the Board and to senior management positions in order to maintain an appropriate balance of knowledge, skills and experience within the organisation and on the Board and to ensure progressive refreshing of the Board.

The Corporate Governance Committee shall in its Terms of Reference ensure that the following are addressed:

- Identify critical positions - Critical positions are the focus of succession planning efforts
- Identify competencies
- Identify succession management strategies
- Document and implement succession plans
- Evaluate Effectiveness.

**4.8. Conflicts of Interest**

Conflicts of interests may be broadly classified into the following categories:

- Direct financial interest – whereby the director directly derives financial benefit from a transaction of a company, or whereby the director has an interest (i.e. director, shareholder, officer, trustee, etc.) in another entity from whose transaction he shall or may derive a financial benefit.
- Indirect financial interest – whereby the director is the parent, child or spouse of another person that shall or may derive a material financial benefit from a transaction of the company.
- Non-financial or personal interests – whereby directors receive no financial benefits, but gain some personal advantages such as a consideration in kind.

Directors are required to avoid actual, potential or perceived conflicts of interest.

Each director to ensure that any interest be recorded in the Interest Register.

Full and timely disclosure of any conflict, or potential conflict, must be made to the Board and to the Company Secretary.

Any disclosure of interest shall be made at the earliest opportunity, being either before a meeting of the Board convened to discuss the matter or during the Board meeting but mandatorily before a decision is made.

The director concerned may be present at that part of the meeting in which the conflict or potential conflict is discussed but shall not participate in the discussions and/or decision-making process on the transaction in relation to which conflict arises; and

The transaction may however be concluded and approved but at the normal market terms and conditions.