

**National Bank of Malawi plc Board of
Directors Charter and Guidelines for
Operation**

May 2020

Board of Directors Charter

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Charter for Board of Directors

National Bank of Malawi (“the Bank”) Articles of Association govern the regulation of meetings and the proceedings of the Board of Directors. This Charter has been developed to:

- summarise and augment the relevant elements of the Articles;
- provide a clear statement of the roles, responsibilities, processes and operations of the Board for the benefit of both the Board and management; and
- ensure the practices of the Board are consistent with and reflect the Board’s commitment to best practice in corporate governance.

1. Responsibilities of the Board

1.1 General Responsibilities

1.1.1 The powers and duties of Directors are set out in the Articles and at law.

1.1.2 The Directors must act in the best interests of the Bank and are to use their best efforts to ensure the Bank is properly managed and constantly improved. The principal role of the Board is to:

- oversee, approve and monitor strategy;
- oversee the implementation of the Business Plan including the Annual Budget;
- appoint Chief Executive Officer (CEO) and evaluate his or her performance;
- appoint members of Executive Management
- provide guardianship of corporate values;
- monitor the integrity of financial reporting;
- oversee risk management and legal compliance; and
- oversee stakeholder communications.

1.2 Specific Responsibilities

To discharge its responsibilities and to facilitate its ongoing oversight of the Bank, the role of the Board includes, but is not limited to the following matters:

1.2.1 Strategic

- **Strategic planning:** Approving the strategic planning process and timetable, contributing to the Bank's strategy and objectives, approving the Bank's strategy, associated performance indicators and targets and approving any subsequent material variations.
- **Business planning:** Approving the business planning process and timetable, adopting the business plan including operating budgets, capital budgets, performance indicators and approving any subsequent variations.
- **Change management:** Overseeing the Bank's capacity to identify and respond to changes in its economic and operating environments.
- **Major projects:** Approving and monitoring major projects including corporate restructures/re-organisations, major capital expenditure, capital management, acquisitions and divestitures and any significant initiatives or opportunities that arise outside planning and budgeting process.
- **Stakeholder liaison:** Appropriately involving itself in liaison and communication with key stakeholders.
- **Performance monitoring:** Overseeing the conduct and performance of the company and subsidiaries to ensure they are being properly and appropriately managed. To discharge this duty the Board will give specific and regular attention to:
 - monitoring performance against the strategic and business plans;
 - monitoring performance against peer and competitor companies; and
 - enquiring into and following up areas of poor performance and their cause.

1.2.2 Governance and Board Matters

- **Delegations of authority:** Reviewing, approving and, where appropriate, revising the delegations of authority from the Board to the CEO and significant delegations from the CEO to Divisional Heads and Senior Management. The Board notes that these delegations must be clearly defined and be sufficient to empower the CEO and the executive team to run the Bank.
- **Committees:** Overseeing the work of the Board Committees including determining the need for specific Committees, reviewing the need for those Committees on an ongoing basis, receiving reports from, reviewing the work of, and considering the recommendations made by each Committee.

- **Self - assessment:** Developing and implementing a formal process for the Board to assess its performance. This policy will include an external assessment every three years.
- **Referred matters:** Attending to matters appropriately referred to it by the Chair, management, the CEO or Committees of the Board.
- **Governance matters:** Attending to corporate governance matters including the identification and nomination of new Directors to fill Board vacancies and to any other matters identified as reserved to the Board.
- **Information needs:** Dictating its information needs to management including the form, timing, content and style of Board papers and ensuring these are fully addressed on an on - going basis.
- **Succession planning:** Ensuring that appropriate plans are in place for the succession of Executive Management and Board members.

1.2.3 Risk Management, Compliance and Internal Controls

- **Risk management:** Defining the Bank`s risk appetite, approving and overseeing the operation of the Bank`s corporate risk management framework, assessing its effectiveness, understanding and reviewing the major/significant risks facing the Bank and monitoring their management.
- **Internal controls:** Overseeing, reviewing and monitoring the operation, adequacy and effectiveness of the Bank`s reporting systems and the overall framework of internal controls established by the CEO including operational, accounting and financial reporting controls.
- **Operational compliance:** Approving, reviewing and monitoring compliance with key corporate policies.
- **Legal compliance:** Overseeing, reviewing and monitoring the operation of the Bank`s programs, policies and procedures to ensure compliance with relevant legislation is actively promoted within the Bank
- **Reputation:** Being aware of and, where appropriate, reviewing any litigation, actions, transactions and issues, papers and reports to external/third parties which impact on the Bank and may attract adverse public, government, regulatory or other interest.
- **Encourage the reporting of unlawful or unethical behaviour:** Maintaining a firm stance in relation to encouraging the reporting of unlawful or unethical behaviour and ensuring that employees and management are assured of protection where violations are reported.

1.2.4 Financial

- **Financial oversight:** Overseeing all aspects of the Bank`s financial position including giving specific attention to the quantum, nature and terms of Bank`s debt facilities and its ability to meet its debts and other obligations as they fall due.
- **Financial reporting:** Approving the annual audited financial statements, the half year financial statements, press releases and the theme and text of the Bank`s annual report.
- **Audit:** Selecting the Bank`s external auditors for approval by the members, ratifying the appointment of the internal auditor and approving their respective scopes of work.
- **Related party transactions:** Reviewing and monitoring all related party transactions.

1.2.5 Personnel

- **CEO:** The appointment, regular performance assessment, remuneration, succession planning and, the dismissal of the CEO.
- **Executive and Divisional Heads Appointment:** Approving and ratifying the appointment of any member of Executive Management and Senior Management at divisional head level.
- **Executive Performance and Development:** Ensuring an appropriate process is in place to recruit, review the performance of, remunerate, train and develop executives and to provide for management succession.
- **Executive Compensation:** Reviewing and approving the compensation, equity and incentive schemes in place for the CEO, and all staff to ensure they are appropriate and competitive in both structure and quantum.
- **Standards of Behaviour:** Reviewing, approving and monitoring Compliance with the Bank Code of Best Practice for Corporate Governance in Malawi and the Reserve Bank of Malawi Corporate Governance Guidelines.

The Board may choose to delegate some of these responsibilities to a committee or committees. This will be specifically reflected in the Charter of the relevant delegated committee(s).

2. Relationship Between the Board and Management

Subject to the formal delegations of authority, the Board delegates responsibility for the day to day operation and management of the Bank to the CEO who is accountable to the Board and is to fulfil this responsibility through the provision of reports, briefings and presentations on a regular basis throughout the year.

Heads of Divisions shall attend Board and Board Committee meetings by invitation.

The Board will adopt appropriate structures and procedures to ensure it retains its independence and functions independently of management. This may include Non-Executive Directors meeting in the absence of management on a periodic, scheduled basis.

Non-Executive Directors may communicate with members of the senior management team at any time. However, unless the matter relates to operation of Board Committees or duties of the Company Secretary, in the ordinary course of business communications between the Non-Executive Directors and the senior management should be through the office of the CEO.

3. The Chairperson

3.1 Appointment

The member with majority or most shareholding is empowered to appoint a Chairperson and to determine the period for which he or she holds office. In the absence of the Chairperson, the Directors present must elect a Director present to chair the meeting in accordance with the Bank's Articles of Association.

3.2 The Role of the Chairperson

The role of the Chairperson is to ensure that the Board is functioning effectively.
The Chairperson will:

- Chair Board meetings;
- Establish the agenda for, and frequency of, Board meetings (together with the CEO where appropriate);
- Chair meetings of members, including the Annual General Meeting;
- Ensure the Board's decisions have been implemented;
- Be the link between the Board and the CEO;
- Review matters of concern to the Bank together with the CEO;
- Develop a Performance Agreement with the CEO and review his or her performance against this Agreement.
- Provide guidance and mentoring to the CEO; and
- Provide a proposal to the Appointment, Remuneration and Governance Committee on the remuneration of the CEO.

There must be clear division of roles between the Chairperson and the CEO.

4. Composition

4.1 Size & Composition

The Board composition shall from time to time be governed by the provisions of the Articles of Association which currently provides a maximum of thirteen Directors. The Board shall see to it that there is an appropriate mix of independence, skills and gender among the directors.

4.2 Nomination

The Board has defined, and will keep under ongoing review, its skill requirements. The Board will seek to augment its skills as required. Potential Directors will be nominated for appointment to the Board on the basis of their identified skills, knowledge and experience to meet the needs of the Board at the time their appointment is proposed. This information will be communicated to members to assist them in their decision whether to confirm the appointment of the nominee.

4.3 Independence

A Director will be considered independent if he has no material relationship with the Bank that may interfere with the exercise of his independence from management and the Bank.

Examples of such relationships include:

- Being employed by the Bank within the last three years or being a Director after ceasing to hold any such employment;
- Being, within the last three years, a principal of a material professional adviser or a material consultant to the Bank or an employee materially associated with the service provided;
- Being a material supplier or customer of the Bank, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Serving on the Board for a period of ten years which may, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Bank; and
- Having any interests, business or other relationship which could, or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Bank Centre.

Family ties and cross-Directorships may be relevant in considering interests and relationships which may compromise independence, and should be disclosed by Directors to the Board.

The Board will consider and conclude on the independence of its Non-Executive Directors each year. The results of this review (i.e. the independence of individual Directors) will be disclosed in the Bank's annual report.

4.4 Induction

All new Directors appointed to the Board shall undertake a formal induction program coordinated by the Company Secretary.

5. Performance

5.1 Remuneration

The Board will consider for adoption a remuneration policy established by the Appointments and Remuneration Committee designed to enhance corporate and individual performance. The level of remuneration will be designed to attract and maintain talented and motivated Directors and employees.

The maximum amount of annual fees to be paid to Non – Executive Directors shall be approved by the Company at Annual General Meeting and any changes shall be required to be approved by ordinary resolution of the members.

5.2 Continuing Professional Education

Directors are expected to undertake any necessary continuing professional education to enable them to discharge their duties. Management will brief the Board on changes in the legislative, regulatory or industry framework which impact the Bank but this is not a substitute for the Directors' own efforts.

5.3 Performance Assessment

The Board recognises that regular reviews of its effectiveness and performance are key to the improvement of the governance of the Bank. The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis against both measurable and qualitative indicators. An independent review of Board performance will be facilitated every three years.

5.4 Stakeholder Liaison

The Bank encourages effective communication with Stakeholders and has strategies in place to effect this. The Bank stakeholders include members, employees, Government, regulators the media and the community. All Board members undertake to attend all Board and members' meetings.

5.5 Other

Each Director is:

- Bound by the Bank Code of Conduct for Conflict of Interest, Code of Secrecy and its policies and procedures; and
- Required to comply with terms and conditions of any arrangements specifically involving them, for example Director's indemnity insurance.

6 Board Committees

The Board may from time to time establish appropriate Committees to assist it in the discharge of its responsibilities and may delegate some of its decision making authority to those Committees.

The Board has established the following Committees:

- Audit Committee
- Risk Committee;
- Appointment Remuneration and Governance Committee;
- Credit Committee; and
- Related Parties Committee
- IT Projects Oversight Committee

Each formally constituted Committee shall have a written Charter, approved by the Board. Formal reports and minutes of each Committee meeting shall be prepared and circulated to each of the Directors within the time frame set out in the relevant Committee's Charter, together with a clear list of recommendations and/or other matters and issues for the consideration of the full Board at the next Directors' meeting. Where a Committee meeting is necessarily held a short time in advance of a Board meeting, for example where the Audit Committee completes its review of the financial statements only shortly in advance of the Board meeting to approve those accounts, the Board will accept a verbal report from the Chairperson of the Committee. However, this must be followed by formal written minutes within the prescribed timeframe.

Membership of Board Committees will be based on the needs of the Bank, relevant legislative and regulatory guidelines, skills and experience of the individual Directors. Membership of all Committees is restricted to the Non-Executive Directors. The specific requirements of each Committee are set out in its Charter.

The Board has sole responsibility for the appointment of Directors to Committees and expects that, over time, the Directors will rotate on and off various Committees taking into account the needs of the Committees and the experience of the individual Directors. The role, function,

performance and membership of each Committee will be reviewed on an annual basis as part of the Board's self-assessment process.

7 Meetings

Board meetings are held on a regular basis, as determined annually in advance by the Board. The agenda for each meeting is dictated by the needs of the Bank and the matters set out in the annual agenda for attention at a particular meeting.

Additional Board meetings may be convened by a Director, or the Company Secretary at the request of any Director at any time by giving all Directors seven days' notice in writing. A meeting may, with the consent of all Directors, be convened with less notice. Notice of all board meetings and board packs may be given electronically.

The Board and Board Committees may hold valid meetings using different forms of technology (for example: teleconferencing or via Skype) that gives all members of the Board or the relevant Board Committee a reasonable opportunity to participate in the meeting. However, the personal attendance of Board members at meetings is preferred.

7.1 Declaration of Interests

Directors are required to take all reasonable steps to avoid an actual, potential or perceived conflict of interest with the Bank. Directors must comply with the requirements of the Companies Act and the Code of Conduct with respect to disclosures of actual, potential or perceived conflicts of interest.

7.2 Quorum

Subject to the Bank's Articles of Association a meeting of the Board will have formed a quorum if five members are present. Presence shall include holding meetings as prescribed in paragraph 6 above.

A quorum must be present at the commencement of a meeting.

8 Advice to Directors

The Board or any Director may obtain external, specialist and independent advice on any issue relating to Bank business or may co-opt a specialist to sit and provide advice at a board meeting at the expense of the Bank. However, such a co-opted member shall have no right to vote.

9 Publication of the Board Charter

The Charter will be available to each Director, internal and external auditors and stakeholders.

A copy of this Charter shall be made available on the Bank's website.

10 Review of the Board Charter

The Board shall review this Charter and the Charters of its Committees at least once every 3 years or as necessary to ensure that the Charter remains consistent with the Board's objectives, current law and regulation and best practice.

11 Inconsistency with Constitution

To the extent that there is any inconsistency between this Charter and the Bank`s Articles of Association, the Articles shall prevail.

1 The Reserve Bank of Malawi Corporate Governance Guidelines and the Malawi Code of Best Practice

