



# BOARD CHARTER

<b>Aopted by:</b>	<b>GIB Board of Directors</b>
<b>Date of Adoption:</b>	<b>15<sup>th</sup> JANUARY 2019</b>

## **GALAXY INTERNATIONAL BANK BOARD CHARTER**

### **A. INTRODUCTION**

This Board charter is a policy document that clearly defines the respective roles, responsibilities and authorities of the Board of Directors (The Board) both individually and collectively. and management in setting the direction, the management and the control of the Galaxy International Bank.

The Charter is being established to facilitate the full and free exercise of these qualities and to ensure the effectiveness of each of the Director's contribution, consistent with the standards of independent judgment, ethics and integrity they are expected to observe.

**In this regard therefore, this Charter observes in totality:-**

#### **1. Purpose of the Charter**

This charter aims at highlighting the rules and procedures governing the Board towards steering the Bank to greater heights. It also serves as a tool in defining the roles and powers of the Board and the management of the company. It acts as an induction tool to the new directors and provides the existing directors with expectations, duties, obligation and powers vested on them.

#### **2. Fiduciary Duties of Directors and Members of Senior Management**

Every director and member of senior management of a bank in exercising any of the functions of his office must:

- i. Act honestly and in good faith with a view to the best interests of the bank and its stakeholders, especially its depositors;
- ii. Exercise such care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances; and
- iii. Exercise duty of loyalty and avoid conflicts of interest between the bank's interests and his own personal or business interests.

## **B. THE BOARD OF DIRECTORS**

The Board of Directors represents all shareholders and acts in the interests of the Company as a whole. At the Annual General Meeting, Galaxy International Bank Shareholders elect Directors on the basis of their personal qualities, professional competence and the contribution they can make to the Bank's general administration.

In accordance with the principles of corporate governance, each Director is expected to exercise his/ her functions in good faith, with the care a prudent person would take in performing such mission, and in the best manner for performing Galaxy International Bank's interests.

Each Director is individually and collectively responsible for the company achieving the highest level of business conduct and, therefore, he/ she is expected to act in a professional manner, thereby upholding the core values of integrity and enterprise.

### **1. Size of the Board**

The Board shall be constituted of (7) seven members however the number may vary subject to the amendment of the Articles of Association.

### **2. General Provision**

The Board shall use its best efforts to ensure that:

- i. Its members can act critically and independently of one another.
- ii. Each Board member has sufficient expertise to perform his role as a Board member.
- iii. The Board shall comprise of independent directors who have expertise in finance, banking, audit or risk management.
- iv. Majority of the Board Members shall be independent directors.
- v. Candidates for the Board shall be selected in accordance with the qualifications recommended by the Finance, investment and governance Committee and approved by the Board taking into consideration the overall composition and diversity of the Board and areas of expertise the new Board members might be able to offer.
- vi. The Chairman of the Board shall not participate in the committees.
- vii. All Directors shall conform with the provisions of the CBS Fit & proper regulations.
- viii. All Directors must own shares in the company in their individual names.

### **3. Board Committees**

The Board shall delegate some of its functions to committees namely:

- i. Audit, Risk and Credit.
- ii. Finance, Investment and Governance.

#### **4. Powers of the Board**

Directors have powers to transact all business of the company by way of resolution, provided the business is within the law and Shariah principles, objects of the Memorandum and Articles of Association and not reserved to the Shareholders.

#### **5. Approvals to be issued by the Board**

The approval of the Board is required for:

- i. All material transactions between the company and a natural or legal persons who hold at least 10% of the shares in the company;
- ii. A resolution on the operational and financial aims of the company, the strategy designed to achieve the aims and any parameters to be used in relation to the strategy;
- iii. All material transactions in which there are conflicts of interest with a Board member;
- iv. The appointment and removal of the company secretary;
- v. The remuneration policy for senior management in general and the Chief Executive Officer in particular;
- vi. The annual capital investment budget, all acquisitions and disposals whose sales exceeds \$100,000/=;
- vii. All financial statements before publications; and
- viii. All other acts that require approval by law, company Articles of Association or this charter.

#### **6. Duties and Responsibilities of the Board**

The Board is responsible for the following:

- i. Appointment of the CEO and other senior management officers that report directly to the CEO.
- ii. Overall direction of the business of the Bank, including projections on the capital requirements, revenue streams, expenses and the profitability.
- iii. Absolute compliance with the Shariah, Banking Act, Companies Act, Taxation Laws and the regulations framed thereunder, and other statutory requirements applicable to it.
- iv. Set out its responsibilities in committing to the specific corporate governance principles, policies and procedures and ensuring that they are applied in sound and prudent manner and approve and oversee the implementation of the Bank's business objectives and strategies.
- v. Develop a formal, documented process for nomination, selection, and removal of the Board members.
- vi. Set and oversee the overall strategy and approve fundamental policies as required by the Banking Act, Regulations of the Central Bank of Somalia or any other law.
- vii. Approve an organization structure.
- viii. Monitor performance of the company.

- ix. Establish standards of business conduct and ethical behavior for Directors, senior management and other personnel.
- x. Ensure fair treatment of the shareholders, depositors and employees.
- xi. Determine the conditions under which credits may be granted by bank employees, and which credits require approval of the board;
- xii. Establish policies and procedures for dealing with conflicts of interest, and ensure that they are adhered to;
- xiii. Ensure the establishment, functionality, appropriateness and adequacy of internal controls and risk management for the bank;
- xiv. Ensure the integrity of the bank's financial reporting, including financial reporting to the Central Bank;
- xv. Ensure that appropriate internal audit function is established;
- xvi. Ensure that the bank has an annual external audit, which includes the auditor's opinion of the truth and accuracy of the bank's financial statements; and
- xvii. Decide on other matters placed in the competence of the board by the bank's articles of association.

## **7. Roles and Responsibilities of the Chairman**

The Chairman shall:

- i. Chair Board meetings.
- ii. Provide overall leadership to the Board.
- iii. Work with shareholders and ensure that the membership of the Board is properly balanced in terms of skills, experience, expertise, gender, age and corporate experience.
- iv. Ensure that there is a formal succession plan for the Board.
- v. Play a key role in setting the agenda for Board Meetings.
- vi. Ensure that new Directors are properly inducted and that there are adequate training programs for directors to keep them abreast of Banking industry developments and good corporate governance practice.
- vii. Lead the Board evaluation process.
- viii. Encourage a culture of teamwork and transparency and teamwork among Board members.
- ix. Be available for consultations with the CEO and Board members.
- x. Ensure that not only is each item on the agenda dealt with comprehensively, but also that all members are heard on the subject which may mean actively inviting members to contribute rather than passively waiting for them to do so.
- xi. Ensure that members act and deliberate as Directors of the whole company rather than as managers of their particular function.
- xii. Bring the meeting back to the business in hand should it stray from such consideration.
- xiii. Close down members' arguments where these threaten to detract from proper consideration of the subject matter and are not progressing the discussion.
- xiv. Chair meetings of shareholders.
- xv. Maintain close but independent working relationship with the CEO.
- xvi. Act as informal link between Board, management and shareholders.

## **8. Role and Responsibilities of the Chief Executive Officer**

The CEO shall;

- i. Ensure that the policies spelt out by the Board in the Bank's overall corporate strategy of the institution shall be implemented.
- ii. Identify and recommend to the Board competent officers to manage the operation of the institution;
- iii. Co-ordinate the operation of the various departments within the institution;
- iv. Establish and maintain efficient and adequate internal control systems;
- v. Design and manage the necessary management information system in order to facilitate efficient and effective communication within the institution;
- vi. In concert with the Chairman, to determine the date, time and location of the annual meeting of shareholders and to develop the agenda for the meeting;
- vii. Lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy;
- viii. Ensure that expenditures of the Company are within the authorized annual budget of the Company;
- ix. Ensure that the Company maintains high standards of corporate citizenship and social responsibility wherever it does business;
- x. Ensure that the Board is frequently apprised of the operation of the institution through presentation of relevant monthly reports, which must cover, but not limited to the following areas;
  - a) Balance sheet and income statement of the company showing a comparative position between the month of reporting and the previous years' same month as well as comparison with the previous months' performance.
  - b) an assessment of capital adequacy of the bank;
  - c) an assessment of the adequacy of the bank's liquidity position, including an analysis of the bank's liquidity position in each foreign currency;
  - d) an assessment of the bank's market risks, including interest rate risk position, foreign exchange risk position and price risk related to holdings of financial instruments, particularly those held in trading accounts;
  - e) an assessment of the bank's asset quality, including placements with other institutions, loans, investments, receivables, past due assets, non-accrual assets, all

other assets that have been repossessed through debts previously contracted, and any other problem asset.

- f) An assessment of the adequacy of the bank's reserve for loan losses.
- g) an assessment of the bank's concentrations of credit;
- h) an assessment of all transactions with any insider or connected juristic persons of the bank;
- i) an assessment of the business relationships with each of the bank's connected juristic persons, any natural or legal person having a sufficient interest in the bank, and any company that is controlled by a natural or legal person that has a sufficient interest in the bank;
- j) an assessment of compliance with applicable laws and regulations and circulars of the CBS; and
- k) An assessment or discussion of any development likely to impact the reputation, safety, or profitability of the bank.

## **9. Role and Responsibilities of the Company Secretary**

The company secretary undertakes the following duties:

- i. Organize and prepare agendas for and take minutes of Board meetings and Annual General Meetings (AGMs);
- ii. Ensure timely circulation of Board and committee minutes;
- iii. Maintaining statutory books, including registers of members, directors and secretaries;
- iv. Develop and Maintain the register of conflict of interest;
- v. Conduct a governance audit;
- vi. Ensure relevant returns are promptly filed with the respective authority;
- vii. Ensure that Board and Committee papers are circulated in advance;
- viii. contribute in meeting discussions as and when required, and advise the Board of the legal, governance and tax implications of proposed policies;
- ix. monitoring changes in relevant legislation and the regulatory environment and taking appropriate action;
- x. liaising with external regulators and advisers, such as lawyers and auditors;
- xi. Developing and overseeing the systems that ensure the company complies with all applicable codes, in addition to its legal and statutory requirements.
- xii. Act as a point of communication between the Board, Shareholders and Management.

#### **10. Term of Office**

Each Independent director shall serve a term of three (3) years and may be reappointed for a second term of three (3) years.

No Independent director shall serve for more than two (2) terms.

#### **11. Resignation and Retirement**

A director may resign before the expiry of his/her term of service through a written communication to the Chairman.

Board members shall retire periodically according to the rotation plan (to be drawn by the Board) to avoid all members retiring at the same time. The rotation plan may be amended from time to time. Directors nominated by shareholders shall retire upon withdrawal of such nomination by the shareholder.

#### **12. Rotation**

As shall be agreed by the Shareholders in a general meeting, the non-executive directors nominated by Shareholders may retire to give room to other shareholders to nominate Directors as well. Directors shall retire on rotation basis.

#### **13. Directors Induction and Development**

The Chairman shall through the finance investment and governance committee ensure that all incoming Directors are taken through the company policies. The Board shall undergo constant and regular trainings to update with the new developments in the Banking industry.

- i. Director Development will comprise induction and enhancement of skills derived from regular evaluations.
- ii. Induction of newly appointed directors will be organized by the Chairman and will include:
  - a) Receipt of a copy of this Charter;
  - b) Meeting with all key players in the company;
  - c) Review of all relevant documents including annual reports, Board minutes for the previous year and AGM minutes of the previous 3 years
  - d) Attend corporate governance training.



#### **14. Performance Evaluation of the Board**

The Board of Directors shall conduct an annual self-evaluation exercise to determine the effectiveness of the Board. The finance, investment and governance committee shall receive comments from all Directors and report annually to the Board with an assessment of the Board's performance.

#### **16. Board Members Remuneration**

Non-employee directors shall be entitled to reasonable compensation for their service as such. Board members remuneration shall be set by the Shareholders in an Annual General Meeting. Board members may propose the terms of remuneration to the shareholders for approval. The remuneration may be reviewed from time to time.

#### **17. Director Liability/Protection**

- i. Directors are personally liable for any omission or commission of offences as stipulated in the laws.
- ii. The above notwithstanding, the company shall take out a Directors liability insurance cover or provide any other form of indemnity in the event of determination of liability against a Director.

## **18. Board Committees and Terms of Reference**

### **(A) Audit Risk and Credit Committee of the Board**

#### **a) Purpose**

Assist the Board in discharging its duties regarding the safeguarding of assets, the operation of adequate systems, control processes, and the preparation of accurate financial statements and reporting in compliance with all applicable legal requirements and accounting standards.

#### **b) Membership**

- i. Members shall be appointed from the Board.
- ii. The committee shall consist of not less than 3 members.
- iii. Quorum shall be 2 members.
- iv. The chairman of the committee shall be an independent Director banking experience or a person with a strong financial analysis background.
- v. The internal audit manager shall be the Secretary of the committee.
- vi. Departmental heads may be invited to respond to specific issues concerning their functions.
- vii. At least once a year the committee shall meet with the external auditors without the executives.

### **c) Frequency of Meetings**

Meetings shall be held at least once quarterly or as necessary.

### **d) The Duties of the Audit Risk and Credit Committee include;**

#### **1. Audit Tasks**

- i. Review the annual financial statements of the bank before the statements are approved by the board of directors;
- ii. Review such other financial reports of the bank as the committee deems necessary;
- iii. Review and evaluate the bank's internal controls and make recommendations to the full board of directors regarding their approval;
- iv. Oversee the implementation and maintenance of the bank's internal controls by the bank's senior management and internal audit function;
- v. Periodically review the effectiveness of the bank's internal control procedures with the head of the bank's internal audit function and management;
- vi. Periodically evaluate the effectiveness of the bank's internal controls, report its findings to the board of directors, and recommend any changes it deems necessary;
- vii. Review such investments and transactions that could adversely affect the well-being of the bank as the external auditor or any member of the board of directors or senior management may bring to the attention of the committee;
- viii. Recommend to the board of directors or general meeting of the shareholders an audit firm to conduct the bank's external audit; and
- ix. Meet with the bank's external auditors to discuss the annual audit of the bank's financial statements and any transactions referred to in subsection (g).
- x. To review the external auditor's management letter and management response.
- xi. To review the internal audit program, ensure coordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced.
- xii. Through appropriate inquiry and review, to assure itself and the Board that management is managing the Company's financial resources prudently and effectively.
- xiii. To ensure robust systems are in place for the prevention and detection of fraud
- xiv. To ensure compliance with the annual budget.
- xv. To ensure there are appropriate and effective policies and measures in place to uphold ethical practices.

#### **2. Risk Management Tasks**

- i. Review and evaluate proposed policies, strategies, and limits and procedures for risk management, and make recommendations to the board of directors regarding their approval;
- ii. Ensure that bank's risk management policies, strategies and limits are appropriate for the bank's business strategy as approved by the board of directors;
- iii. Assist the board of directors to ensure that the bank's risk management programme is conducted in accordance with the policies, strategies and limits approved by the board of directors and with relevant laws and regulations and circulars of the CBS;

- iv. Monitor the implementation of these policies, strategies and limits through receipt of reports from senior management and/or the bank's risk management function;
- v. Submit reports to the full board of directors on the effectiveness of the bank's risk management process;
- vi. Review the bank's risk management policies, strategies and limits at least once per year, and recommend to the board of directors any changes that the committee deems necessary; and
- vii. Perform other tasks assigned to it by the board of directors relative to the bank's risk management programme.

### **3. Credit Tasks**

- i. Review the bank's credit policies, strategies and limits regarding its credit activities, and advise the board of directors or the risk management committee prior to their review and approval by the full board;
- ii. Ensure that bank's credit policies, strategies and limits are appropriate for the bank's business strategy as approved by the board of directors;
- iii. Review the bank's credit policies, strategies and limits at least once per year, and recommend to the board of directors or the risk management committee any changes that the committee deems necessary;
- iv. Submit reports to the full board of directors or the risk management committee on the effectiveness of the bank's credit risk management process;
- v. Ensure, through the receipt of reports from the executive credit committee or other members of the bank's senior management, that the bank's credit activities are conducted in accordance with the policies, strategies and limits approved by the board of directors, and with relevant laws and regulations, circulars and policies of the CBS;
- vi. Through the receipt of reports from the executive credit committee or other members of the bank's senior management, monitor the quality of the bank's loan portfolio to ensure that problem credits are identified, adverse trends are recognised, appropriate corrective actions are taken, and appropriate classifications and provisions for loan losses are maintained;
- vii. Consider credit applications that exceed the authority of executive credit committee but are within the authority of the directors' credit committee, review the recommendations of the executive credit committee concerning those applications, and, if appropriate in accordance with policies and limits approved by the board of directors, approve those applications;
- viii. Make recommendations to the board of directors concerning credit applications that exceed the authority of the board of directors' credit committee and are subject to approval by the full board of directors, if provided for by the terms of reference of the board of directors' credit committee; and
- ix. Perform other tasks assigned to it by the board of directors relative to management of risk associated with the bank's credit activities.

## **(B) Finance, Investment & Governance Committee**

### **a) Purpose**

Assist the Board in fulfilling its overall responsibilities with respect to the budget, financial, investment and strategic planning affairs of the company.

### **b) Membership**

- i. Members shall be appointed from the Board of Directors.
- ii. The Committee shall consist of not less than 3 members.
- iii. The CEO shall be an ex officio member of the Committee.
- iv. Quorum shall be 2 members.
- v. The Chairman of the Committee shall be appointed by the Board.

### **c) Attendance at Meetings**

The Manager Finance department shall always attend meetings. The Company Secretary shall be the Secretary of the Committee.

### **d) Frequency of Meetings**

Meeting shall be held not less than four times a year.

### **e) Duties**

The duties of the Committee shall be:

#### **1. Finance Tasks**

- i. To receive and consider the financial analysis of all proposed major capital developments.
- ii. To receive and consider any expenditure or write off with a value of more than SSP ..... million.
- iii. To review options for raising capital.
- iv. To review and give guidelines to management on the investment of company funds.
- v. To review the company's trading and marketing activities.
- vi. To review and make recommendations to the Board regarding the company's dividend policy.
- vii. To place the asset liability management information before the Board at periodic intervals,
- viii. To report to the Board, its findings and recommendations in all matters listed above, and to undertake any other functions and projects as requested by the Board.

#### **2. Strategic Planning Tasks:**

- i. Ensure the Board of Directors is regularly informed about the Company's key strategic plans.
- ii. Review the resources available to management that are required to implement the strategy.
- iii. To oversee annual strategic review events.
- iv. Monitor and evaluate the status of strategic plan.

### **3. Governance Functions**

- i. To assist in filling vacancies in the Board by nominating, reviewing and recommending candidates for appointment as directors.
- ii. To review quarterly the performance of the business and propose policies to the Board that will help in increasing the business.
- iii. To periodically review the Board Charter and other company policies.
- iv. To determine the performance measures to be deployed in assessing the performance of the business.
- v. To review and concur with the CEO the hiring and compensation of senior officers reporting to the CEO directly.
- vi. At the request of the Board, undertake such other corporate governance initiatives as may be necessary.

### **4. Human Resource and Remuneration Function**

- i. To review human resource development, organizational structure, compensation principles and practices.
- ii. To review salary structures, bonus, benefits and other remuneration of management and staff.
- iii. To recommend to the Board any changes in Board remuneration.
- iv. To oversee the company's plan for management succession and development

### **5. Ethics Functions**

- i. To develop and implement a code of conduct and whistle blower policy.

### **6. Decision making within the Board**

#### **a) Preference for unanimity**

Board members shall try to unanimously adopt resolutions. However, members are encouraged to voice dissenting opinions and record them in minutes when unanimity cannot be attained.

#### **b) Individual vote**

Each Board member has a right to cast one vote. Except the principal officer who is an ex-officio member of the Board.

#### **c) Majority vote; quorum**

Where unanimity cannot be attained and the law, the company Articles of association or this charter do not prescribe a larger majority of the votes cast, all resolutions of the Board shall be adopted by a simple majority of the votes cast.

**i. Resolutions**

Resolutions of the Board shall be adopted at a Board meeting. Board resolutions may also be adopted in writing provided the proposal concerned is submitted to all Board members and none of them objects to this form of adoption. Adoption of resolutions in writing shall be effected by signing the written resolution. A Director may abstain from voting on a particular written resolution but he shall give a statement that reflects the fact that s/he does not object to this form of adoption.

**ii. Minutes**

Minutes must be taken for every Board meeting. The minutes should be signed by every member of the Board and the Secretary as well. Each member is entitled to receive a copy of the draft minutes within 5 days from the date of the meeting.

**a. Confidentiality**

**i. Duty of confidentiality**

Unless required by the law, no Board member shall during his membership on the Board or afterwards, disclose any information of confidential nature regarding the business of the company that came to his or her knowledge in the capacity of his/her work for the company and which she knows or should know to be of a confidential nature.

**ii. Return of confidential information**

At the end of the term of each Board member, s/he shall return all confidential documents in his/her possession to the company or guarantee their disposal in a manner that ensures confidentiality is preserved.

**5. Reporting on compliance with corporate governance**

The Board will include a corporate governance compliance statement in the financial annual report.