

Board of Directors Charter Assessment Tool for Financial Institutions¹

	Acceptable	Better	Desirable	Best Practice
I. Purpose	<ol style="list-style-type: none"> 1. Establishing the specific responsibilities of the Board and how it will operate within the applicable legal and regulatory framework. 2. Establishing the Board's responsibility for hiring and firing the chief executive officer of the Bank (CEO).² 3. Elaborating duties of care, loyalty and confidentiality.³ 4. Establishing the Board's responsibility for reviewing and approving the Bank's strategic plan and risk management framework. 	<ol style="list-style-type: none"> 1. Same.⁴ 2. Same. 3. Same. 4. Same. 5. Establishing responsibility and obligations of individual Board members. 6. Distinguishing responsibilities and privileges reserved to the Board, and those delegated to executive management, usually in the person of the CEO. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Same, <i>and establishing the rights of individual Board members.</i> 6. Same. 7. Monitoring the performance of the Bank and the management against the targets set by the Bank's strategic plan. 8. Establishing the Board's responsibility for succession planning for executive officers. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Same. 7. Same. 8. Same. 9. Providing high-level advice and assistance to the management, as requested by the CEO, for the execution of the Bank's strategy. 10. Establishing the Bank as a recognized leader in corporate governance for financial institutions.
II. Induction and Appointment Letter	<ol style="list-style-type: none"> 1. Written appointment letter. 2. Appointment letter specifies term. 3. Appointment letter specifies all Boards (e.g. subsidiary companies) included in main appointment. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Orientation program for all new Board members. 5. New Board members receive appointment package, including Charter or Articles of Association, governing laws, recent financials, recent annual reports, regulatory filings, etc. 	<ol style="list-style-type: none"> 1. Same. 2. Same, <i>and any particular duties or responsibilities to be fulfilled.</i> 3. Same. 4. Same, <i>and orientation program includes briefings on: rules and regulations governing the Bank (including relevant jurisdiction's corporate law), anti-money laundering and anti-terrorism financing regulations, capital adequacy regulations, and corporate finance and capital structure of the Bank, as well as detailed information regarding the operations, strategic plan, current business objectives, etc. of the Bank.</i> 5. Same. 6. New Board members receive general fiduciary and corporate governance training. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Same. 7. New Board members informed they are expected to remain current on banking regulation issues and instructed how to do so.

¹ A number of the issues addressed in this Board of Directors Charter Assessment Tool may be included in the company or banking law of various jurisdictions, and/or in the corporate Charter or Articles of Association.

² This function of the Board may be set in the company law and also in the bank's Charter/Articles of Association.

³ Duties of care, loyalty, confidentiality are statutory, but should be elaborated in the Board Charter.

⁴ "Same" indicates that the recommendation of the identical number in the column immediately to the left is carried over into the column. Should the recommendation be only partially identical, any differences are *italicized*.

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III. Law and Ethics	<ol style="list-style-type: none"> Generally referencing to expected ethical behavior of Board members. Board responsible for overseeing compliance with applicable laws and regulations. 	<ol style="list-style-type: none"> Including specific Board of Director Ethics Policy, or references that Bank's Ethics Policy covers Board members and extends these requirements to CEO and rest of senior management if they are not Board members. Same. Board members receiving no other material benefits from the Bank other than those explicitly approved by Board as appropriate remuneration for Board and/or Committee service. 	<ol style="list-style-type: none"> Same. Same. Same. Integrating ethical standards into overall ethical framework for all employees. The Board, at the request of the Chair or a third of its members, having the right to initiate an independent investigation into specific allegations of misconduct by executives or Board members. 	<ol style="list-style-type: none"> Same. Same. Same. Same. Same, and such investigation may also be commenced by a majority vote of the non-executive Board members.
IV. Structure and Composition	<ol style="list-style-type: none"> Establishing the Board system – unitary or dual (where not imposed by law). Establishing minimum and maximum number of Board members. Establishing terms of Board members, and whether classified⁵ Board, where such boards are permitted by law. 	<ol style="list-style-type: none"> Same. Same. Same. Establishing whether any shareholders are given specific nomination rights if not in law or Articles of Association.⁶ Establishing ratios of executive, non-executive⁷ and independent Board members.⁸ Includes definition of independence. 	<ol style="list-style-type: none"> Same. Same. All Board members elected annually. Same. Majority independent Board members. 	<ol style="list-style-type: none"> Same. Corporate by-laws specify the exact number of Board members Same. No constituency Board members. Same, and a stricter definition of independence than the local practice, based on world-class standards.
V. Individual Committee Membership Qualifications	<ol style="list-style-type: none"> Time and desire to fulfill obligations. Meeting regulatory and licensing requirements (e.g., "fit and proper" standards), if any. 	<ol style="list-style-type: none"> Same. Same. Combined banking, financial, legal and other relevant expertise on the Board. 	<ol style="list-style-type: none"> Same. Same. Same, and periodic professional education/training for all Board members. 	<ol style="list-style-type: none"> Same. Same. Same. Less than 75% attendance at meetings in one year automatic threshold for non-reappointment. Limit on number of other Board memberships.
VI. Board Leadership	<ol style="list-style-type: none"> Establishing Board leadership positions (e.g. Chair, Vice Chair) Chair elected from amongst Board members. 	<ol style="list-style-type: none"> Same. Specifying that there is a difference between leading the Board and executive leadership of the Bank. Includes an authority 	<ol style="list-style-type: none"> Same. Establishing that the Board Chair and the CEO shall be two different individuals. Chair will have no executive functions. 	<ol style="list-style-type: none"> Same. Same, and independent Board member as Chair. The Chair of the Board may not be the Chairman of any of the Board Committees of the Bank.

⁵ "Classified Board" refers to a structure for a Board of Directors with only a portion of Board members coming up for election each year.

⁶ IFC often is represented by a "constituency" director (i.e., IFC has the right to nominate one or more directors typically through a shareholder agreement) on various emerging market financial institutions, as may be the case of other large or controlling shareholders. However, "constituency" directors should always act as if they represent **all** shareholders, not merely the constituency that nominated them.

⁷ In jurisdictions with the so called dual (two-tiered) Board systems, the non-executive directors refer to members of the Supervisory Board.

⁸ Preferably requires a majority of non-executive Board members, and, in all cases, enough non-executive Board members to allow the Board to fulfill the functions reserved for such Board members.

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		framework and delegations to enable this distinction. ⁹		
VII. Responsibilities of Chair	<ol style="list-style-type: none"> 1. Presiding over Board meetings. 2. Setting agendas, though any Board member may request an agenda item. 3. Presiding over Shareholder Meetings. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Ensuring that appropriate orientation for new Board members is organized. 5. Ensuring the effective functioning of the Board, including scheduling meetings, ensuring adequate notice prior to meetings, and timely distribution of appropriate materials in advance of any meeting. 6. Facilitating separate meetings of non-executive Board members and establishing the process for such meetings.¹⁰ 	<ol style="list-style-type: none"> 1. Same. 2. Same, and preparing the Board's annual meetings calendar. 3. Same. 4. Same. 5. Same. 6. Same. 7. Encouraging appropriate level of deliberation of all issues. 8. Seeking input from individual Board members. 9. Being informed by CEO of all important developments. 10. Being available to CEO for consultation on an as needed basis. 11. Ensuring an effective, regular process of evaluation of the Board and Board Committees.¹¹ 12. Supervising the work of Board committees and liaising regularly with their chairs without interfering in their responsibilities. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Same. 7. Same. 8. Same. 9. Same.¹² 10. Same. 11. Same, and ensuring an effective, regular process of evaluation of individual Board members. 12. Same. 13. Being available to shareholders where and when appropriate (e.g. AGM, between Board meetings), though such representation does not vitiate the principle of collective responsibility.
VIII. Responsibilities of Individual Board Members	<ol style="list-style-type: none"> 1. Knowing the Bank's legal status, fundamental business, business environment and strategy. 2. Staying informed in a timely fashion. 3. Participating in Board and Committee work, and devoting adequate time to fulfill this responsibility. 4. Abstaining from using/releasing confidential information. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Abstaining from compromising independence (if independent Board member) and disclosing to the Board if independence criteria is not met anymore. 6. Alerting the Board Chair if Board members have a conflict of interest and abstaining when considering any agenda item which might represent a conflict of interest.¹³ 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Same. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Same.

9 In the event that the Board still chooses to have a combined Chair and CEO, the Board should select a lead director from amongst the independent Board members with defined responsibilities.

10 In the case of a combined CEO/Chair, this should be done by the lead independent director.

11 For more information on Board and individual Board member evaluation, see Corporate Governance and Nominations Committee Charter Assessment Tool of the IFC's Advanced Methodology for Financial Institutions.

12 It is generally desirable to have individual Board member peer reviews or evaluations. However, such reviews are controversial and can be uneven in result. Nevertheless, we regard individual Board member peer reviews or evaluations as best practice.

13 They should not vote or participate in the discussion of that item, nor should they count towards the quorum for that item.

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IX. Rights of Individual Board Members	<ol style="list-style-type: none"> 1. Receiving timely agendas and information, so as to prepare for Board and Committee meetings. 2. Accessing information about the Bank in a timely fashion. 3. Disagreeing, in writing, with any Board action or decision, and recording the dissenting vote. 4. Placing items onto the agenda. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Reasonably accessing senior management as needed, on a mutually convenient basis. 6. Accessing in-house advice on all duties. 7. Receiving transparent and adequate remuneration. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Same, and accessing independent outside advice. 7. Same. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Same. 7. Same. 8. Same.
X. Remuneration	<ol style="list-style-type: none"> 1. Establishing general framework of remuneration of non-executive Board members. 2. All non-executive Board members receiving the same Board fee.¹⁴ 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Prohibiting payments to Board members other than those related to their directorship (i.e., prohibits finders' fees, consultancies, etc.). 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Setting the criteria on which the remuneration is based (e.g., comparables, performance of the Bank, timing) and basis for approval (i.e., if shareholder vote is required). 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Prohibiting any "change in control" provisions benefiting any Board member without prior shareholder approval. 6. Prohibiting non-executive Board members from participating in any Bank-sponsored pension or other retirement plan (though non-executive Board members may participate in plans deferring their Board remuneration).
XI. Committees¹⁵	<ol style="list-style-type: none"> 1. Providing the possibility for the Board to establish various committees, standing and <i>ad hoc</i>, to support the Board's work. 2. Providing the possibility to remit any Board function to a Committee.¹⁶ 	<ol style="list-style-type: none"> 1. Same, and setting the operating and reporting framework for various specific committees (e.g., Audit and Compliance, Corporate Governance/Nominations, and Compensation). 2. Same. 3. Ensuring existence of at least an Audit Committee with proper roles and independence. 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. In addition to an Audit Committee, ensuring existence of a Risk Policy Committee (FIs) with proper roles and independence. 5. Annually reviewing adequacy, efficiency and effectiveness of committee structure, including number and nature of committees, their membership and terms of reference (committee charters) (may be based on a review by the Corporate 	<ol style="list-style-type: none"> 1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Same, and establishing a budget to finance expert opinions and outside legal counsel for committees.

¹⁴ The Board fee does not include any additional fees for Board meeting attendance (sitting fees) and fulfilling additional responsibilities as a Board or Committee Chair.

¹⁵ Committees may also be established in company Charter or Articles of Association, or by Board resolution. Delegated duties and responsibilities of committees, as referenced in the Audit and Compliance, Corporate Governance and Nominations, Compensation, and Risk Policy Committees Assessment Tools, are ultimately duties of the full Board of Directors.

¹⁶ Such remit does not alleviate the Board as a whole from its duties and responsibilities.

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			Governance/Nominations Committee where such a Committee exists). 6. Requiring full reporting by committees to the Board, absent explicit Board authorization otherwise, or in the case of an investigation which requires confidentiality. 7. Setting the framework by which both inside and outside experts and outside legal counsel may be accessed by committees.	
XII. Ongoing Training		Providing the right of individual Board members to attend relevant education and training sessions at the Bank's expense.	1. Same. 2. Requiring ongoing training for all Board Members, both with respect to the Bank's own needs and requirements, and with respect to external standards of competence. ¹⁷ 3. Regulatory and corporate governance developments in banking and financial institutions are an agenda item at (and preferably the primary focus of) a minimum of one mandatory meeting a year.	1. Same. 2. Same. 3. Same. 4. Individual director training considered in individual Board member evaluations. 5. Providing customized training for Board members.
XIII. Functions and Authorities¹⁸	1. Reviewing and amending, if necessary, strategic direction of the Bank. 2. Reviewing the effectiveness of executive management. 3. Reviewing the overall performance of the Bank. 4. Approving the Bank's annual budget(s). 5. Reviewing the Bank's business plan. 6. Approving annual audited and interim financial statements, where required before submitting for shareholder approval. 7. Approving delegations of authority (e.g., to approve	1. Same, <i>at least annually</i> . 2. Same. 3. Same, <i>and reviews relative performance against peer group</i> . 4. Same. 5. Same. 6. Same, <i>and even where not legally required</i> . 7. Same. 8. Reviewing and approving material related party transactions. ¹⁹ 9. Reviewing goals, metrics and benchmarks for strategic plan, including setting of Risk Appetite for the Bank. 10. Approving significant capital expenditures, material changes in capital structure of the Bank,	1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Same. 7. Same. 8. Same. 9. Same. 10. Same. 11. Same. 12. Same. 13. Defining succession planning for both CEO and Chair of Board. 14. Reviewing corporate compliance policies and procedures, and discussing Audit and Compliance	1. Same. 2. Same. 3. Same. 4. Same. 5. Same. 6. Same. 7. Same. 8. Same. 9. Same. 10. Same. 11. Same. 12. Same. 13. Same. 14. Same. 15. Same. 16. Same. 17. Same. 18. Same.

17 Such training shall amount to at least one day per year.

18 Functions and authorities of the Board specified here are in addition to what is usually required by law or regulation.

19 There should be detailed policies or procedures and required information to determine the materiality of transactions. The Corporate Governance and Nominations or the Audit and Compliance Committee may play a role in this.

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	<p>transactions below a certain threshold) in a detailed chart based on levels of materiality, and providing for written delegations of authority below threshold limits.</p> <p>8. Overseeing implementation of the Company’s risk management infrastructure and control systems.</p> <p>9. Ensuring management (e.g., CEO and CRO) develops and operates a comprehensive risk management program.</p>	<p>material acquisitions and dispositions.</p> <p>11. Recognizing that identifying, understanding, pricing and managing risk are core competencies of any financial institution and thus ensuring a sound risk management framework is in place.²⁰</p> <p>12. Evaluating the CEO and other senior executives at least annually.</p> <p>13. Ensuring that the risk management department operates independent of any line business function.</p>	<p>Committee’s review of internal control system, at least annually.</p> <p>15. Reviewing state of the Bank’s relationships with various stakeholders and shareholders.</p> <p>16. Reviewing state of the Bank’s relationships with relevant regulators.</p> <p>17. Reviewing the recommendations and reports from the Risk Management Committee – e.g., regarding risk monitoring, assumptions, tests, measurements, and rating methodologies, including items to be reported to regulators (e.g. Value at Risk, Economic Capital, internal measures, Risk Adjusted Return on Capital, credit ratings, etc.).</p> <p>18. Monitoring the Bank’s preparations and implementation of Basel II with respect to risk management and measurement issues.</p>	<p>19. Setting the framework for communication with key stakeholders and shareholders, allocating responsibilities to itself, the CEO, CFO, etc.</p> <p>20. Overseeing the periodic review of effectiveness of the Company’s risk management systems in light of changes in legal requirements and business environment (via Risk Management Committee).</p> <p>21. Keeping abreast of developments of international standards and best practices in risk governance and management.</p>
XIV. Board Governance, Procedures and Meetings	<p>1. Referencing the Bank’s Articles of Association, Charter or other governing document.</p> <p>2. Holding at least quarterly meetings with additional meetings at the discretion of the Chair.</p> <p>3. All Board members receiving advance notice of all Board meetings, with agendas and information packages in advance (e.g., 2 days).²¹</p> <p>4. Establishing quorum of at least 50% of Board members.</p> <p>5. Keeping minutes.²²</p> <p>6. All Board members expected to attend all Board meetings. If a member cannot attend,</p>	<p>1. Same.</p> <p>2. Same, and 1/3 of Board members may request a meeting, which should generally be granted.</p> <p>3. Same, with minimum of 1 week notice.</p> <p>4. Same.</p> <p>5. Same.</p> <p>6. Same.</p> <p>7. Holding meetings at a time and place convenient to Board members or a place selected for corporate purposes.</p> <p>8. Holding meetings in person or by electronic means, where permitted by law.</p> <p>9. Setting minimal standards for periodicity of Board consideration of</p>	<p>1. Same.</p> <p>2. Same, but at least bi-monthly meetings. The External Auditor, Chief of Internal Audit, Chief Compliance Officer may request a meeting.</p> <p>3. Same, with minimum 2 weeks notice. Information packages should be received no less than 1 week in advance of meeting.</p> <p>4. Same.</p> <p>5. Same. Once approved, minutes, together with the Board information package and any other submissions, shall be available to any Board member upon reasonable notice.²³</p> <p>6. Same.</p> <p>7. Same.</p> <p>8. Same.</p>	<p>1. Same.</p> <p>2. Same.</p> <p>3. Same.</p> <p>4. Same.</p> <p>5. Same.</p> <p>6. Same.</p> <p>7. Same.</p> <p>8. Same.</p> <p>9. Same.</p> <p>10. Same.</p> <p>11. Same.</p> <p>12. Same.</p> <p>13. Same.</p> <p>14. Same.</p> <p>15. Conducting a yearly Board retreat to meet key executive personnel and to discuss strategy.</p>

20 Board sets risk philosophy and tolerances. Board receives periodic reports on existing and contemplated risks, including nature and size of the risks, and capital adequacy in relation to those risks. See also the separate Risk Policy Committee Charter Assessment Tool of the IFC’s Advanced Methodology for Financial Institutions for a detailed discussion of board/committee risk responsibilities.

21 Advance notice of agendas and information packages may be waived with unanimous written consent.

22 Minutes will document processes and outcomes, rather than the Board discussion, unless the Chair otherwise directs. Notwithstanding, any individual Board member may request a statement be included in the minutes to explain his/her vote. Minutes of the previous Board meeting shall be included in the information package for the next Board meeting.

23 Board members may retain Board papers on a basis that protects confidentiality.

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	<p>he or she will inform the Chair and/or the Corporate Secretary as soon as possible.</p>	<p>financial and operational performance, and regulatory compliance.</p> <p>10. Establishing an office of the Corporate Secretary or other similar office to co-ordinate Board functions and provide other services as may be required by law, regulation or CG code.</p> <p>11. Non-executive Board members occasionally meet alone, without management present.</p>	<p>9. Same.</p> <p>10. Same.</p> <p>11. Same, <i>but meeting regularly</i>.</p> <p>12. Covering all issues pertaining to the Board’s functions and authority according to a schedule, preferably annual, of meetings set for the whole year.</p> <p>13. Corporate Secretary accountable to Board, in the person of the Chair, for his/her performance. Board involved in hiring and firing of Corporate Secretary.</p> <p>14. Corporate Secretary to keep official records of the Board.</p>	