



### CORPORATE GOVERNANCE POLICY

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**2<sup>nd</sup> revised** : 26/03/2012  
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<u>Responsibility</u>	<u>Name/Position</u>	<u>Signature</u>	<u>Date</u>
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## **Article 1. Introduction**

The OECD defines corporate governance as follows: "Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders."....and..."Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring.

Corporate governance is therefore an agreed upon framework by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of authority or rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders and spells out the rules and procedures for making decisions on corporate affairs.

An effective corporate governance structure ensures that Board and management 1) pursue objectives that are in the best interest of the company as a whole; 2) act in a transparent and accountable manner; 3) ensure consistent and clear policies and procedures; 4) match responsibility and authority throughout the organization.

## **Article 2. Objective and Scope**

The objective of this policy (hereinafter referred to as "Policy") is to provide the governance framework for ACLEDA Bank Plc. (hereinafter referred to as the "Bank") and its subsidiaries to assist the Board of Directors and the Executive Management in the exercise of their duties and responsibilities and to serve the best interests of the Bank and its shareholders.

This Policy is intended to be applied in a manner consistent and in full compliance with applicable laws and regulations. This Policy has established a set of basic principles for the conduct of the Board's business and are not intended as a set of legally binding obligations. The Board may interpret, modify or make exceptions to the Policies from time to time in its sole discretion and consistent with its duties and responsibilities to the Bank and its shareholders.

This Policy governs the Board of Directors, its Board Committees and Senior Management

## **Article 3. Governance Framework**

The Bank and its subsidiaries are governed on the principle of a separation of responsibilities between 1) the Shareholders, 2) a Board of Directors, acting collectively and answerable to the Shareholders and 3) the President & Group Managing Director who has the direct day-to-day responsibility for controlling the business and operational affairs of the Bank. Each subsidiary will adopt a similar governance framework as the Bank, adapted to the specific environment in which it operates.

The structure and reporting lines are depicted in the bank's Organisational Chart<sup>1</sup> which is available for reference to all staff, regulators and professional advisors including the external auditors. It is also communicated to the shareholders and the public at large through the Bank's Annual Reports.

### **Article 3.1 Shareholders**

The Shareholders are the owners of the Bank. However, except for approving certain critical strategic matters as stated required by law or as stated in the Shareholders Agreement, the

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<sup>1</sup> Appendix 'A'

Shareholders have no direct powers to manage it in any way but delegate this responsibility to the Board of Directors through the Articles of Association<sup>2</sup>.

The Shareholders appoint Directors of the Board to act on their behalf and approve the fees of the Directors of the Board and of the members of Board Committees.

### **Article 3.2 Board of Directors**

The Bank and its subsidiaries shall be headed by an effective and competent Board of Directors appointed by the Shareholders and approved by the relevant authorities.

#### **Article 3.2.1 Role and Responsibilities**

The Directors' roles, duties, responsibilities and relationship with the Bank are governed primarily by i) the relevant laws and regulations, ii) the Shareholders' Agreement and, iii) the Articles of Association.

In summary, the Board of Directors are collectively responsible for the overall success of the Bank. The Board shall provide effective leadership, set the Bank's objectives and strategic direction, and ensure compliance, adequate internal controls and sound risk management. The Board of Directors appoints and may remove the President & Group Managing Director. Detailed responsibilities are summarized in a Charter of the Board of Directors<sup>3</sup>.

The powers of the Board of Directors are to be exercised collectively and no individual director shall have any power to give directions to the officers or employees of the Bank, to sign any contracts, or to otherwise direct the operations of the Bank unless specifically empowered to do so by a resolution of the Board of Directors.

Each Director shall have unlimited access to the books and records of the Bank during ordinary business hours.

#### **Article 3.2.2 Qualifications of the Board of Directors**

The Board shall comprise mainly Non-Executive Directors selected from active and mature individuals of proven experience and competence in business and administration, be of sound judgment and unquestioned personal integrity and can demonstrate a full understanding of their roles and responsibilities. They should meet the 'Fit and Proper' tests as defined by the relevant authorities.

The Board's Non-Executive Directors shall include sufficient independent directors to promote objectivity of decision making and protection of the interests of all shareholders. There shall be a minimum of two independent directors.

The Board seeks to achieve the right mix of expertise, skills, experience and perspectives.

In addition, the composition of the Board shall reflect diversity appropriate to the environment within which the Bank operates, in particular regarding diversity of gender, ethnic origin and age.

Members of the Board are required to adhere to the stipulations of the Board of Directors Code of Conduct<sup>4</sup>.

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<sup>2</sup> Appendix 'B'

<sup>3</sup> Appendix 'C'

<sup>4</sup> Appendix 'D'

### **Article 3.2.3 Composition of the Board of Directors**

The composition of the Board of Directors shall be determined by reference to the Articles of Association as amended and approved by the Shareholders and the regulatory authorities.

The Board of Directors shall elect, by majority vote, one of its members to serve as Chairman who shall preside over meetings of the Board of Directors as well as the Annual General Meeting.

### **Article 3.2.4 Appointment and Removal of the Board of Directors**

The ultimate authority for appointing or removing members of the Board shall be vested with the Shareholders acting according to the provisions of the Articles of Association as amended and approved by the Shareholders and the relevant authorities. Each appointment need approval of the relevant authorities.

Such appointments will be approved at Annual or Extraordinary General Meetings according to the Articles.

The terms and conditions of appointment, including remuneration and benefits, shall be determined by the Shareholders from time to time through the Shareholders' Agreement.

Where not subject to a superior service contract a formal Letter of Appointment<sup>5</sup> may be issued.

The ultimate authority for appointing or removing members of the subsidiary company Boards vests with the respective shareholders of each subsidiary company.

### **Article 3.2.5 Meetings of the Board of Directors**

The meetings of the Board of Directors of the Bank and its subsidiaries are governed by their respective Articles of Association.

Observers may be invited by the Chairman of the Board to attend from time to time. Their role is to listen to but not to comment on or ask questions about the subject matter and proceedings of the meetings.

### **Article 3.2.6 Performance Evaluation of the Board of Directors**

From time to time a self-evaluation exercise will be undertaken by the Board for the purpose of improving its collective effectiveness and the performance of the Bank as a whole. It will focus on i) defining the criteria for the 'best' Board for the Bank's present and future needs, and, ii) evaluating how well the board currently meets these standards; identifying areas of strength and weakness and suggesting how to build on those strengths and remedy those weaknesses. An account of the progress and findings shall appear in the Chairman's Report in the Annual Report and Accounts.

### **Article 3.2.7 Board Committees**

The Board of Directors of the Bank and its subsidiaries will establish Board Committees as required by the relevant authorities and may establish any additional Board Committees as it deems

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<sup>5</sup> Appendix 'E'

necessary. The Boards of Directors of subsidiary companies may establish Board Committees as appropriate to their circumstances and as required by the relevant authorities.

Board Committees will assist the Board on specific matters as stipulated in their Terms of Reference as approved by the Board, specifying the composition, roles, duties and responsibilities, and conduct of meetings for each Committee.<sup>6</sup>

The Board Committees themselves will not exercise any of the powers of the Board, except insofar as the Board has formally delegate such powers as expressly stipulated in the Terms of Reference of a Board Committee. The Board may delegate authority to a Board Committees but can never abdicate its responsibility.

The Board will elect Directors of the Board as members of each Board Committee and will appoint one member as a Chair of each Board Committee. Senior Management and other staff can be invited by the members of the Board Committee to attend the meeting as participants.

In the structuring and composition of the Board Committees the Board will adhere to the following principles.

1. At all times the composition of each Board Committee will be in compliance with regulatory requirements.
2. Each Board Committee will be chaired by an Independent Director or a Non-Executive Director
3. Cross hierarchical relationships will be avoided as a principle of good governance.
4. The Board of Directors will ensure that each member of a Board Committee shall have the relevant skills, expertise, experience and qualifications required for the deliberation on the matters within its scope and as defined in the relevant laws and regulations.
5. The Board of Directors will ensure that members of each Board Committee will be able to invest the time and effort necessary for the Board Committee to adequately fulfill its responsibilities.
6. The number of members of a committee should always represent less than 50 percent of the number of votes available in the meeting of the Board of Directors.
7. Adhering to above principles the Board of Directors will aim to select the most suitable Directors that can be available as a member for Board Committees while trying to optimally balance the workload of the Board Committees among all its Directors.

Board Committees report primarily to the full Board of Directors. Board Committees shall keep full minutes of all their meetings which must be circulated to the full Board in a timely manner. The Chairs of Board Committees shall present an account of their activities at each regular Board meeting. Board Committees shall prepare annual reports for the Board of Directors by the first Board meeting of the following year, a summarized version of which shall be published in the Bank's Annual Report and Accounts.

### **Article 3.3 President & Group Managing Director**

The President & Group Managing Director shall fit the profile as required by the Board of Directors and shall meet the regulatory requirements as defined by the relevant authorities

The President & Group Managing Director shall be selected, appointed and removed by the Board

The President & Group Managing Director has full responsibility and authority to manage the day-to-day affairs of the Bank within the framework of the policies, strategic guidelines and formally specified authority limits as approved by the Board of Directors. A detailed job description is set out in the 'President & Group Managing Director's Terms of Reference'<sup>7</sup>

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<sup>6</sup> Appendix F

<sup>7</sup> Appendix 'G'.

The President & Group Managing Director appoints and chairs an Executive Committee comprising such of the senior management as he/she deems appropriate. The Terms of Reference and proceedings of the Executive Committee shall be determined by the President & Group Managing Director at his/her discretion.

The President & Group Managing Director will establish and develop an organizational structure required to optimally manage the Bank.

The remuneration and incentives of the President & Group Managing Director shall be entirely at the discretion and approval of the Board with the review and recommendation by the Board's Remuneration and Nomination Committee.

The President & Group Managing Director is responsible for recommending to the Board of Directors candidates for the position of Managing Director of each subsidiary company, after agreement of the subsidiary Board.

The Managing Director of each subsidiary company is responsible primarily to the Board of Directors of that subsidiary.

#### **Article 4. Disciplinary action**

Any breach of this Policy by any individual can result in disciplinary action in line with the Disciplinary Action Policy.

#### **Article 5. The Appendices**

Any prevailing appendix attach herewith shall automatically become the updated appendix of the policy once it is updated.

#### **Article 6. Effective Date**

This Policy shall become effective on (date) and shall be reviewed by the Board of Directors at least once a year.

#### **Appendices**

- A. The Organizational Chart of ACLEDA Bank Plc.
- B. The Articles of Association of ACLEDA Bank Plc.
- C. The Charter of the Board of Directors of ACLEDA Bank Plc.
- D. The Code of Conduct of the Board of Directors of ACLEDA Bank Plc.
- E. The Sample Letter of Appointment of Directors of ACLEDA Bank Plc.
- F. Terms of Reference Board Committees
- G. The President and Group Managing Director – Terms of Reference