

Annex 6

Model Board Charter¹⁵⁶

A. Introduction

I. Complementary to Law and Articles

These provisions are complementary to the requirements regarding the board and board members contained in <<Country's>> legislation and regulations, the articles of association of the company and the provisions governing the relationship between the management and the board as contained in the charter of the management (which has been adopted by the board).

II. Charter on Website

This charter is posted on the company's website.

B. Chapter I: Composition of the Board; Positions; Committees

I. Board Profile, Size, Expertise and Independence

- a. Board Profile. The board, in consultation with the nomination committee, shall prepare a profile of its size and composition, considering the nature of the business of the company and its subsidiaries and the desired expertise and background of the board members (the “Board Profile”).
- b. Number of Members. After consultation with the nomination committee, the board determines the number of board members. The board shall have a minimum of ____ and a maximum of ____ members.
- c. General Composition. The board shall use its best efforts to ensure that the board composition is such that:
 - i. Its members can act critically and independently of one another;
 - ii. Each board member can assess the broad outline of the company's overall policy;
 - iii. Each board member has sufficient expertise to perform his or her role as a board member within the Board Profile;
 - iv. The board matches the Board Profile;

¹⁵⁶ From IFC Guidelines for Directors on Strengthening Corporate Governance, November 2006.

- v. At least one board member is a financial expert, meaning s/he has expertise in financial administration and accounting for companies similar to the company in size and sophistication; and
 - vi. No less than one-third of the board members are independent as defined in Section B.I.d. below.
- d. Independence. An independent director is a director who:
- i. Is not, and has not been employed by the company or any of its related parties at any time during the past five years;
 - ii. Is not, and has not been affiliated with a company that acts as an advisor or consultant to the company or its related parties, nor is not and has not himself acted in such capacity at any time during the past five years;
 - iii. Is not, and has not been affiliated with any significant customer or supplier of the company or its related parties (i.e. a company that makes payments to, or receives payments from the company for property or services in an amount which, in any single fiscal year, exceeds the greater of [monetary figure] [percentage] of such other company's consolidated gross revenues) at any time during the past five years;
 - iv. Does not currently have, nor has s/he had any personal service contracts with the company, its related parties or its senior management at any time during the past five years;
 - v. Is not affiliated with any non-profit organization that receives significant funding from the company or its related parties;
 - vi. Does not receive, and has not received any additional remuneration from the company apart from a director's remuneration, nor participates in the company's share option or performance-related payment plans,, nor is a participant of the company's pension plan;
 - vii. His/her director's remuneration does not constitute a significant portion of his or her annual income;
 - viii. Is not employed as an executive officer of another company where any of the company's executives serve on that company's board;
 - ix. Is not a member of the immediate family of any individual who is, or has been at any time during the past five years, employed by the company or its related parties as an executive officer;
 - x. Is not, nor has been at any time during the past five years, affiliated with or employed by a present or former auditor of the company or auditor of any related party;
 - xi. Is not a controlling person of the company (or member of a group of individuals and/or entities that collectively exercise effective control over the company) or such person's brother, sister, parent, grandparent, child, cousin, aunt, uncle, nephew or niece, or a spouse, widow, in-law, heir, legatee and successor of any of the foregoing, (or any trust or similar arrangement of which any such persons or a combination thereof are the sole beneficiaries) or the executor, administrator or

personal representative of any person described in this paragraph who is deceased or legally incompetent; and

- xii. Has not served on the board for more than ten years.

II. (Re)Appointment; Terms of Office; Resignation

- a. Election by Shareholders. The general assembly elects members of the board.
- b. Substance of Nominations and Recommendations. A nomination or recommendation to the general shareholders meeting for a candidate for the board shall state (i) the candidate's age, (ii) his or her profession, (iii) the amount and nature of any shares s/he holds in the company, (iv) any convictions for any crimes involving dishonesty, fraud or breach of trust, (v) the positions s/he holds or has held in the past [number] years (including memberships on any board of directors or management boards/executive committees), nominating shareholder [if applicable], and (vi) any other information relevant to assess his or her suitability as a member of the board. The recommendation or nomination for appointment or reappointment shall state the reasons for the nomination or recommendation. Any nomination or recommendation by the board for appointment or reappointment of a board member must be in accordance with Section B of this charter, including the Board Profile.
- c. Reappointment. Before recommending a member of the board for reappointment, the board must carefully consider his or her past performance on the board.
- d. Staggered Retirement. Board members shall retire periodically according to a rotation plan (to be drawn up by the board) to avoid many board members retiring at the same time. The board may amend the rotation plan. The rotation plan is available on written demand to the company.

III. Chairman and Vice-Chairman

- a. Election. The board shall elect a chairman and a vice-chairman from among its members. The vice-chairman replaces, and assumes the powers and duties of, the chairman when the chairman is absent.
- b. Duties. The chairman of the board is primarily responsible for the activities of the board and its committees. S/he shall act as the spokesman for the board and is the principal contact for the chief executive officer (CEO). The CEO and the chairman of the board shall meet regularly. The chairman of the board presides over the general assembly.
- c. Responsibilities. The chairman ensures that:
 - i. Board members, when appointed, participate in an induction program and, as needed, additional education or training programs;
 - ii. The board members receive all information necessary for them to perform their duties;
 - iii. The board has sufficient time for consultation and decision-making;
 - iv. The Committees function properly;

- v. The performance of the board members is evaluated at least once every two years;
 - vi. The board elects a Vice-chairman; and
 - vii. The board has proper contact with the executive committee.
- d. In addition, the chairman is primarily responsible for:
- i. Ensuring the board satisfies its duties;
 - ii. Determining the agenda of board meetings, chairing such meetings and ensuring that minutes are kept of such meetings;
 - iii. Consulting with external advisors appointed by the board;
 - iv. Addressing problems related to the performance of individual board members; and
 - v. Addressing internal disputes and conflicts of interest concerning individual board members and the possible resignation of such members as a result.

VI. Company Secretary

- a. Company Secretary. The company secretary assists the board.
- b. General Access. All board members may go to the company secretary for advice or to use his or her services.
- e. Responsibilities. The company secretary sees to it that the board follows correct procedures and that the board complies with its obligations under law and the company's articles of association. The company secretary shall assist the chairman of the board in organizing the board's activities (including providing information, preparing an agenda, reporting of meetings, evaluations and training programs). The company secretary is the secretary of the board.

V. Committees

- a. Establishment of Committees. The board may appoint committees from among its members to perform specific tasks. The board shall determine the members of any committee. The board shall establish an audit committee, a remuneration committee and a nomination committee. The functions of the last two may be combined into a single committee.
- b. Board Responsibility for Committee Action. The board remains collectively responsible for the decisions and actions taken by any committee. A committee may only perform the tasks delegated to it by the board and may not exceed the authority or powers of the board as a whole. Decisions that, by law, must be taken by the board may not be delegated to a committee.
- c. Committee Reporting. Each committee must promptly inform the board of the actions it has taken and major developments of which it becomes aware. Each board member has unrestricted access to all committee meetings and records. The board shall, as set forth in the charter of the committee concerned, receive a report from the committee describing the committee's actions and findings.

- d. **Committee Charters.** The board shall establish (and may amend) charters for each Committee. The charters shall indicate the role and responsibilities of the Committee, its composition and how it should perform its duties. The charter of a Committee shall require that the Committee has no less than two members (or, if the Committee is composed of three or fewer members, one member) who are independent, as defined in Section B.I.d. of this charter.
- e. **Website Disclosure.** The charters and the composition of the Committees shall be posted on the company's website.

C. Chapter II: Duties and Powers

I. General Duties and Powers

- a. **General Responsibilities.** The board oversees the general business of the company. The entire board is responsible for such supervision and oversight.
- b. **The Board Acts in the Interest of the Company.** The board shall act in the best interests of the company and its business, taking into consideration the interests of the company's shareholders and other stakeholders. Board members shall perform their duties independent of any particular interest in the company. Members should not support one interest without regard to the other interests involved.
- c. **Quality of Performance.** The board is responsible for the quality of its own performance.
- d. **Action in Concert.** As much as they can, within their individual responsibilities as members of the board, members shall act and speak in concert with respect to important affairs and matters of principle.
- e. **Provision on Information.** The chairman and the CEO shall see to it that the management, in a timely manner, provides the board and its committees with the information they need to properly function.
- f. **Responsibility for Securing Information.** The board and its individual members each has responsibility for obtaining all information from the management and the internal and external auditors needed to carry out their duties. If the board thinks it is necessary, it may obtain information from officers and external advisers of the company. The company shall aid the board in obtaining such information. The board may require certain officers and external advisers to attend, but never to vote at its meetings.
- g. **Access to Records.** Each member of the board has access to the books and records of the company, if useful to perform his or her duties. Unless the charter of a committee states otherwise, board members shall consult with the chairman of the board and the company secretary before exercising their rights under this provision.
- h. **Use of Experts.** The board may hire experts to assist or advise them. The cost of such experts shall be agreed to by the board and shall be paid by the company. A board member may rely upon the advice of a relevant expert so long as the member has no reason to question the expert's report or conclusion.

II. Duties Regarding the Supervision of Management

- a. **Nature of Supervision.** In supervising the management, the board shall consider: (i) achievement of the company's objectives; (ii) the strategy and risks in the company's activities; (iii) the structure and operation of the internal risk management, and audit and control systems; (iv) the financial reporting process; (v) compliance with law and regulations; and (vi) any other matters the law requires the board to consider.
- b. **Financial Reporting.** The board supervises the company's financial reporting in accordance with Section C.V. below.
- c. **Annual Risk Review.** At least once a year, the board shall discuss the company's strategy and business risks, the management's assessment of the internal risk management and control systems, and any significant changes to such systems.
- d. **Resolutions Subject to Approval.** The following resolutions are subject to the approval of the board:
 - i. Determining and amending the operational and financial strategic objectives of the company;
 - ii. Determining and amending key performance indicators in support of the strategic objectives (including, for example, any financial ratios);
 - iii. The resolutions listed in Annex 1 of the charter; and
 - iv. Any other matters that the _____ [name of country] laws or regulations or the company's articles of association requires the board to approve.

III. Duties Regarding the Members and the Performance of the Board

- a. **Duties Regarding Board.** The duties of the board (in consultation with the appropriate board committees) in relation to the members of the board include:
 - i. The nomination of members of the board (the appointment is made by the general assembly) and proposals to the general assembly for the compensation of members of the board;
 - ii. The determination of the number of board members, the appointment of a chairman and vice-chairman of the board, the establishment of committees and defining their role, the evaluation of the board, its individual members and its committees (including an evaluation of the of the Board Profile and the induction, education and training program); [the approval of other positions of board members to the extent required under Section E.V. of this charter]; and
 - iii. Addressing any conflicts of interest issues between the company and members of the board.
- b. **Board Self-Assessment** At least once a year, the board shall discuss its own activities and those of its individual members, the effectiveness of such activities, and the composition and competence of the board.

IV. Certain Other Duties of the Board

- a. Duties Generally. The other duties of the board include:
 - i. Duties regarding the external auditor as described in Section C.VI. of this board charter and the charter of the audit committee;
 - ii. Other duties imposed by law, the company's articles of association, this charter and the charter of a committee.
- b. Annual Report and Accounts. The board shall draw up a report describing its activities in the financial year, and containing the statements and information required by law and the company's articles of association.

V. Supervision of Financial Reporting

- a. General Supervision Responsibilities. The board, in consultation with the audit committee, supervises compliance with written procedures for the preparation and publication of the annual report and accounts, the quarterly (if any) and semi-annual financial reports and any other financial information. The board, through the audit committee, also supervises the internal control and audit mechanisms for external financial reporting
- b. Discussion of Financial Reports. The audit committee shall regularly, and in any event as soon as possible, provide the board with reports on the annual report and accounts, and the quarterly (if any) and semi-annual financial reports, which will then be discussed at a meeting of the board. The annual report and accounts for the year just ended shall be discussed in a meeting with the board within four months of the year end. The semi-annual and quarterly (if any) financial reports of the company for the respective period just ended shall be discussed in a meeting with the board within two months of the end of the period.
- c. External Auditor. The board shall ensure that the external auditor attends the meeting of the board at which the report of the external auditor with respect to the audit of the annual accounts is discussed, and at which the board decides whether or not to approve the annual accounts. The external auditor shall receive any financial information underlying the quarterly (if any) and/or semi-annual financial reports, and other interim financial reports, and shall be given the opportunity to respond to all information.
- d. Audit Committee is Principal Contact with External Auditor. The board's principal contact with the external auditor is through the chairman of the audit committee. If any irregularities in the financial reports are discovered, the first discussion regarding such irregularities should be between the audit committee and the external auditor.
- e. Recommendations by External Auditor. The board shall carefully consider and, if accepted, put into effect any recommendations made by the external auditor. This will include recommendations by the external auditor on the company's internal controls, as expressed in the 'management letter'.

VI. Duties Regarding Nomination and Assessment of External Auditor

- a. **Appointment of External Auditor.** The external auditor shall be appointed by the general assembly. The board nominates a candidate for this appointment to the general assembly based on an open, transparent and competitive selection process, and may recommend replacement of the external auditor. The audit committee shall advise the board on such matters.
- b. **Compensation of External Auditor.** The compensation of the external auditor, and instructions to the external auditor to provide non-audit services, shall be closely reviewed and approved by the board on the recommendation of the audit committee, thus ensuring for the auditor's independence.
- c. **Reports to the Board.** The audit committee shall report their dealings with the external auditor to the board on an annual basis, including their assessment of the external auditor's independence (for example, the desirability of rotating the responsible partners of the external auditor and the desirability of the external auditor providing both auditing and non-audit services to the company). The board shall take this into account when deciding its nomination to the general assembly for the appointment of an external auditor.
- d. **Assessment.** At least once every three years, the audit committee shall conduct a thorough assessment of the functioning of the external auditor in the various entities and capacities in which the external auditor acts. The main conclusions of this assessment shall be communicated to the general assembly so it may assess the nomination for the appointment of the external auditor.
- e. **Conflicts of Interest.** Conflicts of interest and potential conflicts of interest between the external auditor and the company shall be resolved in accordance with the policy laid down in Annex 2 or, to the extent not dealt with in this Annex, as determined by the board on the recommendation of the audit committee. Board members must inform the chairman of the audit committee of any matters they know of that may compromise the independence of the external auditor or that may result in a conflict of interest between the external auditor and the company.
- f. **Representation by External Auditor.** When appointed, the external auditor shall state it is aware of (i) the company's policy set out in Section C.VI.e. and Annex 2; and (ii) other matters provided for in this charter and the charter of the audit committee and that s/he agrees to abide by and promote such policies.

VII. Compensation of Management Board Members

- a. **Annual Remuneration Report.** The remuneration committee shall annually prepare a remuneration report setting out the compensation policies and activities of the past year and an overview of the compensation policy and planned activities for the next financial year and subsequent years. The remuneration report will differentiate between executive and non-executive remuneration.

- b. Approval by the General Assembly Meeting. [The remuneration policy planned for the next financial year and subsequent years as specified in the remuneration report shall be submitted to the general assembly for its approval. Every change to the compensation policy shall also be submitted to the general assembly for its approval.] Schemes whereby executive directors and other senior managers are remunerated in the form of shares or rights to subscribe for shares, and major changes to such schemes, shall be submitted to the general assembly for its approval.
- c. Remuneration Committee. The board shall determine the compensation of the executive and non-executive board members on a proposal by the remuneration committee and within the terms of the remuneration policy adopted by the general assembly.
- d. Extraordinary Compensation. If a board member or former board member is paid special compensation during any financial year, an explanation of this compensation shall be included in the remuneration report. The remuneration report shall detail and explain any compensation paid or promised as severance pay to a board member.

VIII. Relations with Shareholders

- a. Equal and Simultaneous Information. Where appropriate, the board shall provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price.
- b. General Meeting; Record Date; Venue. The board shall determine the date and place of any general assembly meeting and a record date for the exercise of the voting and any other rights attached to the company's securities at such meeting. Unless there is an overriding company interest to act otherwise, the board shall use its best efforts to provide shareholders with all information necessary or requested for the shareholders to properly act at the general assembly meeting. If the board believes the company does have an overriding interest, it must state why it so believes.
- c. Compliance with Law. The board shall ensure all laws are complied with, regarding the rights of the general assembly and of individual shareholders.
- d. Attendance by Boards. The chairman shall ensure that (unless there are important reasons) all the members of the board shall attend the general assembly meetings.
- e. Chairman of General Meetings. The general assembly meetings are presided over by the chairman of the board or, in his or her absence, the vice-chairman of the board. The board may designate someone else to preside over the assembly meeting.
- f. Disclosure of Resolutions. A resolution of the general assembly may be publicly disclosed only through a statement from the chairman of the board or the company secretary.
- g. Changes to Corporate Governance. Any substantial change to the corporate governance structure of the company shall be submitted to the general assembly for discussion under a separate agenda item.

- h. Attendance by external auditor. The board shall ensure that the responsible partner (or certifying auditor) of the external auditor attends the general assembly and is available to address the meeting. The external auditor may be questioned by the general assembly in relation to the audit of the company's financial statements.

D. Chapter III: Board Meetings; Decision Making

I. Frequency, Notice, Agenda and Venue of Meetings

- a. Frequency. The board shall meet as often as necessary, but not less than _____ [five] times a year. If possible, meetings shall be scheduled annually in advance according to an annual board calendar. The board shall meet earlier than scheduled if deemed necessary by the chairman of the board or two other members of the board.
- b. Notice and Agenda.
 - i. Meetings of the board are called by the chairman. Save in urgent cases, as determined by the chairman, the agenda for a meeting shall be sent to all board members at least five calendar days before the meeting. For each item on the agenda, an explanation in writing shall be provided and related documentation will be attached. The chairman shall consult with the CEO prior to convening the meeting on the content of the agenda. Each board member and the CEO has the right to request that an item be placed on the agenda for a board meeting; provided that the item is notified to the chairman at least ten days prior to the meeting.
 - ii. Board members who have taken part in a meeting may not object against resolutions adopted at the meeting on grounds of an invalid notice.
- c. Venue. Board meetings are generally held at the offices of the company but may also take place elsewhere. In addition, meetings of the board may be held by conference call, video conference or by any other means of communication, provided all participants can communicate with each other simultaneously.

II. Attendance of and Admittance to Meetings

- a. Attendance by CEO. The CEO, even where s/he is not a member of the board, shall attend board meetings unless the board instructs him not to attend. If requested by the board, other executives shall also attend meetings of the board in whole or in part.
- b. Proxies. A board member may be represented at board meetings by another board member holding a proxy in writing. The existence of such authorization must be proved satisfactorily to the chairman of the meeting.
- c. Undue Absence. If a board member is frequently absent from board meetings, s/he shall be required to explain such absences to the chairman.
- d. Attendance by Non-Members. The admission to a meeting of persons other than board members, the CEO, the company secretary and (if invited) other

executives shall be decided by majority vote of the board members present at the meeting.

III. Chairman of the Meeting; Reports

- a. **Chairman.** Board meetings are presided over by the chairman of the board or, in his or her absence, the vice-chairman. If both are absent, one of the other board members, designated by majority vote of the board members present at the meeting, shall preside.
- b. **Report.** The company secretary (or any other person designated for such purpose by the chairman of the meeting) shall prepare a report of the meeting. The report shall describe the decision-making process at the meeting. The report shall be adopted by the board at the next meeting.

IV. Decision-Making within the Board

- a. **Preference for Unanimity.** The board members shall try to unanimously adopt resolutions. However, board members are encouraged to voice dissenting opinions and record these in the minutes when unanimity cannot be reached.
- b. **Individual Vote.** Each board member has the right to cast one vote.
- c. **Majority Vote; Quorum.** Where unanimity cannot be reached and the law, the company's articles of association or this charter do not prescribe a larger majority, all resolutions of the board are adopted by a majority of the votes cast. In the event of a tie, the chairman of the board has the deciding vote. At a meeting, the board may only pass resolutions if the majority of the board members are present or represented.
- d. **Adoption at Meeting.** Resolutions of the board are adopted at a board meeting.
- e. **Written Consent.** 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 statements in writing from all the board members. A statement from a board member who wishes to abstain from voting on a particular resolution which is adopted in writing must reflect the fact that s/he does not object to this form of adoption.
- f. **Emergency Procedures.** The board may deviate from the provisions of Sections D.IV.c. (last sentence), D.IV.d. and D.IV.e. if this is deemed necessary by the chairman of the board, considering the urgent nature and other circumstances of the case, provided that all board members are allowed the opportunity to participate in the decision-making process. The chairman of the board and the company secretary shall then prepare a report on a resolution so adopted, which shall be added to the documents for the next meeting of the board.
- g. **Minutes.** Minutes must be drawn up for every board meeting and for every resolution adopted outside a meeting. The minutes are to be signed by the chairman of the meeting and then added to the company's records. Each member of the board shall receive a copy of the minutes. Each member of the board may demand a note explaining how s/he voted or that a formal declaration by him be included in the minutes. Urgent resolutions may be drawn up and adopted immediately in the relevant meeting.

- h. **Certification of Resolutions.** A resolution adopted by the board may be publicly disclosed only through a statement from the chairman of the board and/or the company secretary.

E. Chapter IV: Other Provisions

I. Conflicts of Interest of Board Members

- a. **Duty to Disclose.** A board member shall immediately report to the chairman of the board any conflict of interest or potential conflict of interest and shall provide all relevant information, including information concerning his or her spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. The board member concerned shall not take part in the assessment by the board of whether a conflict of interest exists.
- b. **Related Party Transactions.** A potential conflict of interest exists if the company intends to enter into a transaction with a related party, and the company shall develop a policy on how to ensure that the rights of shareholders are protected during such transactions. A related party includes the following:
 - The board members of the Company, its parent company, affiliated or sister companies and associates.
 - A parent company and any subsidiary or affiliated company that is not wholly owned.
 - The CEO or General Manager, and key officers, including anyone who directly reports to the Board or the CEO.
 - Any significant shareholder having the ability to control, or exercise a significant influence on, the outcome of resolutions voted on by shareholders or directors of the Company, its parent company, affiliated or associated companies.
 - The father, mother, sons, daughters, husband, or wife of any of the natural persons listed in Clauses (a, b and c).
 - Any business, and the directors, CEO and key officers of any business, in which the natural persons listed in paragraphs (a) to (e) own jointly or severally at least [percent] of the voting rights.
 - Any person whose judgment or decisions could be influenced as a consequence of an arrangement or relationship between or involving themselves and any of the persons in paragraphs (a) to (f).
- c. **Abstention by Conflicted Party.** A board member shall not take part in any discussion or decision-making regarding any subject or transaction in which s/he has a conflict of interest with the company.
- d. **Requirements to Approve Conflicts of Interest.** All transactions in which there are conflicts of interest with board members shall be agreed on terms that are customary for arm's-length transactions in the company's business. Decisions to enter into transactions in which there are conflicts of interest with board members require the approval of the board.

II. Compensation of Board Members

- a. **Approval by General Assembly Meeting.** The compensation of the board members is determined by the general assembly. The board shall submit proposals on its compensation to the general assembly.
- b. **Reimbursement of Costs.** Apart from their compensation, board members shall be reimbursed for all reasonable costs incurred in connection with their attendance of meetings. The reasonableness of such costs shall be approved by the chairman of the board (costs incurred by the chairman of the board shall be approved by the vice-chairman). Any other expenses shall be reimbursed only if incurred with the prior consent of the chairman or the company secretary on his or her behalf (or if it concerns the chairman, the vice-chairman or the company secretary on his or her behalf).
- c. **Loans and Guarantees.** The company and its subsidiaries do not grant personal loans, guarantees or the like to board members, save as part of its usual business operations. The company does not repay or forgive loans owed by board members.

III. Induction Program, Ongoing Training and Education

- a. **Induction Program.** Upon his or her election, each board member shall participate in an induction program that covers the company's strategy, general financial and legal affairs, financial reporting by the company, any specific aspects unique to the company and its business activities, and the responsibilities of a board member.
- b. **Annual Review of Training.** The board shall conduct an annual review to identify areas where the board members require further training or education.
- c. **Costs of Company.** The costs of the induction course and any training or education shall be paid for by the company.

IV. Other Positions

- a. **No Excess Memberships.** Members of the board shall limit their other positions so as to ensure they can perform their duties as members of the board. Outside directorships are capped at ___ board seats.
- b. **Notice of Outside Positions.** Board members must inform the chairman of the board and the company secretary of their other positions which may be of importance to the company or the performance of their duties before accepting such positions. If the chairman determines that there is a risk of a conflict of interest, the matter shall be discussed by the board in accordance with Section E.I. of this charter. The company secretary shall keep a list of the outside positions held by each board member.

V. Holding and Trading Securities [NOTE: Sections E.V.b. through E.V.d. apply only to public companies.]

- a. **Long-Term Investment.** Any shareholding in the company by board members is for the purpose of long-term investment.

- b. **Trades in Company Securities.** Board members are bound by the _____ [name of company] corporate governance code and/or ethics code regarding transactions in company securities, which is posted on the company's website.
- c. **Trades in Other Securities.** With respect to the ownership of and transactions in securities other than regulated by the _____ [name of company] corporate governance code and/or ethics code, board members must at all times comply with law.
- d. **Reports on Change in Ownership.** A board member shall notify the company secretary promptly of all changes in his or her holding of securities related to listed companies. However, such report need not be made if s/he has invested exclusively in listed investment funds or has transferred the discretionary management of his or her securities portfolio to an independent third party by means of a written agreement. If the member transferred discretionary management of the securities portfolio to an independent third party, the name and office address of the third party must be reported and a copy of the agreement with such third party must be submitted.

VI. Confidentiality

- a. **Duty to Keep Information Confidential.** Unless required to do so by law, no board member shall, during his or her membership on the board or afterwards, disclose any information of a confidential nature regarding the business of the company and/or any companies in which it holds a stake, that came to his or her knowledge in the capacity of his or her work for the company and which s/he knows or should know to be of a confidential nature. A board member may disclose such information to fellow board members as well as to staff members of the company and companies in which the company holds a stake who, in view of their activities for the company and companies in which the company holds a stake, should be informed of the information. A board member shall not use such confidential information for his or her personal benefit.
- b. **Return of Confidential Information.** At the end of each board member's term of office, s/he shall return all confidential documents in his or her possession to the company or guarantee their disposal in a manner that ensures confidentiality is preserved.
- c. **Notice of Disclosure.** If a board member intends to disclose to third parties information which s/he has become aware of in his or her duties and which may be confidential, s/he must inform the chairman of his or her intent and the identity of the person who is to receive the information with sufficient notice for the chairman to assess the situation and advise the board member. This section applies to both official and personal statements and to any person attending board meetings which in terms of their content and form are clearly only intended for the board.

VII. *Miscellaneous*

- a. Acceptance by Board Members. Anyone who is appointed as a board member must, upon assuming office, declare in writing to the company that s/he accepts and agrees to comply with the provisions of this charter. A corresponding reference to this extent is included in a director's appointment letter.
- b. Occasional Non-Compliance. If permitted by law, the board may occasionally decide (by unanimous decision) at its sole discretion not to comply with the provisions of this charter.
- c. Amendment. This charter may be amended by the board at its sole discretion without prior notification.
- d. Interpretation. In case of uncertainty or difference of opinion on how a provision of this charter should be interpreted, the opinion of the chairman of the board shall be decisive.
- e. Partial Invalidity. If one or more provisions of this charter are (or become) invalid, this shall not affect the validity of the remaining provisions. The board may replace the invalid provisions by provisions which are valid and the effect of which, given the contents and purpose of this charter is, to the greatest extent possible, similar to that of the invalid provisions.

F. Annex 1: List of Approvals Required by Board

The approval of the board is required for:

- I. All material transactions between the company and natural or legal persons who hold at least [percent] 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 board members;
- IV. The appointment and removal of the company secretary;
- V. The remuneration policy for senior management in general and CEO in particular.
- VI. The annual capital investment budget, all acquisitions and disposals of business activities whose sales exceed _____ [insert currency and amount] in the year prior to the acquisitions or disposal,
- VII. All financial statements before publication, and
- VIII. All other acts that require the approval by law, the company's articles of association, or this charter.

G. Annex 2: Policy Regarding Independent External Auditor

The policy set out below was adopted by the board on _____ [date], on a proposal of the audit committee.

I. Policy

The company and its subsidiaries shall use the services of the external auditor only to the extent this does not prejudice the independence of the external auditor.

II. Terms of Reference

The external auditor must be independent. These regulations are based on the principles that: (i) the external auditor must be independent from the client audited, both in mind as in appearance; and (ii) an external auditor is someone who is able, in the light of all relevant facts and circumstances, to form an objective and impartial opinion on all matters that fall within the scope of his or her assignment.

Under the _____ [insert reference to local law] an external auditor is not allowed to perform a statutory audit if s/he has financial, commercial, employment or other ties with the client that in the opinion of a reasonable and properly informed third party expert compromise the auditor's independence.

The company may require from the external auditor that s/he maintains the right balance between effectiveness and efficiency, e.g. audit costs, risk management, independence and reliability. The audit committee sees to it that the external auditor complies with the relevant provisions of the _____ [insert reference to local law] and the above terms of reference, and may request more detailed explanations and written confirmations from the external auditor that these provisions are followed.

In addition to the audit work, the external auditor of the company may also carry out non-audit work, to the extent allowed under applicable legislation and regulations and the internal procedures of the company. The non-audit work shall not jeopardize the independence of the external auditor. In no event shall the individuals performing the audit work engage in any non-audit work.

All audit and non-audit work (including fees and conditions) carried out by the external auditor for the company must be approved in advance by the board on a proposal of the audit committee. The board may, within the framework set by the board, delegate this duty to the audit committee that in turn, in exceptional circumstances only, may delegate this power to its chairman, on the understanding that a decision by the chairman of the audit committee to give his or her approval will be presented to the full audit committee at its next meeting.

III. Work

a. Audit Work

Audit work is the audit of the annual financial reports of the company, the assessment of interim financial reports that are disclosed, services that are traditionally

provided by the external auditor and that are related to filings and obligations under legislation or regulations, and services that only the external auditor can reasonably provide. The external auditor does not need to go through a tender process for each individual engagement.

b. Non-Audit Work

For non-audit work of the external auditor other than (i) services that can only be provided by the external auditor, (ii) services that are an extension of the work performed as part of the audit of the company or rely on work performed as a part of the audit such that the quality and timeliness of the services can most effectively be provided by the external auditor or (iii) services that enhance the effectiveness of the external auditor's examination of the company's financial statements, the board shall on the proposal of the audit committee set one or more financial thresholds. For non-audit work by the external auditor that is expected to exceed these thresholds, a very strong rationale must be presented to support the selection of the external auditor and alternative service providers should be considered.

For further explanation whether certain activities should be considered audit work or non-audit work and whether certain non-audit activities fall under any of the categories listed above, the head of the internal audit department should be contacted who, when in doubt, will consult the chairman of the audit committee.

IV. Rotation of Partners Responsible for Audit Work

In order to prevent the external auditor and the company becoming too close, the number of years a person may be part of the audit team of the external auditor, is capped.

Partners of the audit team of the company who are charged with essential audit tasks must be replaced at most every three year(s) after the start of their involvement. The partners of the audit team of the company charged with essential tasks who have been replaced are not allowed to work on a new assignment for the company until at least three years have expired from the date of their replacement.

The audit committee shall also supervise the risks of dependency of other members of the audit team of the company who are involved with the audit for a significant period. The audit committee shall consult the responsible partner of the external auditor regularly on safeguards set up by the external auditor to assess the risk of dependency and to reduce it to an acceptable minimum level.

V. Appointment of the External Auditor

The external auditor shall be appointed in accordance with Section C.VI. of the charter of the board. If the decision is taken to call in the services of another external auditor, the tender process approved by the audit committee shall be followed.

VI. Staff Transfer Restrictions

The company and the external auditor shall agree on a policy regarding the restriction of staff transfers from the company and its group to the organization of the external auditor and vice versa, taking into account all relevant legislation and

regulations. This policy is subject to the approval of the board. In no event, however, shall the company hire an audit partner or other senior member of the audit staff of the external auditor if such person audited, conducted a review of or prepared the company's financial statements during the previous one year, in particular as the company's CFO.