IFC Board Toolkit

Specimen Charter – Board of Directors

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**Board of Directors
Charter for Company ABC**

Date of Board Approval: DD/MM/YYYY

Table of Contents

[I. Introduction 5](#_Toc126070667)

[II. Composition and Structure 5](#_Toc126070668)

[III. Duties and Powers 7](#_Toc126070669)

[IV. Meetings and Decision Making 12](#_Toc126070670)

[V. Other Provisions 14](#_Toc126070671)

[Annex 1 16](#_Toc126070672)

[Annex 2 18](#_Toc126070673)

[Annex 3 19](#_Toc126070674)

[Annex 4 20](#_Toc126070675)

# I. Introduction

***Complementary to Law and Charter.*** These By-Laws are complementary to the provisions regarding the Board of Directors (“Board”) and Board members as contained in legislation and regulations, the Company Charter, and the rules governing the relationship between the Management Team and the Board as contained in the By-Laws of the Management Team (which the Board has adopted).

***By-Laws on Website.*** These By-Laws are posted on the Company's website.

***Capitalized Terms.*** The meaning of certain terms used in these By-Laws is set out in the List of Definitions **(Annex 1).**

# II. Composition and Structure

1. Board Profile, Size, Expertise, and Independence

***Section 1.1. Board Profile.*** The Board shall prepare a profile of its size and composition, considering the nature of the Company’s business and its Subsidiaries and the desired expertise and background of Board members (“**Board Profile”**). The current Board Profile **(Annex 2)** is available on written request to the Company and is posted on the Company's website.

***Section 1.2. Number of Members.*** After consultation with the Chief Executive Officer (CEO), the Board determines the number of Board members. The Board shall have a minimum of three members and a maximum of nine.

***Section 1.3. General Composition.*** The Board shall use its best efforts to ensure that it is always composed so that:

1. its members can act critically and independently of one another and the Management Team;
2. each Board member can assess the broad outline of the Company’s overall policy;
3. each Board member has sufficient expertise to perform their role as a Board member within the Board Profile;
4. the Board matches the Board Profile;
5. at least one Board member is a financial expert, meaning they have expertise in financial administration and accounting for companies similar to the Company in size and sophistication;
6. at least one Board member has experience analyzing and interpreting climate risks and opportunities[[1]](#footnote-1); and
7. no fewer than one-third of Board members are independent as defined in **Section II.1.4. Independence** of these By-Laws.

***Section 1.4. Independence.*** A Board member is independent if they; their spouse, registered partner, or other life companion; or their foster child or relative by blood or marriage up to the second degree:

1. has not been an employee or member of the Management Team of the Company or an affiliated company in the 5 years before becoming a Board member;
2. does not receive financial compensation from the Company or an affiliated company other than for serving as a Board member or in the course of ordinary business;
3. has not had a material business relationship with the Company or an affiliated company in the year before becoming a Board member;
4. is not a member of the Management Team of a company in which a member of the Management Team is a Board member;
5. does not hold (together with persons or entities that cooperate with the Board member under a tacit, oral, or written agreement) at least 10 percent of the shares in the Company's capital;
6. is not a member of the Management Team or Board or a representative in some other way of a legal entity that holds at least 10 percent of the shares of any class in the Company's capital, unless such entity is a member of the same group as the Company; and
7. has not temporarily managed the Company during the previous 12 months because there were vacant seats on the Management Team or because Management Team members were unable to perform their duties.
8. (Re)Appointment, Term of Office, Resignation

***Section 2.1. Election by Owners.*** The General Meeting of Owners elects members of the Board.

***Section 2.2. Substance of Nominations and Recommendations.*** A nomination or recommendation to the General Meeting of Owners for a candidate for the Board shall state the candidate's age; their profession; the amount and nature of their ownership in the Company; convictions for any crimes involving dishonesty, fraud, or breach of trust; positions they hold or have held in the past 5 years (including memberships on any supervisory bodies or management team); and any other information relevant to assess their suitability as a Board member. 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 II.1. 1. Board Profile, Size, Expertise, and Independence** of these By-Laws, including the Board Profile.

***Section 2.3.*** ***Reappointment.*** Before recommending a Board member for reappointment, the Board must carefully consider that person’s past performance on the Board.

***Section 2.4. Term Limit.*** No member may be elected to the Board for more than three 4-year terms.

***Section 2.5. 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, although amendments do not permit a Board member to remain a member for longer than their original term or allow the Board to ask them to retire before their term has expired. The rotation plan is available on written request to the Company.

***Section 2.6. Acting Membership on Management Team.*** A Board member who is temporarily charged with acting as a member of the Management Team when seats on the Management Team are vacant or Management Team members are unable to fulfill their duties shall resign from the Board.

1. Chair and Vice Chair

***Section 3.1. Election.*** The Board shall elect a Chair and a Vice Chair from among its members. The Vice Chair replaces and assumes the powers and duties of the Chair when the Chair is absent.

***Section 3.2. Duties.*** The Chair of the Board is primarily responsible for the activities of the Board and its Committees. They shall act as the spokesperson for the Board and be the principal contact for the CEO and the Management Team. The CEO and the Chair of the Board shall meet regularly. [The Chair of the Board usually presides over General Meetings of Owners.]

***Section 3.3. Responsibilities.*** The Chair ensures that:

1. Board members, when appointed, participate in an induction program and, as needed, additional education or training;
2. Board members receive all information necessary for them to perform their duties;
3. the Board has sufficient time for consultation and decision making;
4. the Committees function properly;
5. the performance of Management Team members and Board members is evaluated at least once every [year][2 years];
6. the Board elects a Vice Chair; and
7. the Board has proper contact with the Management Team.

The Chair is also primarily responsible for:

1. ensuring that the Board fulfills its duties;
2. determining the agenda of Board meetings, chairing such meetings, and ensuring that minutes are kept of such meetings;
3. consulting with external advisors that the Board appoints;
4. addressing problems related to performance of Board members; and
5. addressing internal disputes and conflicts of interest concerning Board members and the possible resignation of such members as a result.
6. Company Secretary

***Section 4.1. Company Secretary.*** The Company Secretary assists the Board.

***Section 4.2. General Access.*** All Board members may go to the Company Secretary for advice or to use their services.

***Section 4.3.*** ***Responsibilities.*** The Company Secretary shall ensure that the Board follows correct procedures and complies with its obligations under law and the Company’s Charter and By-Laws. The Company Secretary shall assist the Chair of the Board in organizing the Board’s activities (including providing information; preparing agendas; and reporting on meetings, evaluations, and training programs). The Company Secretary is the Secretary of the Board.

***Section 4.4. Responsibility to Management Team.*** The Company Secretary also performs activities for the Management Team as provided for in the By-Laws of the Management Team.

1. Committees

***Section 5.1. Establishment of Committees.*** The Board may appoint Committees from among its members to perform specific tasks and shall determine the members of any Committee. The Board shall establish an Audit Committee, a Compensation Committee, and a Nomination Committee. The Board should consider whether a Board Committee is required for analyzing sustainability or climate risks and opportunities.

***Section 5.2. Board’s Responsibility for Committee Action.*** The Board is collectively responsible for the decisions and actions of any Committee. A Committee may perform only the tasks that the Board delegates to it and may not exceed the authority or powers of the Board as a whole. Decisions that, by law, the entire Supervisory Council must make may not be delegated to a Committee.

***Section 5.3. 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 Regulations of the Committee concerned, receive a report from the Committee describing the Committee’s actions and findings.

***Section 5.4. Committee Regulations.*** The Board shall establish (and may amend) Regulations for each Committee. The Regulations shall indicate the role and responsibilities of the Committee, its composition, and how it should perform its duties. The Regulations of a Committee shall require that each Committee has no fewer than two members (or, if the Committee is composed of three or fewer members, one member) who is independent, as defined in **Section II.1.4, Independence** of these By-Laws.

***Section 5.5. Website Disclosure.*** The Regulations and composition of Committees shall be posted on the Company's website.

# III. Duties and Powers

1. General Duties and Powers, Relationship with Management Team

***Section III.1.1. General Responsibilities.*** The Board supervises and advises the Management Team and oversees the general business of the Company. The entire Board is responsible for such supervision and oversight.

***Section 1.2. Board Acts in Interest of Company.*** The Board shall act in the best interests of the Company and its business, considering the interests of the Company's stakeholders. Board members shall perform their duties independent of any particular interest in the Company. Members should not support one interest without regard to other interests involved.

***Section 1.3. Quality of Performance.*** The Board is responsible for the quality of its own performance.

***Section 1.4. 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.

***Section 1.5. Provision of Information.*** The Chair shall ensure that the Management Team provides the Board and its Committees with the information it needs to function properly in a timely manner.

***Section 1.6. Responsibility for Securing Information.*** The Board and its individual members are each responsible for obtaining all information from the Management Team and the External Auditor needed to perform 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 its meetings.

***Section 1.7. Access to Records.*** Each Board member has access to the books and records of the Company if needed to perform their duties. Unless the regulations of a Committee state otherwise, Board members shall consult with the Chair of the Board and the Company Secretary before exercising their rights.

***Section 1.8. Use of Experts.*** The Board may hire experts to assist or advise them. The Board shall agree on the cost of such experts, and the Company shall pay them. 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.

1. Duties Regarding Activities of Management Team Members

***Section 2.1. Nature of Supervision.*** In supervising the Management Team, the Board shall consider achievement of the Company's objectives; the strategy and risks of the Company’s activities, including risks and opportunities pertaining to climate change and sustainability; the structure and operation of the internal risk management and control systems; the financial and nonfinancial reporting process; compliance with law and regulations; and any other matters the law requires the Board to consider.

***Section 2.2. Financial Reporting.*** The Board supervises the Company’s financial reporting in accordance with these By-Laws.

***Section 2.3. Risk Review.*** On an ongoing basis, the Board shall discuss the Company’s strategy, business and climate risks, the Management Team’s assessment of internal risk management and control systems, and any significant changes to such systems.

***Section 2.4. Resolutions Subject to Approval.*** The following resolutions of the Management Team are subject to the approval of the Board:

1. Determining the operational and financial objectives of the Company;
2. Determining and amending the strategy to achieve the objectives;
3. Determining and amending any strategic indicators (e.g., any financial ratios);
4. The resolutions listed in Annex 3; and
5. Any other matters that the law or the Company’s Charter requires the Board to approve.
6. Duties Regarding Members and the Performance of the Board and Management Team

***Section 3.1. Duties Regarding Management Team.*** The duties of the Board regarding Management Team members include:

1. Selecting and nominating Management Team members, submission of proposals for the compensation policy for Management Team members to the General Meeting of Owners, determination of compensation (in accordance with said compensation policy), and any contracts with Management Team members;
2. Determining the number of Management Team members, designation of the Chair of the Management Team, approval of the By-Laws of the Management Team, assessment of the Management Team and its members, approval of any additional positions of the Management Team; and
3. Addressing any conflicts of interest between the Company and Management Team members.

***Section 3.2. Duties Regarding Board.*** The duties of the Board in relation to Board members include:

1. Nominating Board members (the General Meeting of Owners makes the appointment) and proposals to the General Meeting of Owners for compensation of Board members;
2. Determining the number of Board members; appointing a Chair and Vice Chair of the Board; establishing Committees and defining their role; and evaluating the Board, its members, and its Committees (including evaluating the of the Board Profile and the induction, education, and training program); and
3. Addressing any conflicts of interest between the Company and Board members.

***Section 3.3. Board Self-Assessment; Management Team Assessment.*** At least once a year, the Board shall (without the Management Team being present) discuss its own activities and those of its members, the effectiveness of such activities, and the composition and competence of the Board. At least once a year, the Board shall (without the Management Team being present) discuss the activities of the Management Team and those of its members and the effectiveness of such activities.

1. Certain Other Duties of the Board

***Section 4.1. Duties Generally.*** The other duties of the Board include:

1. Duties regarding the External Auditor as described in these By -Laws and the Charter of the Audit Committee;
2. Handling complaints regarding Management Team members;
3. Ensuring that there is adequate temporary coverage for management in the event that a member of the Management Team is absent or prevented from performing their duties;
4. Other duties imposed by law, the Company’s Charter, these By-Laws, the Charter of a Committee, or the By-Laws of the Management Team.

***Section 4.2. Annual Report.*** The Board shall draw up a report (to be included in the annual statement of the Company) describing its activities in the financial year and containing the statements and information required by law and the Company’s Charter**.**

***Section 4.3. Joint Responsibility for Corporate Governance.*** The Board and the Management Team are jointly responsible for the corporate governance of the Company and its compliance with the law.

1. Supervision of Financial and Nonfinancial Reporting

***Section 5.1. General Supervision Responsibilities.*** The Board supervises compliance with procedures that the Management Team establishes for preparation and publication of the Annual Report, the Annual Accounts, the quarterly (if any) and semi-annual financial reports, and any other financial and nonfinancial information, in particular with regard to environmental, social, and governance matters and climate change.[[2]](#footnote-2) The Board supervises the internal control mechanisms for external financial reporting as described in [REFERENCE TO RELEVANT COMPANY ACT/S].

***Section 5.2. Discussion of Financial Reports.*** The Audit Committee shall regularly, and in any event as soon as possible, inform the Board about the development and status of the Annual Report, the Annual Accounts, and the quarterly (if any) and semi-annual financial reports, which will then be discussed at a meeting of the Board. The Annual Accounts and Annual Report shall contain financial and nonfinancial information and shall be discussed in a meeting with the Board within 5 months of the end of the year. The semi-annual and quarterly (if any) financial reports of the Company shall be discussed in a meeting of the Management Team with the Board within 2 months of the end of the reporting period. The Audit Committee shall be responsible for ensuring that these meetings occur.

***Section 5.3 External Auditor.*** The Board shall ensure that the External Auditor attends the meeting of the Board at which the report of the External Auditor on the audit of the Annual Accounts is discussed and at which the Board decides whether to approve the Annual Accounts. The External Auditor shall receive any financial information underlying the quarterly (if any) and semi-annual financial reports and other interim financial reports and shall be given the opportunity to respond to all information. The External Auditor shall also receive and verify nonfinancial information and report its findings on the audit of the Annual Accounts to the Management Team and the Board simultaneously.

***Section 5.4. Audit Committee’s Role vis-à-vis External Auditor.*** The Board’s principal contact with the External Auditor is through the Chair 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.

***Section 5.5. Recommendations by External Auditor.*** The Board shall ensure that the Management Team and the Board carefully consider and, if accepted, implement any recommendations of the External Auditor.

1. Supervision of Sustainability and Climate Risks and Opportunities

***Section 6.1. Sustainability.*** The Board shall:

1. Determine primary responsibility for managing environmental and social (E&S) risks at the Board level (through a committee or otherwise); ensure that adequate resources are provided and appropriate personnel appointed for specific E&S functions and relevant Committees or that an individual is designated to manage E&S risks and opportunities at the executive level; and ensure that such function, Committee, or individual reports to the Board or a Committee of the Board;
2. Develop and oversee the Company’s Sustainability Agenda, including its E&S risk management system;
3. Ensure that E&S risks and opportunities are periodically, consistently, and transparently reported to all stakeholders. Such disclosures should be made in an integrated fashion in quarterly filings and the Annual Report or in specialized sustainability reports following internationally accepted standards such as those of the Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI), or International Sustainability Standards Board (ISSB).

***Section 6.2. Climate Change.*** The Board shall:

1. Determine primary responsibility for overseeing climate risks at the Board level (through a committee or otherwise); ensure that adequate resources are provided and appropriate personnel appointed for climate-specific functions and relevant Committees or that an individual is designated to manage climate-related risks and opportunities at the executive level; and ensure that such function, Committee, or individual reports to the Board or a Committee of the Board;
2. Define the processes and frequency by which the Board or its climate-related Committee is informed about climate-related concerns;
3. Oversee climate-related risks and opportunities and ensure that they have been identified and assessed;
4. Ensure that business strategy, risk management, and financial oversight integrate climate-related risks and opportunities and that management systems are in place to identify and manage climate-related risks, impacts, and opportunities;
5. Set climate-related goals or targets and ensure that Board and executive incentives are aligned to promote the purpose, strategy, and long-term prosperity of the Company and include climate-related targets and indicators in the remuneration policies and executive incentive schemes (through its Nomination Committee);
6. Monitor progress against goals or targets for addressing climate-related concerns;
7. Determine whether the Company should implement an internal price on carbon to understand how climate change will affect the Company in the future;
8. Ensure that there is a succession plan that retains climate awareness skills and experience on the Board, the Committee, and Company management; and[[3]](#footnote-3)
9. Ensure that climate-related risks and opportunities are periodically, consistently, and transparently reported to all stakeholders. Such disclosures should be made in an integrated fashion in quarterly filings and the Annual Report or in specialized climate reports following internationally accepted standards such as those of the Task Force on Climate-Related Financial Disclosures (TCFD).
10. Duties Regarding Nomination and Assessment of External Auditor

***Section 7.1. Appointment of External Auditor.*** The General Meeting of Owners shall appoint the External Auditor. The Board nominates a candidate for this appointment to the General Meeting of Owners and may recommend replacement of the External Auditor. The Management Team and the Audit Committee shall both advise the Board on such matters.

***Section 7.2. Compensation of External Auditor.*** The Board shall approve the compensation of the External Auditor and instructions to the External Auditor to provide non-audit services on the recommendation of the Audit Committee and after consultation with the Management Team.

***Section 7.3. Reports to the Board.*** The Management Team and the Audit Committee shall report their dealings with the External Auditor to the Board annually, including their assessment of the External Auditor's independence (e.g., desirability of rotating the responsible partners of the External Auditor and desirability of the External Auditor providing auditing and non-audit services to the Company). The Board shall take this into account when deciding on its nomination to the General Meeting of Owners for the appointment of an External Auditor.

***Section 7.4. Assessment.*** At least once every 3 years, the Management Team and 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 Meeting of Owners so that it may assess the nomination for the appointment of the External Auditor.

***Section 7.5. Conflicts of Interest.*** Actual and potential conflicts of interest between the External Auditor and the Company shall be resolved in accordance with the policy outlined in **Annex 4** or, to the extent not addressed in Annex 4, as the Board determines at the recommendation of the Audit Committee. Management Team and Board members must inform the Chair of the Audit Committee of any matters they know of that may compromise the independence of the External Auditor or result in a conflict of interest between the External Auditor and the Company.

***Section 7.6. Representation by Auditor.*** When appointed, the External Auditor shall state that it is aware of the Company's policy set out in this Charter and **Annex 4** and other matters provided for in the Management Team By-Laws, these By-Laws, and the Regulations of the Audit Committee and that the External Auditor agrees to abide by and promote such policies.

1. Compensation of Management Team Members

***Section 8.1. Annual Compensation Report.*** The Compensation Committee shall annually prepare a Compensation Report regarding the Management Team 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 Compensation Committee shall consider and include climate-related targets and indicators for the management compensation policy and planned activities.

***Section 8.2. Approval by General Meeting.*** The compensation policy planned for the next financial year and subsequent years as specified in the Compensation Report shall be submitted to the General Meeting of Owners for its approval. Every change to the compensation policy shall also be submitted to the General Meeting of Owners for approval. Schemes whereby Management Team members are remunerated in the form of shares and major changes to such schemes shall be submitted to the General Meeting of Owners for approval.

***Section 8.3. Compensation Committee.*** The Board shall determine the compensation of the individual Management Team members based upon a on a proposal of the Compensation or Remuneration Committee, if applicable, and if the compensation or remuneration policy requires it, submit the proposal to the Annual General Meeting of Shareholders for approval.

***Section 8.4. Extraordinary Compensation.*** If a Management Team member or former Management Team member is paid special compensation during any financial year, this compensation shall be explained in the Compensation Report, which shall also detail and explain any compensation paid or promised as severance pay to a Management Team member.

1. Relation with the Owners

***Section 9.1. Equal and Simultaneous Information.*** Where appropriate, the Board shall provide all owners and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price.

***Section 9.2. General Meeting; Record Date; Venue.*** The Board shall determine the date and place of any owner meeting [and a record date for the exercise of 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 owners with all information necessary or requested for the owners to exercise informed decision making at the Annual General Meeting of Shareholders. If the Board believes the Company has an overriding interest, it must state why it so believes.

***Section 9.3. Compliance with Law.*** The Board shall ensure that all laws are complied with regarding the rights of the General Meeting of Owners and of individual owners.

***Section 9.4. Attendance by Boards.*** The Chair shall ensure that (unless there are important reasons why not) all Management Team and Board members attend the General Meetings of Owners.

[***Section 9.5. Chair of General Meetings.*** The Chair of the Board, or in their absence the Vice Chair, shall preside over General Meetings of Owners. The Board may designate someone else to preside over the meeting.]

***Section 9.6. Report of General Meeting.*** The Board shall make a report of the General Meeting of Owners available to the owners of the Company no later than 3 months after the end of the meeting. Owners shall then have 3 months to respond to the report. After the end of such 3-month period, the Chair and the Secretary of the meeting shall adopt the report as provided for in the Company’s Charter. The report that the General Meeting of Owners adopts shall be posted on the Company’s website as soon as possible and in any event before the next General Meeting of Owners. Any resolutions that the General Meeting of Owners adopts shall be posted on the Company’s website at the same time.

***Section 9.7. Disclosure of Resolutions.*** A resolution of the General Meeting of Owners may be publicly disclosed only through a statement from the Chair of the Board or the Company Secretary.

***Section 9.8. Changes to Corporate Governance.*** Any substantial change to the corporate governance structure of the Company shall be submitted to the General Meeting of Owners for discussion under a separate agenda item.

***Section 9.9. Attendance by External Auditor.*** The Board shall ensure that the responsible partner (or certifying auditor) of the External Auditor attends the General Meeting of Owners and is available to address the meeting. The General Meeting of Owners may question the External Auditor in relation to the audit of the Company’s financial statements.

# IV. Meetings and Decision Making

1. Frequency, Notice, Agenda, and Venue of Meetings

***Section 1.1. Frequency.*** The Board shall meet as often as necessary and at least 5 times a year. If possible, meetings shall be scheduled annually in advance. The Board shall meet earlier than scheduled if the Chair of the Board, two other Board members, or the Management Team deems it necessary.

***Section 1.2. Notice and Agenda.***

(a) The Chair shall call Board meetings. Except in urgent cases as the Chair determines, the agenda for a meeting shall be sent to all Board members at least 8 calendar days before the meeting. For each item on the agenda, an explanation shall be provided in writing and related documentation attached. The Chair shall consult with the CEO on the content of the agenda before convening the meeting. Each Board member, the CEO, and the Management Team collectively has the right to request that an item be placed on the agenda for a Board meeting, provided that the Chair receives the item at least 2 weeks before the meeting.

(b) Board members who have taken part in a meeting may not object to resolutions adopted at the meeting on grounds of invalid notice.

***Section 1.3 Venue.*** Board meetings are generally held at the offices of the Company but may take place elsewhere or be held by conference call, video conference, or any other means of communication, provided that all participants can communicate with each other simultaneously.

1. Attendance of and Admittance to Meetings

***Section 2.1. Attendance by CEO***. The CEO shall attend Board meetings unless the Board instructs them not to. If requested by the Board, other Management Team members also shall attend meetings of the Board.

***Section 2.2. Proxies.*** A Board member holding a proxy in writing may represent another Board member at Board meetings. The existence of such the proxy must be proved satisfactorily to the Chair of the meeting.

***Section 2.3. Undue Absence.*** If a Board member is frequently absent from Board meetings, they shall be required to explain such absences to the Chair.

***Section 2.4. Attendance by Nonmembers.*** Admission to a meeting of persons other than Board members, the Company Secretary, and (if invited) Management Team members shall be decided by majority vote of Board members present at the meeting.

1. Chair of the Meeting, Reports

***Section 3.1. Chair.*** The Chair of the Board, or in their absence the Vice Chair, shall preside over Board meetings. If both are absent, another Board member, designated by majority vote of Board members present at the meeting, shall preside.

***Section 3.2. Report.*** The Company Secretary (or any other person that the Chair of the meeting designates for such purpose) shall prepare a report on the meeting that shall describe the decision-making process at the meeting. The Board shall adopt the report at the same meeting or the next meeting.

1. Decision Making within the Board

***Section 4.1. Preference for Unanimity.*** The Board members shall try to adopt resolutions unanimously.

***Section 4.2. Individual Vote.*** Each Board member has the right to cast one vote.

***Section 4.3. Majority Vote; Quorum.*** When unanimity cannot be reached, and the law, the Company’s Charter, or these By-Laws do not prescribe a larger majority, all resolutions of the Board are adopted by a majority of votes cast. In the event of a tie, the Chair of the Board has the deciding vote. At a meeting, the Board may pass resolutions only if the majority of Board members are present or represented.

***Section 4.4. Adoption at Meeting.*** In general, resolutions of the Board are adopted at a Board meeting.

***Section 4.5. Written Consent.*** Board resolutions may be adopted in writing, provided that the proposal concerned is submitted to all Board members and none objects to this form of adoption. Adoption of resolutions in writing shall be effected by statements in writing from all Board members. A statement from a Board member who wishes to abstain from voting on a particular resolution that is adopted in writing must reflect the fact that they do not object to this form of adoption.

***Section 4.6. Emergency Procedures.*** The Board may deviate from the provisions related to decision-making if the Chair of the Board deems it necessary, 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 Chair of the Board and the Company Secretary shall then prepare a report on a resolution so adopted that shall be added to the documents for the next meeting of the Board.

***Section 4.7. Minutes.*** Minutes shall be drawn up for every Board meeting and for every resolution adopted outside a meeting. The Chair of the meeting and the minute writer shall sign the minutes, which shall then be added to the Company’s records. Each Board and Management Team member shall receive a copy of the minutes. Each Board member may demand that a note explaining how they voted or that a formal declaration by them be included in the minutes. The Chair may delegate the taking of minutes to the Company Secretary or any other minute writer. The minutes of a meeting are taken as having been approved if the members of the Board do not submit a written objection to the Chair within 4 weeks of the date on which the minutes were distributed. If the Chair is unable to resolve an objection, a decision must be made on it in the next meeting. Urgent resolutions may be drawn up and adopted immediately in the relevant meeting.

***Section 4.8. Certification of Resolutions.*** A resolution that the Board has adopted may be publicly disclosed only through a statement from the Chair of the Board or the Company Secretary.

# V. Other Provisions

1. Conflicts of Interest of Board Members

***Section 1.1. Duty to Disclose.*** A Board member shall immediately report to the Chair of the Board any actual or potential conflict of interest and shall provide all relevant information, including information concerning their spouse, registered partner, or other life companion; foster child; or relative 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.

***Section 1.2. Related Party Transactions.*** A conflict of interest exists if the Company intends to enter into a transaction with a [PROVIDE RELEVANT DEFINITION / LIST OF RELATED PARTIES]

***Section 1.3. Abstention by Conflicted Party.*** A Board member shall not take part in any discussion or decision making regarding any subject or transaction in which they have a conflict of interest with the Company.

***Section 1.4. Requirements to Approve Conflicts of Interest.*** All transactions in which there are conflicts of interest with Board members shall be agreed on in 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.

1. Compensation of Board Members

***Section 2.1. Approval by General Meeting.*** The General Meeting of Owners determines the compensation of Board members. The Board shall submit proposals on its compensation to the General Meeting of Owners.

***Section 2.2. Reimbursement of Costs.*** In addition to compensation, Board members shall be reimbursed for all reasonable costs incurred in connection with attendance at meetings. The Chair of the Board shall approve the reasonableness of such costs. (The Vice Chair shall approve costs that the Chair of the Board incurs.) Any other expenses shall be reimbursed only if incurred with the prior consent of the Chair or the Company Secretary on their behalf (or if it concerns the Chair, with the prior consent of the Vice Chair or the Company Secretary).

***Section 2.3. 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.

1. Induction Program, Ongoing Training, and Education

***Section 3.1. Induction Program.*** Upon their election, each Board member shall participate in an induction program that covers general financial and legal affairs, financial reporting by the Company, any aspects unique to the Company and its business activities, and the responsibilities of Board members.

***Section 3.2. Annual Review of Training.*** The Board shall conduct an annual review to identify areas where Board members require further training or education.

***Section 3.3. Costs of Company.*** The Company shall pay the costs of the induction course and any training or education.

1. Other Positions

***Section 4.1. No Excess Memberships.*** Members of the Board shall limit their other positions to ensure that they can perform their duties as Board members. [They will hold no more than five board memberships in companies, with a Chairship counted twice.]

***Section 4.2. Notice of Outside Positions.*** Board members must inform the Chair of the Board and the Company Secretary of other positions that may be of importance to the Company or the performance of their duties before accepting such positions. If the Chair determines that there is a risk of conflict of interest, the Board shall discuss the matter . The Company Secretary shall keep a list of the outside positions that each Board member holds.

1. Confidentiality

***Section 5.1. Duty to Keep Information Confidential.*** Unless required to do so by law, no Board member shall, during their membership on the Board or after, disclose any information of a confidential nature regarding the business of the Company or any companies in which it holds a stake that came to their knowledge in the capacity of their work for the Company and which they know or should know to be of a confidential nature. A Board member may disclose such information to Management Team members, Board members, 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 given the information. A Board member shall not use such confidential information for their personal benefit.

***Section 5.2. Return of Confidential Information.*** At the end of each Board member’s term of office, they shall return all confidential documents in their possession to the Company or guarantee their disposal in a manner that ensures confidentiality.

***Section 5.3. Notice of Disclosure.*** If a Board member intends to disclose to third parties information of which they have become aware in their duties and may be confidential, they must inform the Chair of their intent and the identity of the person who is to receive the information with sufficient notice for the Chair to assess the situation and advise the Board member. This section applies to official and personal statements and to any person attending Board meetings that in terms of their content and form are clearly intended only for the Board.

1. Miscellaneous

***Section 6.1. Acceptance by Board Members.*** Anyone who is appointed as a Board member must, upon assuming office, declare in writing to the Company that they accept and agree to comply with these By-Laws.

***Section 6.2. Occasional Noncompliance.*** If permitted by law, the Board may occasionally decide (by unanimous decision) at its sole discretion not to comply with these By-Laws.

***Section 6.3. Amendment.*** The Board may amend these By-Laws at its sole discretion without prior notification.

***Section 6.4. Interpretation.*** In case of uncertainty or difference of opinion as to how a provision of these By-Laws should be interpreted, the opinion of the Chair of the Board shall be decisive.

***Section 6.5 Governing Law and Jurisdiction.*** The laws of [COUNTRY] govern these By-Laws. The courts of [COUNTRY] have exclusive jurisdiction to settle any dispute arising from or in connection with these By-Laws (including any dispute regarding the existence, validity, or termination of these rules).

***Section 6.6. Inconsistency with National Law and Company Charter.*** These By-Laws are complementary to the provisions governing the Board as provided by [COUNTRY] law, other applicable [COUNTRY] regulations, and the Company’s Charter. Where these By-Laws are inconsistent with [COUNTRY] law, other applicable [COUNTRY] regulations, or the Company’s Charter, in order of authority, [COUNTRY] law, other applicable [COUNTRY] regulations, and the Company’s Charter shall prevail. Where these By-Laws are consistent with the Company’s Charter but inconsistent with [COUNTRY] law or other applicable [COUNTRY] regulation, in order of authority, [COUNTRY] law, other applicable [COUNTRY] regulations, and the Company’s Charter shall prevail.

***Section 6.7. Partial Invalidity.*** If one or more provisions of these By-Laws are (or become) invalid, this shall not affect the validity of the remaining provisions. The Board may replace the invalid provisions with provisions that are valid and the effect of which, given the contents and purpose of these By-Laws, is, to the greatest extent possible, similar to that of the invalid provisions.

### Annex 1

List of Definitions

1. In the By-Laws of the Management Team and the Board, the following terms have the following meanings:

**Affiliated company** means any company that directly or indirectly controls, is controlled by, or is under common control with the Company. For purposes of this definition, the term "control" means direct or indirect possession of the power to vote 10 percent or more of the shares of capital stock entitled to vote for members of the Board of such company or to direct or cause the direction of the Management Team and policies of such company, whether through ownership of shares of capital stock, by contract, or otherwise.

**Annual Accounts** means the annual accounts of the Company as referred to in [LOCAL LEGAL REFERENCE].

**Annual Report** means the annual report of the Company that the Management Team draws up, as referred to in [LOCAL LEGAL REFERENCE].

**Audit Committee** means the Committee designated as such in accordance with Section 5 of the By-Laws of the Board.

**Board** means the Board of Directors of the Company.

**Board Profile** means the profile of the size and composition of the Board.

**By-Laws** means the By-Laws of the Management Team or the Board, depending on the context, including the annexes belonging thereto.

**Chair** shall mean the Chair of the Board.

**Climate Risk** refers to risk assessments based on formal analysis of the consequences of, likelihoods of, and responses to the impacts of climate change and how societal and environmental constraints shape adaptation options.

**Committee** means, with regard to the Board, each Committee of the Board created in accordance with the By-Laws of the Board.

**Company** means [Name of Company] and, where appropriate, subsidiary companies and possible other group companies of the Company whose financial information is included in the consolidated annual accounts of the Company.

**Compensation Committee** means the Committee designated as such in accordance with the By-Laws of the Board.

**Compensation Report** means the compensation report of the Board regarding the compensation policy of the Company as the Compensation Committee of the Board draws up.

**Environmental and Social (E&S)** risk refers to the risk of harming people or the environment through inadequate or failed internal processes, people, and systems or through external events.

**External Auditor** means the accounting and auditing firm that, in accordance with [LOCAL LEGAL REFERENCE], is charged with auditing the Annual Accounts of the Company.

**Financial Director** means the Financial Director or chief financial officer of the Company.

**General Meeting of Owners** means the General Meeting of Owners of the Company.

**Group Company** means any company that can be consolidated with the Company for purposes of preparing consolidated financial statements under the International Accounting Standards.

**In Writing** means by letter, telecopier, e-mail, or message transmitted by any other current means of communication that can be received in written form.

**Management Team** means the Management Team of the Company.

**Nomination Committee** means the committee designated as such in accordance with the By-Laws of the Board.

**Subsidiary** means any corporation or other legal entity of which (or in which) more than 50 percent of the issued and outstanding capital stock having ordinary voting power to elect members of the Board; the interest in the capital or profits of such entity; or the beneficial interest in any trust or estate that such person, such person and one or more of its other Subsidiaries, or one or more of such person's other Subsidiaries directly or indirectly owns or controls at that time.

1. Save where the context dictates otherwise, in the By-Laws of the Board:
2. Words and expressions expressed in the singular form also include the plural form and vice versa; and
3. A reference to a statutory provision includes any amendments, additions, and replacing legislation that may apply to such provisions from time to time.
4. Headings of sections and other headings in the By-Laws of the Management team and the Board are inserted for ease of reference and do not form part of the By-Laws for the purpose of interpretation.

### Annex 2

Board Profile

* The Board will evaluate and (if necessary) adjust the profile every 3 years.
* The profile is based on the following assumptions:
* The interest of the Company as a whole is the major objective;
* The Company operates [throughout COUNTRY][internationally] and different stakeholders are involved;
* The strategy focuses on profitable, sustainable growth through organic growth, acquisition, and cooperation;
* The core business is clearly defined, and the business activities comprise [INSERT DESCRIPTION OF BUSINESS];
* The Company provides an adequate return on invested capital;
* The quality of the products meets the highest standards;
* The Company cares for its personnel by providing individual development opportunities; and
* The Company seriously respects social standards and stimulates improvement and protection of the environment.

[OTHERS]

1. The Board consists of at least three and a maximum of nine members who shall conduct their duties according to the Charter, the By-Laws of the Board, and applicable law.
2. The age difference of the members should allow for qualified members to remain on the Board despite expected retirements.
3. Men and women should be on the Board.
4. The following qualifications and experiences should be represented on the Board:
* Broad Management Team skills and experience in [insert description of business and any other necessary expertise];
* Experience as a managing director of an [internationally][successful] operating company with at least 5 years of Management Team experience in that position;
* Experience in [INSERT SPECIFIC BUSINESS OF COMPANY];
* Skills, knowledge, or expertise in sustainability and climate change;
* Management team expertise in finance and administration;
* A socioeconomic background that enables recognition of the alliance between society and industry and that sustainability is playing an increasingly important role in the international business environment; and
* Representation among Board members as much as possible of different parts of the [world][country] where the Company operates, including [INSERT COUNTRIES OR REGIONS] and other regions where the Company has or will have substantial activities.
1. The Board shall discuss at least once a year, without the Management Team present, the composition and competence of the Board. These deliberations will be mentioned in the annual Board report.
2. Each change to the Board Profile will be discussed at the General Meeting of Owners [and with the [INSERT ANY LOCALLY REQUIRED LABOR COUNCIL OR REPRESENTATIVE]].
3. This Board Profile must be considered with the (re)appointment of each Board member.
4. This Board Profile shall be made available on written request to the Company and be posted on the Company's website.

### Annex 3

List of Approvals Required by Board

**Approval of the Board is required for:**

1. Allocation of duties of the Management Team to individual members of the Management Team;
2. All material transactions between the Company and natural or legal persons who hold at least 10 percent ownership in the Company;
3. A resolution on the operational or financial aims of the Company, the strategy designed to achieve the aims, and any parameters to be used in relation to the strategy;
4. All material transactions in which there are conflicts of interest with Management Team members;
5. All material transactions in which there are conflicts of interest with Board members;
6. Appointment or removal of the Company Secretary;
7. The compensation policy for the senior Management Team in general;
8. The annual capital investment budget and all acquisitions and disposals of business activities whose sales exceed [INSERT AMOUNT] in the year before the acquisitions or disposals;
9. All financial statements and nonfinancial information before publication; and
10. All other acts that require the approval by law, the Company’s Charter, the By-Laws of the Management Team, or the By-Laws of the Board.

### Annex 4

Policy Regarding Independent External Auditor

The Board adopted the policy set out below on [DATE], based on a proposal of the Audit Committee and after consultation with the Management Team.

1. Policy

The Company and its Subsidiaries shall use the services of the External Auditor only to the extent that this does not prejudice the independence of the External Auditor.

1. Terms of Reference

The External Auditor must be independent [**Use reference to local accounting law or definition of “independent” set forth in Annex 1].** These regulations are based on the principles that the External Auditor must be independent of the client audited, in mind and in appearance, and that an External Auditor is someone who is able, in light of all relevant facts and circumstances, to form an objective, impartial opinion on all matters that fall within the scope of the assignment.

Under the [INSERT REFERENCE TO LOCAL LAW], an External Auditor may not perform a statutory audit if they have financial, commercial, employment, or other ties with the Company that, in the opinion of a reasonable and properly informed third party expert, compromise the External Auditor's independence.

The Company may require that the External Auditor maintain a proper balance between effectiveness and efficiency—providing services at appropriate audit costs while ensuring that adequate resources are available, maintaining independence at all times, and being fully reliable. The Audit Committee shall ensure that the External Auditor complies with the relevant provisions of the [INSERT REFERENCE TO LOCAL LAW] and these terms of reference and may request detailed explanations and written confirmations from the External Auditor that these provisions are followed.

In addition to audit work, the External Auditor of the Company may also perform non-audit work to the extent allowed under applicable legislation and regulations and the internal procedures of the Company, although in no event shall the individuals performing the audit work engage in any non-audit work.

The Board must approve in advance all audit and non-audit work (including fees and conditions) that the External Auditor performs for the Company based on a proposal of the Audit Committee. The Board may, within the framework that the Board sets, delegate this duty to the Audit Committee, which in turn, under exceptional circumstances only, may delegate this power to its chair, with the understanding that a decision of the Chair of the Audit Committee to provide approval will be presented to the full Audit Committee at its next meeting.

1. Work
2. Audit work

Audit work consists of auditing the annual financial reports of the Company, assessing interim financial reports that are disclosed, providing services that the External Auditor traditionally provides and that are related to filings and obligations under legislation or regulations, and providing 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.

1. Non-audit work

For non-audit work of the External Auditor other than services that only the External Auditor can provide, 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 the External Auditor can most effectively provide, or services that enhance the effectiveness of the External Auditor’s examination of the Company’s financial statements, the Board shall, based 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 of 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 Chair of the Audit Committee.

1. Rotation of Partners Responsible for Audit Work

To prevent the External Auditor and the Company from becoming too close, the number of years a person may be part of the audit team of the External Auditor is capped as follows.

Partners of the audit team of the Company who are charged with essential audit tasks must be replaced at most every 3 years 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 3 years have passed from the date of their replacement.

The Audit Committee shall 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 that the External Auditor establishes to assess the risk of dependency and reduce it to an acceptable level.

1. Appointment of the External Auditor

The External Auditor shall be appointed in accordance with the provisions described earlier in this Charter. If the decision is made to use services of another External Auditor, the tender process that the Audit Committee approved shall be followed.

1. Staff Transfer Restrictions

The Company and the External Auditor shall agree on a policy regarding restriction of staff transfers from the Company and its group to the organization of the External Auditor and vice versa, considering all relevant legislation and regulations. This policy is subject to approval of the Board. In no event 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 year.

1. Restriction on Non-Audit Services

The appointed External Auditor shall not provide any other services to the Company beyond the scope of the financial audit unless the Board otherwise explicitly approves. The Board shall strictly enforce this policy and shall not approve any such exceptions if they are deemed to compromise the independence of the External Auditor in any way (e.g., consulting services, tax services). Any exceptions to this provision should be disclosed to shareholders along with an explanation of why the exception was granted and what assurances exist to safeguard the auditor’s independence.

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www.ifc.org/corporategovernance

www.ifc.org/sustainability February 2023

1. Alternatively, internal or external experts provide information and training on climate change to the Board of Directors [↑](#footnote-ref-1)
2. Governance refers to structures and processes by which companies are directed and controlled (e.g., board structure and diversity, ethical conduct, risk management, disclosure, transparency), including governance of key environmental and social policies and procedures. [↑](#footnote-ref-2)
3. A sustainability committee can be responsible for points g) and h). [↑](#footnote-ref-3)