



BOARD CHARTER

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1. Introduction

This Board Charter sets out the corporate governance principles for the Board of Directors of Family Bank Limited. It sets out the practices for implementing the corporate governance provisions set out in the Companies Act No. 17 of 2015 (“Companies Act”), the Central Bank of Kenya Prudential Guidelines for Institutions licensed under the Banking Act (“Prudential Guidelines”), Capital Markets Act Chapter 485 and Capital Markets Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (“Capital Markets Code of Corporate Governance”) and other good governance practices.

The Board shall take such action as it deems necessary to ensure compliance with this Charter.

2. Purpose and Objectives of the Charter

2.1. The purpose of the Board Charter is to provide:

- a) The demarcation of the roles and responsibilities, functions and powers of the Board and Management.
- b) The relevant principles of the company’s limits and delegation of authority and matters reserved for the Board.
- c) The policies and practices of the Board in respect of matters such as corporate governance, conflicts of interest, board meetings, composition of the Board, appointment, induction and evaluation.

2.2. The objective of the charter is to ensure that all board members acting on behalf of the Bank are aware of their duties and responsibilities and the various legislation and regulations affecting their conduct and that the principles of good corporate governance are applied in all their dealings in respect, and on behalf of the Bank.

3. Governance Structure

3.1. The governance of the Company vests in the Board. The principal role of the Board is to formulate and oversee the implementation of the Company’s strategic objectives, risk.

3.2. The Board has set up a number of Committees to assist it in carrying out its role. The Committees operate under specified Terms of Reference (TORs) approved by the Board.

3.3. The Board annually reports the performance of the Company to Shareholders during the annual general meeting of the Company.

- 3.4. The Board has appointed Management to implement its decisions, set operational strategies and to carry out the day to day operations of the Company.

3.5. Board size

Unless and until otherwise from time to time determined by an ordinary resolution of the shareholders, the number of the Directors (excluding Alternates) shall not be less than five (5) nor more than ten (10) in number. The Board has power under the Articles of Association to appoint a Director to fill a casual vacancy or as an additional Director. Directors appointed by the Board in this manner must stand for re-election by shareholders at the next annual general meeting following their appointment.

3.6. Board Composition

The Board shall be composed of both Executive and Non-Executive Directors.

- a) **Executive Director** refers to a full time salaried employee who is involved in the day-to-day responsibilities in the management of the Company or its subsidiaries.

The Chief Executive Officer (CEO) shall be a member of the Board and in accordance with the Articles of Association shall be entitled to attend and speak and vote at all meetings of the Board and of Committees of the Board in which he/she is a member. The Board of Directors may from time to time appoint other persons to the office of the Executive Director for such period and on such terms and with such powers as they may think fit and subject to the terms of any agreement entered into any particular case, may revoke any such appointment and such persons shall report to the CEO.

- b) **Non-Executive Director** refers to individuals not involved in the day-to-day management and not a full time salaried employees of the Company or of its subsidiaries and shall exclude any individual, who by his / her conduct or executive authority, could be construed to be directing the day to day management of the concerned subsidiaries

Non-Executive directors shall not be less than three-fifths of the board in order to enhance accountability in the decision making process. In order to enhance the independence and objectivity of the board, provide the necessary checks and balances and ensure that the

interests of minority shareholders and general public are given due consideration in the decision-making process, the Non-Executive directors shall include Independent directors who shall constitute not less than a third (1/3) of the total members of the board.

An **Independent Non- Executive Director** means a director:

- i. Has not been employed by the institution in an executive capacity within the last five years.
- ii. is not associated to an adviser or consultant to the institution or a member of the institution's senior management or a major customer or supplier of the institution or with a not-for-profit entity that receives more than fifty percent (50%) of its contributions from the institution; or within the last five years, has not had any business relationship with the institution (other than service as a director) for which the institution has been required to make disclosure;
- iii. has no personal service contract(s) with the institution, or a member of the institution's senior management;
- iv. is not a member of the family of any person described above or;
- v. has not had any of the relationships described above with any affiliate of the institution.
- vi. does not have direct or indirect interest in the institution which exceeds 5% of its equity interest or its related companies;
- vii. is not a direct or indirect representative of a significant shareholder who has the ability to control or significantly influence management or the board. Indirect representation includes a nominee or an associate of a shareholder.

A Director who has served on the Board for at least nine years shall no longer be deemed as Independent.

Alternate Directors: A Non-Executive Director may with the consent of the Board (such consent not to be unreasonably withheld), appoint any person to be an Alternate Director of the Company, and may at any time remove any Alternate Director so appointed by him from office. An Alternate Director shall cease to be an Alternate Director if his appointor ceases for any reason to be a Director. The remuneration of an alternate director shall be

payable out of the remuneration of his appointor and shall be such proportion thereof as shall be agreed between the appointor and the Alternate Director.

3.7. Board Committees

- 3.7.1. The Board shall establish such Committees as it shall require to comply with applicable laws and regulations and to assist it to effectively discharge its mandate.
- 3.7.2. Each Committee shall have specific Terms of Reference approved by the Board. The Terms of Reference of each Committee shall set out, as a minimum, objectives, delegated authority, operations and reporting mechanism to the Board.
- 3.7.3. A Committee may only perform the tasks delegated to it by the Board and may not exceed the powers of the Board.
- 3.7.4. The Board shall ensure that the Committees established are appropriately constituted with members who have the necessary skills and expertise to handle the responsibilities allocated to them and may, from time to time, and upon recommendation by the Committee responsible for corporate governance, rotate Board members between Committees.
- 3.7.5. The Board shall appoint chairpersons to each Committee.
- 3.7.6. The Board shall periodically review the mandate and structure of the Committees and may establish such other ad-hoc committees as required to deal with any ad-hoc matters requiring focused attention.
- 3.7.7. In the event that a Committee lacks specific skills and knowledge within its membership, the Board may co-opt skilled non-Board members to serve on the Committee, provided that the Chairperson of a Committee shall not be a co-opted member, and further, that the majority of the Committee members shall be members of the Board.
- 3.7.8. The Chairperson of each Committee shall report at each Board meeting the activities of such Committee and shall submit its recommendations to the Board for decision-making before implementation unless expressly authorized by the Board. There shall be transparency and full disclosure from the Committees to the Board, except where the Board has mandated the Committee otherwise.

3.7.9. The Chairperson of each Committee, in consultation with Management, will develop the Committee's agenda and set its annual Work Plan.

3.7.10. Each Committee, with approval from the Board may take independent professional advice at the company's expense

3.7.11. Each Committee shall ensure that it does not infringe on the operational responsibility of the Management team as this could negatively impact on the operation of the Company.

3.7.12. Committees shall hold their meetings before Board meetings for reporting purposes.

3.7.13. The Board shall remain accountable for the acts or omissions of each Committee.

3.7.14. The Board shall annually review the effectiveness and performance of each Committee.

3.7.15. The Board has established the following Committees:

- i. **Board Audit Committee:** This Committee reviews the integrity of the financial statements of the Company and its subsidiaries and recommends the statements for approval to the Board, the effectiveness of the Company's system of internal control and receives reports on the findings of the internal and external audits and tracks the actions on audit findings. The Committee also reviews the proposed work plans for the Internal Audit function at the beginning of each year.
- ii. **Board Credit Committee:** The Credit Committee plays a critical role in the formulation and review of lending policies and ensures that such policies are in compliance with regulatory requirements. It assesses the credit quality and risk profile of the Bank's lending book by sector and by product and makes recommendations to the Board on remedial actions or on matters that may enhance the quality of the lending book.
- iii. **Board Risk Management and Compliance Committee:** This Committee oversees the Company's preparedness and mitigation for the major risks faced by the Company across the business including operational risk, country risk, credit risk, liquidity risk, market risk, regulatory risk, legal risk, reputational risk and compliance risk. The Committee is responsible for ensuring that there are written policies, procedures and processes for identifying and managing the risks.

- iv. **Board Human Resource & Compensation Committee:** This Committee is responsible for the review of the human resources policies and practices, particularly in relation to the operations of the various business units. It oversees the recruitment of senior management and reviews the Company's recruitment and compensation policies, design and operation.
- v. **Board Strategy Committee:** The Committee analyses the strategy of the Company and provides oversight over the implementation of the strategy approved by the Board by reviewing progress on a regular basis. It reviews the budget and strategic plan of the Company prior to submission to the Board.
- vi. **Board Nomination and Governance Committee:** The Committees regularly reviews the structure, size and composition of the board and make recommendations on any adjustments deemed necessary. It identifies, nominates and recommends for the approval of the board, candidates to fill board vacancies as and when they arise in the Company's and the subsidiaries' board. The Committee reviews the Company's Governance Structures. The Committee is also responsible for review of directors' remuneration.

4. Appointment of Directors and key Competencies

4.1.Appointment, term of office and Resignation of Directors

- 4.1.1. Directors shall be appointed in accordance with the Articles of Association. Appointments to the Board shall, through a managed and effective process, ensure that a balanced mix of proficient individuals is made and that each of those appointed is able to add value and bring independent judgment to bear on the decision-making process. The Nominations & Governance Committee of the Board shall regularly review the structure, size and composition of the board and make recommendations on any adjustments deemed necessary.
- 4.1.2. The Board shall in making appointments consider whether its size, diversity and demographics make it effective. Diversity applies to academic qualifications, technical expertise, relevant banking knowledge, experience, nationality, age and gender.
- 4.1.3. Key competencies required for Directors include:
 - i. An appropriate knowledge, understanding and experience of the conduct of business as well as laws, customs and values that govern activities of the organization.

- ii. Ability to contribute independent views of matters under consideration.
- iii. Ability to add value, breadth and depth to board deliberations.
- iv. Ability to communicate clearly.
- v. An ability to demonstrate a wide and unfettered perspective on issues and bring on board integrity and a strong sense of ethics.
- vi. Organizational and strategic awareness and an appropriate level of financial literacy
- vii. High ethical standards.

4.2.Term of Office

Non-Executive Directors shall be appointed for renewable terms of three years.

4.3.Resignation, retirement and removal of directors

4.3.1. Resignation

A director may resign from office by providing a notice in writing to the Chairman which shall specify the reasons for resignation.

4.3.2. Retirement

- 4.3.2.1. At every Annual General Meeting, one third of the Non- Executive Directors eligible to retire by rotation shall retire from the Board. Those retiring in every year shall be those who have been longest in office since their last election or appointment but as between persons who become Directors on the same day, those to retire shall unless they otherwise agree among themselves, be determined by lot. A retiring Director shall be eligible for re-election and shall act as a Director throughout the meeting at which he is retiring. The directors shall be guided by the rotation schedule in determining the directors to retire on rotation each year.
- 4.3.2.2. Any director appointed by the shareholder meeting to fill in a vacancy shall retire on the date when the director he was appointed to replace was due to retire.
- 4.3.2.3. Any person appointed by the Directors to fill in a casual vacancy shall retire at the next annual General meeting but shall be eligible for election by the Company at that meeting as an additional Director.

- 4.3.2.4. A director who has attained the age of seventy shall vacate his office at the conclusion of the annual general meeting commencing next after he attained aged above 70 years provided that company may in a general meeting by special notice approve the appointment of that director.

4.4. Removal of directors

- 4.4.1. The Company may by ordinary resolution, of which special notice has been given in accordance with the Company's Act remove any Director before the expiration of his period of office.
- 4.4.2. The Board reserves the right to reconsider the appointment of Non-Executive Directors and to terminate appointments forthwith or recommend removal of a Director by the shareholders should there be any material change to a Director's personal circumstances that may affect his/her appointment as a Director of the Company, subject to the director being given an opportunity to defend himself/herself. Any material change shall include, but not be limited to, the following:
- a) where a Director resigns, retires or is removed from office from any of his/her other external appointments (including, but not limited to, any other directorships);
 - b) where a Director is appointed to any other company, corporate body or other entity (internal or external) that has not been approved in advance by the Chairman;
 - c) where an incident occurs relating to a Director or his/her Directors' interest that the Board considers could adversely affect the reputation of the Company;
 - d) poor meeting attendance and/or poor performance by the Director in question, taking into consideration the outcome of the annual performance evaluation; or
 - e) if the Board determines that a Director is ineligible or disqualified, incapacitated, or negligent or derelict as the case may be the Board may resolve to recommend removal of such director
- 4.4.3. Where a relevant material change occurs to a Director's personal circumstances, the Director must inform the Chairman as soon as possible.
- 4.4.4. Recommendations with regard to the termination of an Executive Director's appointment will be made by the Managing Director as appropriate, in consultation with the Chairman.

4.4.5. Where a Director is to be removed from the Board, and the Company will pass the necessary resolutions in accordance with Section 139 of the Companies Act, the Director has the right to protest against his removal in which case the provisions of Section 141 of the Companies Act shall apply.

5. Responsibility of the Board

5.1. Board governance

- 5.1.1. Directors have a duty to exercise powers within the authority given and acting in accordance with the Bank's Memorandum and Articles of Association, at all times acting not only in good faith and honesty, but also in the Bank's best interests and to promote the success of the Bank for all its stakeholders, exercise reasonable care, skill and diligence in carrying out their duties commensurate with their knowledge and experience, avoid conflict of interest between their personal interests and their duties to the company and ensure that the Bank does everything that is required of it by law and regulation.
- 5.1.2. The Bank is regulated by the Central Bank of Kenya (CBK) and the Directors approved as 'fit and proper' persons. They are required to act in accordance with Prudential Guidelines issued by the CBK and other provisions of the law.
- 5.1.3. The Board will operate on the principles of collective responsibility, support and respect. Board discussions will be open and constructive and the Chairman will seek a consensus in the board but may where necessary call for a vote. Board members shall have access to all information necessary to ensure effective decision making.
- 5.1.4. The seven codified duties of the directors as are as follows:
 - i) To act within their powers - to abide by the terms of the Company's Memorandum and Articles of Association and decisions made by the shareholders;
 - ii) To promote the success of the company – directors must continue to act in a way that benefits the shareholders as a whole, with due regard to the following:
 - o the long term consequences of decisions,
 - o the interests of employees,
 - o the need to foster the company's business relationships with suppliers, customers and other stakeholders,
 - o the impact on the community and the environment,

- o the desire to maintain a reputation for high standards of business conduct,
- o the need to act fairly as between members.
- iii) To exercise independent judgment - directors must not fetter their discretion to act, other than pursuant to an agreement entered into by the company or in a way authorised by the Company's Articles;
- iv) To exercise reasonable care, skill and diligence - this must be exercised to the standard expected of:
 - o someone with the general knowledge, skill and experience reasonably expected of a person carrying out the functions of the director (the objective test) and also
 - o the actual knowledge, skill and experience of that particular director (the subjective test);
- v) To avoid conflicts of interest - methods for authorising such conflicts by either board or shareholder approval are also to be introduced;
- vi) Not to accept benefits from third parties; and
- vii) To declare an interest in a proposed transaction with the Company - there are to be carve outs for matters that are not likely to give rise to a conflict of interest, or of which the directors are already aware. There will be an additional statutory obligation to declare interests in relation to existing transactions.

5.2. Specific Responsibilities

The Board shall perform, directly or through its committees, the following specific functions, among others:

- 5.2.1. Oversee corporate performance, review and approve the company's strategic plan, annual operating plans, and budget.
- 5.2.2. Oversee the company's risk policy (including market, credit and operational risks).
- 5.2.3. Ensure that management actively cultivates a culture of ethical conduct and sets the values to which the institution will adhere.
- 5.2.4. Ensure these values are incorporated in a code of conduct and adhered to in all aspects of its business.

- 5.2.5. Ensure that integrity permeates all aspects of the institution and its operations and that the institution's vision, mission and strategic objectives are ethically sound.
- 5.2.6. Consider the legitimate interests and expectations of the institution's stakeholders in its deliberations, decisions and actions. The board should disclose information in a manner that enables stakeholders to make an informed analysis of the institution's performance, and sustainability.
- 5.2.7. Oversee the selection, retention, evaluation and compensation of senior management with appropriate qualifications and expertise to operate the company's business.
- 5.2.8. Review and approve significant corporate actions.
- 5.2.9. The Board is also responsible for ensuring that Management maintains a system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. In addition, the Board is responsible for ensuring that Management maintains an effective risk management and oversight process. In carrying out these responsibilities, the Board must have regard to what is appropriate for the Bank's business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.
- 5.2.10. Oversee the integrity of the company's accounting and financial reporting systems and processes, including independent audits, systems of internal controls, and the relationship with the external auditor.
- 5.2.11. Oversee the process and adequacy of reporting, disclosures and communications to investors.
- 5.2.12. Oversee the company's risk and regulatory compliance program, and at least once annually, reviews, with appropriate professional assistance, the requirements of laws, rules, regulations, and guidelines that are applicable to the Board's activities and duties
- 5.2.13. Review and approve the creation of any subsidiary or affiliate or any substantial non-ordinary course transactions with any subsidiary or affiliate;
- 5.2.14. Recommend to shareholders actions involving retention and termination of external auditors to the Board;
- 5.2.15. Succession planning: The Board shall satisfy itself with regard to succession planning, that processes and plans are in place with regard to both board and senior management appointments.

5.3. Powers reserved for the Board

The following matters are reserved for final decision-making or pre-approval by the Board whether or not the Board delegates the function to any of the board committees.

5.3.1. Strategy & Management

- (a) Approval of the Bank's strategic plans and budgets
- (b) Monitoring and reviewing performance against plan

5.3.2. Structure, Lending, Capital and Liquidity Management

- (a) Approval of major changes to the Bank's corporate structure
- (b) Approval of changes relating to the Bank's capital structure
- (c) Approval of lending policies and overall risk appetite for the Bank
- (d) Monitoring capital and liquidity measures to ensure regulatory compliance

5.3.3. Legal Requirements

- (a) Approval of quarterly and annual financial statements
- (b) Recommending dividend payments and other corporate actions to shareholders for approval
- (c) Approval of the Annual Report & Accounts
- (d) Authorization for Directors' conflicts or possible conflicts of interest
- (f) Recommendation to the shareholders of the appointment or removal of auditors.

5.3.4. Regulatory Requirements

- (a) Approval of resolutions and corresponding documentation for shareholders at the Annual General Meeting
- (b) Approval of all shareholder circulars, prospectuses and listing particulars
- (c) Approval of press releases concerning matters decided by the Board.

5.3.5. Board Membership and Board Committees

- a) Recommend to shareholders board structure, size and composition, including appointments and removals;
- b) Succession planning for senior management
- c) Determining Board Committee membership.

5.3.6. Transactions

- (a) Approval of major capital projects, investments, acquisitions, mergers or disposals.

5.3.7. Remuneration

- (a) Approval of the Chairman's and non-executive Directors' Remuneration.

5.3.8. Corporate Governance

- (a) Approval of the process of performance evaluation of Board and Board Committees and review of findings
- (b) Determination of independence of non-executive Directors
- (c) Review of the corporate governance framework as set out in this Charter.

5.3.9. Delegation of Authority

- (a) Ensuring there is clear division of responsibilities between the executive and non-executive directors
- (b) Approving Board Committees' Terms of Reference

5.3.10. Other

- (a) Approving major changes in the Bank's pension schemes and changes to the sponsor nominated trustee.

6. Role of Chairman, CEO and Company Secretary

The role of the Chairman and CEO are separate and the Board has agreed their respective responsibilities.

6.1. Role of Chairman

- 6.1.1. The Chairman's main responsibility is to lead and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Chairman ensures that the Board provides leadership to management. He/she effectively manages board and shareholder meetings, including setting its agenda to ensure that adequate time is available for substantive discussion on strategy, performance and key value issues and ensure that meetings are run in accordance with the company's Articles and

shareholder agreements. He/she will ensure the board conducts an annual board review exercise.

- 6.1.2. The Chairman will facilitate, encourage and expect the informed and critical contribution of the Directors in discussion and decision-taking on matters of risk and strategy and will promote effective communication between executive and non-executive Directors.
- 6.1.3. The Chairman is responsible for ensuring that the Board receives accurate, timely and high-quality supporting information about the Bank's performance at appropriate intervals and in an appropriate manner to enable it to take sound decisions, monitor effectively and provide advice to promote the success of the Company. The Chairman, CEO and Company Secretary work together to ensure the Directors receive all such information.

6.2. Role of Chief Executive Officer

- 6.2.1. The Board has delegated the responsibility for the day-to-day management of the Bank to the CEO and has vested the CEO with the authority to manage and conduct the business of the company except where the Board has reserved authority or the right of approval.
- 6.2.2. The CEO's role includes to conduct the business of the Company in accordance with the policy guidelines formulated by the Board, to prepare, or cause to be prepared, the Annual Report of the Company which includes the Balance Sheet and Accounts for audit and for submission to the Board; to render to the Board at its meetings, or at such other times as required, an account of all the transactions and the financial position of the Company; and to perform such other duties as may be prescribed by the Board

6.3. The Company Secretary

- 6.3.1. The Company Secretary provides dedicated support for the Board and is a point of reference and support for all Directors. The Company Secretary will consult regularly with Directors to ensure that they receive any necessary information and will work with the Chairman, Chief Executive and Management to ensure the presentation of high-quality supporting information to the Board and its Committees. The Board may obtain information from external sources, such as consultants and other advisers, if there is a need for outside expertise, via the Company Secretary.
- 6.3.2. The Company Secretary, along with the Chairman, will regularly review the Board and Company's governance processes with a view to ensuring they are fit for purpose and recommend or develop initiatives to strengthen the governance of the Company.

7. Conflicts and Disclosure of Interests

- 7.1. A conflict of interest occurs when there is a direct or indirect conflict, in fact or in appearance, between the interests of a Board member and that of the Company. It applies to financial, economic and other interests in any opportunity from which the Company may benefit, as well as use of the property of the organisation, including information. It also applies to Board member's related parties holding such interests.
- 7.2. Directors should not engage directly or indirectly in any business activity that competes or conflicts with the Bank's interest.
- 7.3. Directors should not put themselves in a position where their interests conflict or may be perceived to conflict with those of the Company. A Director must not accept a benefit from a third party conferred by reason of:
 - a). him/her being a Director, or
 - b). doing (or not doing) anything as a Director.
- 7.4. A Director who has a related party relationship to a client/group/matter under discussion shall declare his/her interest in writing when such information becomes known to him/her, and thereafter from time- to-time. Such member/Director will consequently be precluded from participating in the deliberations pertaining to such client/group/matter.
- 7.5. The decision to undertake external activities is a matter for individual Non-Executive Directors to decide, bearing in mind their personal responsibilities and commitments, including those to the Board of the Company (and any subsidiaries and associated entities). The Chairman is available to all members of the Board to discuss possible, actual or perceived conflicts. Directors must take care with respect to any external activities to avoid difficulties in this regard. If Directors have any doubts about whether a conflict or potential conflict may arise, they should consult the Chairman or the Company Secretary, before doing anything that might compromise the Company.
- 7.6. Directors are required to notify the Company Secretary in advance of any actual or potential conflicts in connection with their other directorships, shareholdings or transactions. Conflicts will be recorded in the minutes to manage as far as possible the Directors' duty to avoid conflicts. Directors are also required to complete and regularly update the conflicts register managed by the Company Secretary.
- 7.7. Board members are expected to observe the requirements of the Companies Act 2015, the Capital Markets Act Chapter 485 and Capital Markets Code of Corporate Governance

Practices for Issuers of Securities to the Public 2015, and the Articles of Association of the Company, as well as the requirements of their letters of appointment in dealing with disclosures of real or perceived interests, and when attending Board and Board committee meetings.

- 7.8. Actual or potential conflict of interests should be promptly disclosed to ensure directors' personal financial interests (including those of their related parties) do not conflict with their obligations to the Company. A Director who has declared an actual or potential conflict of interest may be required, depending on the nature of the conflict, to recuse himself/herself from any discussion or decision on the subject matter of the conflict. A conflict may be so significant (in particular if it is of an on-going nature) that a Board may call upon the affected Director to resign.
- a) Generally, the procedure for proactively managing directors conflicts of interests will require: Directors to submit a declaration of their personal financial interests and those of their related party(ies) (where known), as well as their directorships of other companies and significant shareholdings to the Board at each scheduled meeting;
 - b) Directors to declare on a per meeting basis (board and committee) whether there is any matter relevant to the particular meeting in respect of which a declaration would need to be made in addition to those declarations in (a) above;
 - c) Changes to declared interests should be made in between meetings if deemed material and requiring immediate disclosure; and
 - d) A recusal process, it generally being better to recuse the director concerned from the papers, discussion, and voting on the matter in question.
- 7.9. Consulting Services and provision of ad hoc advice: The provision of consulting/advisory services or ad hoc advice to the Company by its Non-Executive Directors could potentially impact a Director's fiduciary duties and his/her independence and accordingly, prudent and effective management of the approval and monitoring process of such services is required. The specific fiduciary duties that could potentially be affected are:
- a) the duty to act in the best interests of the Company; and
 - b) the duty to be free of a conflict of interest.
- 7.10. Where the Chairman of the Board or the Chairman of a Board committee requests a Non-Executive Director to perform a once-off specific function that is related to the Director's activities on the Board but falls outside the Director's normal duties as a member of the Board, the Non-Executive Director will be remunerated appropriately (in the context of the approved

fees by the shareholders). Such ad hoc advice must be performed by a Director in his/her personal capacity.

- 7.11. In dealing with any of their shares in the Bank, all directors must comply with the Insider Trading Policy of the Bank.

8. Independence

- 8.1. The Board recognizes that independence is important for Non-Executive directors to provide objective challenge to management and properly evaluate information and responses provided by management. They should be able to challenge the assumptions, beliefs or viewpoints of other board members as is necessary for the good of the organization.
- 8.2. The Bank aims to have a majority of independent non-executive Directors.
- 8.3. The CBK Prudential Guidelines and the CMA Code of Governance set out circumstances which determine the independence of a director. The Board will consider these criteria and the issue of independence on an annual basis in order to determine the independence of non-executive Directors.

9. Other Appointments / External Directorships

- 9.1. The Bank recognizes that the Directors may be appointed on the Boards of other companies but each Director will ensure that they have sufficient time to perform their duties as a Director of the Bank. An appointment as a director of any other company should take into account any conflict or potential conflict situation that may arise in respect of the appointment. Directors should, in the first instance, discuss any possible commitment with the Chairman.
- 9.2. Executive Directors should discuss any external appointment or directorship with the Chief Executive and the Chairman.
- 9.3. Directors shall disclosure annually a list of all the companies where they serve as directors.

10. Board Effectiveness Review: Evaluation of Directors

- 10.1. The Board will conduct an annual effectiveness review in order to evaluate the performance of the Board, Board Committees and individual Directors in line with CBK Prudential Guidelines and best Corporate Governance practices. Annual evaluations may be independently facilitated. In each case, the initial results will be reported to and will be

discussed by the Board. A detailed action plan will then be discussed and agreed by the Board Chairman and endorsed by the Board. The Chairman will hold one-on-one meetings with each Director to discuss the results and to agree developmental areas relating to their own individual performance. Feedback on the Chairman's performance will be provided to the Chairman by the Chairman of the Human Resource Committee who will discuss the results privately with the other non-executive Directors and the Chief Executive before meeting with the Chairman. The Chairman of each Board Committees will be responsible for the evaluation of their Committees.

10.2. The Board will report on Board performance and governance in an annual evaluation statement in the annual report, providing meaningful and high-level information to assist shareholders' understanding of the process and how the issues raised are being addressed.

11. Meetings and Attendance

11.1. Board Meetings

The Board usually has a minimum of 4 scheduled Board meetings per year and all Directors are expected to attend each meeting, unless there are exceptional circumstances that prevent them from doing so. The Board collectively is responsible for setting its own agenda. All Directors have the opportunity to propose agenda items via the Company Secretary.

11.2. The Board shall consider the following reports on a quarterly basis:

- i. The CEO's Report
- ii. The Financial performance reports which shall include Reports on the activities of the Banks individual business units.
- iii. Specific proposals for capital expenditure and acquisitions
- iv. Recommendations for credit or provisioning write offs above management's authorized limit.
- v. Major issues and strategic opportunities for the organization
- vi. Reports from the various Board Committees.

11.3. Annually the Board will undertake the following:

- i. Review and approve the Banks financial objectives, plans and actions and significant allocation and expenditure.
- ii. Review the present and future strengths, weaknesses, opportunities and threats in respect of the business comparison with competitors, locally and internationally and best practice.

- iii. Approve the annual Budget.
- iv. Approve the annual report, the report of the auditor and other shareholder and public announcements.
- v. Consider and if appropriate recommend the payment of dividends.
- vi. Review the Board composition, structure and succession.
- vii. Review the Banks Audit requirements and the management letter of the Auditor to ensure that issues raised in the letter are addressed comprehensively.
- viii. Review the performance of the Board committees and their composition.
- ix. Review remuneration policies and practices including Non-Executive directors' remuneration, CEO and other senior management.
- x. Review Risk assessment policies and Controls including compliance with legal and regulatory requirements.
- xi. Review the Bank's code of Ethics and ethical standards
- xii. Review donations and sponsorship; and

11.4. Set Objectives for the board.

Meetings of the Board are convened by the Chairman of the Board at one week's notice before the day of the meeting (unless under special circumstances) in writing or by electronic medium, unless the law stipulates otherwise. The Notice of the meeting must state the venue of the meeting and set out the agenda with details of matters for resolution. Any papers relevant to the agenda are to be sent to the members of the Board as early as possible.

11.5. In cases considered to be urgent, meetings may be convened at shorter notice and also orally, by telephone or by electronic medium; in such cases, too, though, there must be at least 3 days between the notice of convention and the day of the meeting unless all the Directors agree to waive the notice period.

11.6. Meetings and resolutions of the Board and its committees in writing, by telephone or via other telecommunication media are permitted if the Chairman of the Board or of the committee so determines from case to case.

12. Annual General Meeting

All Directors are expected to convene and attend the annual general meeting and to make themselves available during and after the meeting to answer questions from shareholders. Shareholders have a right to have their questions answered at a general meeting.

13. Induction and Ongoing Business Awareness

- 13.1. On appointment to the Board and to Board Committees, all Directors will receive a comprehensive induction tailored to their individual requirements. The induction, which is designed and arranged by the Company Secretary in consultation with the Chairman, will include meetings with Directors, and senior management to assist Directors in building a detailed understanding of how the Bank works and the key issues it faces. The induction program will be tailored to ensure that the new director gains knowledge of the institution, business and its financial performance.
- 13.2. Directors will also be encouraged to make site visits to see the Bank's operations first hand. Where appropriate, additional business awareness briefing sessions and updates on particular issues identified in consultation with the Chairman will be arranged by the Company Secretary. These will be held regularly to ensure that non-executive Directors have the knowledge and understanding of the business to enable them to contribute effectively at Board meetings.
- 13.3. All Board members are expected to keep themselves abreast of changes and trends in the business and in the Banks environment and markets which shall include changes and trends in the economic, political, social and legal climate generally.
- 13.4. In order to help board members acquire, maintain and deepen their knowledge and skills and to fulfill their responsibilities, the board will ensure that board members have access to continuous Professional Development (CPD) on relevant issues. The board should dedicate sufficient time, budget and other resources for this purpose. Directors are required to attend at least 12 hours CPD annually. The Chief Executive Officer is required to report to the Central Bank of Kenya on an annual basis the CPD programmes in which the board members participated.

14. Confidentiality

- 14.1. All members of the Board are obliged to maintain the confidentiality of matters subject to bank secrecy, of other confidential matters and of secrets of the bank which come to their knowledge in their capacity as members of the Board and also after leaving their office as members of the Board. This applies in particular to confidential reports they receive and to

confidential deliberations. At the end of their term of office, they must return all confidential documents to the bank.

- 14.2. If a member of the Board wishes to pass on to third parties information which has come to his knowledge in his capacity as member of the Board, he must inform the Chairman of the Board in advance if it is not obviously permissible to pass on such information.

15. Review of the Board Charter

This Board Charter shall be review at least once every two years.

APPROVED BY THE BOARD ON 15 DECEMBER 2021
