



# **BOARD NOMINATION POLICY**

**DOCUMENT HISTORY**

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Company Secretary & Chief Legal Officer	
Board Nomination and Governance Committee	
Board of Directors	

**Approved By:**

Shareholders	
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## 1. INTRODUCTION

The CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code) requires the Board to publish procedures for nomination and appointment of new Board members.

## 2. PURPOSE OF THE POLICY

- a) To provide the principles, criteria and procedures for the nomination and appointment to the Board of Directors (“the Board”) of Family Bank Limited (“the Bank”) and its subsidiaries’ boards, and matters connected therewith.
- b) To promote board continuity and ensure that the board comprises individuals who possess the necessary skills, qualities and experience to collectively contribute to effective board governance.

## 3. POLICY STATEMENT

3.1 In line with the Code and the CBK Prudential Guideline on Corporate Governance, the Board shall be constituted of suitable individuals reflecting diversity in terms of skills, experience, gender and demographics and shall include both executive and non-executive directors in order to execute its mandate effectively.

3.2 The Bank recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in age, gender, regional, education and professional background to reflect a broad range of skills and experiences and facilitate a variety of independent opinions. These differences will be considered in determining the optimal composition of the Board and whenever possible, should be balanced appropriately.

3.3 In reviewing the Board composition and in identifying suitable candidates for appointment to the Board, the Board Nomination and Governance Committee and the Board will consider the benefits of all aspects of diversity including but not limited to those described above, in order to enable it to discharge its duties and responsibilities effectively.

## 4. APPLICABILITY

This policy shall apply to Board of Directors of Family Bank Limited and its subsidiaries.

## 5. DEFINITIONS:

- a) **Executive Director (ED)** refers to a director who is involved in the day-to-day operations of the institution. The ED is a full-time salaried employee of the institution or of its subsidiaries. The ED is assigned day-to-day responsibilities and is accountable to the Managing Director or the Board of Directors depending on the institution’s organizational structure.

- b) **Non-Executive Director (NED)** means an individual not involved in the day-to-day management and not a full-time salaried employee of a banking institution or of its subsidiaries. An individual in the full-time employment of the bank holding company would be considered to be a non-executive director of the institution's subsidiaries, unless such individual, by his / her conduct or executive authority, could be construed to be directing the day-to-day management of the concerned subsidiaries.
- c) **Independent Non-Executive Director (INED)** means a director who has not been employed by the institution in an executive capacity within the last five years and as further defined under the CBK Prudential Guideline.

## 6. PRINCIPLES/CRITERIA TO BE OBSERVED

Candidates for appointment to the Board shall:

- 6.1 Have integrity, honesty and adherence to high ethical standards;
- 6.2 Demonstrate business acumen, experience and ability to exercise sound judgement in matters that relate to the current and long-term objectives of the Bank;
- 6.3 Be willing and able to contribute positively to the decision-making process of the Bank;
- 6.4 Demonstrate knowledge of, or the ability to acquire, an understanding of the Bank's business and the banking industry.
- 6.5 Be willing and able to regularly attend and participate in meetings of the Board and its Committees as well as official functions/activities and trainings organised by the Bank;
- 6.6 Be able to engage meaningfully in Board deliberations and challenge when they have a serious concern;
- 6.7 Have no conflicts of interest that would impair their ability to represent the interests of all the Bank's stakeholders and to fulfil the responsibilities of a director. Directors shall immediately bring to the attention of the Board Chairperson or Company Secretary any actual or potential conflict of interest;
- 6.8 Not be disqualified to act as a director.
- 6.9 Possess, both as individual board members and collectively, appropriate experience, competencies and personal qualities, including professionalism and personal integrity.
- 6.10 To ensure objective judgment about the affairs of the Bank, the following individuals shall not be eligible to be appointed as directors:
  - a) Professionals (e.g. lawyers, accountants and valuers) involved in the provision of professional services to the relevant institution; and
  - b) Senior officers and non-executive directors of a government regulatory body where

there may be a conflict of interest.

## 7. PROCEDURE

- 7.1 The Nominations and Governance Committee (the Committee”) shall periodically assess the skills required to competently discharge the Boards’ duties, having regard to the strategic direction of the Bank;
- 7.2 The assessment of candidates shall also be done for the purposes of filling any casual vacancies on the Board;
- 7.3 A report on the outcome of that assessment shall be provided to the rest of the Board;
- 7.4 The Committee shall recommend a process for the identification of suitable candidates for appointment to the Board of Directors;
- 7.5 In the search for suitable candidates, the Committee may engage the services of recruitment agents;
- 7.6 The Committee shall:
  - a) screen the candidates;
  - b) ensure that the proper checks on the candidates are done to ensure that the candidates are not disqualified from acting as directors;
  - c) ensure that the candidates’ backgrounds have been investigated in compliance with the Listing Requirements of the Capital Markets Authority;
  - d) ensure that the candidates meet the criteria set out in Clause 6 above;
  - e) categorise the capacity of directors as executive, non-executive and independent;
  - f) ensure that the candidate who will be appointed as an independent director meets all the independence tests as set out in the Code; and
  - g) make recommendations to the Board on candidates it considers appropriate.
- 7.7 Once the Committee has considered candidate profiles, interviews by the members of the Committee shall be arranged.
- 7.8 Once the process is complete, the Committee shall recommend a candidate, whose details and resume shall be circulated to the Board for approval.
- 7.9 Once a candidate is appointed, a formal procedure is activated by the Company Secretary who ensures that:
  - a) prior notification is made to the CMA and an announcement is made in the daily newspapers and the publication is uploaded on the website of Family Bank Limited;
  - b) that appropriate returns are filed with the Companies Registry;
  - c) Oversee that the director(s) receives a formal letter of appointment setting out his/her roles and responsibilities, time commitments required to serve on the board and/or committee(s) and other outside commitments.
  - d) a robust induction programme commences for the new director;
  - e) that the new director retires and subjects him/herself to re-election at the next Annual General Meeting following the appointment in accordance with the Articles of Association.

7.10 Board members are expected to assist in the identification and nomination of potential candidates.

## **8. ALTERNATE DIRECTORS**

- 8.1. In accordance with the company's Articles of Association, a Board member may appoint an Alternate Director to be his/her alternate and act in his/her place at any meetings of the Board at which the Director is unable to attend.
- 8.2. Such Alternate Director shall be vetted by the Nominations & Governance Committee, approved by the Board and vetted by the Central Bank of Kenya.
- 8.3. Alternate Directors shall discharge the obligations placed upon the appointing Director.
- 8.4. Alternate Directors shall not be appointed as members of the Audit and Risk Committees.
- 8.5. An alternate director may not act as alternate director for more than one substantive Director.

## **9. BOARD TENURE**

- 9.1. Non-executive Directors shall serve for an initial term of 3 years and are eligible for reappointment.
- 9.2. Independent Directors are appointed for a cumulative term not exceeding six (6) years or such other terms as may be prescribed by the governing laws and procedures. If they serve for a period exceeding six (6) years, the director will be re-designated to be a non-independent director.

## **10. RE-APPOINTMENT OF A DIRECTOR**

The Nominations & Governance Committee will recommend the renewal of a Board member's tenure subject to consideration of their knowledge and skills, experience as relevant to the Board, tenure on the Board, diversity the member brings, attendance record and an acceptable performance evaluation as determined during the annual Board evaluation.

## **11. REMOVAL OF A DIRECTOR**

The Company may remove any Director from office if:

- 11.1. The period of the Director's appointment ends and is not extended for a further term on recommendation by the Nominations and Governance Committee to the Board; or
- 11.2. The Director retires in accordance with the Articles of Association and the Board upon recommendation by the Nominations and Governance Committee requests the Director not to offer himself/herself up for re-election; or
- 11.3. The Director is not re-elected at an Annual General Meeting of the Company at which he/she has retired and offered him/herself for re-election in accordance with the Articles of Association; or
- 11.4. The Director is required to vacate office for any reason pursuant to the provisions of the Articles of Association;
- 11.5. The Director is removed from office or otherwise required to vacate office under provisions of any applicable law;
- 11.6. The Director submits his/her letter of resignation to the Chairman of the Board or the Company Secretary.

Any Director who is removed from office for any reason continues to be subject to the duty to avoid conflicts of interest or the exploitation of any property, information or opportunity that he/she became aware of while a Director of the Bank; and, not to accept benefits from third parties on things done or

omitted to be done before ceasing to be a Director of the Bank.

## **12. SUCCESSION PLANNING**

The term of office of the Board members shall be organised in a manner that ensures that there is a smooth transition. In this regard, the term of office of the members of the Board shall be organised in such a way that they end at different times. This ensures retention of institutional memory and makes it easier to induct new Board members.

## **13. OTHER MATTERS**

Per CBK Prudential Guidelines, any person who is nominated to be a Director must obtain a No Objection from the CBK prior to the appointment. As such, a person nominated to be a director is required to submit a Fit and Proper Form to the CBK.

## **14. REVIEW**

This policy shall be reviewed once every two (2) years by the Committee, which shall recommend any proposed changes to the Board for approval.

## **15. RELATED POLICIES AND PROCEDURES**

- a) Memorandum and Articles of Association.
- b) Board Charter.
- c) Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015.
- d) The Capital Markets (Public Offers, Listings, and Disclosures) Regulations, 2023.
- e) Central Bank of Kenya Prudential Guideline on Corporate Governance.
- f) Any other relevant laws and policy.

