



**NATIONAL BANK OF KENYA LIMITED  
BOARD CHARTER**

*(Revision approved on 25<sup>th</sup> May 2016)*

# NATIONAL BANK OF KENYA LIMITED

## BOARD CHARTER

October 2013 (replacing the Charter version of May 2006)

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## **1. THE BANK'S VISION AND MISSION STATEMENT**

### **1.1. Vision**

To be the preferred Bank in the provision of comprehensive financial solutions in the region.

### **1.2. Mission**

At National Bank, we are dedicated to excellence in providing competitive, comprehensive financial solutions, meeting the changing needs of our customers, being a responsible corporate citizen, providing attractive opportunities to our employees and improving shareholders' value.

## **2. PREAMBLE**

2.1. The Directors of National Bank of Kenya ("the Bank") regard Corporate Governance as key to the success of the Bank's business and are unreservedly committed to applying the principles necessary to ensure that good governance is practiced in all of its business dealings in respect of its customers/shareholders and relevant stakeholders and that the Bank maintains a sustainable CSR (Corporate Social Responsibility) culture:

2.2. All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities, and in accordance with the Bank's code of ethics.

2.3. All Board members are responsible for the Bank achieving the highest level of business conduct.

2.4. This Board Charter shall form an integral part of each Director's appointment letter.

2.5. The Board is the focal point of the Bank's Corporate Governance System. It is ultimately accountable and responsible for the performance and affairs of the Bank.

## **3. PURPOSE**

3.1. This Board Charter shall regulate how oversight and control of the Bank's business will be conducted by the Board in accordance with the principles of good Corporate Governance. It sets out the specific responsibilities to be discharged by the Board members collectively, and the individual roles expected from them and the distinct roles of the Board on the one hand and the Managing Director (MD) and Senior Management on the other hand.

## **4. OBJECTIVES**

4.1. 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.

4.2. The intention of this Charter is to exceed "minimum requirements" with due consideration to recognized standards of best practice globally.

## **5. BOARD LEADERSHIP ROLES**

5.1. In accordance with the principles of good corporate governance, the Board shall provide leadership in the following areas:-

- 5.1.1. To act first, foremost and always in the best interest of the Bank and its Shareholders, and other stakeholders and not for any other collateral purpose.
- 5.1.2. To exercise their duties in good faith, with the care a prudent person would take when acting on his or her own behalf.
- 5.1.3. To take into account the financial and business impact of their decisions, their consequences for sustainable development and their effect on relations with stakeholders and the general interest of the communities in which the Bank operates; and
- 5.1.4. To ensure that the highest standards of corporate governance are observed.
- 5.1.5. To exercise leadership, enterprise, integrity and judgment in giving strategic direction to the Bank.

## **6. ROLE OF THE BOARD**

- 6.1. The Board's primary responsibilities, therefore, is based on a predetermined assessment of materiality, include giving strategic direction to the Bank identifying key risk areas and key performance indicators of the Bank's business, monitoring, making investment decisions, considering significant financial matters, and reviewing the performance of executive management against business plans, budgets and industry standards.
- 6.2. The Board shall ensure that policies, procedures and practices are in place, which protect the Bank's assets and reputation for the sake of its shareholders and other key stakeholders.
- 6.3. The Board shall be responsible for the stewardship of the Bank and in discharging its obligations, and assumes responsibility in the following areas:
  - 6.3.1. Retain full and effective control over the institution, and monitor management in implementing Board plans and strategies relating to the Bank;
  - 6.3.2. Ensure that a comprehensive system of policies and procedures is operative;
  - 6.3.3. Identify and monitor non-financial aspects relevant to the business;
  - 6.3.4. Ensure ethical behavior and compliance with relevant laws and regulations, audit and accounting principles, and the institution's own governing documents and Code of Ethics;
  - 6.3.5. Strive to act above and beyond the minimum requirements and benchmark performance against international best practices and not only to comply in practice, but be seen to comply;
  - 6.3.6. Define levels of materiality, reserving specific powers to the Board and delegating other matters with the necessary written authority to management and instituting effective mechanisms that ensure Board responsibility for management performance of its functions;
  - 6.3.7. Act responsibly towards the Bank's relevant stakeholders; and
  - 6.3.8. Beware of and commit to the underlying principles of good governance,
- 6.4. The Board shall take cognizance of key elements of the governance processes underpinning the operation of the Bank with particular attention to the following:
  - 6.4.1. Reviewing the strategic direction of the Bank and adoption of business plans proposed by management for the achievement thereof;
  - 6.4.2. Approving specific financial and non-financial objectives and policies proposed by management;
  - 6.4.3. Reviewing processes for the identification and management of business risk and processes for compliance with key regulatory and legal areas;
  - 6.4.4. Delegating authority for lending and provisioning and write-off limits, capital expenditure, investment, capital and funding proposals reserved for Board approval;

- 6.4.5. Reviewing succession planning for the management team and making senior executive appointments, organizational changes and high level remuneration issues;
  - 6.4.6. Providing oversight of performance against targets and objectives; and
  - 6.4.7. Providing oversight of reporting to shareholders on the direction, governance and performance of the Bank as well as other processes that need reporting and other disclosure requirements.
- 6.5. The day-to-day management of the Bank shall be delegated by the Board to the MD and management.

## 7. **BOARD GOVERNANCE**

### 7.1. Board Procedures

- 7.1.1. The conduct of Board members will be consistent with their duties and responsibilities to the Bank and thus to the shareholders.
- 7.1.2. Directors will always act within responsibilities / limitations imposed on the Board's activities, as primarily set out in the Articles, the Companies Act, Central Bank Act, Prudential Guidelines issued by the Central Bank from time to time, Capital Markets Authority Act and the Banking Act and any other relevant Laws and Regulations.
- 7.1.3. The Board shall be disciplined in carrying out its role, with the emphasis on strategic issues and policy.
- 7.1.4. All Board discussions shall be open and constructive. The Chairman shall seek a consensus in the Board but may, where considered necessary, call for a vote.
- 7.1.5. All Board discussions and records shall remain confidential unless a specific direction from the Board to the contrary is resolved.
- 7.1.6. The Board members shall be entitled to have access, at reasonable times, to all relevant Bank information and to senior management to assist them in the discharge of their duties and responsibilities to enable them to take informed decisions.
- 7.1.7. The Board members are expected to strictly observe the provisions of the Statutes applicable to the use and confidentiality of Bank information.
- 7.1.8. Information concerning the Bank that is communicated to a Director in confidence in connection with his/her functions is provided *intuitu personae* (in consideration of the person), and all Directors must personally take the necessary precautions to preserve the confidentiality of such information and not divulge it under any circumstances without Board authorisation.
- 7.1.9. At each Board meeting, the Board shall, *inter alia*, consider:
  - 7.1.9.1. An operational report from the MD.
  - 7.1.9.2. A report from the Head of Finance Division.
  - 7.1.9.3. Reports on the activities from the Bank's individual business units and branches.
  - 7.1.9.4. Specific proposals for capital expenditure and acquisitions; and
  - 7.1.9.5. Specific recommendations for credit or provisioning/write-off above management authorized limit
  - 7.1.9.6. Major issues and strategic opportunities for the organization.
  - 7.1.9.7. Reports from various Board Committees.
  - 7.1.9.8. The Board will agree on a procedure for obtaining independent professional advice, if necessary, at the Bank's expense.

7.2. At intervals of not more than one year, the Board will:

- 7.2.1. Review and evaluate the present and future strengths, weaknesses and opportunities in respect of the business comparisons with competitors, locally and internationally all the time ensuring that best practice is retained as an important element of this process;
- 7.2.2. Review and approve the Bank's financial objectives, plans and actions and significant allocation and expenditure while considering how a proper "balanced scorecard" and "triple bottom line" approach may be applied;
- 7.2.3. Review the Bank's goals and the strategies for achieving these goals;
- 7.2.4. Approve the annual budgets;
- 7.2.5. Approve the quarterly financial statements, annual report, other reports to shareholders and public announcements;
- 7.2.6. Consider and, if appropriate, declare or recommend the payment of dividends;
- 7.2.7. Review the Board's composition, structure and succession;
- 7.2.8. Review the Bank's audit requirements;
- 7.2.9. Review the performance of, necessity for and composition of the Board's committees;
- 7.2.10. Provide for election or appointment of the Board Chairman, Board Vice Chairman and review of Board Committee memberships after the expiry of every three years / periods of the Bank at a Board meeting to be held after the Annual General Meeting, or, immediately upon resignation, retirement or removal from office of the holder(s) of such positions, whichever is higher in accordance with the Bank's Articles of Association.
- 7.2.11. Review the Chairman's remuneration;
- 7.2.12. Review the MD's remuneration;
- 7.2.13. Review the directors' remuneration, subject to the Companies Act;
- 7.2.14. Review remuneration policies and practices in general, including superannuation and incentive schemes for management;
- 7.2.15. Review risk assessment policies and controls, including compliance with legal and regulatory requirements;
- 7.2.16. Review the Bank's Code of Ethics and ethical standards;
- 7.2.17. Review Shareholder, client and other relevant stakeholder relations;
- 7.2.18. Review donations and sponsorships; and
- 7.2.19. Set the following year's work plan for the Board.

8. **BOARD MEETINGS**

- 8.1. Board members will use their best endeavors to attend all Board meetings and to prepare thoroughly. Board members will participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board table. Board members who are unable to attend shall advise the company secretary.
- 8.2. The Secretary, on the instructions of the Chairman or the requisition of a director, may summon the Board in accordance with article 99 of the Articles of Association of the Bank.
- 8.3. Frequency of Meetings
  - 8.3.1. Meetings of the Board will be held at such time and at such venue as the Board deems appropriate, but it shall meet at least once in every quarter or where circumstances necessitate.

- 8.3.2. The quorum necessary for the transaction of business is five (5) as stipulated by article 100 of the Bank's Articles of Association.
- 8.3.3. In addition to the matters set out in the Board Charter, meetings and proceedings of the Board shall be governed by the Bank's Articles of Association.
- 8.3.4. Except under exceptional circumstances, at least seven days' notice will be given of a meeting of the Board.
- 8.3.5. The Chairman shall establish standards for preparation of board papers and reports.
- 8.3.6. The Board shall endeavor to adoption electronic notices and decisions subject to existing laws.
- 8.4. Agenda and Meeting: Papers
  - 8.4.1. The Chairman shall ensure that an agenda is prepared prior to the meeting raising issues that require attention, ensuring that proceedings are conducted efficiently and all appropriate matters addressed. The Company Secretary shall also work with the Chairman on preparing the agenda in consultation with the MD.
  - 8.4.2. The Company Secretary shall circulate the agenda and other meeting papers to the Board members at least seven (7) days before the date set down for the meeting.
- 8.5. Conflict of Interest
  - 8.5.1. Board members shall be required to inform the Board of conflicts or perceived or potential conflicts of interests they may have in relation to particular items of business, preferably in advance.
  - 8.5.2. Board members shall be required to disclose their other directorships, which may cause potential or perceived conflict of interest.
  - 8.5.3. Board members shall absent themselves from discussion or decisions on matters in which they have a conflicting interest, unless resolved otherwise by the remaining members of the Board.
- 8.6. Retention of Meeting Papers
  - 8.6.1. All meeting papers and submission made at the Board meeting will be taken by Directors on conclusion of the meeting, unless the Board decides otherwise.
  - 8.6.2. A record of Board submissions and papers, and of material presented to the Board, shall be maintained and held by the company secretary together with the minutes of meetings and will be accessible to directors.
- 8.7. Minutes
  - 8.7.1. Minutes of the Board meeting will be circulated to all members of the Board by the Company Secretary atleast one week before the next Board meeting.
  - 8.7.2. The practice for minutes shall be to record processes and outcomes, rather than the course of discussion.

## **9. ROLES OF THE CHAIRMAN**

- 9.1. In accordance with the Bank's Articles of Association, the Board will appoint from among their non-executive members, a Chairman who will preside at meetings and provide leadership to it subject to performance evaluation.
- 9.2. The Chairman shall be responsible for representing the Board to the shareholders and indirectly to the general public.
- 9.3. The Chairman shall ensure that the content and order of the agenda are appropriate and that, through the office of the Company Secretary, the members of the Board have the relevant papers

in good time. The Chairman shall also ensure that the Board members are properly briefed on issues arising at Board meetings and that all available information on an issue is before the Board. The Chairman may at any member's request in writing and in advance allow addition of an item on the agenda.

- 9.4. The Chairman shall be responsible for maintaining regular dialogue with the MD over all operational matters and will consult with the remainder of the Board promptly over any matter that gives him/her cause for major concern.
- 9.5. Between Board meetings, the Chairman shall maintain an informal link between the Board and the MD, and expect to be kept informed by the MD on all important matters, he/she shall be available to the MD to provide counsel and advice where appropriate.

## **10. THE ROLES OF THE MANAGING DIRECTOR (MD)**

- 10.1. The Board will implement the Bank's governance and management functions through the MD.
- 10.2. The MD will lead the Management in implementing the policies and strategies formulated and adopted by the Board.
- 10.3. The MD shall supervise and control the general day to day management and operation of the Bank.
- 10.4. All Board authority conferred on management shall be delegated through the MD, so that the authority and accountability of the management will be considered to be the authority and accountability of the MD. The Board shall approve levels of delegated authority to be exercised by Management staff immediately below the MD.
- 10.5. The Board shall set with the MD the specific business objectives directed toward the Bank achieving its goals. This will take the form of annual performance targets under which the MD shall be authorized to make agreed decisions and take mandated action within management limitations, directed at achieving such goals. The performance objectives will be structured into quantified organizational achievement and personal achievement against defined targets agreed between the MD and Chairman (acting on behalf of the Board).
- 10.6. Only decisions of the Board acting as a body shall be binding on the MD. Decisions or instructions of individual members of the Board, officers or committees shall not be binding except in those instances where the specific authorization is given by the Board.
- 10.7. The MD is accountable to the Board for the achievement of the Bank goals and the MD is accountable for the observance of the management limitations.
- 10.8. The MD will act within all specific authorities delegated to him/her by the Board.
- 10.9. The MD will not to cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics and not to cause or permit any action that does not take into account the health, safety, environmental and political consequences and their effect on long-term shareholder value.
- 10.10. The MD will ensure that the assets of the Bank are adequately maintained and protected, and not unnecessarily placed at risk, by ensuring that the Bank is operated with a comprehensive system of effective internal controls. In managing the risks of the Bank, the MD shall not cause or permit anyone to substitute their own risk preferences for those of the shareholders as a whole.
- 10.11. The MD shall not to permit employees and other parties working for the Bank to be subjected to treatment or conditions that are undignified, inequitable, unfair or unsafe.
- 10.12. The MD shall not to cause or permit payments to be made or rewards given unless they are in return for contributions towards the purposes of the business and are proportional to the extent that the contribution in question has furthered such purposes.



10.13. The MD shall manage the Bank through the Management Committee (MC) in respect of which he will be Chairman. The Terms of reference of the said MC will be approved (and amended from time to time as appropriate) by the Board.

## 11. **COMPOSITION OF THE BOARD**

11.1. The Bank has a unitary Board, consisting of executive and non-executive Directors, all of whom are considered independent and thus obtain the desired level of objectivity and independence in Board deliberations and decision-making.

11.2. The Board believes, as a policy, that there should be a majority of independent Directors on the Bank's Board.

11.3. An executive director is considered an individual who:

11.3.1. Is involved in the day-to-day management of the Bank; and/or

11.3.2. Is a fulltime salaried employee of the Bank and/or its subsidiary(ies)/holding company(ies).

11.4. A non-executive director is considered an individual who:

11.4.1. Is not involved in the day-to-day management of the Bank; and/or

11.4.2. Is not a full-time salaried employee of the Bank or its subsidiary(ies) holding company(ies).

11.5. An independent non-executive director is considered an individual who:

11.5.1. Is not a direct or indirect representative nominee of a shareholder as set out in the Central Bank of Kenya Prudential Guidelines as issued from time to time;

11.5.2. Has not been employed by the Bank or the group of which it currently forms part, in any executive capacity for the preceding three financial years;

11.5.3. Is not a member of the immediate family of an individual who is, or has been in any of the past three financial years, employed by the Bank in an executive capacity;

11.5.4. Is not a professional advisor to the Bank group, other than in a director capacity;

11.5.5. Is not a significant supplier to, or customer of, the Bank or group;

11.5.6. Has no significant contractual relationship with the Bank or group;

11.5.7. Is free from any business or other relationship, which could be seen to materially interfere with the individual's capacity to act in an independent manner and exercise an objective judgment.

11.6. Procedures for appointments to the Board shall be formal and transparent as per the Articles of Association and Central Bank of Kenya (CBK) Regulations/guidelines and terms set out by the Board. The Nominations and Remuneration Committee of the Board will be responsible for the assessment and recommendations with regard to potential new directors.

11.7. Qualification for membership of the Board shall *inter alia* comprise the following:

11.7.1. An appropriate knowledge, understanding and experience of the conduct of the business, as well as the laws, customs and values that govern the activities of the organization;

11.7.2. The ability to make sensible and informed business decisions and recommendations;

11.7.3. An entrepreneurial talent for contributing to the creation of shareholder value;

11.7.4. High ethical standards and sound practical sense;

11.7.5. The ability to see the wider picture and perspective, with some benefit of international experience;

11.7.6. Integrity in personal and business dealings; and

11.7.7. Total commitment to furthering the interest of the shareholder and to achieve the Bank's goals.

11.7.8. Academic qualifications from recognized institutions of higher learning.

11.8. Key competencies required for non-executive directors *inter alia* comprise the following:

- 11.8.1. Ability to contribute an independent view to matters under consideration;
- 11.8.2. Ability to add value to Board deliberations;
- 11.8.3. Ability to add to the breadth and depth of experience of the Board;
- 11.8.4. Ability to clearly communicate;
- 11.8.5. Ability to demonstrate a wide, and unfettered, perspective on issues and bring to the Board integrity and a strong sense of ethics;
- 11.8.6. Organizational and strategic awareness and an appropriate level of financial literacy;
- 11.8.7. Knowledge of the responsibilities of a director; and
- 11.8.8. Ability to constructively collaborate as part of a team contributing towards the successful performance of the Bank.
- 11.9. Size of the Board
  - 11.9.1. The size of the Board shall be dictated by the Bank's Articles of Association ("Articles"), which permit a minimum of five (5) and a maximum of eight (8) non-executive directors to be appointed to the Board.
- 11.10. The Board composition must be sufficient to:-
  - 11.10.1. Ensure a wide range of skills and knowledge, views and experience, such that the common purpose, involvement, participation, harmony and sense of responsibility of Board members is not jeopardized; and
  - 11.10.2. Achieve the balance of skills, experience, and professional and industry knowledge necessary to meet the company's strategic objectives.
- 11.11. Tenure of Office
  - 11.11.1. Board members' terms of appointment and retirement by rotation or otherwise shall be as dictated by the Bank's Articles of Association;
  - 11.11.2. Board members appointed to casual vacancies will only hold office until the next annual general meeting, at which they will retire and become available for election;
  - 11.11.3. All Board members are subject to retirement by rotation and re-election by shareholders at least once every three (3) years in accordance with the Articles of Association, subject to performance;
  - 11.11.4. Executive directors, including the MD, may be engaged on fixed-period service/employment contracts, and shall not subject to retirement by rotation in accordance with the Articles of Association;
  - 11.11.5. Termination of a service/employment contract of executive directors will result in resignation from the Board, unless the Board determines otherwise.
  - 11.11.6. Non-executive directors shall consult the Chairman with regard to external appointments. While the Board encourages its Executive Directors to accept outside appointments to other boards, this must first be discussed with the Chairman and MD, and will be considered to the extent that it is not in conflict with the business and will not detrimentally affect their existing responsibilities.
- 11.12. Reward System
  - 11.12.1. The Board will determine the level of remuneration paid to directors within any limitations imposed by shareholders.
  - 11.12.2. Levels and make-up of remuneration should be sufficient to attract and retain the Board members needed to run the Bank successfully, without being excessive.
  - 11.12.3. The Board shall report to the shareholders on their remuneration and other emoluments and this shall be disclosed in the annual report and audited financial statements, while any increase in fees paid to non-executive directors shall be subject to shareholders' approval.

11.13. **Induction of New Directors**

- 11.13.1. The Chairman and the Company Secretary shall be responsible for the induction of new directors.
- 11.13.2. On appointment, non-executive directors shall have the benefit of an induction program aimed at deepening their understanding of the Bank and the business environment and markets in which the institution operates that includes background material, meetings with senior management and visits to the Bank's branches. The induction process shall encompass the following:
  - 11.13.2.1. Knowledge of the institution (ownership powers, rules, regulations and banking regulations, board structure, membership and processes);
  - 11.13.2.2. Knowledge of the business (business processes, corporate strategies, organization, management and people);
  - 11.13.2.3. Knowledge of the financials (annual accounts, directors' reports, trends to the role, why nominated, potential contributions, particular knowledge, etc.).
  - 11.13.2.4. As part of the induction program, newly appointed non-executive directors will receive induction material which contain essential Board and Bank information within six months from date of appointment.
- 11.13.3. New Board members with limited or no board experience shall receive development education to inform them of their duties, including fiduciary responsibilities, powers and potential liabilities.
- 11.13.4. All Board members will keep themselves abreast of changes and trends in the business and in the Bank's environment and markets, which shall include changes and trends in the economic, political, social and legal climate generally.

**12. SUCCESSION PLANNING**

- 12.1. The Board as a whole shall be responsible for selecting its own members and in recommending them for election or re-election by the shareholders, and to select, monitor, evaluate and replace the MD, executive directors and any other senior executives when necessary.
- 12.2. The Board shall delegate the screening process to the Nomination and Remuneration Committee of the Board with the direct input from the Chairman of the Board and the MD as and when appropriate.
- 12.3. There shall be reports annually by the MD to the Board on senior management succession planning, also providing details of the Bank's program for management development.

**13. BOARD COMMITTEES**

- 13.1. The Board is authorized to form or set-up Committees when it is considered necessary to facilitate efficient decision making to assist the Board in the execution of its duties, powers and authorities. Delegating authority to Board committees or management will not in any way mitigate or dissipate the discharge by the Board of their duties and responsibilities.
- 13.2. There shall be transparency and full disclosure from the Board committees to the Board, except where the Committee has been mandated otherwise by the Board.
- 13.3. Board Committees shall observe the same rules of conduct and procedures as the Board, unless the Board determines otherwise.

- 13.4. Board Committees shall only speak or act for or on behalf of the Board when so authorized. The authority conferred on a Board committee will not derogate from the authority delegated to the MD by the Board.
- 13.5. The Board has three standing Committees, namely:
  - 13.5.1. Nominations and Remuneration Committee,
  - 13.5.2. Audit and Risk Committee,
  - 13.5.3. Credit, Legal and Remedial Committee,
- 13.6. The purpose and membership of the Board Committees shall be contained in the respective Terms of Reference of each Committee as approved by the main Board.
- 13.7. The Board may increase or reduce the number of Committees as circumstances require from time to time.

#### **14. MATTERS RESERVED FOR THE BOARD**

- 14.1. The following matters shall be reserved for decision by the Board, supported by any recommendations as may be made from time to time by the Committees of the Board (as appropriate):

##### 14.1.1. Financial

- 14.1.1.1. The adoption of any significant change or departure in the accounting policies and practices of the Bank;
- 14.1.1.2. Approval of provisions, write-offs/write-downs involving amounts in excess (to be advised from time to time);
- 14.1.1.3. The approval of the strategy, business plans and annual budgets and of any subsequent material changes in strategic direction or material deviations in business plans;
- 14.1.1.4. The approval of annual financial statements, the approval of interim reports, the declaration of dividends and the forfeiture of unclaimed dividends; and
- 14.1.1.5. The recommendation to the shareholders of any increase, reduction or alteration to the share capital of the Bank and the allotment, issue or other disposal of shares of the Bank.
- 14.1.1.6. Promulgation of a Dividend Policy

##### 14.1.2. Statutory and Administrative

- 14.1.2.1. Recommending amendments to the Memorandum or Articles of Association of the Bank;
- 14.1.2.2. The appointment, removal or replacement of the external auditor of the company;
- 14.1.2.3. The frequency of meetings of the Board;
- 14.1.2.4. The convening of general meetings of shareholders of the Bank;
- 14.1.2.5. The approval of proxy forms for annual and general meetings of shareholders of the Bank;
- 14.1.2.6. The formulation of recommended policies in relation to industrial relations;
- 14.1.2.7. The prosecution, defence or settlement of legal or arbitration proceedings where material and except in the ordinary course of business;
- 14.1.2.8. The appointment of responsible persons as may be required in terms of any Act in Kenya or elsewhere in respect of the Bank;
- 14.1.2.9. The granting of general signing authorities pursuant to the Articles of the Bank;
- 14.1.2.10. The appointment, removal or replacement of the company secretary;
- 14.1.2.11. Establishing any overseas branch or duplicate register of shareholders of the Bank;

- 14.1.2.12. The variation of the rights attaching to share where such powers are vested in the Board; and
- 14.1.2.13. The formulation and amendment of the Bank's Code of Ethics.

#### 14.1.3. Regulatory

- 14.1.3.1. The approval of terms and conditions of the Bank's rights issues, public offers, capital issues of issues of convertible securities including shares or convertible securities issued for acquisitions;
- 14.1.3.2. The approval and authority to issue circulars to shareholders of the Bank;
- 14.1.3.3. The approval and authority to issue prospectus, listing particulars, rights offers or takeover or merger documents;
- 14.1.3.4. Recommending to shareholders that they approve any ordinary or special resolutions in respect of the Bank;
- 14.1.3.5. Recommending that the shareholders take a particular course of action proposed by the Board; and
- 14.1.3.6. Any decision to list the company's shares on any stock exchange or to terminate any such listing.

#### 14.1.4. Manpower

- 14.1.4.1. Appointments to and removals from the Board including the appointment of the Chairman, MD, executive directors and non-executive directors,
- 14.1.4.2. The appointment of, terms of reference and changes in the composition of the committees of the Board as are established from time to time;
- 14.1.4.3. Any increase of Board members' fees as recommended by Nomination & Remuneration Committee, which shall finally be approved by shareholders in a general meeting;
- 14.1.4.4. The approval of any employee incentive scheme, the rules applicable to any such scheme and any amendment to such rules as recommended by the Nomination & Remuneration Committee, for submission to the shareholders, if applicable; and
- 14.1.4.5. The formulation of recommended policies in relation to equal opportunity employment, human capital development, environment, health and safety.

### 15. **BOARD EVALUATIONS AND PERFORMANCE**

- 15.1. In line with the best practice and existing regulatory guidelines, the following evaluations will be performed and documented on an annual basis:
  - 15.1.1. Board evaluation.
  - 15.1.2. Chairman's evaluation.
  - 15.1.3. Director's self-assessment and peer evaluation.
  - 15.1.4. Committee evaluations.
  - 15.1.5. Board's input into Senior Management evaluation.
- 15.2. In line with the provisions of this Charter, the MD on an annual basis, will undertake a self-assessment which will be shared with the full board thus:
  - 15.2.1. Each member will evaluate the MD against the set objective criteria and the results collected by the Nomination and Committee and forwarded to the Chairman for discussion with the MD.

- 15.2.2. The Chairman will discuss the evaluation with the MD who should have the opportunity to discuss his/her reactions to the review with all the Directors,
- 15.2.3. The Board will finalize the evaluation with the MD.
- 15.3. This evaluation shall take the form of questionnaires responses to which will be collected and collated by the Chairman, who then shall discuss the results with the Board after consideration of the findings.
- 15.4. The performance and effectiveness of Board Committees shall also regularly be reviewed by the Board.

**16. BOARD'S RELATIONSHIP WITH SHAREHOLDERS**

- 16.1. The Board shall familiarize itself with all issues of concern to shareholders.
- 16.2. The Bank shall invite shareholders to attend its annual general meetings, which provide opportunities for shareholders to ask questions of the Board.
- 16.3. The Board will evaluate economic, political and legal issues on a regular basis, as well as any other relevant external matters that may influence or affect the development of the business or the interests of the shareholder and, if appropriate, take outside expert advice.

**17. SHARE DEALINGS BY BOARD MEMBERS**

- 17.1. Board members are encouraged to hold shares in the company, recognizing that this has the capacity, in many cases, to increase the focus of Board members on Bank performance and share value and, therefore, will be in the interests of all shareholders.
- 17.2. When buying or selling shares, Board members must strictly observe the provisions of the Bank's Articles and the Code of Ethics, the Bank's own internal rules on Insider Dealing and all relevant regulatory procedures by Capital Markets Authority and should follow any procedural recommendations prescribed by the Board from time to time.
- 17.3. In this regard, Board members acknowledge that it shall be an offence to take advantage of insider information to trade in shares of the Bank.

**18. THE COMPANY SECRETARY**

- 18.1. There shall be appointed a Secretary to the Board.

**19. REVIEW**

- 19.1. The Board shall review and revise this Charter from time to time as and when the same becomes necessary and in any event not later than once every two (2) years.

**Signed:** \_\_\_\_\_ (Chairman)

**Date:** \_\_\_\_\_