

# HF GROUP PLC BOARD CHARTER

The primary objective of the Group's Board Charter is to set out the responsibilities of the Board of Directors ("the Board") of HF Group and its subsidiaries. The Board of the Parent Company, HF Group, has the overall responsibility for adequate corporate governance across the group and ensuring that there are governance policies and mechanisms appropriate to the structure, business and risks of the group and its entities.

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## HF GROUP PLC BOARD CHARTER

### A. INTRODUCTION AND PURPOSE OF THE BOARD CHARTER

HF Group Plc was incorporated on 18th November 1965 and became publicly quoted on the Nairobi Stock Exchange after sale of part of its equity to the public in 1992. HF Group Plc is regulated by the Central Bank of Kenya Limited (CBK) as a non-operating holding company. HF Group's main objectives as per its memorandum and articles of association are:-

- to carry on the business of a non-operating holding company as defined under the Banking Act (Chapter 486, Laws of Kenya, and
- to co-ordinate the administration of and to provide advisory, administrative, management and other services in connection with the activities of any Company which are for the time being subsidiaries of the Company

The Group currently comprises the subsidiaries listed below, all wholly owned:-

- i. HFC Limited
- ii. HF Development and Investment Limited
- iii. HF Insurance Agency
- iv. HF Foundation
- v. First Permanent (EA) Limited (Dormant)

The primary objective of this Charter is to set out the responsibilities of the Board of Directors ("the Board"). The Board is the core of the Group's system of corporate governance and is ultimately accountable and responsible for the performance and affairs of the Group.

In accordance with CBK/PG/02 (3.6) The Board of HF group, as the parent Company, has the overall responsibility for adequate corporate governance across the group and ensuring that there are governance policies and mechanisms appropriate to the structure, business and risks of the group and its entities. This includes determining the Group's purpose and values and giving strategic direction to the Group, identifying the key risk areas and key performance indicators of the Group's business, monitoring the performance of the Companies comprising the Group against agreed objectives, advising on significant financial matters and reviewing the performance of executive management against defined objectives and applicable industry standards.

Good corporate governance is regarded as critical to the success of the business of the Group and the Board is unreservedly committed to applying the fundamental principles of good

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governance, transparency, integrity, accountability in all dealings by and in respect of and on behalf of the Group.

### B. VISION, MISSION AND VALUES

<b>Our Purpose</b>	Enriching Lives
<b>Our Vision</b>	To be a top ten banking group by being the most dependable and loved financial services provider
<b>Our Mission</b>	Enriching Lives through Financial Empowerment.
<b>Our Values</b>	Stewardship, Teamwork, Innovation, Customer Centric, Integrity
<b>Brand Promise</b>	Create Great

The Board accordingly subscribes to the principles of good governance set out in the following laws:-

- a) The Constitution of Kenya
- b) Central Bank of Kenya Act;- the Prudential Guidelines 2013 CBK/PG/02
- c) The Capital Markets Act;- the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015.
- d) Companies Act, 2015.
- e) Insurance Act and Corporate Governance regulations
- f) Retirement Benefits Act
- g) All applicable Statutes and Regulations governing the operations of HF group Plc and subsidiaries

### CHAPTER 1: APPOINTMENT TO THE BOARD

The running of the Board and the executive function of the Management of the Company's business will be the responsibilities of the Chairman and the Chief Executive Officer, respectively. The process of appointments to the HF Group Board and Subsidiaries shall be managed in an efficient and transparent manner in order to ensure that a balanced mix of skilled and proficient individuals are appointed to the Board and that each of those appointed is able to add value and bring independent judgment to bear on the decision-making process. In this regard:

- a) The appointment of Directors shall be recommended by the Group Nomination & Governance Committee, approved by the Board and appointed by the Shareholders;

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- b) The criteria for appointment to the Board shall be guided by the following:
- Commitment to the principles of good governance;
  - Ability and willingness to live the vision, mission and values of HF Group Plc;
  - Gender diversity;
  - Academic excellence;
  - Professional skills;
  - Independence;
  - Geographical representation;
  - Integrity;
  - Age;
  - Business experience;
  - Expertise in relevant fields e.g. financial markets, legal, marketing, public relations, IT, Property, Insurance etc;
- c) A director may either be an individual person or a corporate director. A corporate director shall at all times appoint an individual person to be its' representative and this representative will go through the nomination and appointment process to ensure that they are fit and proper to hold the office as a representative. Both the corporate director and the representative shall be bound individually and/or severally by the terms of this Charter and other Regulations and Laws that relate to directors.
- d) A majority of the Directors shall be Non-Executive. At least one-third of the board shall be Independent. The criteria for determining the independence of an independent director shall be in line with the criteria laid down in the CMA Code of Corporate Governance. The Independent Directors shall be appointed for a term of three years, which term may only be renewed twice.
- e) The Chairman shall be an Independent and Non-Executive Director and the roles of the Chairman and Chief Executive Officer shall be separate.
- f) According to the Code of Corporate Governance for listed Companies, an independent director is a member of the board of directors who does not have a material or pecuniary relationship with the Company or related persons, is compensated through sitting allowances, does not own more than 5% of the shares in the Company (or as shall be defined by legislation from time to time) and after nine years of service, a continuing independent director ceases to be one and assumes the position of a non-independent director.
- g) The Chairperson shall not hold such position in more than two listed companies at any one time. A director shall not hold more than 3 directorships in listed companies. An executive director shall not hold more than one other directorship of another listed Company.

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- h) No Director shall be permitted to hold the position of a director in more than two institutions licensed under the Banking Act unless the said institutions are associates, subsidiaries or holding companies. This rule shall not apply to government bodies represented in institutions' boards by virtue of their position as shareholders.
- i) Directors may not be more than 70 years old but may continue to hold office if shareholders vote to retain a director over the age of 70 years.
- j) The Board through the Group Nomination and Governance Committee shall regularly review the independence, mix of skill and experience of Board Members in order to ensure that:
  - The mix of Directors is appropriate and compatible with the needs of the Board and the Company, with a majority non-executive and at least one third independent directors.
  - Every non-executive director commits adequate time to his/her responsibilities and contributes effectively, and that, based on the priority needs of the Board and the Company, the Group Nomination & Governance committee will recommend to the Board qualified, competent fit and proper persons to be nominated for election to the Board.
- k) All non-executive directors shall be required to submit themselves for re-election at regular intervals and in accordance with the Memorandum and Articles of Association of HF Group Plc.
- l) Re-appointment of Directors whose terms have expired shall be on the basis of their performance and conduct in addition to fulfilling the requirements under this Clause.
- m) Directors shall be issued with formal appointment letters setting out main terms and conditions.
- n) Newly appointed directors shall be taken through a formal induction process.
- o) Procedures of appointing directors should be transparent, documented and approved by the board.
- p) No person shall be appointed as a Director if he/she:
  - has been found to have committed, and is under any investigation for bribery, fraud, corruption, anti-money laundering, terrorism financing, or any illegal activity by any investigative, administrative, civil or judicial body.
  - Has been charged with, convicted of or under investigation for a crime.
  - has caused or is causing any material reputational risk and/or damage to the Company due to past or present personal or external activities.
  - is an immediate family member (spouse, parent, or natural, adoptive or step child) of any officer of a public or private entity that supervises, reviews, audits, finances, or regularly conducts business with the Company.
  - has violated the Code of Conduct for directors.

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- is disqualified under the Companies Act 2015
- q) The size of the HF Group Board and that of its subsidiaries is as regulated in the memorandum and articles of association of each company and the Directors shall be appointed through a formal process. The Group Nomination and Governance Committee shall assist with the process by identifying suitable candidates to be proposed to the HF Group Board and the shareholders.
- r) The Board shall report the resignation or removal of any of its members to the Central Bank of Kenya and to the Capital Markets Authority within seven days and within twenty four (24) hours, respectively.

### **Chapter 2. THE ROLE AND RESPONSIBILITIES OF THE BOARD**

#### **1) General Responsibilities**

In general, the roles and responsibilities of the Board are to:-

- a) Exercise leadership, enterprise, integrity in directing the Group activities so as to achieve continuing prosperity for the Group and its shareholders and shall at all times act in the best interest of the Group in a manner based on transparency, integrity, accountability and responsibility.
- b) Adopt strategic plans and give strategic direction to the Group.
- c) Appoint the Chief Executive Officers and ensure that succession is planned.
- d) Retain full and effective control over the Group, and monitor management in implementing Board plans and strategies.
- e) Monitor operational performance and management.
- f) Ensure the integrity of the annual financial statements and all related information.
- g) Record the facts and assumptions on which it relies to conclude that the business will continue as a going concern in the financial year ahead or why it will not, and in that case, what steps the Board is taking to remedy the situation .
- h) Define levels of materiality, reserving specific power to itself and delegating other matters with the necessary written authority to management.
- i) Maintain adequate accounting records.
- j) Adequately safeguard, verify and maintain accountability of assets.
- k) Prevent and detect material misstatement and loss.
- l) Determine policy and processes to ensure the integrity of the Group's risk management and internal control procedures.
- m) Implement proper systems of internal control which are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements.

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- n) Ensure that the Group complies with all relevant laws, regulations and codes of business practice, and that it communicates with its shareholders and relevant stakeholders (internal and external) openly and promptly .
- o) Develop a corporate code of conduct that addresses conflicts of interest, particularly relating to directors and management.
- p) Assess its composition to consider whether its size, diversity and demographics make it effective.
- q) Approve the communications policy of the Group.
- r) Attend to Director selection, orientation and evaluation.
- s) Ensure that there is an appropriate balance of power and authority on the Board, such that no individual or block of individuals can dominate the Board's decision taking.
- t) Ensure that each item of special business included in the notice of the annual general meeting, or any other shareholder meeting, is accompanied by a full explanation of the effects of the proposed resolution.
- u) Encourage shareholders to attend annual general meetings and other Group meetings, at which the Directors should be present.
- v) Define and monitor the information needs of the Board. The Board should have unrestricted access to all Group information, documents, records and property
- w) Identify and monitor the non-financial aspects relevant to the business of the Group.
- x) Ensure that the duties of Directors as prescribed by the Companies Act, Chapter 486 Laws of Kenya, are carried out.
- y) Approve the Risk management framework for the Group.
- z) It is the duty of the Board to define duties of management and appoint those persons who are qualified and experienced to administer the affairs of the Group.

### **2) Duties of directors**

- a) The Board shall allow every Director to play a full and constructive role in its affairs.
- b) It is the duty of Directors to ensure the Group maintains a positive image within the industry
- c) Uphold the core values of integrity and enterprise in all dealings of the Group.
- d) Regularly attend meetings of the Board and Board Committees. Every Director must attend at least 75% of the Board meetings of the Group in any financial year.
- e) Directors will use their best endeavors to attend all Board meetings and read all necessary documentation and prepare themselves thoroughly in advance of Board meetings Directors are expected to participate fully, frankly and constructively in Board discussions
- f) Endeavour to keep abreast of changes and trends in business environment and markets
- g) Seek to avoid business activity that competes/conflicts of interest of the Group and also ensure that he/she shall in no way derive any profit as a result of his/her Directorship in the Group.

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- h) Have working knowledge of the statutory and regulatory requirements affecting the Company including interalia, Articles of Association, Banking Act, Capital Markets Authority Act, Central Bank of Kenya Act, Central Bank Prudential Guidelines.
- i) The Directors agree that maintenance of confidentiality of Board proceedings is of paramount importance.
- j) Directors have the responsibility of ensuring that the Group maintains adequate level of capital at all times as stipulated in the Banking act and the business operations.
- k) Directors should not deal in securities of the company at a time information obtained was by virtue of their Directorship.
- l) Directors should not use their positions to further their personal interest.
- m) Directors must not solicit appointments as executors, administrators or trustees of customer's estates.
- n) Directors must not misuse their positions and the institutions name or facilities for personal advantage in political or economical business activity.
- o) Where they have a financial interest in a customer whether as a sole proprietor, shareholder, creditor and or debtor, Directors must immediately disclose that interest to the Board.

The Directors agree that maintenance of confidentiality of Board proceeding is of paramount importance.

It is the duty of the Board to define duties of management and appoint those persons who are qualified and experienced to administer the affairs of the Company.

### 3) **Specific Requirements**

In discharging their role, Directors of the Group must satisfy the following requirements;

- a) Act in good faith and in a professional manner having due regard to his/her fiduciary duties and responsibilities and with the care a prudent person would take when acting on their own behalf.
- b) Act independently in what he/she believes to be the best interest of the Company and act in the interest of the shareholders and other stake holders.
- c) Act with degree of care, diligence and skill that may be reasonably expected from a person of his/her knowledge and experience.
- d) Act intravires within the scope of his/her authority as prescribed in the Company's Articles.



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- e) Act as Trustee of the company's assets and not misappropriate any of the Company's property or assets.
- f) Avoid conflict of interest and duty.
- g) Disclose any interest, which they may have in any contract or agreement to which the Company is party.
- h) Submit the Annual Directors Declaration.
- i) Exercise a reasonable standard of skill and care in carrying out their duties.
- j) Maintain confidentiality in regard to Company affairs.
- k) Ensure equitable treatment of all the shareholders including the minority and foreigner and as shall be guided by the Regulations and any agreements in place.

### **4) Role of Chairman**

The role of Chairman shall include the following;

- a) The Chairman must bring firm and objective leadership to the Board of Directors.
- b) The Chairman of the Board shall always be an Independent, Non-Executive Director.
- c) Preside over Directors and shareholders meetings and to ensure smooth functioning of the Board in the interest of good governance.
- d) The Chairman must determine in conjunction with the Group Chief Executive Officer and Company Secretary the annual Board plan as well as items for inclusion on the agenda for Board and shareholders meetings.
- e) The Chairman shall ensure that the content and order of the Board agenda is appropriate and that Directors are fully briefed on issues arising at Board meetings and that all relevant and available information on an issue is placed before the Board in order for members to make informed decisions.
- f) The Chairman shall be responsible for maintaining regular dialogue with the Group Chief Executive Officer.
- g) The Chairman will act as a facilitator at meetings of the Board to ensure that no Director dominates the discussion and that all opinions of Directors are solicited and freely expressed and Board discussions lead to appropriate decisions.
- h) The Chairman will seek a consensus in the Board but may where considered necessary call for a vote in which event the decision of the majority of the Board

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### 5) Role of the Chief Executive Officer

The Chief Executive Officer is appointed by and accountable to the Board of Directors.

The Chief Executive Officer has a critical and strategic role to play in the operational success of the Company. Without limiting the obligations of the Chief Executive Officer as determined in his contract of employment the principal functions shall include;

- a) Ensuring that the assets of the group are adequately maintained and protected and not unnecessarily placed at risk.
- b) Ensuring that comprehensive and appropriate internal control mechanisms are recommended to and adopted by the Board in order to mitigate key risks.
- c) Ensuring optimum balance between the achievement of short term delivery objectives with long term sustainability and strategy.
- d) Maintaining a positive and ethical work climate which is conducive to attracting, retaining and motivating a diverse group of top quality employees at all levels in the Group and not to cause or permit any practice activity or decision by or within the Group that is contrary to good corporate governance or professional ethics.
- e) Consistently striving to exceed the Group's financial and operating goals and ensuring that the day to day business affairs of the Group are appropriately monitored and managed.
- f) Developing and recommending to the Board a long term strategy and vision for the Group that will generate satisfactory levels of shareholder value.
- g) Developing and recommending to the Board annual business plans and budgets that support the Group's long term strategy.
- h) Ensuring continuous improvement in business processes and product offerings to ensure the Group retains its competitiveness in the market.
- i) Ensuring the Group has an effective management team and to effectively participate in development of management and succession planning.
- j) Serving as chief spokesperson of the Group.
- k) Communicating to the Board at least annually the Group's senior management succession planning and management development initiatives.

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The Board must report to Central Bank of Kenya and the Capital Markets Authority the resignation and or removal of the Chief Executive Officer within seven days and Twenty Four (24) Hours respectively.

The Board shall monitor and evaluate the performance of the Chief Executive Officer against agreed objectives at least once annually or more frequently at the discretion of the Board.

### **6) Role of the Company Secretary**

The Company Secretary is critically important to the proper governance of the Company and it's the responsibility of the Board to ensure that the Company Secretary remains capable to fulfill the function for which he has been appointed. The appointment and removal of the Company Secretary is matter for the Board.

The Company Secretary shall be a member of the institute of Certified Public Secretaries of Kenya (ICPSK) established under the CPS Act.

The Company Secretary shall work closely with the Chairman and the Group Chief Executive Officer to ensure the proper and effective functioning of the Board and the integrity of the Board governance process.

In addition to the statutory duties of the Company Secretary, he or she must provide the Board as a whole and Directors individually with detailed guidance as to how their responsibilities should be discharged. The Company Secretary shall be responsible inter alia for the following;

- a) Ensuring Board procedures as per the articles are followed.
- b) Providing guidance and advice on procedural and compliance issues.
- c) Ensuring that the procedure of appointment of Directors is adhered to.
- d) Keeping abreast and informing the Board of current governance thinking both locally and internationally.
- e) Ensuring unhindered access to all Group information by all Board members.
- f) Ensuring a procedure exists for facilitating obtaining of independent professional advice.
- g) Ensuring compliance with all relevant statutory and regulatory requirements.
- h) Assisting in carrying out corporate strategies by ensuring Board decisions and instructions are clearly communicated to all relevant persons.
- i) Advising the Company on matters of ethics and good governance.
- j) Ensuring the timely preparation and circulation of the Board and Committee minutes and other relevant papers.
- k) Assisting the Board with the evaluation exercise
- l) Co-ordinating the governance audit process.

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- m) Maintaining and updating the register of conflict of interest
- n) Facilitating effective communication between the organization and the shareholders

The performance of the Company Secretary shall be evaluated annually.

### **7) Role of Risk Management, Compliance and Internal Audit**

Risk management and Internal Audit are recognized to be an integral part of the governance structures of the Group and functions under policies established by the executive management and the Board. It is responsible to both the Board and executive management providing them with;

- a) Assurances that management processes are adequate to identify and monitor significant risks.
- b) Confirmation of the effective operation of the established internal control systems.
- c) Ongoing development and evaluation of improved controls.
- d) Credible processes for feedback on risk management assurances.

The Board must ensure that the management of the risk function has the necessary standing and that it reports to a level within the Group that enables it to discharge its duties effectively. The Head of internal audit reports functionally to the Board. The Head of risk function should have ready and regular access to the Chairman of the Board.

### **Chapter 3 REMUNERATION**

In order to avoid potential conflict of interest, the Board shall set up an Independent Nomination & Governance Committee to determine the remuneration of respective individual executive and non-executive directors. The Committee shall:

- a) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual executive and non-executive directors;
- b) Ensure that the level of remuneration shall be sufficient to attract and retain the quality calibre of executive directors needed to run the Company successfully while the make-up should be structured so as to link corporate and individual performance.
- c) The remuneration of the executive directors shall include an element that is linked to corporate performance, including a share option scheme, so as to ensure the maximization of the shareholders' value.
- d) The Board remuneration policies and procedures shall be disclosed in the annual report. The remuneration package to directors shall be appropriately disclosed.

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- e) The Board Remuneration Report shall be approved by the Shareholders at the General Meeting.

### **Chapter 5 DISCLOSURE**

On the first appointment and at regular intervals (at least once every year), or at any time when circumstances change, all directors shall, in good faith, disclose to the Board for recording and disclosure to the external auditors, any business or other interests that are likely to create a potential conflict of interest, including:

- a) All business interests (direct or indirect) in any other company, partnership or other business venture;
- b) Their shareholdings in trade, business or other profit making organization;
- c) Their shareholding, share options and/or other interest in HF Group;
- d) Any interest (direct or indirect) in any transaction with HF Group;
- e) Any gift, monies, commissions, benefits or other favours extended or received from whatsoever party in respect of or in relation to any business dealings with HF Group.
- f) If a Director resigns or is removed from office before the expiry of their term, the director shall disclose to the Company's external auditors and if necessary to the Shareholders (if the reason for removal or resignation is refusal to condone fraud, corruption or other activities or behaviour incompatible with the shareholders' interests) the reasons for the resignation or removal.

### **Chapter 4 SUPPLY OF INFORMATION**

For the Board to exercise informed, intelligent, objective and independent judgments on HF Group's affairs, they shall have access to accurate, relevant and timely information. In this regard:

- a) There shall be established a formal procedure to enable independent directors to take professional advice on any matter pertinent to their functions if and where they deem it necessary and at HF Group's expense, but subject always to the limitations, restrictions and conditions stipulated by the Board.
- b) All directors shall have unlimited access to the advice and services of the Company Secretary who has a statutory duty to advise the Board and any other professional officer of the Company, on matters of procedures, Memorandum and Articles of Association and regulations.
- c) It is the duty of every director to demand and obtain any information they deem critical to the performance of their duties as a director.

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### Chapter 5 INDUCTION, ON GOING TRAINING AND DEVELOPMENT

- a) Upon appointment, each board member shall participate in an induction program that covers the company's strategy, general financial and legal affairs, financial reporting by the company, any specific aspects unique to the company and its business activities, and the responsibilities of a board member.
  - b) The Board shall conduct an annual review to identify areas where the Board members require training or education.
  - c) The costs of the induction course and any training or education shall be paid for by the company.
  - d) All directors shall receive some formal training on their role, duties, responsibilities and obligations as well as Board practices and procedures on first appointment. The training shall cover the following areas:
    - Role, duties and responsibilities of the Board and directors;
    - Rights and obligations of a director;
    - Statutory liabilities and duties of a director under criminal and company law;
    - Board practices and procedures;
    - Corporate strategy and organization;
    - Disclosure and communication policies;
    - Financial management systems, internal control procedures and internal audit;
    - External Audit and the Board;
    - The Corporate Environment;
    - Performance targeting, monitoring and evaluation;
    - Risk Management;
    - Information Technology and information to the Board;
    - Any other matters of interest to the Board.
- d) Directors shall attend at least twelve hours of board development annually on matters relevant to legal reforms, corporate governance, changing corporate environment, business/commercial risks and other matters that may be of interest in the execution of their role.

### Chapter 6 BOARD EFFICIENCY, PROCEEDINGS AT MEETINGS AND EVALUATION

#### Board Efficiency

- a) Each director is fully aware of the importance of regular attendance and effective participation at meetings. Where a director is unable to attend a meeting, each director

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undertakes to communicate through the Chairman or the Group Chief Executive Officer any concerns or issues they would wish considered.

- b) Board deliberations give rise to consensus or formal votes covering, among others, approval of accounts, budget, resolutions to be submitted to the General Meeting of Shareholders as well as other matters of importance to the Company.
- c) Each director shall be attentive to and respectful of the delineation and exercise of powers and responsibilities attributed to the Company's respective decision-making organs. Directors shall however ensure that no single person can exercise uncontrolled discretionary powers. They shall support the proper functioning of Board Committees and pay particular attention to ensure that the Company's internal controls are effective and that its statutory auditors perform their mission in a satisfactory manner.

### **Board Evaluation**

- a. At regular intervals, not exceeding twelve months, the Board of Directors shall undertake an evaluation of its functioning as a collective agency and as individual directors. Where necessary, the Board may obtain the services of an external facilitator to guide the evaluation.
- b. The Board shall evaluate its performance (including the performance of its Board and Statutory Committees, Committee Chairmen and individual Board members) annually.
- c. The self-evaluation may take the form of a questionnaire, feedback from relevant stakeholders or any other form prescribed by the Board.

### **Governance Audit**

- a. The Board of Directors shall ensure that a Governance Audit is carried out periodically by a Certified Governance Auditor to check on the level of compliance with sound governance practices. The Board is required to report on the level of compliance.

### **Proceedings at Meetings**

- a) A quorum of meetings of directors shall be as defined in the articles of association.
- b) Meetings of the Board will be held as frequently as the Board considers appropriate, but it will normally meet not less than four times a year. Any Board member may call further meetings if required.
- c) The Board must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must ensure proper coverage of the matters laid out in this charter.
- d) A detailed agenda, together with supporting documentation, must be circulated, at least seven (7) business days prior to each meeting to the members of the board and/or other

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invitees. The Board Chairman must establish standards for preparation of Board papers and reports.

- e) The Board members must be fully prepared for Board meetings to be able to provide appropriate and constructive input on matters for discussion.
- f) The Company Secretary shall take minutes of the meetings.
- g) The minutes of the meeting and the action plan arising therefrom shall be circulated to the Board chairman, and Board members within one month of the meeting. The minutes must be formally approved by the Board at its next scheduled meeting.
- h) The Chairman, at his discretion, may invite other executives to attend and to be heard at meetings of the Board.
- i) The meetings shall be chaired by the Chairman of the Board.

### Chapter 7 BOARD COMMITTEES

Board committees are expected to assist the Board and its Directors in discharging their duties and responsibilities, however the Board remains accountable. Board committees with formally determined terms of reference, lifespan, role and function constitute an important element of process and should be established with clear reporting procedures and written scope of authority. Independent Non-executive Directors must play an important role in the Sub Committees.

The Committees at HF Group level, which will also serve the needs of its subsidiaries are the following:-Group Strategy Committee

- i. Group Nomination and Governance Committee
- ii. Group Audit & Risk Committee

Provided that in addition to the above Committees at Group level, the Regulated Mortgage Finance Subsidiary HFC Limited shall as a minimum have the following statutory committees, with specific terms of reference:-

- i. Board Audit Committee
- ii. Board Credit Committee
- iii. Board Risk Committee

- b) The Group Nomination and Governance Committee (GNG) may from time to time make recommendations to co-opt a Director from the Group or any of the Subsidiaries to sit in any of the Group or Subsidiary Board Committees, according to criteria that it determines to be in the best interest of the Company and its shareholders, and the Board shall make a final determination relative to such committee assignments. In making its recommendations to the Board, the Group Nomination and Governance Committee shall take into consideration the need for continuity, subject matter expertise, applicable CBK and CMA



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- requirements, the Companies Act requirements, tenure, and the desires of the individual Board members.
- c) The Board remains collectively responsible for the decisions and actions taken by any committee. A Committee may only perform the tasks delegated to it by the board and may not exceed the authority or powers of the board as a whole.
  - d) The Board, through the Group Nomination and Governance Committee shall establish (and may amend) Terms of Reference/Charters for each Committee. The Terms of reference/Charters shall indicate the role and responsibilities of the Committee, its composition and how it should perform its duties.
  - e) The following Board and Committee Composition Guiding principles shall apply:-
    - The Chairman of the Group Board will not be a chair of any other HF Group board in order to enhance oversight.
    - The Chairman of the Group Board shall not be a member of the Audit Committee.
    - One director will belong to a maximum of 3 boards within the Group
    - One director will belong to a maximum of 4 board committees within the HF Group and Subsidiary Boards.
  - f) The Key Committees of the HF Group Board are;

### **i. GROUP BOARD STRATEGY COMMITTEE**

The primary responsibility of the Board Strategy Committee shall be to oversee the implementation of the Group's strategic objectives in line with the Group vision.

The Committee shall continuously review the Group's strategy.

The Committee shall recommend to the Board any development strategic initiatives.

### **ii. GROUP NOMINATION AND GOVERNANCE COMMITTEE**

The primary purpose of the Group Nomination & Governance Committee is to oversee the nomination and remuneration of the Board and senior management, as well as ensuring that the Group has adequate corporate governance structures, policies and mechanisms appropriate for the business of the Group and its entities. The Board through the Committee shall regularly review its required mix of skills and experience and other qualities in order to assess the effectiveness of the Board. The evaluation shall be conducted annually and disclosed in the annual report.

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### iii. GROUP AUDIT & RISK COMMITTEE

The Group Audit & Risk Committee members should elect a chair who is an independent non-executive Director. The Chairman of the Group should not be the Chairperson of the Group Audit & Risk Committee. Membership should be disclosed in the annual report. Alternate directors are not allowed to be appointed as members of the Group Audit & Risk Committee.

The primary responsibilities of the Group Audit & Risk Committee shall include but not be limited to the following;

- Ensuring accounts are prepared in a timely and accurate manner to facilitate prompt publication.
- Reviewing internal controls, including the scope of the internal audit programme, reviewing the findings and recommending action to be taken by the Group Management.
- Reviewing coordination between internal audit function and external auditors.
- Nominating external auditors for appointment by the shareholders.
- Reviewing management reports from external auditors concerning deviations and weaknesses in accounting and operational controls.
- Considering matters of concern raised at the risk management level.
- Review and assess the integrity of the risk control systems and ensure that risk policies and strategies are effectively managed.
- Set out the nature, role, responsibility and authority of the risk management function.
- Oversee the management of the risk function.

## Chapter 8 RELATIONSHIPS WITH SHAREHOLDERS

- a) **Equal and Simultaneous Information.** Where appropriate, the Board shall provide all Shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price.
- b) **General Meetings; Venue.** The Board shall determine the date and place of any general meeting and shall use its best efforts to provide shareholders with all information necessary or required for the shareholders to properly act at the Annual General Meeting.
- c) **Compliance with the Law.** The Board shall ensure all laws are complied with, regarding the rights of the Annual General Meeting and of individual shareholders.
- d) **Attendance by Board Members.** The Group Chairman shall ensure that (unless there are important reasons) all the members of the board shall attend the Annual General Meetings.
- e) **Chairman of General Meetings.** The Annual General Meetings shall be presided over by the Group Chairman of the Board, or in his absence, the Board may designate someone else to preside over the Annual General Meeting in accordance with the Memorandum and Articles of Association of the Company.

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- f) **Disclosure of Resolutions.** A resolution of the Annual General Meeting may be publicly disclosed only through a statement from the Group Chairman of the Board or the company secretary.
- g) **Changes to Corporate Governance.** Any substantial change to the corporate governance structure of the company shall be submitted to the Annual General Meeting for discussion under a separate agenda item.
- h) **Attendance by external auditor.** The Board shall ensure that the responsible partner of the external auditor attends the Annual General Meeting and is available to address the meeting. The external auditor may be questioned by the Annual General Meeting in relation to the audit of the Group's financial statements.

### Chapter 5 OTHER PROVISIONS

#### 1. GENERAL

- a) Unless varied by these terms of reference, meetings and proceedings of the Board will be governed by the Company's Articles of Association.
- b) These terms of reference may be amended as required, subject to the approval of the Board.
- c) These terms of reference will be subject to review by the Board at least once every three years.

#### 2. APPROVAL OF THIS CHARTER

The Charter was adopted by the Board on 24<sup>th</sup> day of November 2023



## HF GROUP PLC BOARD CHARTER



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