



**BOARD OF DIRECTORS CHARTER**  
**The Co-operative Bank of Kenya Limited**  
**Co-optrust Investment Services Limited**  
**Co-op Bancassurance Intermediary Limited**  
**Kingdom Securities Limited**  
**Kingdom Bank Limited**

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# The Co-operative Bank of Kenya Group Board of Directors Charter

## 1. Preamble

The purpose of this Charter is to set out the key governance principles adopted by the Board of Directors in governing the Bank and its subsidiaries, outline the role, responsibilities, operation and structure of the Boards, authority and membership. It also clarifies the respective roles of the Board and Senior management.

This Charter applies to the Board of Directors of the Co-operative Bank of Kenya Limited Group, encompassing Co-optrust Investment Services Limited, Co-op Bancassurance Intermediary Limited, Kingdom Securities Limited and Kingdom Bank Limited (Bank/subsidiaries).

The directors of the Bank/subsidiaries are committed to excellence in corporate governance and support the principles of Good Corporate Governance as the basis for enhancing credibility and transparency in the financial services industry.

In adhering to the responsibilities and powers as set out in this Charter, the Board members commit to perform their duties with integrity, honesty and in a professional manner in accordance with the law.

Core Value statements:

- a) We are the trustworthy
- b) We are innovative and agile
- c) We value our customers/people
- d) We share and collaborate
- e) We have passion for excellence
- f) We are bold and courageous

Bank's Vision:

To be the dominant bank in Kenya and in the Region riding on the unique Co-operative Model providing innovative financial solutions for distinctive customer experience.

## Bank's Mission:

To offer a wide range of innovative financial solutions leveraging on our heavy investment in multi channels, national and regional presence and with focus on excellent customer experience by a highly motivated and talented team.

### **2.0 Applicable law and regulations**

The provisions of this Charter are complementary to the requirements regarding the Board and board members contained in the Kenyan Company's Act, the Banking Act, Central Bank of Kenya Prudential Guidelines, the Capital Markets Act and Regulations made thereunder, the Insurance Act, the Articles of Association of the Bank/subsidiaries and the by-laws of Co-opholdings Co-operative Society Limited (the Strategic and majority shareholder of the Bank).

### **3.0 Role of the Board:**

The primary duty of the directors is to exercise their business judgment to act in what they believe to be in the best interests of the Bank/subsidiaries and its shareholders and other stakeholders.

The overall responsibility of the Board is to offer overall strategic guidance, formulation of policies, procedures and guidelines which ensure that all directors, the Chief executive officers and management are fully made aware of their duties and responsibilities and code of conduct and that all management decisions are made in accordance with applicable laws and regulations.

The Board of Directors are accountable to the shareholders.

In more specific terms, the Board's role and responsibilities are as set out below: -

- i) **Ethical leadership and integrity.** In this regard, the Board should provide effective leadership based on an ethical foundation, characterized by values of responsibility, accountability, fairness and transparency. Each director should, as a steward, discharge the moral duties of conscience, inclusivity of stakeholders, competence, commitment and courage.
- ii) **Regulate and oversee the manner in which the business is conducted.** In this regard, it should ensure that appropriate policies which also provide for clean lines and limits of authority

are established covering all areas of operation within which Senior executive officers are to operate, including strategic planning, credit administration and control, asset and liability management, service quality, automation plan, prevention of money laundering, profit planning and budgeting, adequacy of capital and human resource development.

- iii) **Corporate Planning.** In this regard, it should be actively engaged in reviewing, directing and approving the strategic objectives of the Bank/subsidiaries and monitoring management's implementation of the strategies, financial performance and integrity of reporting.
- iv) Establish and ensure the effective functioning of Board and Management Committees.
- v) Ensure that adequate effective audit, risk management and compliance systems are in place to protect the Bank's/subsidiaries' assets and to minimise the possibility of the Bank/subsidiaries operating beyond their respective legal requirements or beyond acceptable risk parameters.
- vi) Analyse, review and approve material acquisitions, divestments and capital expenditure.
- vii) Ensure that there is an Information Technology Governance framework in place that supports effective and efficient management of IT resources to facilitate the achievement of the Bank's/subsidiaries' objectives
- viii) Ensure long-term sustainability/ ESG (Environmental, Social and Governance) of the Bank is demonstrated in the strategies, business objectives and risk management framework. Review the Bank's ESG and climate related risk management roadmaps.
- ix) Attend board meetings regularly and effectively participate in the conduct of the business of the Board.
- x) Be informed about the business condition of the bank/subsidiaries
- xi) Ensure observance of the applicable laws and regulations and establish systems to effectively monitor and control compliance. In particular, every director of the Bank should be conversant with the provisions of the Banking Act, Central Bank of Kenya Act and any guideline issued thereunder; the directors of the bank should also review the Central Bank of Kenya inspection reports and audit reports and also ensure implementation of any recommendations made.
- xii) Ensure that the bank's/subsidiaries' organization structure facilitates effective decision making and good governance

- xiii) Provide oversight over Senior Management. In this regard it is the duty of the Board to appoint those persons who are competent, qualified and experienced to administer the bank's/subsidiaries' affairs effectively and soundly.
- xiv) Regularly review policies, processes and controls with senior management and/or internal control functions in order to determine areas needing improvement as well as identify and address significant risks and issues.
- xv) Ensure appropriate steps are taken to communicate throughout the bank/subsidiaries, the corporate values, professional standards or codes of conduct it sets.
- xvi) Ensure that Board members be and remain qualified, including through training and Continuous professional development for their positions.
- xvii) Actively oversee the compensation system's design and operation and monitor and review the compensation systems to ensure that it operates as intended
- xviii) Ensure effective and timely reporting to shareholders, depositors, other relevant stakeholder and market participants
- xix) Define appropriate governance practices for its own work and have in place the means to ensure that the practices are followed and reviewed periodically; and specifically carry out periodic evaluation of itself and the directors, its required mix of skills and experience and other qualities in order to assess the effectiveness of the Board.
- xx) Safeguard and enhance the image and reputation of the Bank/subsidiaries, ensuring that the bank/subsidiaries maintain a positive image within the industry and the economy as a whole.

In order to fulfill the foregoing role and responsibilities, the Board reserves to itself the following powers: -

- a) Reviewing the Bank's/subsidiaries' strategic plans, including setting the Bank's/subsidiaries vision, mission, core values and standards;
- b) Approving the annual Capital and Recurrent budgets and any material changes to them;
- c) Reviewing financial results/performance in light of the strategic objectives, including approval of dividend policy, declaration of dividends, significant changes in accounting policies or practices and approval of material unbudgeted capital expenditure;
- d) Extension of the Bank's/subsidiaries activities into new geographical areas;

- e) Any decision to cease to operate all or any material part of the Group's business;
- f) Changes relating to the Group's capital structure, major changes to the Group's corporate structure including but not limited to acquisitions and mergers;
- g) Any changes to the Bank's listing or its status as a public listed company;
- h) Approval of the Group's Risk Management framework, risk appetite statements, and reviewing regularly audit, risk and compliance reports, ensuring that areas of significant business risks are identified and effectively managed;
- i) Approval of resolutions to be put forward to shareholders at general meetings;
- j) Changes to the structure, size and composition of the Boards of the Bank/subsidiaries;
- k) Determining remuneration policy of directors and other senior executives;
- l) Succession strategies and plans for the Board and senior management of the bank/subsidiaries;
- m) Establishing board committees and their terms of reference and approving material changes thereto;
- n) Undertaking a formal annual review of its performance, that of its committees and individual directors;
- o) Approval of key policies;
- p) Dealing with all matters which are outside discretions conferred to the Management;
- q) Any decision that is likely to have a material impact on the Bank/subsidiaries from any perspective, including but not limited to, financial, operational, strategic or reputational.

#### **4.0 Role of Management**

The Board delegates to the Group Managing Director & CEO responsibility for implementing the Board strategy and for managing the day to day operations and running of the Bank/subsidiaries.

The responsibilities delegated to management include the following: -

- a. being responsible for day to day management of the Bank/its subsidiaries ensuring that the policies spelt out by the Board in the Bank's/subsidiaries overall corporate strategies and frameworks approved by the respective Boards are implemented;

- b. realignment of the Divisional Structures in a dynamic market environment/human resources, people development, performance and the creation of a safe and enjoyable workplace;
- c. being responsible for the following activities of the Bank/subsidiaries:
  - developing strategy for approval by the Boards;
  - financial and capital management and reporting;
  - Coordinating the operations of the various departments of the bank/subsidiaries;
  - marketing the current business of the Bank and its subsidiaries and acquiring new business;
  - customer relationship service;
  - developing and maintaining key external relationships, including with investors, media, analysts and industry participants;
  - credit as per the existing credit policy;
  - reporting to the Boards on the performance of the Bank/subsidiaries compared with the budget;
  - otherwise performing such duties as are from time to time delegated by the Board.

## **5.0 Board Governance/Succession Policy**

### **5.1 The Co-operative Bank of Kenya Limited.**

#### **5.11 Composition**

The composition of the Board of the Bank is determined in accordance with the Bank's Memorandum and Articles of Association, as hereunder: -

- a) Under Article 79, the number of directors shall not be less than eight nor more than 13 in number.
- b) By article 104A, the single largest shareholder of the Bank, Co-op Holdings Co-operative Society Limited, which holds a majority 64.5% of the issued shares in the Bank, is entitled to nominate and have elected to the Board of Directors, seven directors. Only the majority shareholder may nominate candidates for those seven positions.

- c) Under Article 83A, the Directors of the Bank shall at all times include the Principal Secretary to the National Treasury or his duly appointed alternate from the Ministry of Finance.
- d) The Group Managing Director & CEO is, by virtue of Article 94 (2) a member of the Board.
- e) Under Article 94A the directors may from time to time appoint a person of such qualification as the directors may from time to time determine to the office of Executive director other than as Managing Director and reporting to the Managing Director for such period and on such terms as they may think fit.
- f) Four independent directors elected by the AGM representing the 35% public shareholding in the bank.

#### **5.12 Selection of independent Directors**

- i. The Board of Directors is responsible for nominating independent directors and recommending their election to the Board by the Annual General Meeting.
- ii. The Board of Directors may if need be delegate (i) above to the Staff and Nomination Committee of the Board.
- iii. In undertaking this review, - particularly in regard to compiling the list of potential candidates for appointment as independent directors, the Board/Committee may draw on advice from the Group Managing Director & CEO, external consultants and internal industry experience so as to identify potential candidates with the required skills, knowledge and experience, of reputable standing and with no material conflict of interest with the bank.
- iv. Potential directors identified by the Board/Committee should be approached by the Chairman/Group MD&CEO on their interest in joining the Board, together with the responsibilities such an appointment entails and discussed terms and conditions.

- v. The independent directors serve on the Board for a period of 6 years, save for continuing Directors that are covered by CMA Circular Number 06/2024 dated 13<sup>th</sup> June 2024 that will serve for 9 years.

**5.13** If accepted, the Board can then fill the casual vacancy, and then recommend their appointment to the Annual General Meeting.

### **Chairmanship of the Board**

In accordance with the Group's Governance Succession Policy approved by the Group Board on 13<sup>th</sup> September, 2017, the Chairman of the Board of Directors of the Bank shall be a Technical/independent person as set out in the Central Bank of Kenya Prudential Guidelines and Capital Markets Authority Code of Corporate Governance Practices section 2.1.8 on Board succession.

This is also in deep appreciation by the Board of the need to ensure a balanced mix in the capabilities and competences in the Board in order to remain relevant in a fast changing, dynamic and competitive market environment, and also successfully operating as a Listed Bank at the Nairobi Securities Exchange since year 2008 with incredible growth and transformation to one of the largest banks in the region.

The Vice Chairman of the Board of Directors of the Bank shall be the Chairman of the Strategic and majority shareholder, Co-op Holdings Co-operative Society Limited.

The Bank recognizes and embraces the benefits of a diverse Board and acknowledges that diversity at the Board level is an essential element in enhancing the decision making process at the Board and resultant policy and strategy direction. A diverse Board will have a mix of different skills, competencies, knowledge, regional and industry practices and gender.

The current structure of the Board composition ensures diversity and broad representation as hereunder: -

- i) The seven directors nominated by the majority and strategic shareholder are elected from each region in the country, - being Nairobi, Central, Eastern, Rift Valley, Nyanza, Western and Coast/North Eastern and bring to the Board co-operative movement and financial sector knowledge/expertise and

- experience that is diverse covering all sectors of the economy, varied academic qualifications as well as regional representation.
- ii) Representation on the Board by the Principal Secretary, National Treasury/appointee ensures experience in Governance matters is brought to bear on the Board as the bank works closely with Government/State organs
  - iii) Appointment of independent directors provides the Board with the opportunity to bring on board identified specialized skills or expertise required such as Human resource management, accounting/finance and risk management.
  - iv) In identifying suitable candidates for appointment as independent directors, the Board shall consider the balance of skills, experience, independence and gender.
  - v) The independent directors serve on the Board for a period of 6 years save continuing Independent Directors covered by CMA Circular Number 06/2024 dated 13<sup>th</sup> June 2024 who will serve for 9 years

## **5.2 Co-optrust & Co-op Bancassurance**

The composition of the Board of Directors of Co-optrust Investment Services Limited and Co-op Bancassurance Intermediary Limited is determined in accordance with the By-laws of Co-op Holdings Co-operative Society Limited, (Co-op Holdings) the majority and strategic investor in the Bank and the Memorandum and Articles of Association of the subsidiaries as hereunder;

- a) By-law 66A (ii) provides that the Directors of Co-op Holdings shall by resolution determine from their number the persons to represent the Society in the Board of the Society's subsidiaries or associated companies or societies and in particular shall nominate the elected six members to represent the Society in the Boards of the subsidiaries (Co-optrust Investment Services & Co-op Bancassurance Intermediary).
- b) Articles 80 and 84 of the Memorandum and Articles of Association of Co-optrust Investment Services Limited and Co-op Bancassurance Intermediary respectively provide for the appointment of the Directors by the subscribers to the Memorandum of Association.

- c) Under Article 80 of the Memorandum and Articles of Association of Co-optrust Investment Services Limited the number of Directors of the Company shall not be less than five and shall not exceed 15 and the Company, in a General Meeting, is empowered to appoint any person to be a Director either to fill a casual vacancy or as an additional Director.
- d) Under Article 84 of the Articles of Association of Co-op Bancassurance Intermediary Limited, the number of Directors of this Company shall not be less than two and shall not exceed 10 and this Company, in a General Meeting, is empowered to appoint any person to be a Director either to fill a casual vacancy or as an additional Director.
- e) On the basis of the foregoing provisions, the Board of Directors of these two wholly owned subsidiaries comprise;
  - 
  - i. The six directors nominated by Co-opholdings;
  - ii. The Commissioner for Co-operative Development, and
  - iii. The Group Managing Director & CEO.
  - iv. The respective Managing Director & CEO
- f) The Vice Chairman of the Board of Directors of the Bank shall be the Chairman of the Board of Directors of the two wholly owned subsidiaries of the Bank; - Cooptrust Investment Services Limited and Coop Bancassurance Intermediary Limited.

### **5.3 Kingdom Securities Limited**

- a) The composition of the Board of Directors of Kingdom Securities Limited is determined in accordance to clause 4.2 of the Shareholders Agreement dated 25<sup>th</sup> March, 2009 which provides that the Board shall comprise a maximum of six directors with each shareholder appointing one director in respect of every complete 15% of the issued share capital of the Company held by it.

- b) The Chairman of the Board of Directors shall be out of one of the directors nominated by the Bank as the majority shareholder.

#### **5.4 Other Group Interests**

In accordance with the Group's Board Governance Succession Policy on a broad based representation for effective representation in other Group related/Associate business, the representation shall be as hereunder; -

##### **i) Co-operative Bank of South Sudan Limited**

Board representation to include the Chairman of the Bank and the Vice Chairman (Chairman of Co-opholdings Co-operative Society Limited) and the Group Managing Director & CEO/ or his representative/ appointee.

##### **ii) Co-op Leasing Business**

Board representation to include the Chairman of the Bank, the Vice Chairman (Chairman of Co-opholdings Co-operative Society Limited) and the Group Managing Director & CEO or his representative/ appointee.

##### **iii) Cooperative Insurance Society Limited**

The Bank to be represented on the board of Co-operative Insurance Society Limited by the Chairman of Co-opholdings Co-operative Society Limited and the Vice Chairman of Co-opholdings Co-operative Society Limited.

##### **iv) Kingdom Bank Limited**

Board representation to include the Vice Chairman of the Bank (Chairman of Co-opholdings Co-operative Society Limited), the Group Managing Director & CEO or his representative/appointee and other directors nominated by the Bank with one of the directors being an independent non-executive director. The Chairman of the Bank shall be the independent non-executive director.

The Board shall nominate 3 other independent non-executive directors to the board of Kingdom Bank Limited as per the Central Bank of Kenya Prudential Guidelines, 2013.

In the foregoing, the Cooperative policies/affairs of the Board/Group operations are then notably championed by the Chairman and Vice Chairman of Co-opholdings Co-operative Society Limited where either

of the two, as approved by the Board of Co-opholdings Co-operative Society Limited, will under this structure carry the 65% proxy of Co-opholdings Co-operative Society Limited (as the strategic investor) in the Bank's Annual General Meeting.

## **6.0 Attendance of Board meetings:**

The respective Boards will meet at least every quarter and otherwise as necessary and required.

Directors of the bank are required to attend at least 75% of the board meetings of the bank in any financial year as per CBK prudential guidelines on corporate governance CBK/PG/02 2013, clause 3.3.3

A time-table of Board and Committee meetings, activities and key agenda items will be considered by the board at the end of each year and upon approval provided to the directors at the beginning of the following year for planning purposes.

The Chairman, Group Managing Director or Committee Chairpersons may from time to time invite employees and advisors to attend Board or Committee meetings whenever deemed appropriate.

## **7.0 Board Committees**

The Board of the Bank has established the following committees with specific terms of reference articulated and with full-delegated authority as per Central Bank of Kenya Prudential Guidelines;

- Board Audit Committee,
- Board Risk Committee,
- Board Credit Committee, and
- Staff and Nomination Committee.

The Chair of the Bank Committees are independent Non-Executive Directors.

Proceedings of all meetings are minuted and signed by the Chairman of the relevant meeting upon confirmation at the subsequent meeting.

The terms of reference define the Committee's membership, duties and responsibilities as well as the Committee's operations and mandate, which extend to the subsidiaries as applicable. Committees

are not to take action or make decisions outside their defined mandate on behalf of the Board unless specifically mandated by prior Board authority to do so.

## **8.0 Board Committees Terms of Reference**

- **Board Audit Committee (BAC)**

### **A. Membership**

1. The Committee shall be appointed by the Board of Directors and shall comprise at least four non-executive directors, the majority of whom shall be independent non-executive directors, as hereunder: -
  - The Principal Secretary - Treasury, or his appointee.
  - At least two non-executive independent directors appointed by the board of directors.
  - Two non-executive directors.
2. The Committee is chaired by a non-executive independent director appointed the Board of Directors. In the absence of the Chairman, the remaining members present shall appoint one of their number, who must be an independent director, to chair the meeting.

### **B. Meetings**

1. The Committee may meet formally at least once in 3 months in a year, and at such other times as the Chairman of the Committee may require.
2. The Company Secretary shall be responsible for provision of secretarial services to the Committee.
3. The Audit Committee will particularly receive and consider audit reports carried across the Group network by the Head - Internal Audit.
4. As per the Central Bank of Kenya Prudential Guidelines, the Internal Audit Function of the Group will report independently to the Audit Committee which will set the annual performance targets and carry out the appraisal thereon.

5. The Committee may meet as deemed necessary with the external and internal auditors without management being present.
6. The quorum necessary for the transaction of business shall be three.
7. Management shall be represented by the following, who will only be in attendance: -
  - The Group Managing Director & CEO or his appointee.
  - Head of Internal Audit.
  - Other members of Management, auditors or others as may be invited by the Committee.
8. The decisions of the Committee shall be by a show of hands or a resolution proposed and duly seconded. In case of a tie the Chairman shall have a second (casting) vote.

### **C. Duties/Roles & Responsibilities**

The objective of this Committee is to provide independent oversight of the Co-operative Bank Group's financial reporting and internal control system, ensure checks and balances within the Bank, its subsidiaries and related institutions are in place and recommend appropriate remedial action regularly.

The Committee shall: -

- a. Ensure establishment of a permanent internal audit function, whose function and oversight covers the Co-operative Bank Group and such related institutions as the Board may recommend.
- b. Ensure that senior management of the Bank, its subsidiaries and related institutions establish and maintain adequate, effective and efficient internal control framework and internal audit function.
- c. Review the financial condition of the Bank and its subsidiaries and its related institutions' internal controls, performance and findings of the internal auditors, and recommend appropriate

remedial action regularly, at least every three months. In this respect the Committee shall receive, review, and evaluate regularly the bank's and subsidiaries' financial performance and make appropriate recommendations to the full Board of Directors, and focusing particularly on:-

- i. Any changes in accounting policies;
  - ii. Major judgmental areas;
  - iii. Significant adjustments resulting from the audit;
  - iv. The going concern assumption;
  - v. Compliance with accounting standards;
  - vi. Compliance with the Stock Exchange and legal requirements.
- d. Ensure that the accounts of the Bank, its subsidiaries and related institutions are prepared in a timely and accurate manner to facilitate prompt publication of annual accounts;
  - e. Review internal controls, including the scope of the internal audit programme, the internal audit findings, and recommend action to be taken by management;
  - f. Review internal audit reports and their overall effectiveness, the scope and depth of audit coverage, reports on internal control and any recommendations, and confirm that appropriate action has been taken;
  - g. Review coordination between the internal audit function and external auditors;
  - h. Nominate external auditors for appointment by shareholders;
  - i. Review and monitor the external auditors' independence and objectivity, taking into consideration relevant professional and regulatory requirements;
  - j. Review with the external auditors, the scope of their audit plan, system of internal audit reports, assistance given by management and its staff to the auditors and any findings and actions to be taken;

- k. Review management reports and reports from external auditors concerning deviations and weaknesses in accounting and operational controls;
- l. Review the bank's, its subsidiaries' and its related institutions' audit plans, with specific reference to the procedures for identifying regulatory risks and controlling their impact on the bank and its subsidiaries, including reviewing correspondence from regulatory authorities and management's responses;
- m. Monitor the ethical conduct of the Bank, its subsidiaries and its related institutions and consider the development of ethical standards and requirements, including effectiveness of procedures for handling and reporting complaints;
- n. Review any related party transactions that may arise within the banking institution.
- o. Supervise the Bank's internal auditor and internal audit staff and ensure that the function is independent and has the necessary resources, budget and, standing and authority to enable it to discharge its functions effectively. The Committee will recommend to the Board of Directors the hiring of the Chief Internal Auditor, his/her salary and carry out his/her performance review and oversee staffing and objectives of the internal audit function.
- p. Have full and unrestricted access to information and be able to obtain independent professional advice.
- q. Consider any other tasks/assignments as may be referred to them by the Board of Directors in the context of the above responsibilities.

- **Board Risk Management Committee (BRMC)**

**A. Membership**

1. The Committee shall be appointed by the Board of Directors and shall comprise at least four non-executive directors, the majority of whom shall be independent non-executive directors, as hereunder: -

- The Principal Secretary - Treasury, or his appointee;
  - At least two non-executive independent directors appointed by the board of directors.
  - Two non-executive directors.
2. The Committee is chaired by a non-executive independent director appointed the Board of Directors. In the absence of the Chairman, the remaining members present shall appoint one of their number, who must be an independent director, to chair the meeting.

### **B. Meetings**

1. The Committee may meet formally at least once in 3 months in a year and at such other times as the Chairman of the Committee may require.
2. The Company Secretary shall be responsible for provision of secretarial services to the Committee.
3. The Risk Committee will particularly receive and consider Risk Management and Compliance reports carried across the Group network by the Chief Risk Officer and the Head - Compliance respectively.
4. As per the Central Bank of Kenya Prudential Guidelines the Risk Function and the Compliance Function of the Group will report independently to the Risk Committee, which will set the annual performance targets and carry out the appraisals thereon
5. The quorum necessary for the transaction of business shall be three.
6. Management shall be represented by the following, who will only be in attendance.
  - The Group Managing Director & CEO or his appointee.
  - The Chief Risk Officer.
  - The Head of Compliance.
  - Other members of Management or others as may be invited by the Committee.

7. The decisions of the Committee shall be by a show of hands or a resolution proposed and duly seconded. In case of a tie the Chairman shall have a second (casting) vote.

### **C. Duties/Roles & Responsibilities**

The objective of this Committee is to ensure quality integrity and reliability of the Bank's and its subsidiaries risk management and in this regard assist the Board of Directors in the discharge of its duties relating to the corporate accountability and associated risks in terms of management, assurance and reporting AND monitoring of compliance risk

The Committee shall:

1. Review and assess the integrity of the risk control systems in the Bank and its subsidiaries and ensure that the risk policies and strategies are effectively monitored and managed, in particular with respect to the following: -
  - i) performance vs risk appetite;
  - ii) risk trends;
  - iii) risk concentrations;
  - iv) provisions experience against budget; and
  - v) key Performance Indicators for risk.
2. Set out the nature, role, responsibility and authority of the risk management function in the Bank and its subsidiaries and outline the scope of risk management work;
3. Ensure establishment of a function that identifies, assesses, advises, monitors and reports on the Bank's and its subsidiaries compliance risk, which is the risk of legal or regulatory sanctions, financial loss or loss of reputation an institution may suffer as a result of its failure to comply with all applicable laws guidelines codes of conduct and standards of good practice;
4. Review and approve policies and programs that support material Environmental, Social and Governance (ESG) and Climate change issues and exercise oversight over the integration of ESG in the Bank's Risk Management Framework (material risk exposures, including climate and other ESG risks)

5. Receive and review periodical reports on the risk management of the bank and Group from the Risk Management and Compliance departments of the bank;
6. Monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risks, including emerging and prospective impact;
7. Provide independent and objective oversight and review of the information presented by the management on corporate accountability and specifically associated risk also taking account of risk concerns raised by the Asset Liability Committee meetings on financial, business and strategic risk;
8. Review the appropriateness of the Bank's and its subsidiaries' risk measurement systems including economic capital, and any significant Risk Measurement System;
9. Review stress testing framework and scenarios adopted and regularly review the results on the impact to financial position of the bank and its subsidiaries;
10. Have authority to investigate any matter within the foregoing terms of reference, with full co-operation and access by management
11. Have authority to approve Risk related policies and recommend to the Board for approval as may be required;
12. Have full and unrestricted access to information and be able to obtain independent professional advice.
13. Consider any other tasks/assignments as may be referred to them by the Board of Directors in the context of the above responsibilities.

- **Board Credit Committee**

**A. Membership**

1. The membership of the Committee shall comprise: -
  - At least four directors appointed by the board of directors.
  - The Group Managing Director & CEO or his representative/appointee.
2. The Chairman shall be an independent non-executive director appointed by the Board of Directors. In the absence of the Chairman, the remaining members present shall appoint one of their number to chair the meeting who must be an independent non-executive director.

**B. Meetings**

1. The Committee shall meet formally at least once in four months and at such other times as the Chairman of the Committee in consultation with the Group Managing Director & CEO may require.
2. The Company Secretary shall be responsible for provision of secretarial services to the Committee
3. The quorum necessary for the transaction of business shall be three members in person.
4. The decisions of the Committee shall be by a show of hands or a resolution proposed and duly seconded. In case of a tie the Chairman shall have a second (casting) vote.

**C. Duties/Roles,& Responsibilities**

The objective of this Committee is to assist the Board of Directors in reviewing and overseeing the overall lending of the bank.

The Committee shall: -

- a. Review and oversee the overall lending policy of the bank;
- b. Deliberate and consider loan applications beyond the discretionary limits of Management as set out in the Credit policy;
- c. Review lendings by the Credit Board of Management Committee;
- d. Ensure that there are effective procedures and resources to identify and manage irregular problem credits, minimize credit loss and maximize recoveries;
- e. Direct, monitor, review and consider all issues that may materially impact on the present and future quality of the Bank's credit risk management;
- f. Delegate and review lending limits to the sanctioning arms of the Bank;
- g. Assist the Board with discharging its responsibility to review the quality of the bank's loan portfolio, and ensuring adequate provisions for bad and doubtful debts in compliance with prudential guidelines;
- h. Conduct loan reviews independent of any person or committee responsible for sanctioning credit;
- i. Ensure that the credit policy and risk lending limits are reviewed at least on an annual basis and as and when the environment so dictates;
- j. Review and analyse Management's proposed Capital and Recurrent budgets and supplementary and /or revised budgets of the bank for presentation to the full Board of Directors.
- k. Any other task/matters as the Board determines.

- **Staff and Nomination Committee**

This being a critical Committee in the running of the affairs of the Bank and Group, has consequently been constituted with key Board members as hereunder: -

#### **A. Membership**

1. The Committee shall be appointed by the Board of Directors and shall comprise at least four non-executive directors, the majority of whom shall be independent non-executive directors.
2. The Chairman shall be an independent non-executive director appointed by the Board of Directors. In the absence of the Chairman, the remaining members present shall appoint one of their number to chair the meeting who must be an independent non-executive director
3. Management shall be represented by the following, who will only be in attendance.
  - The Group Managing Director & CEO or his appointee
  - Other members of Management, auditors or others as may be invited by the Committee

#### **B. Meetings**

1. The Committee may meet formally at least two times in a year, and such other times as the Chairman may require.
2. The Company Secretary shall be responsible for provision of secretarial services to the Committee
3. The quorum necessary for the transaction of business for the Committee shall be four members in person including the Chairman.
4. The decisions of the Committee shall be by a show of hands or a resolution proposed and duly seconded. In case of a tie the Chairman shall have a second (casting) vote.

### **C. Duties/Roles, & Responsibilities**

The Committee shall: -

- a) Review from time to time as may be deemed necessary the broad policy framework relating to the bank and its subsidiaries' human resources, including policies on the hiring, firing, remuneration package, promotions, medical, staff loans, and all other matters as spelt out in the staff policy manual.
- b) Review from time to time policies and procedures for training and staff development, and in this regard monitor progress of training at the Leadership and Management Centre.
- c) Review from time to time the staff policy in regard to staff welfare, including code of conduct and performance index.
- d) Receive and review the recommendations for the salaries and overall remuneration and terms and conditions of service and/or benefits package, including share purchase options and /or incentive schemes for Executive Senior management and the Group Managing Director & CEO.
- e) Receive and review recommendations for recruitment/appointment of and terms of service/engagement and promotions of Senior Executive management and the Group Managing Director & CEO.
- f) Review recommendations from the Director - Human Resources/Group Managing Director & CEO on salary reviews, payment of bonus awards and any other incentive programmes to members of staff based on performance and Cost of Living Adjustments to be applied to members of staff based on their performance, ensuring that reward and compensation is linked to performance of each staff member scored against the Annual Performance Appraisal .
- g) Annually review and determine salary reviews, payment of bonus award and any other incentive programme for the Group Managing Director & CEO based on the Group performance of the Bank against the set performance targets for each financial year.

- h) Review major changes in the organizational structure, staffing/skills and competency levels, optimization of staff and retrenchments and Early retirement programmes.
- i) Ensure that the Group is implementing a performance based culture, differentiating performance levels and rewards as well as enforcing consequence management on low contributors; a reward structure that incentivises, recognizes and rewards differentiated performance among members of staff.
- j) Review, as may be requested by the Board of Directors, the mix of skills and experience and other qualities in order to assess the effectiveness of the Board as a whole, its Committees and the contribution of each and every director, including the Chairman.
- k) Review of Board Evaluation procedures and results.
- l) Consider, review and recommend to the full board of directors candidates for directorship, proposed by the shareholders and the Group Managing Director & CEO.
- m) To consider any other matter that the Board of Directors may from time to time determine.

## **9.0 Board proceedings**

The respective Memorandum and Articles govern the regulation of meetings and proceedings of the respective Boards.

In special circumstances, due to exigencies of business or as may be dictated by circumstances, items may be brought before the Board with little or no advance notice.

The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed shall be at least one half of the numbers of the Directors then in office.

## **10.0 Director orientation and induction:**

The Board will ensure that all new directors are appropriately introduced to Senior managers and the business of the Bank/subsidiaries.

All such directors will receive a full disclosure and compliance pack including but not limited to the Banking Act, the Central bank Act, the CBK Prudential Guidelines, the Capital Markets Authority Act and applicable regulations made thereunder, the Bank's/subsidiaries' Memorandum and Articles of Association, Terms of reference of the Board Committees, Code of Conduct and this Charter.

In addition, various exposures/trainings, briefings and presentations from Senior Management and industry experts will be arranged when deemed appropriate aimed at deepening their understanding of the Bank, its subsidiaries, as the case may be and the business environment in which the Bank/subsidiaries operates.

#### **10.0 Independent advice;**

A committee or individual director may, with the prior approval of the Chairman, engage professional advisers at the Bank's/subsidiaries' expense to advise or assist them in carrying out their responsibilities.

#### **11.0 Conflicts of interest;**

The Board expects its members, both individually and collectively, to act ethically and in a manner consistent with the values of the business. Each director will minimise the possibility of any conflict of interest with the Bank/subsidiaries by restricting involvement in other businesses or other circumstances that would be likely to lead to a conflict of interest. Where conflicts of interest do arise, directors will ensure adherence to the Code of Conduct and specifically declare the nature of interest to the Management and the Board as required and shall not vote in respect of any contract or arrangement in which he/she has an interest.

#### **12.0 Communication and Feedback mechanism**

Directors are encouraged to report any suspected or actual illegal or fraudulent activities to the Chairman or the Group Managing Director & CEO or the Chairperson of the Audit Board Committee. A director can report the event with his/her identity or anonymously.

The director must exercise sound judgement to avoid baseless allegations.

The Chairman, Group MD & CEO and Chairman of the Audit Committee who receive reports must promptly act to investigate and resolve the issue and provide feedback to the whistle blower within 7 days of the initial report, regarding the investigation and findings thereof and action taken to resolve the matter.

Where the identity of the whistleblower is known it shall remain confidential to those persons directly involved in applying this policy unless the issue requires investigation by law enforcement agencies.

### **13.0 Policy on directorships in other entities by board members**

#### **Prior Notice of Outside Directorships**

13.1 Directors should carefully consider the number of other boards on which they can serve consistent with the time and energy necessary to satisfy the requirements of Board and Committee memberships. Directors should also carefully consider any actual or apparent conflicts of interest and impairments to independence that service on other boards may create. In furtherance of these considerations, directors **must** notify the Chairman of the Board or the Group Managing Director in a timely fashion before accepting an invitation to serve on the board of another public company or other body corporate. This prior notice is to allow discussion with the Chairman of the Board and/or the Group Managing Director & CEO to review whether such other service will interfere with the Director's service on the Bank's/subsidiaries Boards, impact the Director's status as an independent Director, or create an actual or apparent conflict of interest for the Director. For the avoidance of doubt Directors are restricted from taking up directorship in a Company that is in direct competition with the bank/subsidiaries.

#### **Limitation on directorships in public listed companies**

13.2 In accordance with clause 2.1.6 of the CMA Corporate governance guidelines, no director of the bank/subsidiaries shall hold such position with in more than three public listed companies at any one time to ensure effective participation in the board.

#### **14.0 Retirement, Rotation and Resignation from the Board/Terms/tenure limits for board members**

The requirements and procedures governing the retirement, rotation and resignation of directors are prescribed in the respective Articles of Association, the Companies Act, the Capital Markets Act, Capital Markets (Public Offers, Listing and Disclosures) Regulations - 2023 and The Corporate Governance Practices for Issuers of Securities to the Public 2015 and CMA Circular Number 06/2024 dated 13<sup>th</sup> June 2024 for continuing Independent Directors.

Subject to the requirements on rotation of Directors and retirement, the Board does not believe it should establish term limits. Term limits hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Bank/subsidiaries and its operations and, therefore, provide an increasing contribution to the Board as a whole.

Notably: -

14.1 Under Article 100 of the Bank's Memorandum and Articles of Association, at every Annual General meeting one third of the directors eligible to retire shall retire by rotation. If the number is not a multiple of three the number nearest to but not exceeding one third shall retire from office, those retiring being those who have been longest in office since their last election or appointment and as between persons who became directors on the same day those to retire shall unless they otherwise agree among themselves be determined by lot. The Managing Director, Principal Secretary to the National Treasury or Executive Director appointed under Article 94A shall not be subject to rotation.

14.2 A retiring director shall be eligible for re-election and shall act as Director throughout the meeting at which he is retiring.

14.3 An Independent Director shall serve for a continuous period of 6 years, save for continuing Independent Directors covered by CMA Circular Number 06/2024 dated 13<sup>th</sup> June 2024 who will serve for 9 years.

#### **15.0 Role of Chairman;**

The roles of Chairman of the Group and the Group Managing Director & CEO are separate.

The Chairman's role includes the following, to;

- manage the Board effectively and provide effective leadership in formulating strategic direction;
- foster a constructive governance culture and apply appropriate governance principles among directors and with management;
- make sure that the Board is well informed and effective and that the members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the Board and the Bank/subsidiaries;
- ensure there are processes and procedures in place to evaluate the performance of the Board, its committees and individual directors;
- ensure effective communication with shareholders;
- act as the link between the Board and the Group Managing Director & CEO on a day to day basis.

#### **16.0 Board evaluation;**

The Boards of the Bank/subsidiaries shall conduct an annual assessment of its performance and effectiveness as a whole and that of individual directors.

A summary of the major findings of the evaluation shall be discussed by the Board thereafter; findings of the evaluation of the Board of the Bank shall be submitted to the Central Bank as is required under the Central Bank Prudential Guidelines.

#### **17.0 Trading in Co-operative Bank shares**

Directors may own Co-operative Bank shares in their own name (or through associated interests). Directors however are subject to acquiring or selling shares in compliance with the Capital Markets Act, Regulations, Guidelines, Circulars and the policy on Insider Dealing as approved by the Board of Directors.

#### **18.0 Corporate Communication/Board Interaction with Institutional Investors, Analysts, Media, customers and members of the public**

Unless otherwise directed by the Group Managing Director & CEO or the Chairman, communications on behalf of the Bank/subsidiaries with the media, analysts, brokers and investors must be made only by the

Group Managing Director & CEO. The Group Managing Director & CEO is the principal spokesman of the Bank/subsidiaries, duly authorised to speak on all aspects of the Bank/subsidiaries. If any other director receives any inquiry relating to the Bank/subsidiaries, he or she should decline to comment and ask them to call the Group Managing Director.

## **19.0 Management Committees**

The Board has established the following key Management Committees, - also with defined terms of reference and scope of authority and reporting structure. The key Management committees are as follows: -

- The Board of Management, - which is the Executive Committee constituted to assist the Group Managing Director & CEO in the day to day overall management of the Bank's business, formulate and implement strategy and policy, - the membership of which comprises of the Group Managing Director & CEO and all the Divisional Heads.
- The Managing Director & CEO - Co-optrust Investment Services Limited and other Senior Management Staff as the Board of Directors may approve, will also be in attendance. The Company Secretary is also the secretary to the Board of Management Committee.
- The Board of Management Credit Committee, - the membership of which comprises of key Business Divisional Directors of the Board of Management as hereunder; -
  - Director - Credit Management (as the Chairman).
  - Director - Corporate & Institutional Banking.
  - Director - Co-operatives Banking.
  - Director - Retail & Business Banking.
  - Director - Operations & Business Support.
  - Head - Investor Relations & Strategy.
  - Company Secretary who is the secretary to the Committee.

Its mandate is to review and approve all credit cases and matters that are beyond the limits of the respective divisional directors.

- The Asset and Liability Committee (ALCO).  
This Committee is charged with the responsibility of assisting the Board of Management in the overall management and strategy on

the mix of assets and liabilities, encompassing interest rates structures, liquidity, foreign exchange exposure, investment of surplus funds and capital adequacy. Its membership comprises of the following;-

- Director - Credit Management (as the Chairman)
  - Director - Corporate & Institutional Banking.
  - Director - Co-operatives Banking.
  - Director - Retail & Business Banking.
  - Director - Finance & Strategy.
  - Director - Transformation
  - Head - Treasury Department
  - Bank Economist
  - Head - Business Finance (who is the secretary to the Committee)
- The Expenditure Management Committee  
This is the tender committee of the bank and its subsidiaries, and its mandate is to receive and consider all capital and recurrent expenditure cases referred to it by the Sourcing & Facilities department. Its membership comprises of the following;-
- Director - Finance & Strategy(as the Chairman).
  - Director - Credit Management.
  - Director - Human Resources & Administration.
  - Director - Corporate & Institutional Banking.
  - Director - Co-operatives Banking.
  - Director - Retail & Business Banking.
  - Director - ICT & Innovations
  - Company Secretary (or his representative)
  - Head - Sourcing & Facilities (who is the secretary to the Committee).
- The Staff Disciplinary Committee  
This committee receives and reviews all staff disciplinary cases referred by Human Resources & Administration Division. Its membership comprises of the following;-
- Director - Finance & Strategy (as the Chair).
  - Director - Human Resources & Administration (who is the secretary to the Committee)
  - Director - Retail & Business Banking.
  - Director - ICT & Innovations
  - Director - Corporate & Institutional Banking.

- Director - Credit Management.
  - Company Secretary.
- Operations Efficiency Committee  
This is the Committee of the bank charged with the responsibility of overall monitoring and control of the operation risks and innovations. Its membership comprises of the following;-
    - Director - Operations & Business Support (as the Chairman)
    - Director - ICT & Innovations
    - Director - Transformation
    - Head - Branch Banking
    - Head - Business Finance
    - Head - Payments & Clearing Services
    - Chief Information Officer
    - Chief Risk Officer
    - Head - Compliance
    - Head - Trade Finance
    - Head - Digital Products Services
    - Head - Business Change Management
    - Head - Security Services
    - Head - Transactional Banking & E Commerce Banking
    - Head - Sacco Banking
    - Head - Customer Experience
    - Head - Back Office Support (who is the secretary to the Committee).
- Environmental, Social & Governance (ESG) Committee  
This is the Committee of the Bank that supports adoption of the ESG Roadmap that will see the Group achieve not only regulatory compliance but also promote a robust ESG focus on opportunities and risk management. The Committee is pivotal to the implementation of the ESG and Task Force on Climate related Financial Disclosure (TCFD) programs. Its membership comprises of the following;-
    - Director - Transformation (Chairman)
    - Head - Investor Relations & Strategy
    - Head - Portfolio Management.
    - Head - Agri Co-operatives
    - Head - Co-op Foundation
    - Manager - ESG (Secretary)
    - Manager - Branch Performance & Tracking

- Manager - Human Resources & Administration
- Manager - Business Change Management
- Manager - Risk Management
- Manager - Compliance
- Representatives from Co-op Bancassurance Intermediary Limited, Kingdom Bank Limited and Co-operative Bank of South Sudan.

## **19.0 Review of Charter**

The Board shall from time to time review this Charter when deemed necessary, to ensure it remains consistent with the Board's objectives and responsibilities.

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