



Code of Conduct and Ethics

HF GROUP LIMITED

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List of Abbreviations

CBK --- Central Bank of Kenya

PG --- Prudential Guidelines

1. Introduction

As a responsible business enterprise and corporate citizen, HF Group is committed to conducting its affairs to the highest standards of ethics, integrity, honesty, fairness and professionalism. HF Group has developed the Code of Conduct and Ethics which establishes the standards that govern the way to deal with customers, shareholders, governments, regulators, suppliers, competitors, the media and the public at large. Complying with the Code is part of the terms and conditions of employment with HF Group.

This Code is anchored on HF Group's core values, as well CBK prudential guideline on corporate governance and applies to all directors, employees and agents of HF Group including all its subsidiaries.

2. Personal Conduct

HF Group directors, employees and/or agents are expected to maintain the highest ethical standards in dealing with customers, employees and the general public. HF Group will consider ineligible for continued employment, any individual who fails to fulfill his or her legal and ethical duties and obligations. HF Group will thoroughly investigate the occurrence of any major infraction and discipline appropriately any responsible employee(s), up to and including termination. Major infractions include, but are not limited to the following:

- Any action that renders an employee, director or agent an unacceptable security risk, adversely affects the HF Group's public image and/or causes embarrassment to HF Group or its customers.
- Release of confidential information or use of confidential information for personal gain.
- Unauthorized possession, distribution, or use of any illegal narcotic.
- Inability to perform work due to consumption of alcohol or any other controlled chemical substance.
- Fighting.
- Removal or borrowing HF property without permission.
- Persistent financial irresponsibility.
- Willful failure to follow instructions and/or insubordination.

- Unauthorized possession of weapon.
- Willful destruction or waste of property belonging to HF, fellow employees, or customers.
- Failure to report to work without proper notification to management or leaving work without proper authority.

3. Conflict of Interest

HF Directors and employees are not allowed to engage directly or indirectly in any business activity that competes or conflicts with the HF's interest. These activities include but not limited to the following:

3.1. Outside Financial Interest

Where HF directors and employees have a financial interest in a customer, whether a sole proprietor, shareholder, creditor or debtor, such interests must be disclosed immediately to the management. Thereafter, the affected director, chief executive officer and employees will not be allowed to directly be involved in the HF's dealings with the customer so long as the interest continues to exist.

The above restriction does not apply in cases where employees have holdings of public quoted securities unless the management views the interests to be material, and that the financial interest is considered likely to impair the objectivity of the member of staff concerned. The holding of five per cent or more of the voting shares of a publicly quoted company would be regarded as material.

3.2. Other Business Interests

HF considers as a conflict of interest, if an executive director or employees conducts business other than the HF's business during office hours. Where the acquisition of any business interest or participation in any business activity outside the HF and office hours demands excessive time and attention from the member of staff, thereby depriving the HF of the employee's best efforts on the job, a conflict of interest is deemed to exist.

3.3. Other Employment

HF employees are required to discuss possible part-time employment or other business activities outside the working hours with their divisional or departmental heads. A written approval of the departmental head should be obtained before an employee embarks on part-time employment or other business activities. Approval will be granted only where the interest of HF will not be jeopardized.

3.4. Corporate Directorship.

HF employees must not solicit corporate directorships and an employee should not serve as a director of another corporation without approval of the Board of Directors. Employees who hold directorships without such approval must seek approval immediately, if they wish to remain as directors of other corporations.

However, employees may act as directors of non-profit public service corporations, such as religious, educational, cultural, social, welfare, and philanthropic or charitable institutions, subject to human resources policy.

3.5. Trusteeships

HF Directors and employees must not solicit appointments as executors, administrators or trustees of customers' estates. If such an appointment is made and the employee is a beneficiary of the estate, his signing authority for the estate's bank account(s) must be approved by the Board of Directors, who will not unreasonably withhold approval.

3.6. Misuse of Position

HF Directors and employees must not use HF's name or facilities for personal advantage in political, investment or retail purchasing transactions, or in similar types of activities. HF directors, employees and their relatives must also not use their connection with HF to borrow from or become indebted to customers or prospective customers. The use of position to obtain preferential treatment, such as purchasing goods, shares and other securities, is prohibited.

HF directors and employees must not solicit or otherwise accept inducements either directly or indirectly whether in cash or in kind in order to provide any favours to a

customer in the provision of loans, acceptance of deposits or any other conduct of the business of HF to which they are entrusted either jointly or individually.

HF directors and employees must not use HF's facilities and influence for speculating in commodities, gold, silver, foreign exchange or securities, whether acting personally or on behalf of friends or relatives. Such misuse of position may be ground for dismissal and/or prosecution. HF directors and employees should also not engage in, "backscratching" exercises with employees and directors of other institutions to provide mutually beneficial transactions in return for similar facilities, designed to circumvent these ethical guidelines.

4. Misuse of Information

HF directors and employees should not deal in the securities of any company listed or pending listing on a stock exchange at any time when in possession of information, obtained by virtue of employment or connection with HF, which is not generally available to shareholders of that company and the public, and which, if it were so available, would likely bring a material change in the market price of the shares or other securities of the company concerned. Insider dealing is prohibited as is a crime.

HF directors and employees who possess insider information are also prohibited from influencing any other person to deal in the securities concerned or communicating such information to any other person, including other members of staff who do not require such information in discharging their duty.

5. Integrity of Records and Transactions

Accounting records and reports must be complete and accurate. Directors and employees should never make entries or allow entries to be made for any account, record or document of the institution that are false and would obscure the true nature of the transaction, as well as to mislead the true authorization limits or approval authority of such transactions. Members of staff and directors of institutions should note carefully the provisions of Sections 48 and 50 of the Banking Act.

All records and computer files or programmes of HF Group, including personnel files,

financial statements and customer information must be accessed and used only for management purposes for which they were originally intended.

6. Confidentiality

Confidentiality of relations and dealings between HF Group and its customers is paramount in maintaining good reputation. Thus, directors and employees must take precaution to protect the confidentiality of customer information and transactions. No member of staff or director should during, or upon and after termination of employment with HF (except in the proper course of his duty and or with the HF's written consent) divulge or make use of any secrets, copyright material, or any correspondence, accounts of HF or its customers. No employee or director shall in any way use information so obtained for financial gain.

Business and financial information about any customer may be used or made available to third parties only with prior written consent of the customer or in accordance with the arrangements for the proper interchange of information between institutions about credit risks, or when disclosure is required by law.

7. Fair and Equitable Treatment

All business dealing on behalf of HF with the current potential customers, with other members of staff and with those who may have cause to rely upon the HF, should be conducted fairly and equitably. Staff and directors must not be influenced by friendship or association, either in meeting a customer's requirement, or in recommending that they be met. Such decisions must be made on a strictly arms-length business basis. All preferential transactions with insiders or related interests should be avoided. If transacted, such dealings should be in full compliance with the law, judged on normal business criteria basis and fully documented and duly authorized by the Board of Directors or any other independent party.

8. Insider Loans

HF directors and employees shall not use their positions to further their personal interests by observing the following regulatory restrictions on insider lending;

- a) Grant or permit to be outstanding any unsecured advances in respect of any of its employees or their associates.
- b) Grant or permit to be outstanding any advances, loans or credit facilities which are unsecured or advances, loans or credit facilities which are not fully secured to any of its officers, significant shareholders or their associates.
- c) Grant or permit to be outstanding any advance, loan or credit facility to any of its directors or other person participating in the management of the institution unless it is:
 - Approved by the full board of directors of HFC upon being satisfied that it is viable.
 - Made in the normal course of business and on terms similar to those offered to ordinary customers of HFC. HFC shall notify the Central Bank of Kenya of every such approval within seven days of the granting of the approval.
- d) Grant or permit to be outstanding any advance, loan or credit facility or give any financial guarantee or incur any other liability to, or in favor of, or on behalf of, any associate in excess of twenty per cent of the core capital of HFC; or
- e) Grant or permit to be outstanding advances or credit facilities or give any financial guarantee or incur any other liabilities to or in favor of, or on behalf of, its associates amounting in the aggregate to more than one hundred per cent of the core capital of the HFC; or
- f) Grant any advance or credit facility or give guarantee or incur any liability or enter into any contract or transaction or conduct its business or part thereof in a fraudulent or reckless manner or otherwise than in compliance of the Banking Act and Central Bank of Kenya guidelines.

9. Application and Review

This code of conduct will be effective on approval by HF Group's board and will be subject to regular reviews but not less than once in every two years. It shall be made available to all staff through the intranet and also disclosed externally through the website.