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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A. INTRODUCTION AND PURPOSE OF THE BOARD CHARTER

HF Group Limited 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 Limited 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
HF GROUP LIMITED BOARD CHARTER

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

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

a) Central Bank of Kenya Prudential Guidelines 2008 CBK/PG/02
c) Companies Act Chapter 486.

B. Chapter 1: COMPOSITION OF THE BOARD, POSITIONS & COMMITTEES

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.

a) Appointment of Directors. The Group Nomination and Governance Committee shall make recommendations for appointment of Directors by the Board and Shareholders.
b) Number of Members. 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.
c) Independence. The Boards shall comprise of Independent, executive and non-executive Directors, with the majority of Directors being non-executive. The composition of the various Boards shall reflect the need to protect the interests of the Group, as well as its competitiveness.
d) Reports to CBK. The Board must report to Central Bank of Kenya the resignation or removal of any of its members within seven days.
e) Establishment of Committees. Certain responsibilities shall be reserved for the Board, while other responsibilities may be delegated to well-structured Board and Statutory Committees, each with formal terms of reference (TORs). The Committees at HF Group level, which will also serve the needs of its subsidiaries are the following:-

a) Group Strategy Committee
b) Group Nomination and Governance Committee
c) Group Audit & Risk Committee
HF GROUP LIMITED BOARD CHARTER

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

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

And provided also that HF Development and Investment Limited, the development subsidiary will have the following committees, with specific terms of reference:-

   i. Board Audit Committee
   ii. Board Strategy Committee

f) **Board Responsibility for Committee Action.** 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.

   g) **Committee Terms of Reference/Charters.** 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.

**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.
HF GROUP LIMITED BOARD CHARTER

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.

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) **Roles and duties of Directors**

In discharging their role, Directors of the Group must satisfy the following requirements; A Director must always act:-

a) in good faith and in a professional manner having due regard to his/her fiduciary duties and responsibilities.
b) independently in what he/she believes to be the best interest of the Company.
c) with degree of care, diligence and skill that may be reasonably expected from a person of his knowledge and experience.
d) *Intravires* within the scope of his authority as prescribed in the Company’s Articles.

**Duties of directors**

i. The Board shall allow every Director to play a full and constructive role in its affairs.

ii. It is the duty of Directors to ensure the Group maintains a positive image within the industry.

iii. Uphold the core values of integrity and enterprise in all dealings of the Group.

iv. 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.

v. 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.

vi. Endeavour to keep abreast of changes and trends in business environment and markets.

vii. 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.

viii. 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.

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

x. 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.

xi. Directors should not deal in securities of the company at a time information obtained was by virtue of their Directorship.

xii. Directors should not use their positions to further their personal interest.
HF GROUP LIMITED BOARD CHARTER

xiii. Directors must not solicit appointments as executors, administrators or trustees of customer’s estates.

xiv. Directors must not misuse their positions and the institution’s name or facilities for personal advantage in political or economical business activity.

xv. 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.

3. 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 a 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 Managing Director 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 Managing Director.
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 shall prevail.

4. Role of the Managing Director

The Managing Director is appointed by and accountable to the Board of Directors.

The Managing Director has a critical and strategic role to play in the operational success of the Company. Without limiting the obligations of the Managing Director as determined in his contract of employment the principal functions shall include;
HF GROUP LIMITED BOARD CHARTER

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 inorder 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.

The Board must report to Central Bank of Kenya the resignation and or removal of the Managing Director within seven days.

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

5. 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.
HF GROUP LIMITED BOARD CHARTER

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 Managing Director 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.

The performance of the Company Secretary shall be evaluated annually.

6. 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.
HF GROUP LIMITED BOARD CHARTER

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 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. Non executive Directors must play an important role in the Sub Committees.

The Key Committees of the HF Group Board are;

a) 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.

b) 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.

c) 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.
HF GROUP LIMITED BOARD CHARTER

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

i. Ensuring accounts are prepared in a timely and accurate manner to facilitate prompt publication.
ii. Reviewing internal controls, including the scope of the internal audit programme, reviewing the findings and recommending action to be taken by the Group Management.
iii. Reviewing coordination between internal audit function and external auditors.
iv. Nominating external auditors for appointment by the shareholders.
v. Reviewing management reports from external auditors concerning deviations and weaknesses in accounting and operational controls.
vii. Reviewing and assessing the integrity of the risk control systems and ensure that risk policies and strategies are effectively managed.
viii. Set out the nature, role, responsibility, and authority of the risk management function.
ix. Oversee the management of the risk function.

Chapter 4 MEETINGS

1. GENERAL

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 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 minutes must be completed as soon as possible after the meeting and circulated to the Chairman and members of the Board for review. The minutes must be formally approved by the Board at its next scheduled meeting.
g) The Chairman, at his discretion, may invite other executives to attend and to be heard at meetings of the Board.
2. PROCEEDINGS AT MEETINGS

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) The meetings shall be chaired by the Chairman of the Board.

c) The Company Secretary shall take minutes of the meetings. These shall be reviewed and approved by the members of the Board.

3. RELATIONS 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.

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) The Board, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties.

b) The Board will ensure that members of the Board will have access to professional advice, both inside and outside the Company, in order for it to properly perform its duties.

c) These terms of reference may be amended as required, subject to the approval of the Board.

d) These terms of reference will be subject to annual review by the Board.

2. EVALUATION

a. The Board shall evaluate its performance (including the performance of its Board and Statutory Committees, Committee Chairmen and individual Board members) annually.

b. The self-evaluation may take the form of a questionnaire, feedback from relevant stakeholders or any other form prescribed by the Board.

3. INDUCTION PROGRAM, ONGOING TRAINING AND EDUCATION

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.

4. APPROVAL OF THIS ChARTER

The Charter was adopted by the Board on 22nd October 2015
HFC LIMITED BOARD CHARTER

The primary objective of the Board Charter is to set out the responsibilities of the Board of Directors ("the Board") of HFC Limited. Whereas, 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, in accordance with CBK/PG/02 (3.6.3), it is the responsibility of the HFC Board to retain and set its own corporate governance responsibilities and to evaluate any group-level decisions or practices to ensure that they do not put the regulated subsidiary in breach of applicable legal or regulatory provisions or prudential rules.

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HFC LIMITED BOARD CHARTER

A. INTRODUCTION AND PURPOSE OF THE BOARD CHARTER

HFC Limited was incorporated on 3rd December 2014 and its main objective as per its memorandum and articles of association was:-

"to acquire the mortgage finance business of Housing Finance Company of Kenya Limited, a company incorporated in the Republic of Kenya with the registration number C.21/97."

Following all regulatory approvals, the transfer of business was effected on 2nd August 2015 at 23.59 hours and effective the same date, HFC Limited commenced operations as a Mortgage Finance Company.

HFC Limited is a wholly owned subsidiary of HF Group Limited, duly licensed as a mortgage finance company and regulated as such by the Central Bank of Kenya.

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

In accordance with CBK/PG/02 (3.6.3), it is the responsibility of the HFC Board, as the regulated mortgage finance company, to retain and set its own corporate governance responsibilities and to evaluate any group-level decisions or practices to ensure that they do not put the regulated subsidiary in breach of applicable legal or regulatory provisions or prudential rules. This includes determining the Company's purpose and values and giving strategic direction to the Company, identifying the key risk areas and key performance indicators of the Company's business, monitoring the performance of the Company 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 Company and the Board is unreservedly committed to applying the fundamental principles of good governance, transparency, integrity, accountability in all dealings by and in respect of and on behalf of the Company.
HFC LIMITED BOARD CHARTER

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

a) Central Bank of Kenya Prudential Guidelines 2008 CBK/PG/02

c) Companies Act Chapter 486.

B. Chapter 1: COMPOSITION OF THE BOARD, POSITIONS & COMMITTEES

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.

a) Appointment of Directors. The Group Nomination and Governance Committee shall make recommendations for appointment of Directors by the Board and Shareholders.

b) Number of Members. The size of the HFC Board is as regulated in the memorandum and articles of association of the 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, HFC Board, the HF Group Board and the shareholders.

c) Independence. The Board shall comprise of Independent, executive and non-executive Directors, with the majority of Directors being non-executive. The composition of the Board shall reflect the need to protect the interests of the Company, as well as its competitiveness.

d) Reports to CBK. The Board must report to Central Bank of Kenya the resignation or removal of any of its members within seven days.

e) Establishment of Committees. Certain responsibilities shall be reserved for the Board, while other responsibilities may be delegated to well-structured Board and Statutory Committees, each with formal terms of reference (TORs). The Committees at HF Group level, which will also serve the needs of HFC Limited are the following:-

   a) Group Strategy Committee
   b) Group Nomination and Governance Committee

Provided that in addition to the above Committees at Group level, HFC Limited will have the following statutory Committees, with specific terms of reference:-

   i. Board Audit Committee
   ii. Board Credit Committee
   iii. Board Risk Committee
f) **Board Responsibility for Committee Action.** 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.

g) **Committee Terms of Reference/Charters.** 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.

**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 Company activities so as to achieve continuing prosperity for the Company and its shareholders and shall at all times act in the best interest of the Company in a manner based on transparency, integrity, accountability and responsibility.

b) Adopt strategic plans and give strategic direction to the Company.

c) Appoint the Chief Executive Officer and ensure that succession is planned.

d) Retain full and effective control over the Company, 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 Company'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.

n) Ensure that the Company 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.
HFC LIMITED BOARD CHARTER

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 Company.
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 making.
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 Company 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 Company information, documents, records and property.
w) Identify and monitor the non-financial aspects relevant to the business of the Company.
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 Company.
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 company.

2) Roles and duties of Directors

In discharging their role, Directors of the Company must satisfy the following requirements; A Director must always act:-

a) in good faith and in a professional manner having due regard to his/her fiduciary duties and responsibilities.
b) independently in what he/she believes to be the best interest of the Company.
c) with degree of care, diligence and skill that may be reasonably expected from a person of his knowledge and experience.
d) *Intravires* within the scope of his authority as prescribed in the Company's Articles.

Duties of directors

i. The Board shall allow every Director to play a full and constructive role in its affairs.
ii. It is the duty of Directors to ensure the Company maintains a positive image within
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the industry

iii. Uphold the core values of integrity and enterprise in all dealings of the Company.

iv. Regularly attend meetings of the Board and Board Committees. Every Director must attend at least 75% of the Board meetings of the Company in any financial year.

v. 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.

vi. Endeavour to keep abreast of changes and trends in business environment and markets.

vii. Seek to avoid business activity that competes/conflicts of interest of the Company and also ensure that he/she shall in no way derive any profit as a result of his/her Directorship in the Company.

viii. Have working knowledge of the statutory and regulatory requirements affecting the Company including inter alia, Articles of Association, Banking Act, Capital Markets Authority Act, Central Bank of Kenya Act, Central Bank Prudential Guidelines.

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

x. Directors have the responsibility of ensuring that the Company maintains adequate level of capital at all times as stipulated in the Banking act and the business operations.

xi. Directors should not deal in securities of the company at a time information obtained was by virtue of their Directorship.

xii. Directors should not use their positions to further their personal interest.

xiii. Directors must not solicit appointments as executors, administrators or trustees of customer’s estates.

xiv. Directors must not misuse their positions and the institutions name or facilities for personal advantage in political or economic business activity.

xv. 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.

3. 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 a 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 Managing Director and
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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 Managing Director.

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 shall prevail.

4. Role of the Managing Director

The Managing Director is appointed by and accountable to the Board of Directors.

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

a) Ensuring that the assets of the Company 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 Company of top quality employees at all levels in the Company and not to cause or permit any practice activity or decision by or within the Company that is contrary to good corporate governance or professional ethics.

e) Consistently striving to exceed the Company’s financial and operating goals and ensuring that the day to day business affairs of the Company are appropriately monitored and managed.

f) Developing and recommending to the Board a long term strategy and vision for the Company that will generate satisfactory levels of shareholder value.

g) Developing and recommending to the Board annual business plans and budgets that support the Company’s long term strategy.

h) Ensuring continuous improvement in business processes and product offerings to
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ensure the Company retains its competitiveness in the market.

i) Ensuring the Company has an effective management team and to effectively participate in development of management and succession planning.

j) Serving as chief spokesperson of the Company.

k) Communicating to the Board at least annually the Company’s senior management succession planning and management development initiatives.

The Board must report to Central Bank of Kenya the resignation and or removal of the Managing Director within seven days.

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

5. 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 Managing Director 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 Company 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.
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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.

The performance of the Company Secretary shall be evaluated annually.

6. 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 Company 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 Company 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 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. Non-executive Directors must play an important role in the Sub Committees.

HFC Limited will be served by some Committees appointed at HF Group Board level and these are;

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

b) 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.

The Key Committees of HFC Limited as a regulated subsidiary, and which will also serve the Group are:-

a) BOARD AUDIT COMMITTEE

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

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

i. Ensuring accounts are prepared in a timely and accurate manner to facilitate prompt publication.
ii. Reviewing internal controls, including the scope of the internal audit programme, reviewing the findings and recommending action to be taken by the Company management.
iii. Reviewing coordination between internal audit function and external auditors.
iv. Nominating external auditors for appointment by the shareholders.
v. Reviewing management reports from external auditors concerning deviations and weaknesses in accounting and operational controls.
vi. Considering matters of concern raised at the risk management level.

c) BOARD CREDIT COMMITTEE

The primary responsibilities of Board Credit Committee shall be to;

i. Review and oversee the overall lending policy of the company.
ii. Deliberate and consider loan applications beyond the discretionary limits of the
management.

iii. Review lending's by the lending committee.
iv. Ensure that there are effective procedures and resources to identify and manage irregular problem credits, minimize credit loss and maximize recoveries.
v. Ensure that all credit policy and risk lending limits are reviewed on an annually basis and as when the environment dictates.
vi. Assist the Board with discharging its responsibility to review the quality of the company's loan portfolios and ensuring adequate provisions for bad and doubtful debts in compliance with CBK prudential's guidelines.

d) BOARD RISK COMMITTEE

The responsibilities of the Board Risk Committee shall be to;

i. Review and assess the integrity of the risk control systems and ensure that risk policies and strategies are effectively managed.
ii. Set out the nature, role, responsibility and authority of the risk management function.
iii. Oversee the management of the risk function.

Chapter 4 MEETINGS

1. GENERAL

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 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 minutes must be completed as soon as possible after the meeting and circulated to the Chairman and members of the Board for review. The minutes must be formally approved by the Board at its next scheduled meeting.
g) The Chairman, at his discretion, may invite other executives to attend and to be heard at meetings of the Board.
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2. PROCEEDINGS AT MEETINGS

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) The meetings shall be chaired by the Chairman of the Board.

c) The Company Secretary shall take minutes of the meetings. These shall be reviewed and approved by the members of the Board.

Chapter 5 OTHER PROVISIONS

1. GENERAL

a) The Board, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties

b) The Board will ensure that members of the Board will have access to professional advice, both inside and outside the Company, in order for it to properly perform its duties.

c) These terms of reference may be amended as required, subject to the approval of the Board.

d) These terms of reference will be subject to annual review by the Board.

2. EVALUATION

1. The Board shall evaluate its performance (including the performance of its Board and Statutory Committees, Committee Chairmen and individual Board members) annually.

2. The self-evaluation may take the form of a questionnaire, feedback from relevant stakeholders or any other form prescribed by the Board.

3. INDUCTION PROGRAM, ONGOING TRAINING AND EDUCATION

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.
4. APPROVAL OF THIS CHARTER

The Charter was adopted by the Board on 16th October 2015

SIGNED
MD – HFC LIMITED

SIGNED
GROUP CHAIRMAN