
BOARD CREDIT COMMITTEE

TERMS OF REFERENCE (TORs)

The Board Credit Committee (BCC) is a committee of the Board and a mandatory requirement under the Central Bank of Kenya Prudential Guideline CBK/PG/02 section 3.5.2 (iii). It was formally constituted by the Board of Directors in the 268th Board Meeting held on 19 October 2005.

1. OBJECTIVE

To assist the Board of Directors in reviewing and overseeing the overall lending of the Institution (CBK/PG/02 (3.5.2 iii))

2. COMPOSITION & MEMBERSHIP

- a) The Chairman shall be an independent and non- executive director. The Group Board shall appoint Committee members and the Committee Chair, following recommendations from the Group Nomination and Governance Committee.
- b) The chairman of the institution's board shall not be appointed chair of the Board Credit Committee, but can be included as a member.
- c) The BCC shall have a minimum of three (3) Non Executive members.
- d) The Board will have the absolute power to appoint and remove any member of the BCC, and to fill all casual vacancies that may arise.
- e) The term of the office of the BCC members shall be fixed by the Board and shall be tied to their term of office as directors.
- f) The Board will periodically review the composition of the BCC and make any changes it deems appropriate.

3. ROLES AND RESPONSIBILITIES

The BCC shall as a minimum ensure that all Loan applications submitted are within the Lending Policy. Including:

- a. Review and oversee the overall lending policy of the banking institution;
- b. Deliberate and consider loan applications beyond the discretionary limits of the Management Lending Committee;
- c. Review lending by the Management Lending Committee;
- d. Ensure that there are effective procedures and resources to identify and manage irregular problem credits, minimize credit loss and maximize recoveries;
- e. Review any related party transactions that may arise within the banking institution.
- f. Direct, monitor, review and consider all issues that may materially impact on the present and future quality of the institution's credit risk management, and;
- g. Delegate and review lending limits to sanctioning arms of the institution;
- h. Assist the Board with discharging its responsibility to review the quality of the banking institution's loan portfolio, and ensuring adequate provisions for bad and doubtful debts in compliance with requirements of the prudential guidelines.
- i. Conduct loan reviews independent of any person or committee responsible for sanctioning credit; and
- j. 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.

In carrying out its duties the BCC:

- Will have access to resources of the company and full access to any information and documentation of the company.
- Can obtain professionals advice and if necessary invite professionals with relevant experience to attend the BCC meetings, or to carry out such work as deemed necessary. Any expenses incurred shall be borne by the Company upon prior approval of the Board's chairman.
- May invite any director of the Company, or any other Staff member or a person connected directly or indirectly with the Company to assist with, and participate in the activities of BCC.

4. MEETINGS

- Members of BCC shall meet at least quarterly or more frequently as required. However, urgent loan application reviews, approvals or declines may be done by circulation.
- The BCC will appoint a secretary for the purpose of taking minutes of its meeting.
- Quorum shall be any two members present in person.

- The following, who shall have no voting rights, may attend the meetings of the BCC on invitation:
 - The institution's Chief Executive Officer/ Managing Director.
 - The Director Credit
- The loan applications submitted to the BCC shall also have been approved by the Management Lending Committee.
- BCC decisions shall be taken by a majority of votes of those present. In case of a tie, the Chairman shall have a second or casting vote.
- The Chairman shall at his sole discretion and as he deems appropriate use the casting vote, or refer the matter to the full Board for decision.
- The agenda and the discussion papers of the meeting shall be circulated to the members of BCC, and those invited to the meeting at least one week prior to the next scheduled meeting.
- The minutes of the meeting and the action plan arising therefrom shall be circulated to the Board chairman, members of BCC, and those who attended the meeting within one month of the meeting.
- The report of the BCC will form a regular feature on the Board's agenda.

5. LIMITS

- The approval limits are set within the Lending Policy that is revised and approved annually by the Board.
- The Chairman of the BCC shall decide which loans shall be escalated to the full Board for review and approval.

6. REVIEWS

- The Terms of Reference of the BCC shall be reviewed at least once every three years.

Approved by the HFC Board 3rd November 2020