

CIC Insurance Group Ltd



CIC INSURANCE GROUP LIMITED

BOARD CHARTER

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1. INTRODUCTION

a) Complementary to Law and Articles

These provisions are complementary to the requirements regarding the board and board members contained in the Companies Act 2015, Capital Market Act (Cap 485), and Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, the company's Memorandum and Articles of Association and any applicable law or regulatory provision. The provisions governing the relationship between the committees and the board as contained in the Terms of Reference of the committees (which have been adopted by the board).

b) Charter on Website

This charter is posted on the company's website.

2. STATEMENT OF GOOD GOVERNANCE

The company has adopted high standards and applies strict rules of conduct based on the best governance practices. As part of this commitment, the Board adheres to good governance by embracing the following principles;

- a) To observe high standards of ethical and moral behavior
- b) To act in the best interest of the company
- c) To ensure that the company acts as good corporate citizen

In general, Board members shall act in the best interest of the Company and uphold their fiduciary responsibilities and duty of care. This involves not disclosing material information, avoiding real and perceived conflicts of interest and favouring the interest of the company over their interest. They will act honestly and in good faith, and this will help to create a culture built on principles of integrity, accountability and transparency.

3. PURPOSE OF THE BOARD CHARTER

Directors have been described in the Institute of Directors (UK) publication "Standards for the Board" as "the custodians of the company's prosperity". The Company recognizes the importance of the Board in providing a sound base for good Corporate Governance. This Board Charter is therefore intended to provide guidance for directors to assist them as they take on the task of stewarding CIC to greater prosperity while complying with the tenets of good Corporate Governance.

The purpose of the charter is to provide a concise overview of:

- a) the roles, responsibilities, functions and powers of the CIC Insurance Group Board ("the board), individual directors and officials and executives of the company;
- b) the powers delegated to various Board committees of the company;
- c) relevant principles of the Company's limits and delegations of authority and matters reserved for final decision making or pre-approval by the Board; and
the policies and practices of the Board in respect of matters such as corporate governance, trading by directors in the securities of the Company, declarations and conflicts of interests, Board meeting

documentation and procedures, composition of the Board and the nomination, appointment, induction, training and evaluation of directors and the members of the Board committees.

4. HISTORICAL BACKGROUND OF CIC-INSURANCE

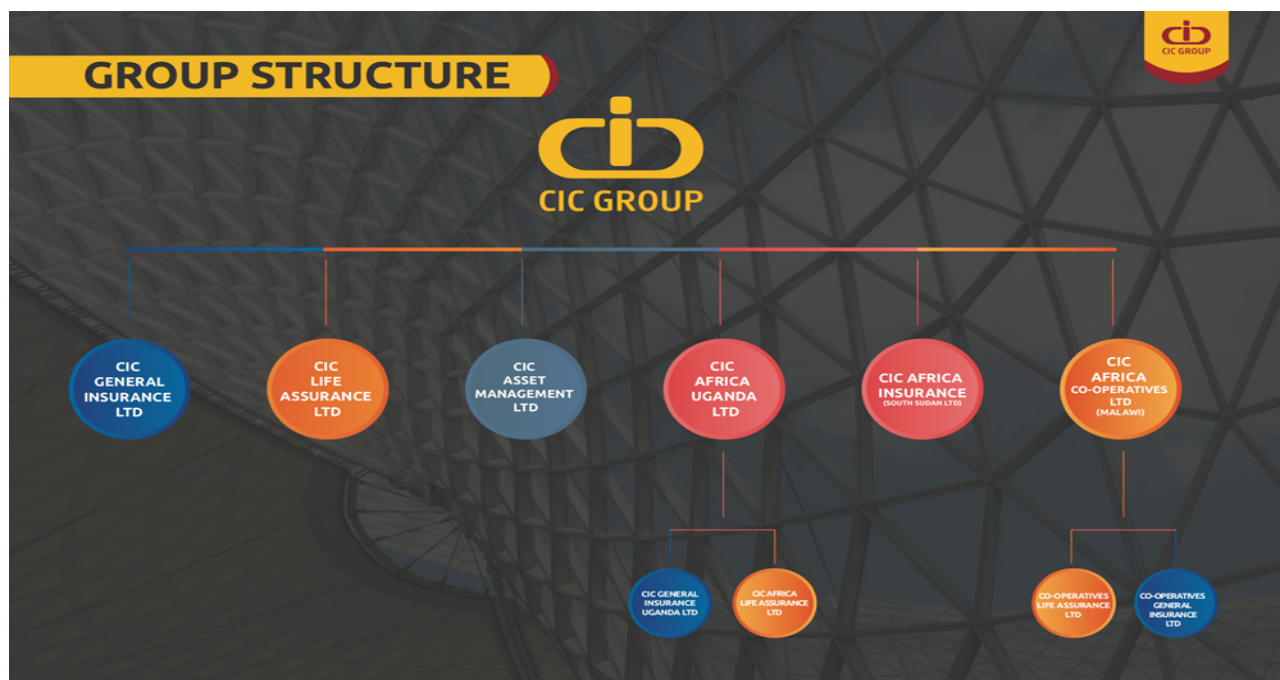
a) Company history

CIC Insurance Group Limited is a registered company whose registration number is C.22/2010, owned 74.32% by Co-operatives and 25.68% by individual shareholders. CIC commenced operations as an insurance agency in 1968 within the Kenya National Federation of Co-operatives (KNFC). It was later licensed as a composite insurance company in 1978 to write all classes of business trading in the name of Cooperative Insurance Services Limited (CIS). The company's target market was the co-operative movement whose support has helped it grow steadily. In 1999, the company name was changed to The Co-operative Insurance Company of Kenya Limited (CIC). The name change was part of the Company's market repositioning strategy to completely transform from a small company that only targeted the co-operative movement to a respected insurer in the country.

In October 2010, the Company changed its name again to The CIC Insurance Group Limited in preparation for the demerger of its life and general business operations. By the end of 2011, the company had fully demerged resulting in the formation of CIC Life Assurance Limited, CIC General Insurance Limited and CIC Asset Management Limited.

The CIC Insurance Group listed its shares by introduction at the Nairobi Securities Exchange on Thursday 19th July 2012. CIC is a leading provider of insurance and other financial services in Kenya and presently ranks second in market share. The Group's strong fundamentals are underpinned by its core market that comprises of the 10 Million member co-operative sector.

b) **CIC Corporate Structure**



5. BOARD, OTHER ORGANS OF THE COMPANY AND COMPANY OFFICIALS

5.1 The Board

a) General Powers of the Board

The role, function and powers of the Board, its members and committees and its subsidiaries are determined by law, the Memorandum and Articles of Association, agreements (where relevant), corporate governance best practices and decisions of the board.

The board is responsible for the strategic direction and control of the company. The board exercises its power responsibly and: -

- In the best interests of the company with due regard to the interests of the shareholders, stakeholders of the Company; and
- In compliance with the requirements of the law, sound corporate governance and board policies and procedures.

b) The role, functions and responsibilities of the Board

Within the powers conferred upon the board by the law and the Memorandum and Articles of Association the board has determined its main functions and responsibilities to be as follows: -

- i. Providing effective and ethical leadership in the best interests of the Company;
- ii. Informing and setting the strategic direction of the company and ensuring that strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced;
- iii. Determining and setting the tone of the Company values including principles of ethical business practice and the requirements to be a responsible corporate citizen;
- iv. Bringing independent, informed and effective judgment to bear on material decisions of the Company;
- v. Satisfying itself that the Company and group companies are governed effectively in accordance with corporate governance best practices to: -
 - Maximize returns sustainably
 - Safeguard the people, assets and reputation of the group; and
 - Ensure an effective control environment and compliance with applicable laws and regulations.
- v. Monitoring and implementation by group companies, board committees and the board of management of the Board's strategies, decisions, values and policies with a structured approach to governance, integrated reporting and risk management;
- vi. Ensuring that there is an effective risk based internal audit
- vii. Governing the disclosure control process of the Company including ensuring the integrity of the Company's integrated report and reporting on the Company's system of internal controls;
- viii. Ensuring that disputes are resolved as effectively, efficiently and expeditiously as possible; and
- ix. Monitoring of the relationship between the Company and its stakeholders

5.2 Composition of the Board; Positions; Committees

i. Board Profile

The board in consultation with the Governance and Human Resource committee shall prepare a profile of its size and composition, considering the nature of the company's business and its subsidiaries and the desired expertise and experience of the board members.

ii. Number of Members

As per the Articles of Association, the board shall comprise a minimum of eight directors and a maximum of thirteen members.

iii. Appointment; Term of Office; Resignation

Directors are appointed through a formal process by the Nomination Committee which is in charge of nominations to assist with the process of identifying suitable candidates to be proposed to the board and shareholders. The committee also performs the function of assessing the performance and effectiveness of the directors of the company. Board appointment will involve the following;

- a. **Election of Directors** – Shareholders elect members of the board.
- b. **Reappointment** – Before recommending a member of the board for reappointment the board will carefully consider their past performance on the board
- c. **Staggered Retirement** – Board members shall retire periodically according to the rotational plan.

iv. Range of skills, knowledge and experience

The board will seek to ensure that it continues to have the range of skills, knowledge and experience to:

- a. Understand collectively the business and risks to the Company;
- b. Understand the Company's legal and prudential obligations

v. Roles and Responsibilities of the Chairman and Vice Chairman

Election – The board shall elect a Chairman and Vice chairman from among its members and ensure that they are non-executive directors. The Vice chairman replaces and assumes the powers and duties of the chairman when the chairman is absent.

Duties – The chairman of the board is primarily responsible for the activities of the board and its committees.

Responsibilities- The chairman's role is to:-

- Provide overall leadership to the Board and the Company;
- Oversee the formal succession plan for the Board and senior management;
- Formulate in consultation with the Group Chief Executive Officer (GCEO) and Company Secretary the yearly work plan for the board against the agreed objectives;
- Preside over board meetings and ensure that material issues for consideration are tabled and interrogated effectively to ensure optimal board decision making and governance, manage conflicts of interest and act as a link between the Board and management;

- α. Monitor how the Board works together and how individual directors perform and interact at meetings;
- β. Ensure that the Board are evaluated annually;
- χ. Ensure that all directors are appropriately made aware of their responsibilities through a tailored induction programme;
- δ. In consultation with the Governance and Human Resource Committee determine the performance objectives of the GCEO;
- ε. To monitor the performance of the GCEO;
- φ. To ensure that there is an appropriate and clear distinction in roles between the Board and management;
- γ. To ensure there is a formal succession plan for the Board and senior management;
- η. To ensure that there is an appropriate culture of transparency and teamwork among Board members;
- ι. To ensure that internal disputes and conflicts of interest concerning individual board members are addressed;
- φ. Ensure that good relations are maintained with the Company's major shareholders and strategic investors and preside over shareholder's meetings.

vii. Roles and Responsibilities of the Directors

The Board as a whole is collectively responsible for promoting the success of the Company by directing its affairs.

a) Duties of Directors

These are as follows:-

- Duty to act in accordance with the constitution of the company
- Duty to promote the success of the company
- Duty to exercise independent judgment
- Duty not to accept benefits from third parties
- Duty to declare interest in proposed or existing transactions/arrangements
- Duty to convene a meeting on loss of capital
- Duty to exercise reasonable skill and diligence
- Duty to avoid conflict of interest
- Duty to prepare financial statements
- Duty to prepare directors' reports
- Duty to prepare director remuneration reports

b) Responsibilities

The board responsibilities are as follows: -

- Directors must devote sufficient time to carry out their responsibilities and enhance their skills;
- Directors shall promote and protect the image of the company;
- Directors must owe their duty to the company and not to the nominating authority; and
- Directors must owe the company a duty to hold in confidence all information available to them by virtue of their position as a Board member.

viii. Roles and Responsibilities of the Group Chief Executive Officer (GCEO)

The GCEO is appointed by the board and he is also a member of the Board. His role is formalized and his performance is evaluated against criteria developed for this role. He is accountable and responsible for: -

- a. The day to day management of the company in accordance with the overall directions strategies and policies agreed by the Board;
- b. Representing and promoting the interests of the company;
- c. The provision of regular reports on the financial and operating performance of the company as required by the Board;
- d. Overseeing the preparation and submission of annual budgets, for the approval of the Board;
- e. Develop and recommend to the Board a long-term strategy and annual business plans for the company;
- f. Establish proper internal financial controls and risk management systems and ensure efficient and effective application of the same;
- g. Implement and communicate policies, strategies and decisions adopted by the Board;
- h. Prepare proposals and submissions for consideration by the Board;
- i. Attend to personnel matters including recruitment and dismissal of staff other than departmental directors;
- j. Ensure continuous improvement in the quality and value of the services of the company;
- k. Consistently strive to achieve the company's financial and operating goals;
- l. Ensure that the company has an effective management team structure and management succession plans;
- m. Maintain a conducive work environment for attracting, retaining and motivating employees;
- n. Foster a corporate culture that promotes ethical practices;
- o. Provide leadership to senior management and staff;
- p. Develop annual objectives and periodic business, capital and operating plans for the Company, recommend such objectives and plans to the Board for adoption, monitor performance relative to the foregoing and provide periodic reports to the Board on such performance;
- q. Ensure appropriate and timely disclosure of material information with respect to the Company's business and affairs; and
- r. Serve as the Company's chief spokesperson, and communicate and promote positive relationships with external stakeholders including financial institutions, local communities where the Company operates, regulators, legislators and non-governmental organizations.

ix. Role and Responsibilities of the Company Secretary

The decision to appoint or remove the Company Secretary rests with the Board. The board should be assisted by a competent, suitably qualified person. The Board shall regularly consult the company secretary on procedural and regulatory matters. The company secretary plays an important role in supporting the Board by ensuring adherence to Board policies and procedures as follows;

- a) The company secretary shall provide guidance to the Board on its duties and responsibilities and on other matters of governance.

- b) The company secretary shall ensure the timely preparation and circulation of the Board and Committee minutes and other relevant papers.
- c) The company secretary shall assist the Board with evaluation exercises.
- d) The company secretary shall coordinate the governance audit process.
- e) The company secretary shall have custody of the organization's seal and shall account to the Board for its use and maintain a record of its use.
- f) The company secretary shall maintain and update the register of conflict of interest.
- g) The company secretary shall facilitate effective communication between the organization and the shareholders.

Committees

a) Establishment of Committees

In accordance with the law and the Company's constitution the board has established the following committees:-

- i. Governance and Human Resource Committee
- ii. **Nominations Committee**
- iii. Audit and Risk Committee
- iv. Finance and Investment Committee

The board remain collectively responsible for the decisions and actions taken by the committees.

b) Committee Reporting

Each committee must promptly inform the board of the actions it has taken and of any major developments it becomes aware of. The board shall, as set out in the charter of the committee concerned, receive a report from the committees describing the committee actions and findings.

c) Committee Charters

The board shall establish (and may amend) Terms of Reference (TOR) for each committee. The TOR shall indicate purpose, scope and authority of the committee.

6. Board and Shareholders Meetings

6.1 Board Meetings

The board shall meet as often as required but not less than four times a year. The meetings shall be scheduled annually according to the board work plan. The agenda of the meetings will be sent to the board at least five days before the meetings unless urgent adhoc meetings are required. The board meetings are generally held in the office of the Company but may also take place elsewhere.

The board meetings will be presided over by the chairman of the board or in his absence the vice chairman. If both are absent one of the other board members, designated by majority vote of the board members present at the meeting shall act as chair.

6.2 Shareholders Meetings

An annual general meeting will be held in accordance with the requirement of the Companies Act and

the Company's Articles of Association. Any other general meeting held will be an extraordinary general meeting. Every general meeting shall be called by a twenty-one-day notice.

6.3 Independent professional advice

Following consultation with the Group Chairman, directors may seek professional advice at the Company's expense in respect of any matter connected with the discharge of their responsibilities.

7. Succession Planning

Succession planning is among the primary responsibilities of the Board. It encompasses two ideals:

- a) Succession planning and renewal of the Board towards shaping effective corporate governance in their organization.
- b) Succession planning for the chief executives and senior management.

7.1 Board Succession

The Board's succession planning is designed to:

- a. Maintain an appropriate balance of skills, knowledge and experience on the board;
- b. Ensure the Board remains open to new ideas and independent thinking; and
- c. Gives consideration to the length of time an independent director has served on the Board, and whether this could compromise that director's independence.

7.2 Management Succession planning

The Board is also responsible for meeting periodically with management to review and make recommendations with respect to succession planning and management development. In addition, and subject to the Board's further delegation of such responsibilities, the Board is responsible for overseeing the activities of any board committee charged with or delegated the following responsibilities: -

- a) reviewing the investment performance and decisions relating to the Company's retirement plans as well as overseeing the administration of the Company's employee benefit plans and retirement plans or

- b) to the extent such responsibilities have been delegated by the Board, monitoring the activities of any internal committee charged with or delegated any such responsibilities. The Committee has the authority to delegate any of its responsibilities to a subcommittee or internal committee as the board may deem appropriate in its sole discretion.

8. Conflict of Interests

- a) **Duty to Disclose** – A board member shall immediately report to the Group Chairman details of transactions which create a conflict of interest in accordance with the Companies Act. Directors are required to take all reasonable steps to avoid potential or perceived conflict of interests.
- b) **Related Party Transactions** – A potential conflict of interest exists if the company intendeds to enter into a transaction with a related company and this must be dealt with in accordance with the relevant policy.

9. Policy in respect of Corporate Governance

The company complies with the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and all relevant laws. In addition the Company's corporate governance practices are reviewed frequently in view of changes in the company and national and international developments in order to proactively adapt the corporate governance practices of the Company.

10. Dealing in the securities of the Company

All the directors of the Company and its major shareholders are required to adhere to the Company's policy on dealing with the Company's securities which is designed to prevent insider trading.

The Company Secretary should be notified of any dealing by a director in the securities of the Company.

11. Performance Evaluation: Board, Board Committees and Individual Directors and Members of Committees

The evaluation of the board, its committees and individual directors, including the Group Chairman, GCEO and Company Secretary will be performed on an annual basis by an external party.

12. Policy in respect of Dispute Resolution

The Company's policy is to ensure that internal audit issues and external disputes are resolved as effectively and expeditiously as possible. To this end consideration shall be given in respect of each financial, reputational or other material dispute as to whether settlement, litigation, arbitration, mediation or some form of alternative dispute resolution would be the most effective methodology to resolve the same swiftly and in the best interests of the company.

The merits of claims against the Company and / or Group of companies or allegations of misconduct or non-compliance against the Company should be investigated thoroughly before a final decision is made to defend the claim or not.

13. Review and publication of charter

The Board is responsible for reviewing this charter and the division of functions and the responsibilities between the board and management to determine its appropriateness in light of the position of the Company from time to time. The charter may be amended by resolution of the Board.

The charter will be made available on the Company's website.

CIC Insurance Board Chairman

Signed Date