



BOARD CHARTER

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PART I: DEFINITIONS

Terms used in this Board Charter (“Charter”) are as defined in the Banking Act. Other terms used in this Board Charter shall be taken to have the meaning assigned to them hereunder:

- 1.1 “**Articles of Association**” means the Articles of Association of the Bank.
- 1.2 “**Bank**” means Diamond Trust Bank Kenya Limited.
- 1.3 “**Board of Directors**” means the board of directors of the Bank.
- 1.4 “**Chief Executive Officer**” means the chief executive officer of the Bank.
- 1.5 “**Corporate Governance Policy**” means the corporate governance policy of the Bank.
- 1.6 “**Directors**” means any one members of the Board of Directors.
- 1.7 “**Employee(s)**” means an employee(s) of the Bank and which expression shall include, where the context so admits, the Senior Officers.
- 1.8 “**Independent Director**” means a Director who:
 - (a) has not been employed by the Bank in an executive capacity within the last five years;
 - (b) is not associated with an adviser or consultant to the Bank or a member of the Bank’s senior management or a significant customer or supplier of the Bank or with a not-for-profit entity that receives significant contributions from the Bank; or within the last three years, has not had any business relationship with the Bank (other than service as a director) for which the Bank has been required to make disclosure;
 - (c) has no personal service contract with the Bank, or a member of the Bank’s senior management;
 - (d) is not employed by a public listed company at which an executive officer of the Bank serves as a director;
 - (e) is not a member of the immediate family of any person described above, or has not had any of the relationships described above with any affiliate of the Bank;
 - (f) is not a representative of a Shareholder who has the ability to control or significantly influence management;
 - (g) is free from any business or other relationship which could be seen to interfere materially with the individual’s capacity to act in an independent manner;
 - (h) does not have a direct or indirect interest in the Bank (including any parent or subsidiary in a consolidated group with the Bank) which is either material to the director or to the Bank. A holding of five percent or more is considered material;
 - (i) does not hold cross-directorships or significant links with other directors through involvement in other companies or bodies; and
 - (j) has not served for more than nine years since they were first elected.
- 1.9 “**Memorandum of Association**” means the Memorandum of Association of the Bank.
- 1.10 “**Non-Executive Director**” means an individual not involved in the day-to-day management and not a full time salaried employee of the Bank or its associates or of its subsidiaries.
- 1.11 Further, it means a Director who:
 - i) has not been employed by the Bank in an executive capacity within the last five (5) years.
 - ii) is not associated to an adviser or consultant to the Bank or a member of the Bank’s management or a significant customer or supplier of the Bank or with a not-for-profit entity that receives significant contributions from the Bank; or within the last five (5) years, has not had any business relationship with the Bank (other than service as a director) for which the Bank has been required to make disclosure;
 - iii) has no personal service contract(s) with the Bank, or any of the Senior Officers;

iv) has not had any of the relationships described above with any affiliate of the Bank.

1.12 “**Shareholders**” means shareholder of the Bank.

1.13 “**Senior Officer**” means a person who manages or controls the Bank, and includes:

- i) the Chief Executive Officer, secretary to the board of directors and senior management of the Bank comprising the managers and/ or heads of the units or departments, as the case may be, of the Bank;
- ii) a person with a similar level of position or responsibilities as a person described in paragraph (i) above.

PART II: BOARD CHARTER

1. Applicability

This Board Charter is applicable to the Board of Directors. The Board of Directors should ensure that all Directors adhere to the prescribed Board Charter as detailed hereunder.

2. Purpose

This Board Charter provides a summary of the role of the Board of Directors in the business structure and operations of the Bank. The Board shall conduct itself by using the highest standard of ethic and proceeding in accordance with the applicable laws, for the best interests of its Shareholders and stakeholders.

3. Authority

The Board of Directors is constituted and empowered as stipulated by legislation and by the Memorandum of Association and the Articles of Association and by the resolutions of the Shareholders.

4. Duties and Responsibilities

The Board is responsible for the governance of the Bank and is committed to ensuring that its business and operations are conducted with integrity and in compliance with the law, internationally accepted principles and best practices of corporate governance and business ethics. The duties and responsibilities of the Board are as stipulated by the legislation and regulation governing the Bank, the Articles of Association and resolutions of the Shareholders. The major duties and responsibilities of the Directors shall include but not be limited to the following:

4.1 Regulating the manner in which the business of the Bank is conducted

The Board must ensure that the Bank has adequate systems to identify, measure, monitor and manage key risks facing the Bank and adopt and follow sound policies and objectives. The Directors must provide clear objectives and policies within which the Chief Executive Officer and Senior Officers are to operate. These should cover all aspects of operations, including strategic planning, credit administration and control, asset and liability management encompassing the management of liquidity risk, interest rate risk and market risk, accounting system and control, service quality, automation plan, prevention of money laundering, profit planning and budgeting, adequacy of capital, and human resource development. Clear lines and limits of authority for all levels of staff should be established. The seriousness of infringing on the authorised limits should be emphasized to staff at all levels.

4.2 Corporate planning

The Board must formulate the future direction of the Bank of which planning, organising, and controlling, are three fundamental functions. Sound planning is of vital importance, and as

such projections/targets must be periodically reviewed and amended as circumstances dictate.

- 4.3 Establish and ensure the effective functioning of the Board and management.
- 4.4 Set-up an effective internal audit department, staffed with qualified personnel to perform internal audit functions, covering the traditional function of financial audit as well as the function of management audit.
- 4.5 Set-up a compliance function and approve the Bank's compliance policy. It shall be the duty of the Board to ensure that the Central Bank of Kenya ("CBK") is informed, should the Head of Compliance leave that position and the reasons thereof. At least once a year, the Board of Directors or a sub-committee of the Board shall review the Bank's compliance policy and its on-going implementation to assess the extent to which the Bank is managing its compliance risk effectively.
- 4.6 To promulgate policies and actions with a long-term view to support environmental and social sustainability.
- 4.7 Maintain adequate capital base

The Board has the responsibility of ensuring that, the Bank maintains adequate level of capital at all times with respect to the requirements of the Banking Act and the business operations. It is therefore the duty of Directors to inform the shareholders of capital adequacy and advice on the appropriate manner of recapitalising the Bank's operations.

- 4.8 Observe Laws and guidelines

Directors should ensure cognizance is taken by management and themselves of all applicable laws and guidelines, and systems to effectively monitor and control their compliance. This will likely include provisions for training of personnel in these matters and, when violations do occur, make corrections immediately. It is a duty inherent with the office of Directors to know the laws and guidelines, and to ensure that compliance of all laws and guidelines receives the highest priority, and violations are not knowingly committed by them or by anyone in their employment. In particular, every Director should be conversant with the provisions of the Banking Act, Central Bank of Kenya Act and any guideline issued there under or other relevant laws and guidelines. The Directors should also review the Bank's CBK's inspection reports and audit reports and also ensure implementation of any recommendations made.

- 4.9 Appoint, dismiss and define the duties of management

It is the duty of the Board to define the duties of management and appoint those persons who are competent, qualified and experienced to administer the Bank's affairs effectively and soundly. It is also the responsibility of the Board to dispense with the services of staff considered undesirable.

- 4.10 Being informed about business condition of the Bank

Since the Directors are jointly and severally responsible for the effective supervision of the affairs of the Bank, they should be informed on regular basis of the business condition of the Bank. For the purpose of deliberating on this information and providing guidance to the management, the Board should meet regularly, preferably at least once in a quarter.

In addition, the Board and each director should exercise independent judgment in evaluating the performance of the management. This could be enhanced by the provision of independent

reviews of the operations by third parties such as external auditors, internal auditors, audit committees or regulator and other experts reporting directly to the Board.

4.11 Attend Board meetings regularly

Every Director has a duty to attend board meetings regularly and to effectively participate in the conduct of the business of the Board of Directors. Every member of the Board shall attend at least seventy five per cent (75%) of the Board meetings. This is to ensure that every board member will discharge his or her duties and responsibilities effectively. Attendances shall be disclosed in the annual report. At its Annual General Meeting, the Board is required to review the suitability of a non- executive director who has failed to comply with the seventy five per cent (75%) attendance rule, without valid reason.

4.12 Maintain Positive Image

It is the duty of the Directors to ensure that the Bank maintains a positive image within the industry and the business environment as a whole. To this extent, therefore, the Bank is expected to provide adequate services and facilities both efficiently and competitively in line with safe and sound banking practices.

5. **Board Composition**

The number of Directors on the Board shall be in accordance with that stipulated in the applicable laws and in the Articles of Association. Without prejudice to the foregoing, the Bank shall have a minimum of five (5) directors and a maximum of twelve (12) directors. Three - fifths (3/5) of the composition of the Board shall comprise of Non-Executive Directors whereas one third (1/3) of the Board shall comprise of Independent Directors.

6. **Retirement by rotation**

One- third of the Non- Executive Directors of the Board will be retired at every annual general meeting of the Bank, whereby the Directors who have been in office for the longest period will be retired. If the number of Non- Executive Directors to be retired as such is not a multiple of three, the closest number to one-third will be applied. However, any retired Non- Executive Directors can be re-elected. That notwithstanding, where possible, no more than one third of the Board members shall retire at the same time.

7. **Tenure**

For the purpose of good corporate governance, the tenure of an independent Non- Executive Director shall henceforth not exceed nine years from the date of their appointment and thereafter such member may continue in office but be re-designated as a non-independent member provided that the Board shall at all times be comprised as set out in section 4 above.

A Non- Executive Director shall retire at the immediate next annual general meeting of the Bank after which the member attains the age of 70 years provided that the Shareholders may at such annual general meeting vote to retain the member in office until such time as they attain the age of 72 years in the event such director will have offered themselves to re- election.

8. **Succession Planning**

The term of office of the Board members shall be organised in a manner that ensures that there is a smooth transition. In this regard, the term of office of the members of the Board shall be

organised in such a way that they end at different times. This ensures retention of institutional memory and makes it easier to induct new Board members.

9. Multiple Directorships

No person shall be permitted to hold the position of a director in more than one institution licensed under the Banking Act unless the said institution is a subsidiary or a holding company.

Furthermore, a director of a listed company except a corporate director shall not hold such position in more than three public listed companies at any one time. In a case where the corporate director has appointed an alternate director, the appointment of such alternate director shall be restricted to two public listed companies at any one time. An executive director of a listed company shall be restricted to one other directorship of another listed company.

10. Appointment of the Chairperson of the Board of Directors

The Chairperson of the Board of Directors shall always be a Non-Executive Director.

Furthermore, a chairperson of a public listed company shall not hold such position in more than two public listed companies at any one time, in order to allow the chairperson to devote sufficient time to steering the Board.

11. Appointment of Directors, Chief Executive Officer and Senior Officer

The Bank shall ensure that no person is appointed or elected as a Director unless the CBK has certified the person as a fit and proper person to manage or control the Bank.

12. Board Committees

- (a) Board committees shall assist the Board and its directors in discharging the duties and responsibilities, however the Board of Directors remain accountable. The terms of reference of the Board committees shall be approved from time to time by the Board and the prevailing ones are annexed hereto.
- (b) Board Committees shall have formally determined terms of reference with clearly agreed upon reporting procedures and written scope of authority.
- (c) There should be transparency and full disclosure from the Board committee to the Board of Directors.
- (d) All Board Committees shall be chaired by a Non-Executive Director.
- (e) Board Committees should be free to take independent professional advice as and when necessary, and to invite the Senior Officers to provide technical advice when needed.

13. The Board and Director Evaluation

The Board of Directors through its Board Nomination and Human Resource Committee shall regularly review its required mix of skills and experience and other qualities in order to assess the effectiveness of the Board of Directors. Such review shall be by means of peer and self- evaluation of the Board of Directors as a whole, its committees and the

continuation of each and every Director, including the Chairperson.

The evaluation shall be conducted annually and the fact that it has been done should be disclosed in the annual report. The Chairperson of the Board of Directors shall report to the CBK annually on the Board and directors' evaluations and effectiveness. The report shall be submitted to the CBK on or before 31 March of each calendar year.

14. Functions

In carrying out its role, the Board of Directors and Board Committees will operate in accordance with this Board Charter, the Corporate Governance Policy, the Code of Ethics and Conduct, the Board Appointment and Diversity Policy, the Letter of Appointment of the Directors, the Memorandum and Articles of Association, the Banking Act and other applicable legislation and regulations governing the affairs of the Bank.

15. Assessment of Board Performance

The assessment on the performance of the Board will be conducted every year.

16. New Director Orientation

Orientation will be arranged for every newly appointed Director, who will be provided with the appropriate information relating to the Bank, and will also be advised on the duties for being a Director of the Bank.

PART III: RELATIONSHIP WITH CORPORATE GOVERNANCE POLICY

This Board Charter shall be read together with and shall complement the Corporate Governance Policy and in the event of any conflict therewith the terms of the Corporate Governance Policy shall prevail.

PART IV: ANNUAL REVIEW

The Board will review this Charter annually.