

**SAFARICOM PLC**

**Board Governance Charter**

# Table of Contents

<b>1</b>	<b>OVERVIEW</b> .....	<b>4</b>
1.1	PREAMBLE.....	4
1.2	STATEMENT OF PURPOSE.....	5
<b>2</b>	<b>BOARD STRUCTURE &amp; CONSTITUTION</b> .....	<b>6</b>
2.1	BOARD COMPOSITION .....	6
2.1.1	<i>Board size</i> .....	6
2.1.2	<i>Independent Directors</i> .....	6
2.2.3	<i>Executive Directors</i> .....	7
2.2	BOARD MEMBERSHIP .....	7
2.2.1	<i>Board Membership Criteria</i> .....	7
2.2.2	<i>Selection of New Directors</i> .....	8
2.2.3	<i>Succession planning</i> .....	8
2.2.4	<i>Invitation to a Potential Director to join the Board</i> .....	9
2.2.5	<i>Resignation and/ or Removal of a Director</i> .....	9
2.2.6	<i>Limits on Multiple Board membership</i> .....	10
2.2.7	<i>Term Limits</i> .....	10
2.2.8	<i>Age Limit</i> .....	11
<b>3</b>	<b>ROLES &amp; RESPONSIBILITIES</b> .....	<b>12</b>
3.1	DUTIES AND RESPONSIBILITIES OF THE BOARD.....	12
3.1.1	<i>General Fiduciary Duties</i> .....	12
3.1.2	<i>General Responsibilities</i> .....	12
3.1.3	<i>Shareholder Rights</i> .....	13
3.1.4	<i>Media Relations</i> .....	14
3.1.5	<i>Managing stakeholder relations</i> .....	14
3.1.6	<i>Resolving internal and external disputes</i> .....	14
3.2	THE ROLE OF THE BOARD CHAIRPERSON .....	14
3.2.1	<i>Meetings</i> .....	14
3.2.2	<i>Directors</i> .....	15
3.2.3	<i>Relations with shareholders</i> .....	16
3.3	THE ROLE OF THE CHIEF EXECUTIVE OFFICER (CEO).....	16
3.3.1	<i>Business strategy and management</i> .....	17
3.3.2	<i>Risk management and controls</i> .....	17
3.3.3	<i>Board committees</i> .....	17
3.3.4	<i>Communication</i> .....	18
3.4	THE ROLE OF THE COMPANY SECRETARY .....	18
<b>4</b>	<b>BOARD OPERATIONS</b> .....	<b>21</b>
4.1	ANNUAL BOARD WORK-PLAN .....	21
4.2	BOARD MEETINGS.....	21
4.3	BOARD COMMITTEES.....	22
4.4	BOARD DEVELOPMENT.....	24
4.4.1	<i>Director Induction and Continuing Education</i> .....	24
4.4.2	<i>Management Development and Succession Planning</i> .....	24
4.5	BOARD INTERACTIONS.....	24
4.5.1	<i>Board Relationship with Senior Management</i> .....	25
4.5.2	<i>Board Access to Senior Management</i> .....	25

4.5.3	<b>Board's Interaction with Stakeholders</b>	25
4.6	<b>PERFORMANCE EVALUATION</b>	25
4.6.1	<b>Evaluation of the Board</b>	25
4.6.2	<b>Evaluation of the Chief Executive Officer</b>	27
4.6.3	<b>Committee Performance Evaluation</b>	27
4.7	<b>SUCCESSION PLANNING</b>	27
4.7.1	<i>Succession planning for the Chairman</i>	27
4.7.2	<b>Succession planning for the CEO</b>	27
4.8	<b>DIRECTOR CONFIDENTIALITY</b>	28
4.9	<b>CONFLICT OF INTEREST</b>	28
4.10	<b>CODE OF ETHICS AND CONDUCT</b>	29
4.11	<b>DIRECTORS' REMUNERATION</b>	29
4.12	<b>CORPORATE GOVERNANCE DISCLOSURES</b>	30
4.13	<b>INDEPENDENT ADVICE</b>	30
4.14	<b>REVIEW OF CHARTER</b>	30
4.15	<b>ACCESS TO THE BOARD CHARTER</b>	30
5	<b>COMPLIANCE WITH LAWS REGULATIONS AND STANDARDS</b>	31
5.1	<b>LEGAL AND COMPLIANCE AUDIT</b>	31
5.2	<b>GOVERNANCE AUDIT</b>	31

# 1 Overview

## 1.1 Preamble

This Board Charter sets out the key values, principles and mode of operation of the Board of Directors (“Board”) of Safaricom PLC (“Company”). It further sets out the specific responsibilities to be discharged by the Board and Directors collectively, as well as certain roles and duties incumbent upon directors as individuals.

The Charter shall be a source reference and primary induction literature for incoming Board members and provide insights to prospective Board members and senior management. It should also assist the Board in the assessment of its own performance and that of its individual directors. Although created in the primary charter, Board committees shall also have their own Terms of Reference. This Board Charter will constitute and form an integral part of the appointment letter of each member of the Board and an abridged version shall be made public by being published on the Company’s website.

If there is any conflict or ambiguity between this Board Charter and the Articles of Association (“the Articles”) of Safaricom PLC (the Company), the Articles will take precedence.

Corporate governance involves a set of relationships between a company’s management, its Board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

The Company is committed to implementing and adhering to good corporate governance best practice. The Board of Directors of the Company regard corporate governance as being vital to the success of the Company’s market leadership. .

Members of the Board of the Company are committed to fulfilling their fiduciary responsibilities and have instituted various principles necessary to ensure that good governance is practiced with respect to dealings with the Company’s shareholders, customers and other relevant stakeholders. The Board has therefore adopted the following governance objectives:

- To lay solid foundations for management and oversight;
- To structure itself to add value;
- To promote ethical and responsible decision-making;
- To observe high standards of moral behaviour;
- To safeguard the integrity of its financial reporting;
- To make timely and balanced disclosure;
- To respect the rights of its shareholders and other stakeholders;
- To recognise and manage risk;
- To remunerate fairly and responsibly;
- To ensure the effective monitoring and management of health and safety; and
- To promote a corporate culture which celebrates diversity and inclusion.

## 1.2 Statement of Purpose

The Board of Directors of the Company is the body charged with the responsibility of ensuring that the Company is managed in a sound manner that delivers shareholder value within an environment of good corporate governance.

The Board is responsible for reviewing and approving the business strategic objectives, providing the necessary leadership and oversight to the management of the Company. In this regard, the Board is therefore a key player in the Company's system of Corporate Governance and is ultimately accountable and responsible for the performance of the business of the Company.

The Directors, accordingly, commit themselves to adopting the principles of good Corporate Governance, as part of their obligations to the Company.

This Board Charter sets out the basic principles of good Corporate Governance and has been drawn up to assist the Board and its Committees in the exercise of their responsibilities and allow external stakeholders visibility into how corporate governance works within the Company.

# 2 Board Structure & Constitution

## 2.1 Board Composition

### 2.1.1 Board size

The size of the Board is dictated by the Company's Articles which permits a minimum of seven and a maximum of eleven Directors to be appointed to the Board.

The Board shall be comprised of executive, non-executive and independent non-executive Directors, the majority of who shall be non-executive Directors. The Board composition will be such that it will fairly reflect the Company's shareholding structure. The Board structure will also provide a mechanism for accommodating all shareholder interests without undermining the collective responsibility of the directors.

### 2.1.2 Independent Directors

The Board believes that independent non-executive Directors on the Board should be adept in at least one area of governance, finance, business, economics, strategic management or law for their views to positively impact or influence the Board's decisions. The status of independent Board members shall be assessed annually by the entire Board.

An independent non-executive Director means a Director who:

- Is not a representative of a shareholder who has the ability to control or significantly influence management;
- Has not been employed by the Company in an executive capacity within the last three years from the date of his/her appointment;
- Is not associated to an adviser or consultant to the Company or a member of the Company's senior management or a significant customer or supplier of the Company or with a not-for-profit entity that receives significant contributions from the Company; or within the last three years, has not had any business relationship with the Company (other than service as a Director) for which the Company has been required to make disclosure;
- Has no personal service contract(s) with the Company, or a member of the Company's senior management;
- Is not a member of the immediate family of any person described above; or
- Does not have a direct or indirect interest in the Company (including any parent or subsidiary in a consolidated group with the Company) which is either material to the director or to the Company. (A holding of five percent or more is considered material);
- Has not had any of the relationships described above with any associate or subsidiary of the Company.
- Is not employed by a public listed Company at which an executive officer of the Company serves as a director;
- 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;

- does not hold cross-directorships or significant links with other directors through involvement in other companies or bodies; and
- Has not served for more than nine years since they were first elected.

The assessment criteria for independence of directors shall also include tenure as long tenure can impair independence. The tenure of an independent Board member shall therefore not exceed a cumulative term of nine years. The nine years can either be a consecutive service of nine years or a service of nine years with intervals. Upon completion of the nine years, an independent Board member may continue to serve on the Board subject to re-designation as a non-independent member, and subject to the provisions on Term Limits set out in this Charter.

Each independent Director will notify the Chairperson, as soon as reasonably practicable, of any event, situation or condition that may affect the Board's evaluation of his or her independence.

### **2.2.3 Executive Directors**

Executive members of the Board shall be expected to manage the conflict that arises between their management role and their role in the Board, and resolve such conflicts in the best interests of the Company.

## **2.2 Board Membership**

### **2.2.1 Board Membership Criteria**

There is a formal and transparent procedure in the appointment of Directors to the Board.

The Board Nominations and Remuneration Committee is responsible for reviewing the balance and effectiveness of the Board, on an annual basis, identifying the skills and characteristics required of Board members and making recommendations to the Board with regards to any changes. Final approval of a candidate is determined by the full Board.

A person shall be considered a Board member as a result of both of the following:

- Through appointment (through the major shareholders or if an executive Director, by way of a fixed term contract) and subsequent approval by the shareholders at the next AGM; and
  - Through election by the shareholders (for independent Directors).
- Prior to appointment or election, the personal and professional background of the proposed Board member shall be scrutinized for suitability, with absolute regard to integrity and good repute. The Board shall define the retirement age as per the Capital Market Authority Guidelines in place from time to time. However, the Board may also exercise its discretion in defining retirement requirements in individual cases based on criteria defined by the Board Nominations and Remuneration Committee and presented to the Board for ratification prior to its application. Disclosure will be made to the shareholders at the Annual General Meeting (AGM) and in the annual reports of all Directors approaching the retirement age in that respective year. In assessing potential new Directors, the Committee considers individuals from various disciplines and diverse backgrounds. The process is also sensitive to gender representation.

Because the Company's need for particular backgrounds and experience may change over time, the Board monitors the mix of skills and experience that Directors bring against established Board membership criteria to assess, at each stage in the life of the Company, whether the Board has the necessary skills to perform its oversight function effectively. . Following such review of the skills mix and expertise that the executive directors as well as independent and non-executive directors bring to the Board, the Board shall make disclosure of the same in its annual report.

Directors must have sufficient time to fully devote to Board activities, carry out their responsibilities and to enhance their knowledge of the Company and the local, regional and global communications industry. Further, Directors must have the ability to promote a smooth interaction between members of the Board.

To assist in the identification and evaluation of qualified Director candidates, the Company utilizes the services of external consultants as is considered appropriate.

The Board Nominations and Remuneration Committee annually reviews the membership criteria and modifies them as appropriate.

### **2.2.2 Selection of New Directors**

Pursuant to the Articles, the major shareholders have the right to appoint and remove Directors in proportion to their respective shareholdings. The Board itself is responsible, for selecting independent Directors and recommending them for election by the shareholders.

Whichever way a Director is nominated, she/he has to undergo a formal screening process by the Board Nominations and Remuneration Committee, and thereafter be formally appointed by the Board of Directors. The Committee also considers Director nominees recommended by shareholders. The Committee uses the same criteria for screening candidates proposed by shareholders and those proposed by members of the Board. Between AGMs, the Board may appoint Directors to serve until the next AGM as per the Articles. At such AGM the appointment is required to be ratified by the shareholders.

### **2.2.3 Succession planning**

The term of office of the Board members shall be organised in a manner that ensures that there is a smooth transition. The term of office of the members of the Board shall therefore 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. Where possible, no more than one third of the Board members shall retire at the same time.

The Board believes that there is opportunity to encourage succession planning within the Company through encouraging senior management (other than the CEO) to attend Board meetings by invitation.

## 2.2.4 Invitation to a Potential Director to join the Board

The invitation to join the Board is extended by the Board itself via the Chairperson. A formal letter of appointment as an executive or non-executive Director shall be issued for every new Director. At a minimum, the appointment letter shall cover the following:

- Appointment period;
- Expected time commitment;
- Roles and responsibilities;
- Director's Fees/Remuneration;
- Declaration of Outside interests;
- Confidentiality;
- Director's induction process; and
- Performance evaluation process.

A Director may, subject to the approval of the Board, appoint an Alternate to act in his/her place at any meeting of the Board. An Alternate has the same rights and restrictions as a Director. Although an Alternate shall be nominated by the substantive Director, the Alternate shall be subjected to vetting by the Board Nominations and Remuneration Committee.

## 2.2.5 Resignation and/ or Removal of a Director

Pursuant to Article 112 of the Company's Articles of Association which address the issue of disqualification of directors, the following provisions apply with respect to the resignation or removal of a Director:-

The office of a Director is vacated if the Director:

- Ceases to be or is prohibited from being a Director by virtue of any applicable law; or
- Becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- Becomes incapable by reason of mental disorder of exercising his /her functions as Director; or
- Resigns from office by notice in writing to the Company; or
- Has been absent, either in person, or by his alternate, without the permission of the Board, for a period of more than six months from meetings of the Board held during such period and the Board resolves that his office should be vacated; or
- Is removed by the shareholder who appointed such Director pursuant to Article 89 (b) or (c).
- Opts to retire from the Board and the provisions of Articles 90 -92 of the Company's Articles of Association will apply. A Director may also retire from the Board by virtue of having completed service of their term if prescribed.

The resignation by a serving Director shall be disclosed in two newspapers with national reach and the Company's website immediately it happens; and in the annual report together with the details of the circumstances necessitating the resignation in the resignation year.

Except in the case of removal or resignation of a Director, where it is required that the Board notify the Capital Markets Authority (CMA) within 24 hours of such removal or resignation, the Board shall obtain prior written approval of Capital Markets Authority (CMA) or notify such other regulatory institution as required by law, from time to time, before appointing a Director or Chief Executive Officer (CEO).

### **2.2.6 Limits on Multiple Board membership**

To ensure effective participation in the Board:-

- The Chairperson of the Company, shall not hold such position in more than two public listed entities at any one time; and
- Directors shall not hold such position in more than three (3) public listed companies at any one time.
- An executive director shall be restricted to one other directorship of another listed company.

In the case where a Director is a corporate director and the corporate director has appointed an alternate Director, the appointment of such alternate shall be restricted to two public listed companies, at any one time, subject to the requirements under the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002.

Before accepting an additional Board position in any other organization a Director shall consider whether the acceptance of the new Directorship will compromise their ability to perform present responsibilities at the Company.

Directors are required to inform the Chairperson of the Board prior to accepting a seat on the Board of another entity.

No Director shall be permitted to hold the position of a Director in a competing entity with the Company.

Through the Board Nominations and Remuneration Committee, the Board will review senior management service on other Boards prior to acceptance.

### **2.2.7 Term Limits**

Independent Directors will hold office until the next annual general meeting at which one third of the Directors will retire and become available for re-election, pursuant to the provisions of Article 90 of the Company's Articles.

Independent Director positions are not permanent. Independent Directors serve only as long as they add value to the Board and an Independent Director's ability to continue to contribute to the Board is examined each time s/he is considered for re-election.

The maximum tenure of office for the independent directors is as set out in clause 2.1.2 above.

As a matter of best practice, any term beyond six years (i.e two three-year terms) for a non-executive Director should be subject to an objective review, and should take into account the need for progressive refreshing of the Board.

Certain executive Directors, including the CEO, are engaged in fixed-period service/employment contracts as approved by the Board and are not subject to rotation in accordance with the Articles.

### **2.2.8 Age Limit**

Board members shall retire at the age of seventy years unless the shareholders, at an Annual General Meeting, vote to retain a Board member who is over seventy years.

# 3 Roles & Responsibilities

## 3.1 Duties and Responsibilities of the Board

The Board shall have the following duties and responsibilities:

### 3.1.1 General Fiduciary Duties

- to act within powers;
- to promote the success of the Company;
- to exercise independent judgment;
- to exercise reasonable care, skill and diligence;
- to avoid conflicts of interest; and
- not to accept benefits from third parties.

### 3.1.2 General Responsibilities

- Provide effective leadership in collaboration with the Executive management team;
- Define the Company's mission, vision, its strategy, goals, risk policy plans and objectives; including approval of its annual budgets as proposed by the Executive management team;
- Establish Board committees, policies and procedures that shall facilitate the most effective discharge of the Board's roles and responsibilities and allow the Board to: oversee the corporate management and operations, management accounts, major capital expenditures and review corporate performance and strategies at least on a quarterly basis;
- Identify the corporate business opportunities as well as principal risks in its operating environment, including the implementation of appropriate measures to manage such risks or anticipated changes impacting on the corporate business;
- Develop appropriate staffing and remuneration policy including the appointment of the Chief Executive Officer and senior staff, particularly the CFO and the Company Secretary as may be applicable;
- Review on a regular basis the adequacy and integrity of the Company's internal control, acquisition and divestitures and management information systems, including compliance with applicable laws, regulations, rules and guidelines;
- Establish and implement a system that provides necessary information to the shareholders, including shareholder communication policy for the Company;
- Monitor the effectiveness of the corporate governance practices under which the Company operates and propose revisions as may be required from time to time;.
- Facilitate Board accountability through effective Board evaluation and succession planning;

- Plan for the succession to the position of Chairperson and Chief Executive Officer;
- Review and approve management's strategic and business plans, including developing a depth of knowledge of the Company's business, understanding and questioning the assumptions upon which such plans are based, and reaching an independent judgment as to the probability that the plans can be realized;
- Ensure that the key strategic risks of the Company are identified and understood, and their on-going status and management effectively monitored;
- Ensure that appropriate and effective risk management and internal control processes are operating in the Company;
- Monitor corporate performance against the strategic and business plans, including overseeing the operating results on a regular basis to evaluate whether the Company is being properly managed;
- Report annually to the Shareholders of the Company as required by law and should also regularly seek the Shareholders decisions on matters requiring their approval at Extra-Ordinary Meetings;
- Ensure ethical behaviour and compliance with laws and regulations, auditing and accounting principles, and the Company's own governing documents;
- Assess its own effectiveness in fulfilling these and other Board responsibilities; and;
- Perform such other functions as are prescribed by law or assigned to the Board in the Company's Articles; and
- Propose payment of distributions to the shareholders to be approved by the shareholders.

In essence therefore, it is the Board's role to "govern" the Company (as opposed to being responsible for the "execution and management" of activities), thereby giving effect to transparent accountability for the well-being and performance of the Company to the shareholders and stakeholders.

Members of the Board should clearly understand the organization's expectations of them in terms of allocation of individual responsibilities. To this end, formal letters of appointment setting out the key terms and conditions relative to their appointment will be issued to Board Members.

### **3.1.3 Shareholder Rights**

- The Board shall recognize, respect and protect the rights of shareholders and facilitate the effective exercise of the rights of shareholders.
- The Board shall ensure that all shareholders receive relevant information across multiple communication channels on the Company's performance.

- The Board shall ensure that all shareholders, including minority and foreign shareholders are treated in an equitable manner and that minority shareholders shall be protected from any adverse actions by the controlling shareholders, acting either directly or indirectly, and shall have effective means of redress.

#### **3.1.4 Media Relations**

The Board shall proactively engage the media on dissemination of important Company information and issues relating to good corporate governance in order to inform and protect investors and other stakeholders. Information to the media should be released proactively on a timely basis to ensure effective reporting on corporate affairs as well as issues of corporate governance.

#### **3.1.5 Managing stakeholder relations**

The Board shall proactively manage the relationship with stakeholders by adopting a stakeholder-inclusive approach in its practice of corporate governance and shall identify its various stakeholders. Having identified its key stakeholders, the Company shall develop a strategy and suitable policies on how it shall manage its relations with each of its stakeholder groups. The Board shall ensure effective communication with stakeholders.

#### **3.1.6 Resolving internal and external disputes**

The Board recognizes that disputes involving companies are an inevitable part of doing business and shall establish mechanisms for resolving the disputes in a cost effective and timely manner. Mechanisms to avoid their recurrence shall also be established and implemented.

### **3.2 The role of the Board Chairperson**

The Chairperson of the Board shall be elected by the Directors for their meetings and determine the period for which they are to hold office as per Article 119 of the Articles. The Chairperson of the Board shall be a non-executive Director, elected by the full Board.

The Chairperson's primary role shall be to direct the Board's business and act as its facilitator and guide and shall include leading the Board in oversight of management.

The specific responsibilities of the Chairperson shall include the following:

#### **3.2.1 Meetings**

- Chairing Board and general meetings and those of the Nominations and Remuneration committee.
- Providing leadership to the Board;

- Chairing Board meetings, which involves determining the agenda and ensuring its effectiveness in all aspects of its role, including regularity and frequency of meetings.
- Setting the Board agenda, taking into account the issues and concerns of all Board members.
- Ensuring that there is appropriate delegation of authority from the Board to executive management.
- Ensuring that the directors the Directors receive accurate, timely and clear information on the Company's current performance, to enable the Board to make sound decisions, monitor effectively and provide advice to promote the success of the Company.
- Managing the Board to allow enough time for discussion of complex or contentious issues. The Chairperson should ensure that Directors have sufficient time to consider critical issues and obtain answers to any questions or concerns that they may have and are not faced with unrealistic deadlines and ensuring that the Board has an effective decision making framework.
- Keeping track of the contribution of individual members, the Chief Executive Officer and Company secretary and ensuring visible participation.

### **3.2.2 Directors**

- Facilitating the effective contribution of non-executive all Directors and encouraging active engagement by all members of the Board.
- Ensuring constructive relations between the executive and non-executive directors.
- Ensuring that new Board members receive a full, formal and tailored induction on joining the Board.
- Ensuring that the development needs of Directors are identified and, with the Company secretary having a key role, that these needs are met. The Directors should be able to continually update their skills and the knowledge and familiarity with the Company required to fulfil their role on the Board and its committees.
- Identifying the development needs of the Board as a whole to enhance its overall effectiveness as a team.
- Ensuring that the Board undertakes an annual evaluation of its own performance, the performance of the Chairperson, that of its committees, individual members, the Chief Executive Officer and Company secretary and acting on the results of such evaluation by recognising the strengths and addressing the developmental areas of the Board.
- Monitoring and leading the process of evaluation of the CEO.
- Ensuring succession planning for the board.

### 3.2.3 Relations with shareholders

- Ensuring effective communication with shareholders.
- Maintaining sufficient contact with major shareholders to understand their issues and concerns, in particular discussing governance, strategy and remuneration with them.
- Ensuring that the views of shareholders are communicated to the Board as a whole so that all directors develop an understanding of their views.
- to be available to answer questions at the general meetings.

In addition, the Chairperson should uphold the highest standards of integrity and probity. He sets the agenda, style and tone of Board discussions to promote effective decision-making and constructive debate and ensures that the Directors are fully informed about all issues on which the Board will have to make a decision, through briefings with the CEO, the Company secretary, and members of the executive management as appropriate.

The Chairperson ensures clear structure for, and the effective running of, Board committees, and further ensures effective implementation of Board decisions. He or she must promote effective relationships and open communication between executive and non- executive directors and independent directors both inside and outside the Boardroom, ensuring an appropriate balance of skills and personalities.

The Chairperson should ensure an appropriate balance is maintained between the interests of shareholders and other stakeholders of the Company (employees, customers, suppliers and the community) so as to nurture the long term sustainability of the business. He should establish a close relationship of trust with the CEO and CFO, providing support and advice while respecting executive responsibility.

Ultimately, the Chairperson must provide coherent leadership of the Company, including, in conjunction with the CEO, representing the Company to customers, suppliers, governments, shareholders, financial institutions, the media, the community and the public.

## 3.3 The Role of the Chief Executive Officer (CEO)

It is the CEO's responsibility to manage the day to day operations of the Company and ensure that the Company meets and achieves its strategic, business, operating and financial objectives; an "execution and management" role. The CEO is responsible for implementing the Board's corporate decisions.

The CEO and the executive management team are accountable to the Board of Directors, who act on behalf of the shareholders and other stakeholders, for the effective achievement of the Company's business plans and objectives.

Specific roles and responsibilities of the CEO include but are not limited to the following within the authority limits delegated to the CEO by the Board:

### **3.3.1 Business strategy and management**

- Developing Company objectives and strategy having regard to the Company's responsibilities to its shareholders, customers, employees and other stakeholders.
- The successful achievement of objectives and execution of strategy following presentation to, and approval by, the Board.
- Recommending to the Board an annual budget and financial plans and ensuring their achievement following Board approval.
- Optimising as far as is reasonably possible the use and adequacy of the Company's resources.
- Identifying and executing acquisitions and disposals, approving major proposals or bids.
- Leading geographic diversification initiatives.
- Identifying and executing new business opportunities outside the current core activities but within the provisions of the Company's objects as provided in the Memorandum of Association.
- Lead the finance function in partnering with senior management to support achievement of the strategic business objectives by balancing the financial, commercial and technical challenges in the market.

### **3.3.2 Risk management and controls**

- Managing the Company's risk profile, including the health and safety performance of the business, in line with the extent and categories of risk identified as acceptable by the Board.
- Ensuring appropriate internal controls are in place.
- Setting Company human resource HR policies, including management development and succession planning for the senior executive team and approving the appointment and termination of employment of members of that team.
- Developing the following policies for Board approval and then implementing them - Codes of ethics and business practice, Share dealing code, Health and safety policy, risks and procedures.

### **3.3.3 Board committees**

- Making recommendations on remuneration policy, executive remuneration and terms of employment of the senior executive team, including the Company secretary to the Nominations and Remuneration Committee.
- Making recommendations to the Nominations and Remuneration Committee on the role and capabilities required in respect of the appointment of executive directors.

### 3.3.4 Communication

- There shall be a clear flow of information between the Management and the Board in order to facilitate both quantitative and qualitative evaluation and appraisal of the Company's performance. The Chief Executive Officer is obliged to provide such necessary information to the Board in the discharge of the Board's business.
- Providing a means for timely and accurate disclosure of information, including an escalation route for issues.
- Ensuring effective communication between the Company and its with shareholders through the development of Communications policy (including procedures for the release of price sensitive information) and Investor relations policy.

## 3.4 The Role of the Company Secretary

The Company shall have at least one company secretary. The Directors of the Company shall take all reasonable steps to ensure that the secretary or each joint secretary of the Company is a person who appears to them to have the requisite knowledge and experience to discharge the functions of a secretary of the company; and is the holder of a practising certificate issued under the Certified Public Secretaries of Kenya Act.

The Board shall be assisted by a suitably qualified and competent company secretary who is a member of the Institute of Certified Public Secretaries of Kenya (ICPSK) in good standing.

The Company shall within fourteen days after a person is appointed to be its secretary or one of its joint secretaries; ceases to be appointed as such; or any change occurs in the particulars contained in its register of secretaries, lodge with the Registrar of Companies for registration a notice of the appointment, cessation of appointment or change and of the date on which it occurred.

The Company secretary's general role encompasses the provision of administrative and good governance support to the Board, as well as to the directors personally, safeguarding the interests of the Company by ensuring compliance with legislative and regulatory requirements, and communicating with shareholders and other stakeholders, particularly in relation to matters of corporate governance.

The Company Secretary's roles and responsibilities include the following:

#### **In relation to meetings, resolutions and information:**

- Organising and administering effective Board, committee and member meetings in accordance with the Company's Articles, the Companies Act, this Charter and all relevant laws and regulations.
- Distributing meeting notices, agendas and associated information to all relevant parties.
- Taking and maintaining minutes and records of the proceedings of minutes.
- Providing members with proposed written resolutions, and auditors with any passed resolutions.

- Supplying a copy of the accounts to every person who is entitled to receive notice of general meetings.
- Keeping copies of all member resolutions passed by the Directors and shareholders.
- Supporting the directors personally in matters of administration and governance.
- Ensuring that the correct procedure for appointment and removal of directors is adhered to.
- Providing access to Company records to authorised parties.
- Generally ensuring the highest standards of corporate governance.

**In relation to filings and registers:**

- the maintenance of the Company's records and registers, both statutory and non-statutory registers and Company records—a Company's non-statutory registers.
- filing documents with the Companies Registry, including resolutions and agreements, accounts and reports, annual returns, notices of changes to directors, registered office or accounting reference date, allotments of shares and particulars of mortgages and charges, as required by statute.

**General administration and corporate governance:**

- The Company secretary is expected to play a significant role in the governance of the Company. This role will include advising and supporting the directors in relation to their governance and administrative liabilities, protecting the interests of shareholders, creditors and other stakeholders, and protecting the interests of the Company as a whole.

**In relation to meetings, resolutions and information:**

- Providing the Board as a whole and Directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the Company.
- Assist with the induction training for new Directors and assist with Directors' professional development as required. This includes identifying and facilitating on-going Board education as guided by the Board Chair and CEO.
- In consultation with the CEO and Chairperson, ensure effective information flows within the board and its committees and between senior management and non-executive Directors. This includes the timeliness of compilation and distribution of Board papers and minutes and communication of resolutions from Board meetings.
- Seeing to the proper development of Board meetings and providing Directors with clear advice and information, also, advice board on the timeliness of Board meetings in congruity with the charter.
- Assisting the Chairperson in ensuring that regular assessments on the effectiveness of the Board and its committees, as well as the contribution of individual Directors, are carried out.

- Guiding the Company in taking the initiative to not only disclose corporate governance matters as required by law, but also those of material importance to the decision-making of institutional investors, shareholders, customers and other stakeholders.
- Keeping formal records of Board meetings and ensuring timely execution of actions agreed.
- The Company secretary shall assist the Board with the evaluation exercise.
- The Company secretary shall coordinate the governance audit process.
- 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.
- The Company secretary shall maintain and update the register of conflict of interest.
- The Company secretary shall facilitate effective communication between the organization and the shareholders.

# 4 Board Operations

## 4.1 Annual Board Work-plan

The Board shall develop an annual work-plan to guide its activities. The Board work-plan shall as a minimum, focus on—

- strategic plan development and review;
- assessment of management's implementation of strategies, policies and plans;
- risk assessment and management;
- budgeting and financial management;
- quality assurance processes; and
- Board evaluation.

## 4.2 Board Meetings

### a) Frequency of Board meetings:

- The Board shall meet at least four times in a year, or more frequently as it deems necessary to carry out its responsibilities. The meetings shall be held in person, by video conference and/or other remote meeting technologies agreeable to all Board members.

### b) Notification of Meetings and Agenda Items

- The Board has the sole authority over its agenda and exercises this through the Chairperson. Any member may, through the Chairperson, request the addition of an item to the agenda. The Chairperson in consultation with the CEO and the Company Secretary will set the Agenda.  
The Company Secretary shall be responsible for issuing proper notices of meetings, preparation of agenda and circulation of relevant papers. Such notification will be sent at least five clear days in advance; however should there be urgent matters to be discussed the five clear days' notice requirement may be waived with the prior approval of all Directors.

### c) Attendance at Meetings and Minutes

- Every Director has a duty to attend Board meetings regularly and to effectively participate in the conduct of the business of the Board.
- Every member of the Board should attend at least 75% of the Board meetings of the Company in any financial year. Attendance is disclosed in the Annual Report. At a full meeting of the Board, the Directors shall review the suitability of a Non-Executive Director who has failed to comply with the 75% attendance rule, without compelling reason.

- The quorum necessary for the transaction of business of the Board shall be a majority of the Directors provided that at least one Director appointed by each major shareholder entitled to appoint a Director is present either personally or by proxy.
- The quorum in addition must have at the least one member appointed in accordance with Articles 89 (b) and 89 (c) of the Articles of Association.
- Video conferencing or such other remote conference solution will be used to hold meetings where to do so would not jeopardize or prejudice the agenda of the meeting or expected deliberations. Such alternatives will not wholly substitute the traditional method of holding board meetings. Physical presence during meetings is an integral part of an effective meeting and will therefore continue to remain the main mode of holding meetings, even if video conferencing is embraced.
- The following will apply with regard to the use of video-conferencing (or other agreed remote meeting technologies being used) to conduct the meeting:
  - Up to fifty (50%) of the actual meetings to be held in a year may be conducted through video conferencing, provided that the majority of the directors are physically present.
- The Company Secretary shall be responsible for keeping minutes, which provide an accurate record of the names of all persons present, deliberations and resolutions of all Board and Committee Meetings. The minutes of the Meetings shall be considered at the next meeting, approved and signed by the Chairperson of the meeting.

**d) Attendance of Senior Management Personnel at Board Meetings**

- The Board expects the regular attendance at each of its meetings of non-Board members who are in the most senior management positions of the Company. Where the CEO intends to invite additional people as attendees on a regular basis, it is expected that this suggestion shall be made to the Board for its concurrence.

**e) Voting and Quorum**

- Voting on Board matters shall be on a one vote per member basis. When a quorum is present, the vote of a majority of the voting members present shall constitute the action or decision of the Board.
- The Chairperson shall not have a second or casting vote in the event of a deadlock pursuant to the provisions of Article 116 (a) of the Articles.

### **4.3 Board Committees**

The Board shall establish committees to enable it carry out its governance roles and responsibilities effectively and efficiently. The Committees shall have terms of reference which shall be consistent with this Charter. The Board currently has three Committees whose mandates are summarized here below are as follows:

#### **a) Audit Committee**

The Board has established an Audit Committee comprised of four non-executive Directors who shall report to the Board, with written terms of reference, which clearly details its authority and duties. The Chairperson of the Audit Committee shall be an independent and non-executive Director. The mandate of the Audit Committee includes:

- Ensure that the Company's financial statements comply with applicable financial reporting standards as this is integral to the reliability of financial statements.
- Monitoring and reviewing the integrity of the financial statements, including a review of the significant financial reporting judgements contained in them.
- Overseeing the relationship with the external auditors; including their independence and management's response to any major external audit recommendations.
- Monitoring compliance with the statutory and listing requirements for any exchange on which the Company's shares and debt instruments are quoted.
- Reviewing the scope, extent and effectiveness of the activity of the Risk Management Division.
- Engaging independent advisers as it determines is necessary and to perform investigations.
- Reporting to the Board on the quality and acceptability of the Company's accounting policies and practices including, without limitation, critical accounting policies and practices.
- Playing an active role in the monitoring the Company's compliance to policies and procedures.
- Reviewing the Company's overall approach to securing compliance with laws, regulations and Company's policies in the area of risk.

#### **b) Nominations and Remuneration Committee**

The role of the Committee includes the review of the balance and effectiveness of the Board and the remuneration and incentives for the Directors and Senior Management. It comprises five members. The mandate of the Nominations and Remuneration Committee includes;

- Monitoring the size and composition of the Board;
- Recommending individuals for nomination as members of the Board and its committees;
- Reviewing executive appointments, succession and development plans;
- Reviewing and proposing the remuneration structures of executive and non-executive members of the board.

#### **c) Special Committees**

The Board may form ad hoc or special committees to deal with specific matters, for a defined term. The Board shall retain an oversight authority over such committees, and disband them as is deemed necessary.

Each Committee Chair, in consultation with Committee members, determine the agenda, frequency and length of the meetings of each Committee; which exercise shall be conducted at the beginning of each year, or such other time as may be deemed necessary.

## **4.4 Board Development**

### **4.4.1 Director Induction and Continuing Education**

The Chairman (with the assistance of the CEO and Company Secretary) shall ensure that a comprehensive induction process for new Directors to be acquainted with the Company's vision, strategic direction, core values, financial matters, corporate governance practices and other key policies and practices, is conducted. This may be achieved through a review of background material, meetings with senior management and visits to the Company's key facilities.

The Board also recognizes the importance of continuing education for its Directors and is committed to provide such education in order to improve both Board and Committee performance. The Board acknowledges that such continuing education may be provided in a variety of different forms including: external or internal education programs, presentations or briefings on particular topics, educational materials, meetings with key management and visits to the Company's key facilities.

It is the policy of the Board that a continuing education is undertaken and that each Director shall be required to undertake suitable awareness sessions on prevailing corporate governance matters at least once a year.

The Company encourages Directors to take advantage of educational opportunities on an ongoing basis to enable them to better perform their duties and to keep informed about developments in areas such as the communication industry, corporate governance and Director responsibilities.

### **4.4.2 Management Development and Succession Planning**

Long term planning for CEO and senior management development and succession is a critical function of the Board. The Board and its Nominations and Remuneration Committee identify and regularly update the qualities and characteristics necessary for an effective CEO. With these principles in mind, the Board periodically monitors and reviews the development and progression of potential internal candidates against these standards.

Working with the CEO, the Board should ensure that plans are in place for contingencies or unexpected vacancies in the CEO or senior management offices.

## **4.5 Board interactions**

Except for the CEO (and CFO as alternate), no member of the Board shall be directly involved in the day to day management of the business activities. Any intended involvement shall be through the CEO. The Company shall keep separate the role of the Chairperson and CEO to ensure a balance of power and authority and provide for checks and balances.

#### **4.5.1 Board Relationship with Senior Management**

From time to time, the Board may encourage the CEO to bring managers into Board meetings. Selection of such managers shall include those who:

- are in a position to provide additional insight into the matters before the Board because of personal involvement in these areas, and/or
- have future potential and, in the opinion of senior management, should be given exposure to the Board.

#### **4.5.2 Board Access to Senior Management**

Non-executive Directors have access to management and may even meet separately with management, with the permission (but not the attendance) of the CEO. It is assumed that Board members will use their discretion to ensure that such contact does not interfere with the prudential and objective operations of management.

#### **4.5.3 Board's Interaction with Stakeholders**

The Board believes that as a general matter, management speaks for the Company. Individual Board members may meet or otherwise communicate with various constituencies that are involved with the Company. Where authoritative comments from the Board are required, they should, in most circumstances, come from the CEO.

There should be a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

Whilst recognizing that most shareholder contact is with the CEO, the Chairperson shall maintain sufficient contact with major shareholders to maintain critical contact with them and to understand their interests and concerns.

The Chairperson shall ensure that the views of shareholders are communicated to the Board as a whole. Non-executive Directors shall be offered the opportunity to attend meetings with major shareholders.

### **4.6 Performance Evaluation**

#### **4.6.1 Evaluation of the Board**

The Board has an effective mechanism for evaluating its performance on a continuing basis. This includes an assessment of the effectiveness of the full Board, the operations of Board committees and the contribution of individual Directors. The Board evaluation toolkit is regularly reviewed by the Board to keep up with new developments in corporate governance.

The Chairperson shall personally or through delegating to the Nominations and Remuneration Committee, ensure an annual assessment of the effectiveness of the Board and its committees, as well as the contribution of individual Directors, are carried out. The results of the assessment of the Board and its committees are reported to the full Board. Results of individual assessments are given to individual Directors to help them enhance their contribution.

Regular assessment of the Board's effectiveness, and the contribution of individual Directors, is essential to improve governance practices. The focus of such assessments is to:

- Assess the way in which the Board operates;
- Check that important issues are suitably prepared for and discussed; and
- Measure the actual contribution of each Director to the Board's effectiveness through his or her competence and contribution to discussions.

Some of the parameters to be assessed during the Board evaluation process include:-

- Board composition: the mix of skills, experience, knowledge and diversity on the Board, in the context of the challenges facing the Company;
- Board leadership: clarity of, and leadership given to, the purpose, direction and values of the Company;
- Succession planning: succession and development plans;
- How the Board works together as a unit, and the tone set by the Chairperson and the CEO;
- Board relations: key Board relationships, particularly Chairperson/ CEO, Chairperson/ independent director, Chairperson/ Company secretary and executive/ non-executive directors
- Individual director effectiveness: effectiveness of individual non-executive and executive directors
- Role of the independent Directors: clarity of the independent director's roles
- Board committee effectiveness: effectiveness of Board committees, and how they are connected with the main Board
- Board information management: quality of the general information provided on the Company and its performance
- Quality of Board papers and presentations: quality of papers and presentations to the Board
- Quality of Board debate: quality of discussions around individual proposals
- The challenge process: the process the Chairperson uses to ensure sufficient debate for major decisions or contentious issues
- The Company secretary: effectiveness of the secretariat
- The decision-making process: clarity of the decision processes and authorities
- The risk process: processes for identifying and reviewing risks
- Shareholders and stakeholders communication: how the Board communicates with, and listens and responds to, shareholders and other stakeholders

Disclosure shall be made in the annual report that such evaluations are indeed carried out.

The Board Nominations and Remuneration Committee utilizes the results of this evaluation process in determining the characteristics and assessing critical skills required of prospective candidates for election to the Board and making recommendations to the Board with respect to assignments of Board members to various committees, as well as determining the development needs of the Board members.

The Chairperson should confirm to shareholders when proposing re-election that, following formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role.

#### **4.6.2 Evaluation of the Chief Executive Officer**

The Board shall annually conduct a formal evaluation of the CEO, which is communicated to the CEO by the Chairperson. The evaluation should be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, and development of management. The evaluation is used by the Board Nominations and Remuneration Committee in the course of its deliberations when considering the compensation of the CEO.

#### **4.6.3 Committee Performance Evaluation**

Each Board Committee performs an annual evaluation of its performance, including a review of its compliance with the Committee's own charter. The purpose of such reviews is to increase the effectiveness of the Committee.

The results of the evaluation are reported to the full Board.

### **4.7 Succession Planning**

The Board will have a clear succession plan for its Chairman and Chief Executive Officer to enable it to manage any unplanned or sudden departures which could undermine the Company's and shareholders' interests.

#### **4.7.1 Succession planning for the Chairman**

The Board shall, on a regular basis, and in consultations with the two key shareholders (Vodafone Kenya Limited and The Cabinet Secretary to the National Treasury) review the succession plans for the position of the Chairman of the Board of Directors.

#### **4.7.2 Succession planning for the CEO**

The Board shall, on a regular basis, consider the succession plans for the position of the Chief Executive Officer.

In doing so, the Board, through the Board Nominations and Remuneration Committee shall, on a continuous basis, review the competencies of the Senior Leadership Team as potential candidates for the position of CEO and continuously implement programs aimed at developing the capabilities of the Senior Leadership Team to meet the competency framework for the position of the CEO. The Board may also consider external potential candidates as successors to the CEO where internal candidates are deemed not ready for the position of CEO.

The CEO shall be on a fixed term contract of not less than three (3) years and not more than seven (7) years. The CEO's contract may be extended beyond the stated duration as may be deemed necessary by the Board of Directors.

The process of appointing a replacement CEO will be as follows:-

Timing	Activities
12 months	<ul style="list-style-type: none"> <li>• Extension of contract of incumbent CEO's contract or;</li> <li>• Identification of successor from succession pool or;</li> <li>• Process of head hunting commences.</li> </ul>
9 months	Review of potential candidates
6 months	Selection and appointment
3 months	Onboarding, transition and handover
0 months	Taking over

The CEO's Assessment Framework will incorporate key elements including functional and business skills; critical experience in managing external stakeholders; other potential indicators such as the ability to engage, use of applied thinking and ability to drive change; and a demonstration of understanding of 'The Safaricom Way'.

The process of appointment of the CEO will be done in accordance with the provisions of the Company's Articles of Association.

#### 4.8 Director Confidentiality

Information concerning the Company, which is communicated to Directors in confidence in connection with their functions, is provided *intuit personae* (in consideration of the person). Directors must personally take the necessary precautions to preserve the confidentiality of such information and not divulge it except where permitted to do so, by the Chairperson.

The Board shall also facilitate the development and review of the Company's information disclosure policies to ensure only correct and appropriate information gets to the stakeholders.

#### 4.9 Conflict of Interest

The Directors of the Company are under a fiduciary duty to act honestly and in the best interest of the Company. The Directors shall avoid putting themselves in the positions where their self-interests conflict with their duty to act in the best interest of the Company.

Each Director is required to faithfully perform his/her duty of loyalty toward the Company and shareholders. Directors shall not exercise their authority for their own benefit or that of a third party, and shall place the interests of the Company and shareholders before themselves. The duty of loyalty particularly applies when a conflict of interest arises between the Company and the Director, or when a certain opportunity may be available to both of them. When the Director – as an agent of the Company, directly or indirectly – has any economic or personal gain in a contract or other transaction, or when he plans to engage in a transaction which is in competition with the Company, then such Director is considered as having an interest. In such cases, the Director should act with the interests of the Company before him/herself.

When a conflict arises for the Director having interests in a transaction or contract, s/he should clearly disclose such interests and related important information to the Chairman of the Board, and should recuse him/herself from any discussion or decision affecting his business or personal interests.

No person having a permanent conflict of interest shall be a member of the Board of Directors or the executive management of the Company.

#### **4.10 Code of Ethics and Conduct**

Although Senior management takes responsibility for implementing and managing an effective compliance program relating to legal and ethical conduct, a key role of the Board is to establish a corporate culture with ethical conduct that permeates the whole Company. The Board has formalised its ethical standards through the development of a Code of Ethics and Conduct and shall ensure that it is complied with.

The Board shall periodically review its Code of Conduct and an abridged version of this Code shall be made available on the Company's website.

As part of its compliance program, the Company has a Code of Conduct with effective reporting and enforcement mechanisms. The Board shall ensure that employees have a means of seeking guidance and alerting management and the Board about potential or actual misconduct without fear of retribution. Violations of the Code shall be addressed promptly and effectively.

The Board expects all Directors, as well as officers and employees, to act ethically at all times and to adhere to the policies set forth in the Company's Code of Conduct.

The Board will not permit any waiver of any ethics policy for any Director. Unethical acts committed by Directors, management and staff shall attract punitive measures including termination of contract as appropriate. The Company shall also report to regulatory authorities and other relevant external stakeholders, any unethical acts performed by Directors, management and staff.

It is the Company's policy that Directors, their immediate families and Companies where Directors have interests shall not transact business with the Company without express approval from the Board.

All business transacted with the Company shall be at arm's length and such business interests shall be fully disclosed to the Board and considered for approval through an annual declaration.

A register shall be maintained to provide a formal record of interests that the Directors and their immediate families have with the Company (where applicable).

All Directors shall be required to sign an annual declaration on possible or actual conflicts of interest.

All Directors shall be required to comply with the laws and guidance applicable to the governance of a public listed company.

#### **4.11 Directors' Remuneration**

Compensation and incentives for executive Directors shall be competitive and intended to encourage positive engagement with the Company. The Board shall establish and approve formal and transparent remuneration policies and procedures that attract and retain Board members.

For non-executive Directors, the Nominations and Remuneration Committee:

- Proposes the system and amount of Directors' annual remuneration to the Board; and
- Reviews the remuneration programmes annually, gauging their adequacy and results.
- Watches over the transparency of the remunerations.

Details of the Directors' remuneration shall be fully disclosed in the Company's financial statements.

There shall be full and clear disclosure of loans or other financial arrangements to Directors and the CEO in the Annual Report to shareholders.

#### **4.12 Corporate Governance Disclosures**

The Company discloses material information through its Annual Report and financial statements to shareholders and the relevant government authorities in accordance with the prevailing laws and regulations in a timely, accurate, understandable and objective manner.

The Company takes the initiative to disclose not only matters required under the laws and regulations, but also those of material importance to the decision-making of institutional investors, shareholders, customers and other stakeholders with respect to such matters. The Company discloses financial as well as non-financial matters in the Annual Report.

Each and every shareholder is provided with full and accurate information about the Company unless there is a justifiable reason not to do so. The Company does not show partiality to certain shareholders by providing information not disclosed to the other shareholders.

The Company Secretary shall ensure that the Company complies with prevailing regulations having the force of law in respect of disclosure requirements. This can be done through the use of a Disclosure Checklist outlining all areas of disclosure required.

#### **4.13 Independent Advice**

Each Director shall be entitled to receive independent financial, legal and such other professional advice as s/he may require for the better execution of his/her mandate as Director of the Company at the Company's expense.

#### **4.14 Review of Charter**

This Board Governance Charter sets out a framework of corporate governance structures and principles for the Board of the Company and may be reviewed by the Board every two years, or at such other time as may be deemed necessary to ensure it remains relevant, objective and practical.

#### **4.15 Access to the Board Charter**

This Board Governance Charter shall be made available to each Director of the Company and shall form part of the documents to readily be made available for shareholders and stakeholders at the registered office of the Company and online at [www.safaricom.co.ke](http://www.safaricom.co.ke).

# 5 Compliance With Laws Regulations and Standards

The Board shall develop and implement a strategy to ensure the Company complies with the Constitution, all applicable laws and regulations, national and international standards, as well as its internal policies.

## 5.1 Legal and Compliance Audit

The Board shall ensure the following—

- Save for when the independent legal and compliance audit is carried out, an internal legal and compliance audit shall be carried out on an annual basis, with the objective of establishing the level of adherence to applicable laws, regulations and standards;
- That a comprehensive independent legal audit is carried out at least once every two years by a legal professional in good standing with the Law Society of Kenya;
- That the findings from the audits are acted upon and any non-compliance issues arising are corrected as necessary.

## 5.2 Governance Audit

The Board shall subject the Company to an annual governance audit by a competent and recognized professional accredited for that purpose by the Institute of Certified Public Secretaries of Kenya (ICPSK), in order to check on the level of compliance with sound governance practices.

The governance audit shall among other areas cover the Company's governance practices in the following parameters—

- leadership and strategic management;
- transparency and disclosure;
- compliance with laws and regulations;
- communication with stakeholders;
- Board independence and governance;
- Board systems and procedures;
- consistent shareholder and stakeholders' value enhancement; and
- corporate social responsibility and investment.

After undergoing the governance audit, the Board shall provide an explicit statement on the level of compliance.