

**The Governance, Nomination and Compensation Committee**

**Terms of Reference**

**Car & General (Kenya) Plc**

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## 1. PURPOSE

- 1.1. The Governance, Nominations and Compensation Committee (“**the Committee**”) is a Committee of the Board of Directors (“**the Board**”) of Car & General Kenya PLC (“**the Group**” or “**the Company**”).
- 1.2. The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:
  - (a) Corporate governance systems and practices for the Board's overall stewardship responsibility and the discharge of its obligations to the stakeholders of the Group.
  - (b) Board appointments/re-appointments and ensuring that the Board and its Committees have an appropriate balance of skills, experience, independence and knowledge of the Group to enable them to discharge their respective responsibilities effectively.
  - (c) The Remuneration Policy for the Group, including the remuneration of the Chairman, Non-Executive Directors, Executive Directors and Senior Management, as well as overseeing the arrangements for the wider workforce.

## 2. AUTHORITY

- 2.1. The Committee shall have the authority on matters within the scope of responsibilities outlined in this Charter.
- 2.2. The Committee has authority to engage independent counsel and other professional advisers at the expense of the Company, and to invite them to attend meetings.
- 2.3. In the performance of its responsibilities, the Committee is mandated to seek any information it requires from any employee, all of whom are directed to cooperate with the Committee's requests.

## 3. COMPOSITION

- 3.1. The Committee shall consist mainly of Independent and Non-Executive Directors. The Chairperson of the committee shall be an independent non- executive director.
- 3.2. With the concurrence of the Board, the Committee may co-opt other members who are not Directors when deemed appropriate. These may include employees and consultants, deemed capable of adding value to the Committee’s deliberations.
- 3.3. The Committee should collectively have the appropriate knowledge, expertise and professional experience to fulfil the mandate of the Committee.

#### 4. MEETINGS

- 4.1. Three members of the Committee shall form a quorum.
- 4.2. The Chairperson of the Committee shall preside at each meeting and in his/her absence, the Committee members present shall nominate one of those present to chair the meeting.
- 4.3. The Committee may invite any other member or member of staff to attend the meetings occasionally.
- 4.4. The Committee shall hold regular meetings, at least once every quarter and shall report regularly to the Board.
- 4.5. Electronic Meetings
  - 4.5.1. The Committee may hold meetings by means of video, telephone, or other electronic means and may take decisions without a meeting by unanimous written consent, when the Committee Chairperson considers this to be necessary or desirable **PROVIDED** that no Director, shall, when aggregated together with all other meetings they are entitled to attend as a member of any Committee or member of the Board, attend more than 75% of all meetings by telephone/video conferencing except where circumstances make it impossible for either an individual Director or all members to attend the meeting in person.
  - 4.5.2. The Directors participating via electronic means shall be counted in the quorum for the meeting in question, and that meeting shall be duly constituted and its proceedings valid if the Chairman is satisfied that adequate facilities are available throughout the meeting to ensure that the Directors attending are able to:
    - (a) participate in the business for which the meeting has been convened; and
    - (b) hear all persons who speak.
- 4.6. Notice of each meeting confirming the venue, time and date of the meeting, together with the agenda items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, at least seven (7) days before the date of the meeting.
- 4.7. The agenda shall be circulated together with relevant supporting papers to Committee members and to other attendees as appropriate.
- 4.8. The Committee shall strive to make decisions by consensus. However, in the event that such consensus is not possible, each Committee member shall have one vote and the Committee may act by a majority of the members present at a meeting of the Committee. In the event of equality of votes, the Chairperson of the Committee shall have a casting vote on any motion.
- 4.9. Minutes of the Committee meetings shall be prepared and circulated to the members before the next meeting.

## **5. SECRETARY OF THE COMMITTEE**

5.1. The Group Human Capital Manager shall be the Secretary of the Committee.

5.2. The role of the Secretary shall be to;

(a) Assist the Committee in ensuring that the Terms of Reference and activities are appropriate for the Committee to deliver its mandate and responsibilities.

(b) Assist the Committee in preparing its annual work plan.

(c) Assist the Committee to periodically review its activities, suggest enhancements, advise the Committee on regulatory practices and ensure that current best practices are maintained.

(d) Maintain a record for the Committee's resolutions that detail all required activities to ascertain whether they are completed.

(e) Assist the Committee in preparing its reports to the Board.

(f) In consultation with the Chairperson of the Committee, draft the Committee's meeting agenda, notices of meetings, distributing materials to Committee members and preparing the minutes of the Committee meetings, maintaining the same in a formal minute book.

(g) Meet periodically with the Chairperson of the Committee to discuss whether the material and information being furnished to the Committee meets their needs.

(h) Assist the Committee to assess the training needs of the Committee members and organize such training as is necessary for the Committee members on such relevant topics for the execution of the Committee's mandate.

## **6. REPORTING**

6.1. The Chairperson of the Governance, Nominations and Compensation Committee shall regularly update the Board on the Committee's deliberations, activities and decisions, including Committee recommendations.

6.2. The Committee shall refer to any Board Committee any matters that have come to its attention that are relevant for those other respective Board Committees.

6.3. The Committee shall review any reports as required by any law or as requested by the Board.

## **7. TERMS OF REFERENCE**

### **7.1 General Corporate Governance**

- (a) The Committee shall oversee the implementation of the Company's Code of Corporate Governance and the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 and monitor compliance with and the effectiveness of the Code of Conduct and the Corporate Governance principles, practices and guidelines adopted by the Company.
- (b) Ensure the development of, and review and make recommendations to the Board regarding the Company's Corporate Governance policies, practices and guidelines, taking into account the requirements under applicable laws, rules, regulations and listing standards applicable to the Company from time to time and such other standards, principles and practices or guidelines as the Committee considers appropriate and which are in line with global best practice.
- (c) Review and whenever necessary make recommendations to the Board in relation to the operations and functions of the Board and the relationship between the Board and Management.
- (d) Put in place appropriate disclosure policies and ensure the publication of appropriate and up-to-date information on the Company's website and in the Annual Report in line with the requirements of applicable laws and regulations.
- (e) Ensure that the responsibilities of the Board are well understood by both the Board and Management.
- (f) Establish a process to determine when a conflict of interest is considered to exist between a Director and the Company and the procedures to report or disclose such conflict.
- (g) Work with the Board and the CEO to establish an induction program for new Directors, which shall be designed to, among other things, familiarize new Directors with the full scope of the Company's business and operations, key Management personnel and governance framework.
- (h) Work with the Board to establish continuing education programs for existing Directors, which are appropriate and relevant to enable the Directors to maintain and enhance their skills and abilities and ensure that their knowledge and understanding of the Company's business remains current.
- (i) Perform an annual review and assessment of the performance of the Board as a whole, the Chairperson, the Individual Directors, the Group Chief Executive Officer, the Company Secretary and Board committees. The review shall seek to identify specific areas, if any, in need of improvement or strengthening and shall culminate in a discussion by the full Board of the results and any actions required to be taken.
- (j) Put in place processes for determining whether Board Members who belong to professional bodies are in good standing with such Professional bodies.
- (k) Ensure that the Board on an annual basis, assesses the independence of Independent Non-Executive Directors.

(l) Work with Management to establish the ethical culture of the Company and in particular, create expectations that all business is conducted in an ethical manner and in compliance with laws, regulations and internal practices that will promote a strong ethical culture.

(m) Ensure that the Company is subjected to Governance Audit and Legal and Compliance Audit as required by law.

## **7.2 Board Committees**

(a) Review and make recommendations to the Board on the Committee structure, operations and functions, the need for, and the performance and suitability of those Committees.

(b) Establish criteria for membership to the Committees of the Board and identify and recommend Directors who the Committee considers appropriate to serve as members on each Board Committee.

(c) Review and consider Directors' requests for appointment to specific Board Committees.

(d) Make recommendations to the Board on the composition of Committees, their Chairpersons and any required rotations.

(e) In addition to an assessment by each Committee itself, review and assess regularly the Terms of Reference of each Committee and, if necessary, make recommendations to the Board for amendments to such Terms of Reference.

(f) Review and whenever necessary make recommendations to the Board in relation to the structure of Board Committees.

## **7.3 Subsidiary Governance**

(a) Review and make recommendations to the Board on the Group Governance Framework.

(b) Review and make recommendations to the Board on the Subsidiary structure.

(c) Vet candidates proposed for appointment as board members and Managing Directors from subsidiary Boards and make recommendations for their appointment.

(d) Develop guidelines for the approval of sponsorships and donations by the Group and its subsidiaries.

(e) Review and assess annually the implementation of standard Corporate Governance Policies and Practices across the Group.

(f) Ensure that each subsidiary Board has in place an up to date succession plan for its Board and Managing Director.

#### **7.4 Nominations and Board appointments**

- (a) Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity in the dimensions of nationality, age, race and gender) of the Board and its committees and make recommendations to the Board with regard to any changes.
- (b) Establish appropriate formal and documented policies for the selection, interview and recruitment of Board members and interview and recommend to the Board individuals to be nominated for election as Directors or as an additional Director or to fill in any vacancy on the Board that may exist from time to time based on the skills or other criteria.
- (c) Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- (d) Develop and recommend procedures for selection of the Non-Executive Chairman of the Board and if considered necessary or appropriate an Alternate or Vice- Chairman in line with the Board Succession Policy and Plan.
- (e) Before an appointment is made by the Board, evaluate the balance of skills, knowledge experience, diversity and length of service on the Board, and the range of critical skills of value to the Board relevant to the challenges and opportunities facing the Group.
- (f) Keep under review the leadership needs of the Group and its subsidiaries, for both the Board and Senior Management, including the benefits of a diverse pipeline for appointments with a view to ensuring the continued ability of the Group to compete effectively in the market place.
- (g) Ensure that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them as Board members.
- (h) Ensure that the Chairperson is issued with a specific separate letter of appointment specifically setting out the terms of engagement for the Chairperson.
- (i) Regularly review the appropriateness of any qualifications, policies or restrictions on Board service, including term limits, any retirement policy, and the participation of the Director on other Boards.
- (k) Evaluate and recommend any termination/ rotation of membership of individual Directors.

#### **7.5 Remuneration**

- (a) Consider and make recommendations to the Board relating to the Board Remuneration Policy for Non-Executive Directors, ensuring that the same is;
  - i) fair;
  - ii) comparable to that of Companies of a similar size and complexity; and
  - iii) appropriate to attract and retain effective Directors.



(b) Determine and make recommendations to the Board on the Executive Management Remuneration Policy and practices, noting to ensure that the same is;

- i) fair;
- ii) provides incentives that attract and retain key executives;
- iii) instils long term commitment to the Group;
- iv) sufficient to instill a sense of pride and ownership; and
- v) consistent with shareholder interests;

(c) Regularly review the appropriateness and relevance of the Remuneration Policies to ensure that these promote the long-term success of the Group and take into account and promote the Group's long-term strategic goals.

(d) Review the design of all share incentive plans for approval by the Board and shareholders, and for any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Management, Company Secretary and other designated Senior Executives and staff and the performance targets to be used.

#### **7.6 Succession planning**

(a) Give full consideration to succession planning for the Chairperson, the Chief Executive Officer and members of the Board, the Committees, and Executive Directors including the length of service of Directors and the need to regularly refresh Board membership, taking into account the Group's strategic priorities and the main trends and factors affecting the long-term success and future viability of the Group.

(b) Maintain an up to date Board Succession Policy and a documented Plan for Non- Executive Directors.

(c) Ensure that there is in place an up to date documented succession plan for the Chief Executive Officer.

#### **7.7 Human Resources**

(a) Ensure the Company has in place human resources strategic objectives and monitor their implementation.

(b) Review and propose an optimal organizational structure and recommend optimal staffing levels.

(c) Ensure the Company has in place appropriate recruitment and retention policies.

(d) Undertake reviews of terms and conditions of service for Staff and make recommendations to the Board for consideration.

- (e) Recommend to the Board policy guidelines for staff welfare, training, industrial relations, pension schemes and work environment.
- (f) Review and ensure that the Company has an up to date staff succession plan approved by the Board.
- (g) Determine and make recommendations to the Board the Company's Remuneration strategy and policy which aims to provide a structured and balanced remuneration package aligned to the Company's strategy, risk appetite, culture and values and employee performance.
- (h) Undertake a periodic review, of the Remuneration Policy to ensure continued compliance and alignment with applicable laws and best practice.
- (i) Ensure that the Company has in place a training and skills development policy for staff and a training framework which should be regularly reviewed to meet business and legal requirements.
- (j) Review the staff training and development programs to ensure they are in line with the Company's Human Resources Strategic Objectives.
- (k) Review the end-to-end annual talent strategy workforce plan, goals and objectives, progress report indicators and report to the Board on potential risks or gaps in resources.

**8. EVALUATION**

- 8.1. The Board will evaluate the performance of the Committee and will assess whether or not the Committee has successfully performed its required duties as set out in this Charter.
- 8.2. To assist the Board, the Committee shall conduct an annual self-assessment to consider the performance of the Committee, the competency of its members, and the leadership of the Chairperson.

**9. REVIEW OF THE CHARTER**

The Committee shall conduct an annual review of this Charter in light of the operating business environment and make recommendations to the Board for any desired changes when deemed necessary.

**Approved:**

Board GNC Committee Chairman-----

Date-----

**Approved:**

Board Chairman-----

Date-----