

CROWN PAINTS KENYA LIMITED

BOARD CORPORATE GOVERNANCE CHARTER

CROWN PAINTS KENYA LIMITED

MAY 2016

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1. DEFINITIONS

Act / ACT	Companies Act 2015 and any subsequent amendment to or replacement thereto
AGM	Annual General Meeting of the Company
Board	Board of Directors
Board Charter	Charter of corporate governance in relation to the Board contained in this document and any amendment thereto
Chairman	Chairman of the Board
CEO	The Chief Executive Officer
CMA	Capital Markets Authority
Company	Crown Paints Kenya Limited & Subsidiaries
Company Operating Policies & Procedures	Policies and procedures applicable to the Company from time to time as adopted
Committee	Committee of the Board
Director	Board Director of the Company
Executive Director	A Director in employment of the Company.
Independence / Independent	Independence/Independent within the meaning of section 4.3 of this Charter
NSE	Nairobi Securities Exchange
Secretary	Secretary of the Company
Security	Equity, debt or other security of any kind issued or created by the Company
Shareholder	Holder of shares in the Company

2. PREAMBLE

The Board is at the core of Company's system of corporate governance and is ultimately accountable and responsible for the performance and affairs of the Company.

Good corporate governance is regarded as critical to the success of the business of the Company and the Board is unreservedly committed to applying the fundamental pillars and principles of good governance – accountability, discipline, efficiency & effectiveness, fairness, probity, responsibility and , transparency, - in all dealings by, in respect and on behalf of the Company.

The Board accordingly embraces the pillars and principles of good governance as set out in a number of governance frameworks; including the Principles for Corporate Governance in Kenya issued by the Centre for Corporate Governance, the CMA guidelines for publicly listed companies in Kenya, and other best practices as incorporated in this Charter.

The Board and Directors are also bound by the provisions of the Act and the Articles of Association of the Company and in the case of any conflict between the provisions of this Charter and the provisions of the Act and the Articles, the latter shall take precedence over this Charter.

2.1 Objectives of the Charter

This Board Charter defines the governance parameters within which the Board exists, sets out specific responsibilities to be discharged by the Board and directors collectively, as well as certain roles and responsibilities incumbent upon directors as individuals. This Board Charter of necessity includes references to minimum acceptable standards of conduct – board members should ensure adherence to these standards at all times.

2.2 Corporate Vision and Mission

The Company has adopted the following Vision and Mission to guide its operations and has created this Charter in support thereof:

Vision: Our vision is to be the most preferred innovative and colorful brand.

Mission: Transforming lifestyles by providing world class coating solutions whilst caring for the environment and community.

2.3 Ratification, Review or amendment of the charter

This charter was approved and ratified by the Board on 25th November, 2015 and defines and regulates governance processes and procedures of the Company. All Board members are obliged to adhere to the processes and procedures of the Charter with immediate effect and must sign the deed of adherence attached to this charter as an Appendix.

This charter may be reviewed, amended or altered at the discretion of the Board and any amendments or alterations so made shall take effect with effect from the date determined by the Board.

In the event that:

- a Director shall fail to sign the Deed of Adherence to the Board Charter according to the timetable required by the Board
- or shall fail to adhere to the terms of the Board Charter

Then the following shall apply:

- A meeting of the Board shall be convened to consider the breach and the facts thereof
- Should the Board find that the Director has indeed failed to sign the Deed of Adherence to the Board Charter or has failed to adhere to the Board Charter's terms, then the Board shall be required to take or recommend such steps as may be necessary to effect the removal of the Director from the Board.

Any issues concerning failures to adhere to the Charter should immediately be reported at the next scheduled Board meeting or at a specially convened Board meeting.

3.1 Powers of the Board

The lawful business and activities of the Company shall be conducted and all its corporate powers shall be exercised by the CEO and Management under the direction of the Board of directors, but subject always to the Companies Act and any limitations imposed in law or by the Memorandum and Articles of Association of the Company relating to any action required to be authorized, permitted or otherwise approved by members.

3.2 Board Values and Mission

3.2.1: Values

a) The Board believes in

- Transparency and Accountability,
- Courage and objective independence
- Professional competence, discipline and excellence;
- Integrity, honour and respect
- Equity and fairness
- Disciplined and responsible stewardship, and
- Passionate commitment.

b) The Crown Paints Board therefore:

- Succeeds by working together
- Takes collective responsibility for its decisions and actions
- Treats all with fairness and respect
- Strives to ensure continuous improvement through the exercise of focused intelligence,
- Acts with integrity in all it does, and
- Seeks to constantly innovate and create value.

These values create the behavioural standards expected in the discharge of the roles and responsibilities of the Board

3.2.2 The Board Mission is to direct responsibly the affairs of the Company based on the highest standards of governance and industry professional practice so as to protect, preserve and promote the best interests of its shareholder and all stakeholders.

3.3 Roles, functions and responsibilities of the Board

The Board is responsible for setting the direction of the Company, corporate values and standards, and ensures that its obligations to shareholders and other stakeholders are understood and met.

In addition, the Board specifically reserves to itself the following matters and all power and authority in relation to those matters:

- a) Strategy formulation (including Company's vision, mission and values) and ensuring that there are adequate policies, systems and structures to successfully implement the Company's strategies,
- b) Review and approval of strategic plans and annual budgets, including policies for capital expenditure ,
- c) Monitoring the Company's performance against strategic plans and objectives on an ongoing basis, as well as through quarterly meetings,
- d) Approving the structure and organization of the business and its business units,
- e) The selection, appointment and appraisal of senior executive officers who are qualified and competent to manage the affairs of the Company effectively, and succession planning for these senior executive officers,
- f) Providing high-level advice and assistance to the management, as requested by the CEO, for the execution of the Company's strategy,
- g) Ensuring that there are adequate structures and systems to identify, measure and monitor the Company and manage its key risks,
- h) Ensuring the highest standards of integrity, responsibility and professionalism within the Board of Directors by elaborating duties of care, loyalty and confidentiality, including establishing responsibility and obligations of individual Board members, and assessing the performance of individual Board members and the Board as a whole
- i) Selection of members and Chairmen of committees, determining the terms of reference of all board committees and review of reports and minutes of the committees,

- j) Approval for publication of annual and half yearly financial statements, and recommendation to shareholders of dividends,
- k) Recommendation of changes to the Memorandum and Articles of Association for approval by shareholders,
- l) Changes relating to the Company's capital structure and terms and conditions of rights and capital issues or issues of convertible stock including shares or stock issued for acquisitions,
- m) Distinguishing responsibilities and privileges reserved to the Board, and those delegated to executive management, usually in the person of the CEO,
- n) Lead and enforce the Company's policy on safety and environmental issues for staff and for all parties with whom the Company interacts.

3.4 Business Risks

The Board has responsibility for the maintenance and furtherance of the strategy of the Company which includes the identification of significant business risks. The Board, through the appropriate Committees, reviews the major risks affecting each business segment/unit and develops strategies to mitigate these risks.

Once a risk is identified, an action plan is instigated, and the Board is informed of the action plan proposed by management. The Board must approve the action plan and any key action steps to be taken as soon as practicable.

3.5 Duties and liabilities of directors

In discharging their role, Board must satisfy the following primary requirements. A director must always act:

- a) in good faith, and in a professional manner, having due regard to his fiduciary duties and responsibilities to the Company;
- b) independently, in what he personally believes to be the best interests of the Company as a whole;
- c) with the degree of care, diligence and skill that may reasonably be expected from a person of his knowledge and experience;

- d) Intra vires, i.e. within the scope of his authority as prescribed by the Memorandum and Articles of Association of the Company; and as a member of the board.

Director's liabilities:

It is important for directors to understand their individual liabilities.

Contractual and Civil liabilities

A director will be personally liable on a company contract when he has accepted personal liability either expressly or implied. Any breach by any director of their fiduciary duties or obligations would create a liability.

Directors may be liable to the Company where:

- a. they are guilty of negligence,
- b. they have committed breach of trust,
- c. there has been misfeasance, and
- d. They acted ultra vires to their powers and the funds of the company have been applied for such an act.

Statutory liabilities: directors are liable for any violations of law including issuing misleading prospectus, fraudulent inducement to invest, failure to maintain proper books of accounts or falsification of accounts, default in holding AGMs or making statutory returns, theft by directors, trading with an insolvent company, and many other such provisions. Directors are advised to consult the Secretary on the many statutory duties that may create personal liabilities.

3.6 Limitation of liability and business judgment rule

In general, a director will not be personally liable for actions or decisions taken in good faith in the exercise of their functions. Article of the Company's articles of association stipulates that the company indemnifies directors out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour.

A director's duty to act with care and diligence will be taken to be satisfied where the director:

- a) Makes a judgment in good faith and for a proper purpose;
- b) Has no material personal interest in the subject-matter of the judgment made;
- c) Is informed about the subject-matter of the judgment to the extent the Board reasonably believes to be appropriate; and

d) Rationally believes the judgment to be in the best interest of the company.

The business judgment rule:

- a) Relates only to decisions about the ordinary business operations of the company; and;
- b) Does not relieve a director from other fiduciary duties (over and above those owed as a director) such as to act in good faith, not to misuse the position of director, not to make improper use of confidential information, and to prevent insolvent trading.

A business judgment is any decision to take or not to take action in respect of a matter relevant to the business operations of the company; it does not apply to any failure to take a decision.

3.7 Election and removal of directors

The Articles of Association – subject to the Companies Act - provide for the processes to be followed in the election and removal of directors.

The Remuneration and Nominations Committee has been established to provide an efficient, effective and reliable mechanism in order to ensure that a balanced mix of proficient individuals able to add value and bring independent judgment to bear on the decision making process are nominated and presented to shareholders for election.

The circumstances upon which a director may be removed from office are generally stipulated in the Articles of Association of the Company and under the Companies Act. The office of Director shall be vacated if the Director:

- is convicted of any offence in connection with the promotion, formation or management of a company; or
- in the course of winding up a company it appears that a person has been guilty of any offence for which he is liable under section 323 or has otherwise been guilty, while an officer of the company, of any fraud in relation to the company or of any breach of his duty to the company
- becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- becomes incapable by reason of mental disorder of exercising his functions as Director; or
- resigns his office by notice in writing to the Company; or
- is absent either in person or by his alternate, without the previous sanction of the Directors, for a period of more than six months from meetings of the Directors

- held during such period and the Directors resolve that his office be vacated accordingly; or
- is absent either in person or by his alternate for three consecutive meetings of the Directors.

In addition, the Board may recommend to the Shareholders the removal of a director from office as a result of his inability or refusal to follow the Code of Ethics or the provisions of this Charter, or where, following upon the Board and director performance evaluation, a particular director whose performance is deemed unsatisfactory, unprofessional or grossly inadequate refuses or neglects to develop or upgrade their skills or competencies.

3.8 Qualifications of Directors and the Board

a) Personal Characteristics

- Integrity and Accountability: Highest ethical standards, integrity and strength of character in his or her personal and professional dealings and a willingness to act on and be accountable for his or her decisions.
- Informed Judgment: Demonstrate intelligence, wisdom and thoughtfulness in decision-making. Demonstrate a willingness to thoroughly discuss issues, ask questions, and express reservations and voice dissent.
- Financial Literacy: ability to read and understand balance sheets, income and cash flow statements. Understand financial ratios and other indices for evaluating company performance.
- Mature Confidence: Assertive, responsible and supportive in dealing with others. Respect for others, openness to others' opinions and the willingness to listen.
- High Standards: History of achievements that reflect high standards for himself or herself and others.
- Excellent Reputation: Recognition by peers of one's integrity and competence

b) Core Competencies of the Board

- Accounting and Finance: Experience in financial accounting and corporate finance, especially with respect to trends in debt and equity markets. Familiarity with internal financial controls.
- Business Judgment: Record of making good business decisions and evidence that duties as a Director will be discharged in good faith and in a manner that is in the best interests of the Company.
- Management: Experience in corporate management. Understand management trends in general and in the areas in which the Company conducts its business.
- Crisis Response: Ability and time to perform during periods of both short-term and prolonged crisis.

- Industry/Technology: Unique experience and skills in an area in which the Company conducts its business, including science, manufacturing and technology relevant to the Company.
 - Leadership: Understand and possess skills and have a history of motivating high-performing, talented managers.
 - Strategy and Vision: Skills and capacity to provide strategic insight and direction by encouraging innovations, conceptualizing key trends, evaluating strategic decisions, and challenging the Company to sharpen its vision.
- c) **Commitment to the Company**
- Time and Effort: Willing to commit the time and energy necessary to satisfy the requirements of Board and Board Committee membership; expected to attend and participate in all Board meetings and Board Committee meetings in which they are a member; encouraged to attend all annual meetings of shareholders; a willingness to rigorously prepare prior to each meeting and actively participate in the meeting; willingness to make himself or herself available to management upon request to provide advice and counsel.
 - Awareness and Ongoing Education: Possess, or be willing to develop, a broad knowledge of both critical issues affecting the Company (including industry-, technology- and market-specific information), and director's roles and responsibilities (including the general legal principles that guide board members).
- d) **Team and Company Considerations**
- Balancing the Board: Contributes talent, skills and experience that the Board needs as a team to supplement existing resources and provide talent for future needs.
 - Diversity: Contributes to the Board in a way that can enhance perspective and experiences through diversity in gender and professional experience (public, private, and non-profit sectors).
 - Team Player. Ensuring that issues are tabled through board official channels in good time, openly and with factual backup

Nomination of a candidate need not be based solely on these factors and will also take into account such aspects as ability to attract and appreciate business from particular areas or communities while meeting all other criteria .

3.9 Term limits, vacancies and succession planning

The Articles of Association of the company require one third of all Directors – excluding the Executive Directors- being the longest serving Directors, to retire at each AGM. Retiring Directors are eligible to be re-elected.

In order to ensure rejuvenation, renewal and appropriate succession, the Board will develop maximum term limits, mechanisms for filling vacancies that occur and appropriate Board succession plans consistent with the needs, developments and growth of the Company.

4.1 Size of the Board

In accordance with the company's Articles of Association, the Board shall comprise of not more than seven Directors.

4.2 Composition

The Board shall include a balanced mix of proficient executive, non-executive and independent directors able to add value and while ensuring that there is an appropriate balance of power on the Board. The structure of the Board should fairly reflect the Company's shareholding structure while ensuring that no individual or group of individuals /or / interests has unfettered power or will dominate the decision making process. At least one third of the Board will comprise of independent non executive Directors. The Board should be large enough to provide a balance of views, but not so large that it becomes cumbersome to manage.

The following issues will be considered in determining the composition of the Board:

- a) attaining a desirable ratio of and balance between the number of executive, non-executive and independent directors;
- b) ensuring that the Board collectively contains the skills, experience and mix of personalities appropriate to the strategic direction of the Company and necessary to secure its sound performance;
- c) experience, knowledge, skills and personal attributes of current and prospective directors in relation to the needs of the Board as a whole;
- d) succession planning;

The Remuneration and Nominations Committee of the Board shall, in line with its terms of reference, from time to time review the general composition of the board and make appropriate recommendations on the appointment of new executive or non-executive directors.

The termination of an employment contract of an executive director will result ipso facto in the termination of his membership of the Board, unless the Board determines otherwise.

4.3 Independence

4.3.1. It is expected that every director appointed or elected to the Board is able to add value and bring independent judgment to bear on the decision- making process of the Board. In this regard, it is mandatory that every director makes objective decisions that are free from any bias, that are unfettered by undue personal or other dominant interests, and which are based on factual and up-to date information in the best interests of the company.

4.3.2 The Board has adopted the following definition of an Independent Director:

An independent director is one who is free from any interest and any business or other relationship which would, or could be perceived to, materially interfere with the director's ability to act in the best interests of the company. A director would not be classified as independent if

- he is employed by the Company as an executive officer of sufficient seniority that his compensation is decided by the Remuneration and Nominations Committee
- he has been employed by the Company within the last two years as an executive officer of sufficient seniority that his compensation is decided by the Remuneration and Nominations Committee
- he is employed at a public listed company at which an executive officer of the Company serves as a Director
- he is an immediate member of the family of an executive officer of sufficient seniority that his compensation is decided by the Remuneration and Nominations committee
- he is an employee or a Director of the Nairobi Securities Exchange, Capital Markets Authority.

The Board will assess the Independence of each director in the light of the interests disclosed by them.”

4.4 Board Organization

a) Collective Board

The powers of the Board are vested in the collective body of directors. It is therefore expected that members will act as a team in the best interests of the organization through cooperation, but while exercising independent and objective judgment.

The Board may however delegate any of its powers or authority to committees or the CEO.

b) Board Committees

The Board may establish Committees to assist it in carrying out its function and will adopt a charter for each Committee established dealing with the scope of its responsibility and relevant administrative and procedural arrangements.

The committees of the Board consist of a balanced mix of non-executive and executive directors. Management, other Board members and outside service providers and experts may attend by invitation as circumstances dictate.

The Board shall constitute the following committees: Risk and Audit and Remuneration and Nomination Committees. Other ad hoc Committees are set up as and when the need arises and these Committees regularly report to the Board on their activities

c) Officers of the Board

i. Chairman

There should be a clear division of responsibilities between the running of the Board and the running of the company's business. The Chairman's primary role is to direct the Board's business and act as its facilitator and guide, ensuring that the Board is effective in its tasks of setting and implementing the company's direction and strategy.

The specific responsibilities of the Chairman include:

- I. providing leadership to the Board;
- II. chairing Board meetings, which involves determining the agenda, venue and timing of the meetings and ensuring that the directors receive accurate, timely and clear information, and ensuring that the Board has an effective decision making framework;
- III. keeping track of the contribution of individual directors and ensuring visible participation;

- IV. facilitating effective Board management (engaging the Board in assessing and improving its performance and overseeing the induction and development of directors);
- V. Monitoring the activities of Board Committees and determining the agenda and timing of the Committee meetings and ensuring that the committee members receive accurate, timely and clear information.
- VI. Dealing with individual Directors in regard to their conduct, diligence and relationships inter se.

The Chairman shall be an independent non executive Director and the Board shall appoint the Chairman .

ii. CEO

The Board shall appoint the Chief Executive Officer (CEO) and set the terms and conditions of his employment contract.

The CEO shall be responsible for implementing Board decisions and there should be a clear flow of information between management and the Board in order to facilitate both quantitative and qualitative evaluation and appraisal of the company's performance.

The Board shall have a clear succession plan for the position of the CEO in order to avoid unplanned and sudden departures undermining the Company's business development and operations.

iii. Secretary

The Board appoints the Company Secretary who is accountable to the Board on all corporate governance matters. Under the supervision of the Chairman, he/she is responsible for ensuring that the Charter is duly followed and for coordinating the completion and dispatch of Board and Committee agenda and briefing materials.

iv. Board Protocol

The Board shall adhere to the following guidelines on board protocol:

- a. Board Members should submit to the Chairman agenda items that they wish to discuss at board or committee meetings in good time so that he can incorporate them in his instructions to the Secretary

- b. Board papers for discussion are to be sent to the Chairman who manages the circulation of board papers in good time. The Chairman may delegate the responsibility for the circulation of board papers to management or the Secretary
- c. Board Members may not circulate round robin e-mails on Board matters – Board matters should be discussed face to face at Board meetings.
- d. Board Members should observe the rule that management speaks to the media on behalf of the Company. If a Director is contacted by the media concerning Company matters, he should request the media to contact the Chairman or the CEO
- e. Board Members shall not issue instructions to, make requests of, or attempt to discipline any employee, consultant or advisor except through the CEO.

5.1 Orientation, Induction and Development of directors

New Directors will be:

- a) Provided with proper information in relation to the Company before accepting appointment. Proper information available to new Board members as part of the appointment package will include Board Charter (which they are deemed to be bound by in all respects by their acceptance of the position of Director and their signature on the Deed of Adherence attached to this Charter as an Appendix), Constitution, governing laws, recent financials, recent annual reports, regulatory filings, etc.
- b) Informed that they are expected to remain current on company regulation issues and instructed how to do so.

All directors will receive continuing briefing on a formal and informal basis to extend and refresh their knowledge and skills, which will add to their credibility and effectiveness in the discharge of their responsibilities. The company shall provide the necessary resources for implementing these briefings.

5.2 Information and advice to directors

Directors are expected to make informed, objective and independent judgment of all issues placed before them. Consequently they should receive appropriate, adequate and timely information from management as would enable them fulfill their functions.

Each Director has the right to seek independent legal or other professional advice at the Company's reasonable expense on matters relating to the Company with the prior approval of the Chairman.

The Board shall approve a procedure in terms of which any director may take independent professional advice, at the expense of the Company, where there is doubt as to whether a proposed course of action is consistent with his fiduciary duties and responsibilities.

5.3 Conduct of Board Meetings

- **Board Strategy**

The Board will at least once in every three years, examine the corporate strategy, its own mission and values and develop a board strategic plan to attain the its mission and the corporate strategy.

- **Calendar of meetings**

The Board shall develop and maintain reporting and meeting procedures for itself and its committees. A schedule of the meetings will be provided to the directors in an annual Calendar of meetings.

- **Committees**

The Board may form committees of its members and may delegate any of its powers to any such committee. The minimum frequency of the committee meetings will be determined by the Board, as stated in the terms of reference for each committee.

- **Regular and Special Meetings**

Regular Board meetings will be held approximately four times a year and special Board meetings as necessary.

- **Agenda / Items for Board Meetings**

The Board has sole authority over its agenda and exercises this through the Chairman. Any member may, through the Chairman, request the addition of an item to the agenda. The Chairman in consultation with the CEO will set the agenda of Board meetings.

- **Place of Meetings**

Board meetings shall take place at the Company's offices unless otherwise decided by the Chairman.

- **Notice of Board Meetings**

The Company Secretary shall be responsible for issuing proper notices of Board meetings at the direction of the Chairman of the Board while the CEO will arrange for circulation of relevant papers either himself or through delegation to another executive or through the secretary. Notice for meetings will be sent at least seven clear days in advance unless expressly or impliedly waived by all the Directors. Board papers will be sent out electronically for review by Directors in advance of the Board meetings and if Directors have serious concerns or require further information prior to a board meeting, they are required to advise the Chairman and Secretary of this as soon as

possible. Hard copies of Board papers will be furnished to Directors if required. In the event that the Chairman believes confidentiality or sensitivity requires that certain information be only disclosed at the meeting, a general description of subject of the meeting should be circulated, with a statement from the Chairman ruling on the confidentiality or sensitivity thereof.

- **Conduct of and at Meetings**

Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or, if no such person has been designated or, in his or her absence, the Vice Chairman or, in the absence of both these persons, by a person chosen by a majority of the directors present at the meetings. The Secretary shall act as secretary of all meetings of the Board, provided that, in his or her absence, the Chairman or person presiding shall appoint another person to act as secretary of the meeting.

- **Quorum for Meetings**

The quorum necessary for the transaction of the business of the Board shall be as defined the in the Company's articles.

- **Attendance at Meetings**

In light of the fact that board decisions are made at duly constituted meetings, it is important that directors do their utmost to attend all board and committee meetings, participate in discussions and decision making processes. The Secretary shall flag a contravention of the Articles of Association at the Board meeting at which the contravention occurs.

- **Decision making and Majority Action in Board**

A Director must be independent in judgment and actions and must take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board. In order to satisfy this requirement a Director must:

- i. Make a reasonable effort to become and remain familiar with the affairs of the Company;
- ii. Attend all Board and committee meetings and functions unless there are valid reasons for nonattendance; and
- iii. Commit the necessary time and energy to Board matters to ensure that they are contributing their best endeavors in the performance of their duties for the benefit of the Company without placing undue reliance on other Directors to fulfill those duties.

Majority Action as Board Action: Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board of Directors, unless the Articles of Association or provisions of law require a greater percentage or different voting rules for approval of a matter by the Board.

- **Responsibilities of Board Members during Meetings**

Responsibilities of Board Members

The members of the Board are expected to:-

- (i) Prepare adequately for meetings by reading agenda and supporting papers.
- (ii) Be objective and independent.
- (iii) Be open-minded, willing to engage in debate and receptive to the views and opinions of other.
- (iv) Provide expertise and knowledge to make decisions.
- (v) Commit to collective decisions, once agreed.
- (vi) Keep up-to-date on issues relating to the company between meetings
- (vii) Maintain strict confidentiality in relation to all matters discussed thereat

Each director commits to express his/her views clearly and openly. Where a director holds the view that a proposed Board decision is not in the best interest of the Company, he/she must use all means at his/he disposal to convince the Board of the validity of their position. If a director considers that a board decision made is either ultra vires, unlawful or grossly negligent, he/she may cause their objection to be recorded in the minutes.

Responsibilities of the Chairman

The Board Chairman is therefore expected to:-

- (i) Ensure the agenda is prepared prior to the meeting in consultation with the CEO.
- (ii) Handle difficult/sensitive or dispute prone issues with Management in consultation with individual members of the Board.
- (iii) Be firm but fair
- (iv) Maintain control of proceedings without dominating discussions.
- (v) Stimulate open debate on each of the issues by ensuring the contributions of all members.
- (vii) Guide discussions, while making sure genuine disagreements are aired and resolved. The Chairman shall maintain discussion until the point where broad consensus has been achieved and he is able to sum up in a conclusion of the matter concerned.

- (vii) Ensure decisions reached are properly understood and recorded and that hasty conclusions without due consideration of a matter are avoided through allocation of requisite amount of time to each item.
- (viii) Ensure that clear and complete minutes of meetings are circulated to members in a timely fashion;
- (ix) Manage the Board and ensure policies are adhered to.
- (x) Establish standards for preparation of Board papers and reports.

The Chairman will aim to seek a consensus in the Board failing which he will call for a vote.

Responsibilities of the Company Secretary

The Secretary is expected to:-

- (i) Work with the Chairman and CEO in preparing the agenda.
- (ii) Circulate agenda and where appropriate other meeting papers to Board Members.
- (iii) Arrange venue and additional secretarial support for meeting.
- (iv) Advise on legal and regulatory matters during meetings.
- (v) Write and circulate the minutes of Board meetings.
- (vi) Maintain statutory books in accordance with legal requirements.
- (vii) Send Board members information relating to the company as needed.
- (viii) Keep abreast of and inform directors of current governance thinking and practice.
- (ix) Manage Board activities and events.

- **Recordings of Proceedings of Meetings**

The Company Secretary will be responsible to the Chairman and the Board for keeping minutes, which provide an accurate record of the names of all persons present, resolutions and proceedings of all Board meetings. The Company Secretary shall also be de facto the secretary of each Board committee, responsible for taking minutes at its meetings. The minutes of the meetings will be considered at the next meeting, approved and signed by the Chairman of the meeting.

5.4 Conduct of directors and officers of the Board

a) Ethical Conduct and values

All Directors and all officers of the Company must act with the utmost integrity and objectivity. The Directors must comply with the Company's Code of Ethics and Values in the exercise of their duties.

b) Declaration and management of conflicts of interests

The Code of Ethics and Values provides mechanism for the declaration and management of conflicts of interest. All directors are expected to comply with and adhere strictly to the provisions of the Code.

c) Access to offices, officers and employees

Directors have access to the offices, officers and employees of the company for the purpose of exercising their functions as directors. However, such access should be initiated or arranged through the CEO, or another Executive Director of the Company and the Chairman of the Board should be advised when this takes place.

It is expected that individual directors will use their best judgment to ensure that any access to or contact with any office, officer or employee of the company is not disruptive to the business operations of the company.

d) Use of Confidential Information

All information conveyed to directors for the purpose of exercising their functions as directors is conveyed in the strictest confidence and must be used solely for that purpose.

The Code of Ethics and Values provides for the mechanisms for ensuring that all information conveyed is used in the strictest confidence.

e) Continuous Disclosure Policy

The Board recognizes the critical importance of timely disclosure to ensure the efficient operation of the securities market and takes seriously its responsibility for ensuring compliance with continuous disclosure obligations.

The Chairman and the Chief Executive Officer shall determine, in conjunction with the Board and the Company Secretary, whether information should be released to the market in compliance with the law.

f) Positions on other Boards

Directors should carefully consider the number of other Boards on which they can serve consistent with the time and energy necessary to satisfy the requirements imposed on them by the membership of their Board and Committees of the Company.

They must further consider any actual or apparent conflict of interest and or impairments to their independence that serving on such other boards may create. It is

therefore advised that prior notice is given to the Chairman of the Board and the Company Secretary before any acceptance to serve on the Boards of other companies is accepted.

5.5 Performance Review and Evaluation

The Board shall have in place a process for self-evaluation of its performance. An annual evaluation will be carried out on the Board's own performance, performance of the Chairman, individual directors and that of its committees.

a) The Board as a whole

The self-evaluation process should address as a minimum, the following key areas:

a) Shareholders' and stakeholders' expectations

- I. Has the Board clearly defined the Company's stakeholders to which it is accountable and responsible?
- II. Is there full and accurate reporting on company affairs to the shareholders?
- III. Do company goals and strategic direction reflect shareholder expectations?

b) Board and Committee Member Responsibilities and Contributions

- I. Regularity of attendance at Board meetings;
- II. Active participation and discussion in decision-making;
- III. Sound business judgment;
- IV. Assistance to management outside of board meetings
- V. Are key members of management invited to Board and committee meeting so that they can participate and add valuable contributions?
- VI. Is there adequate recognition and effective use of individual Board members' particular skills?
- VII. Consistently following the highest professional standards and adhering to board policies and the Board Charter

c) The direction and performance of the company

- I. How satisfactory is the Board's monitoring of the company?
- II. Are important issues identified in a timely manner and appropriately addressed?
- III. Is an effective risk management process in place? Are risks identified and steps taken to manage them?
- IV. Is an impact assessment relating to key decisions made carried out?

The results of the self-assessment should be used to determine the strengths and weaknesses of the Board and where appropriate, new members should be appointed to the Board, or resignations sought as may be necessary. The results of the self assessment should also be used to identify any training needs or any changes required to the composition of the Board.

d) Evaluation of the Chief Executive Officer

Excellent CEO leadership depends on Board/CEO relationships. These in turn depend on clear expectations and open communication. Regularly assessing CEO performance fosters open communication and clarifies expectations, roles and responsibilities. The Board and CEO will early on in every year agree on and define the criteria to be used to evaluate the CEO so that expectations are clear. Their criteria will generally incorporate two components-those derived from attainment of the vision, values, mission, and goals of the company and those which are based on the general leadership responsibilities, skills and characteristics of the CEO - or his ability to envision, inspire, empower, enable, energize and build a team for organisational performance.

Based on the criteria developed, the CEO's performance will be assessed by the Board and the evaluation done in discussion with the Chairman.

5.6 Board and Director Remuneration

The Remuneration and Nominations Committee shall be responsible for reviewing non-executive directors' remuneration and recommending to the Board for approval the necessary changes from time to time.

5.7 Communication with Shareholders

The Board aims to ensure that Shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to Shareholders as follows:

- a) The annual report is distributed to all shareholders.
- b) Proposed major changes in the Company which may impact on share ownership rights and the removal and appointment of Directors are submitted to a vote of shareholders at an AGM.
- c) If resolutions are required to be put to Shareholders before the next AGM, an extraordinary general meeting will be called. The Board encourages full participation of Shareholders at the AGM and at other general meetings.
- d) The external auditors will be requested to attend the AGM and be available to answer questions by shareholders on the conduct of the audit and the preparation and content of the audit report.
- e) The half yearly report contains summarised financial information and a review of the operations of the Company during the period. This report will be lodged with both the NSE and CMA.
- f) Information concerning the Company, including copies of announcements made through the Securities Exchange and the annual report and quarterly report, is made available to Shareholders and prospective investors in the Company on the Company's website.
- g) The shareholders are free to communicate at any time with the Company's registrar.

6.1 Purpose

The legal duties placed on Directors in relation to transactions in the securities of the Company and certain other companies are onerous. The major issue concerns information that is Price-Sensitive or otherwise confidential. The Board has adopted this policy governing dealings in Securities by Directors and certain other companies as detailed in this code.

6.2 Policy

Directors and Senior Officers are not permitted to take advantage of any information that is not available to shareholders and the market.

6.3 Persons Covered by this Code

This code applies to all Directors and to all executives and employees nominated by the Board. Persons nominated are to include the following:

- a) All Directors and all officers of the Company including the CEO;
- b) Key executives including the CFO and any director of a subsidiary of the Company;
- c) Managers with regular access to privileged information and who are authorized to make management decisions
- d) PAs and assistants to Executive Directors
- e) Finance, accounting and internal audit staff
- f) Members of corporate staff who have access to Company results.
- g) Trusts and settlements created in favour of the above persons and any companies in which the above persons have shareholdings or voting rights
- h) "Connected Persons": Spouses, parents, siblings, children, close family and dependents of the above persons
- i) "Connected Parties": Trusts and settlements created in favour of Connected Persons and any companies in which the above persons have shareholdings or voting rights, and

- j) “Professional advisors”. To include any employee of the Company’s lawyers, accountants, company registrars, and advertising agencies.

6.4 Securities Covered by this Code

This code applies to all Securities including but not limited to ordinary shares, preference shares, debentures, convertible notes and options.

This code does not apply to any acquisition of Securities as part of a new issue or dividend reinvestment plan where the issue is available pro rata to all holders of Securities of the relevant class.

7.1 Objective

The objective of this code is to give the Directors a guide to be followed in performing their duties with a view to enabling them to achieve the highest possible standards in the discharge of their obligations.

7.2 Obligation

A Director has an obligation, at all times, to comply with the spirit and the principles of this code as well as the law.

7.3 Confidentiality

Directors must observe confidentiality regarding all Board matters and all confidential information received by a Director in the course of the exercise of their duties.

- a) All information received by a Director in the course of fulfilling Board duties must be regarded as confidential and remains the property of the Company.
- b) A Director may not disclose information, or allow it to be disclosed, to any other person unless that disclosure has been authorized by the Company or is required by law to be disclosed.
- c) Authorisation by the Company will be presumed where and to the extent that Board or Committee minutes convey, either expressly or implicitly, that it is intended that disclosure should be made to third parties.
- d) Any Director in any doubt as to their obligations of confidentiality or in relation to any matter of disclosure should consult with the Chairman prior to making any disclosure.

Information concerning the Company, which is communicated to directors in confidence in connection with their functions, is provided *intuitu personae* (in consideration of the person). Directors must personally take the necessary precautions to preserve the confidentiality of such information and not divulge it under any circumstances. This personal responsibility applies equally to representatives of legal entities, which are directors.

Directors' obligations of confidentiality will continue to be binding on Directors after they cease to hold office.

7.4 Improper Use of Information

A Director must not make improper use of information acquired as a Director.

7.5 Co-operation

Directors must observe solidarity with the resolutions of the Board and co-operate in their implementation.

7.6 Personal Interests and Conflicts

The directors are under a fiduciary duty to act honestly and in the best interests of the company. Directors should avoid putting themselves in positions where their self interests conflict with their duty to act in the best interests of the company. The detailed Crown Paints Kenya Group Declaration of Directors Interests Charter is attached at the end of this code and is required to be signed annually by all Directors. The Declaration of Directors Interests Charter is an integral part of the overall Board Charter and incorporates enforcement actions that may be taken by the Board in the event that a Director shall either refuse or be unable to complete the Declaration, or should any statement made by the Director in the Declaration prove to be false or incorrect.

7.7 Conduct

A Director must not engage in conduct likely to bring discredit upon the Company or the Board.

Each Director must be and remain aware of, and observe, any standing orders adopted by the Board from time to time for the conduct of Board and committee meetings.

Directors must at all times comply with the spirit as well as the letter of the law and with the principles of this code.

7.8 DECLARATION OF DIRECTORS' INTERESTS

Policy and Procedures

Given the dynamic and evolving nature of the business of Crown Paints Kenya Group ("the Company") which expression includes any subsidiary or associated company, it is necessary to review the declaration of directors' other interests. Thereafter it is intended that this declaration will be an annual exercise and that it becomes an integral part of corporate policy.

Accordingly:

- Each director is required to formally declare their other directorships and to advise the Board of the Company immediately of any change thereto.
- Each director is required to declare whether there are any other organizations in which they have a significant interest, whether or not they are on the Board of such organization.
- Each director is required to declare that there is presently no conflict between their personal and business interests and those of the Company .
- Each director is required to acknowledge that should it come to their attention that a matter concerning the Company might result in a conflict of interest with their own/other interests they are obliged to disclose the same. Thereafter they should exclude themselves from any discussion or decision over the matter in question.
- Each director is required to acknowledge that should they be appointed to the board of, or acquire a significant interest in, a competing business they are obliged to offer their resignation. This requirement includes situations where a company in which a Director has a significant interest or serves on the board begins to compete with the Company.
- Each director is required to provide an annual update of their other directorships and business interests in the format attached hereto or as amended from time to time.

Notes

- I. A significant interest is deemed to be either control or the ability to influence decisions. A shareholding of 10% or higher will constitute a significant interest unless the Board of the Company rules otherwise.

- II. It is considered that these procedures also apply in respect of the interests of a member of the immediate family of a director.
- III. These policies include nominee and indirect holdings as well as direct holdings.
- IV. A competing business means and includes any company or organisation which offers any product, service or other matter similar to any product or service offered by the Company in Kenya from time to time.
- V. These requirements and definitions cover both a Director's shareholdings and their board positions for a period from the date of declaration and twelve month's prior thereto.

Enforcement

In the event that:

- a Director shall fail to complete their Declaration of Interests according to the timetable outlined in this document or as required by the Board
- or any statement made by the Director proves to be false or incorrect
- or a Director is unable to sign the Declaration of Interests

Then the following shall apply:

- A meeting of the Board shall be convened to consider the breach and the facts thereof
- Should the Board find that the Director has either failed to complete the Declaration, made a false or incorrect statement or is unable to sign the Declaration of Interests then the Board shall be required to take or recommend such steps as may be necessary to effect the removal of the Director from the Board.

Any issues concerning conflict of interest should immediately be reported at the next scheduled Board meeting.

Attached is a declaration form for completion by Directors and submission to the Chairman and Company Secretary. It will be treated with strict confidentiality.

PRIVATE & CONFIDENTIAL

DECLARATION OF INTERESTS

Director's name:

Directorships in other companies:

- 1
- 2
- 3
- 4

Significant interest in other organisations:

- 1
- 2
- 3
- 4

Declarations

- 1. I presently do not hold any directorship or significant interest in any company or organisation that is in competition with the Company
- 2. I acknowledge that should it come to my attention that a matter concerning the Company or its subsidiaries may result in a conflict of interest with my other interests; I am obliged to declare the same and will exclude myself from any discussion or decision over the matter in question.
- 3. I acknowledge that should I be appointed to the board or acquire a significant interest in a business competing with the Company, I am obliged to forthwith offer my resignation from the Company.
- 4. I acknowledge that these procedures also apply in respect of the interests of the immediate members of my family.

Signed

Date

8.1 Standing Rules for Committee meetings

8.2 Application

These rules apply to, and are deemed incorporated into the Charter of each Committee, except insofar as they may conflict with any of its terms.

8.1.2 Committee Chairs and appointment to committees

Appointment to committees and selection of Committee Chairmen shall be made by the Remuneration Committee and approved by the Board.

The term of individual members shall not exceed their board terms, in any case with one year renewable terms.

8.2 Roles

Each Committee has the role of improving the efficiency of the Board through accepting the delegation of tasks and performing them in a forum where they can receive greater attention to detail than would be practical solely at Board level.

8.3 Proceedings

Any Director may attend by invitation (but not vote at) a meeting of a Committee of which that Director is not a member. All non-Committee members may be asked to leave the meeting at any time.

Any Committee may delegate any specific task to one of its members or to a sub-committee.

8.4 Attendance

Failure by a member to attend more than 50% of committee meetings without approval of the Chairman of the Board in any one year will lead to automatic non-reappointment to the Committee.

8.5 Remuneration

Non executive-directors are entitled to adequate level of payment so as to create expectation of responsibility in the form of a sitting allowance for every meeting

attended. The amount payable will be determined from time to time by the Remuneration and Nominations Committee and approved by the Board

8.6 Evaluation

The Board Remuneration and Nominations committee shall conduct;

- a) Annual evaluation of work the Committees have performed over the previous year.
- b) Annual evaluation of Committees effectiveness, including processes and procedures.
- c) Periodic evaluation of the Committees individual Charter, with written report to the Board suggesting improvements, if any.
- d) Periodic independent evaluation of Committees effectiveness.

8.7 Conduct of Committee Meetings

- **Agenda / Items for Committee Meetings**

The Board has sole authority over the agenda of the committee meetings and exercises this through the Chairman of the Board. Any member of a committee may, through the Chairman of the Board, request the addition of an item to the agenda. The Chairman of the Board in consultation with the CEO and the Chairman of the respective committee will set the agenda of committee meetings.

- **Place of Meetings**

Committee meetings shall take place at the Company's offices unless otherwise decided by the Board.

- **Notice of Committee Meetings**

The Company Secretary shall be responsible for issuing proper notices of committee meetings according to the notice period required in the Terms of Reference of committee meetings at the direction of the Chairman of the Board. The Chairman of the Board may delegate this authority to the Chairman of a committee if he so chooses and may at any time withdraw or modify such delegation. If committee members have serious concerns or require information prior to a committee meeting, they are required to advise the Chairman and Secretary of this as soon as possible.

- **Conduct of and at Meetings**

Meetings of the committees shall be presided over by the Chairman of the committee, or, if no such person has been designated or, in his or her absence, the Vice Chairman or, in the absence of both these persons, by a person chosen by a majority of the directors present at the meetings. The Secretary shall act as secretary of all meetings of the Board, provided that, in his or her absence, the Chairman or person presiding shall appoint another person to act as secretary of the meeting.

- **Quorum for Meetings**

The quorum necessary for the transaction of the business of the committees shall be as defined the in the committee's Terms of Reference.

- **Responsibilities of Committee Members during Meetings**

Responsibilities of Committee Members

The members of the committee are expected to:-

- (i) Prepare adequately for meetings by reading agenda and supporting papers.
- (ii) Be objective and independent.
- (iii) Be open-minded, willing to engage in debate and receptive to the views and opinions of other.
- (iv) Provide expertise and knowledge to make decisions.
- (v) Commit to collective decisions, once agreed.
- (vi) Keep up-to-date on issues relating to the company between meetings
- (vii) Maintain strict confidentiality in relation to all matters discussed thereat

Each committee member commits to express his/her views clearly and openly. Where a committee members holds the view that a proposed committee decision is not in the best interest of the Company, he/she must use all means at his/he disposal to convince the Board of the validity of their position. If a director considers that a board decision made is either ultra vires, unlawful or grossly negligent, he/she may cause their objection to be recorded in the minutes.

- **Recordings of Proceedings of Meetings**

The Company Secretary will be responsible for keeping minutes, which provide an accurate record of the names of all persons present, resolutions and proceedings of all committee meetings. The minutes of the meetings will be considered at the next meeting, approved and signed by the Chairman of the meeting.

The Terms of Reference of the Committees are attached as an Annex to this Board Charter.

TERMS OF REFERENCE FOR COMMITTEE OF THE BOARD**RISK AND AUDIT COMMITTEE****1 Membership**

The Risk and Audit Committee shall be appointed from amongst the independent and non-executive Directors of the Company and shall consist of not less than two members.

The Board shall have the power to appoint and remove any member of the Committee and fill all casual vacancies that may arise from time to time.

A member's term of office shall be fixed by the Board and shall be tied to the member's term of office as a Director.

The Board shall review the composition of the Committee on an annual basis and make any changes deemed appropriate.

2 Quorum

A quorum shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

3 Frequency of Meetings

The Audit Committee shall meet not less than twice a year, with adequate notice of the issues to be discussed and should record its conclusions. The external auditors may request a meeting if they consider that one is necessary

4 Chairman

The Chairman of the Risk & Audit Committee shall be an independent non-executive Director and shall be appointed by the Board.

5 Secretary

The Secretary of the Committee shall be appointed by the Committee

and once so appointed shall deal with procedural matters including keeping minutes, calling of meetings and distribution of information amongst other matters.

6 Notice of Meetings

The agenda and copies of all Committee papers shall be delivered to all members of the Committee and to other attendees as appropriate normally at least five days before the meeting.

7 Attendees at meetings

The Finance Director or Chief Financial Officer, the head of internal audit (at such time as the function exists) and a representative of the external auditors shall attend meetings of the Committee when requested, while other Board members may attend meetings upon the invitation of the audit Committee.

At least once a year the Committee shall meet with the external auditors without executive Board members present.

8 Authority

The Board has constituted the Committee with the authorities necessary to perform the duties set out in these terms of reference. The Committee, within the scope of its assigned duties, is authorised to seek any information it requires from employees, Company officers and external parties.

9 Advice

The Committee may engage consultants and other advisers or otherwise obtain such independent professional services as it requires, at the expense of the Company.

DUTIES OF THE RISK & AUDIT COMMITTEE

- (a) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal of the external auditor.
- (b) To agree a priority of each year's audit plan according to the various degrees of risk inherent within the Company operations and the financial impact arising from non-compliance with international accounting standards or ineffective internal controls.
- (c) To discuss with the external auditor before the audit commences, the nature and scope of the audit.

- (d) To review the half year and annual financial statements before submission to the Board focusing particularly on:
 - (i) any changes in accounting policies
 - (ii) major judgmental areas
 - (iii) significant adjustments arising from the audit
 - (iv) the going concern assumption
 - (v) compliance with International Accounting Standards
 - (vi) compliance with Nairobi Securities Exchange and other legal requirements.
- (e) To approve communications of half year /full year performance by the Company to the shareholders.
- (f) To discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary).
- (g) To review the auditors' management letter and management's responses.
- (h) To review and give guidelines to management on the investment of the Company funds subject to Board approval where necessary.
- (i) To set policy and grant authority for control mechanisms for hedging and foreign exchange transactions.
- (j) To review the internal audit program ensure coordination between internal and external auditor and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.
- (k) To consider the major findings of internal investigations and management's responses.
- (l) To identify key areas of risk including financial risk facing the Company and propose appropriate action to mitigate the same.
- (m) To set, and from time to time review, guidelines for short, medium and long-term treasury management and parameters within which the Chief Finance Officer may be authorised to take any or all of the above actions, such actions being reported retrospectively to the Committee.
- (n) To set policy and grant authority for guarantees, indemnities, any type of parent Company support or security interest and to approve insurance or guarantee arrangements related to financing of projects or investments subject to Board approval.
- (o) To assess the effectiveness of the internal and external audit functions within the Company.
- (p) To consider the key risks facing the company - business risk, financial risks, economic risk, political risk, regulatory risk, management risk and technology risk and where appropriate make recommendations to the Board and senior management
- (q) To consider other issues defined by the Board from time to time.

NOMINATING AND REMUNERATION COMMITTEE

1 Composition

The Nominating and Remuneration Committee shall be appointed by the Board.

The Committee shall be a minimum of three members including the Chairman of the Board and shall consist of mainly independent and non- executive Directors.

The Board shall have the power to appoint and remove any member of the Committee and fill all casual vacancies that may arise from time to time.

A member's term of office shall be fixed by the Board and shall be tied to the member's term of office as a Director.

The Board shall review the composition of the Committee on an annual basis and make any changes deemed appropriate.

2 Quorum

A quorum shall be two members present in person. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

3 Frequency of Meetings

The meetings of the Committee shall be held not less than once a year and as frequently are required to carry out its duties under these terms of reference.

4 Chairman

The Chairman of the Committee shall be appointed by the Board of Directors

5 Secretary

The Secretary of the Committee shall be appointed by the Committee and once so appointed shall deal with procedural matters including keeping minutes, calling of meetings and distribution of information among other matters.

6 Notice of Meetings

The agenda and copies of all Committee papers shall be delivered at all members of the Committee and to other attendees as appropriate normally at least one week before the meeting.

7 Attendees at Meetings

The Board may decide on which non-members may be invited to attend the meetings of the Committee but without any voting rights.

8 Authority

The Board has constituted the Committee with the authorities necessary to perform the duties set out in these terms of reference. The Committee, within the scope of its assigned duties, is authorised to seek any information it requires from employees, Company officers and external parties.

9 Advice

The Committee may engage consultants and other advisers or otherwise obtain such independent, legal or other professional services as it requires, at the expense of the Company.

10 Duties

The Nominating duties of the Committee shall be:

- a) To recommend to the Board qualified persons with relevant experience knowledge and independence of judgment who are suitable for appointment as Directors to the Board.

In particular to:

- (i) Give full consideration to succession planning in the course of its work taking into account the challenges and opportunities facing the Company and what skills and expertise are therefore needed on the Board in the future;
- (ii) Keep under review the structure size and composition (Including the skills knowledge and experience) of the Board and make recommendations to the Board with regard to any changes;
- (iii) Before appointment is made by the Board, evaluate the balance of skills knowledge and experience on the Board and in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment;

- (iv) Review annually the time required from non-executive Directors and the performance of the non- executive Directors with the view of assessing their effectiveness;
 - (v) So far as practicable arrange for all the Directors to peruse and consider the curriculum vitae of the potential external appointees before their appointment is formally proposed at a Board meeting and ensure that any possible conflict of interest issues in respect of external candidates are fully addressed;
 - (vi) Ensure that on appointment to the Board, non -executive Directors receive a formal letter of appointment setting out clearly what is expected from them in terms of time commitment , Committee service and involvement outside Board meetings ;
 - (vii) To consider and approve where appropriate written requests by executive Directors to act as non -executive Directors of other companies not associated with the group including family businesses.
- b) The Committee shall also make recommendations to the Board concerning:
- (i) Suitable candidates for the role of independent non- executive Directors.
 - (ii) Membership of Board Committees in consultation with the Chairmen of those Committees.
 - (iii) The terms of office of any non-executive Directors.
 - (iv) The re-appointment of any non -executive Directors at the conclusion of their first term of office.
 - (v) Any matter related to the continuation in office of any Director at any time.

In its Remuneration duties of the Committee shall:

- a) Determine and agree with the Board the policy for the remuneration of the Company's Chief Executive, Chairman, Executive Directors and such other members of the executive management as it is designated to consider.
- b) The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company
- c) Review the ongoing appropriateness and relevance of the remuneration Policy
- d) Approve the design of, and determine targets for, any

- performance related pay schemes operated by the Company and approve the total annual payments made under such schemes
- e) Review the design of all share incentive plans for approval by the Board and shareholders. 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 Directors and other senior executives and the performance targets to be used
 - f) Determine the policy for, and scope of, pension arrangements for each Executive Director and other senior executives
 - g) Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised
 - h) Within the terms of the agreed policy and in consultation with the Chairman and the Chief Executive Officer as appropriate, determine the total individual remuneration package of each executive Director and other senior executives including bonuses, incentive payments and share options or other share awards
 - i) In determining such packages and arrangements, give due regard to any relevant legal requirements
 - j) Review and note annually the remuneration trends across the Company
 - k) Oversee any major changes in employee benefits structures throughout the Company
 - l) Be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfill its obligations.
 - m) Review periodically, and monitor strategic people issues, which will include but shall not be limited to performance against agreed employee metrics and major employee relations issues
 - n) Review at regular intervals and recommend to the Board the succession plans to the senior executive positions within the Company
 - o) The Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya published under the Capital Markets Act (Cap 485A) shall apply to the Committee and shall be an integral part hereof.

DEED OF ADHERENCE

THIS DEED OF ADHERENCE is made on []

BETWEEN:

1. [] of [] (the “**Covenantor**”) and
2. Crown Paints Kenya Limited (the “**Company**”) a company incorporated in Kenya whose registered office is at Likoni Road, Industrial Area, Nairobi, Kenya.

THIS DEED WITNESSES as follows:

1. The Covenantor confirms that he has been supplied with a copy of the Crown Paints Kenya Board Charter and covenants with the Company to observe, perform and be bound by all the terms of the Board Charter
2. This deed shall be governed by and construed in accordance with Kenyan law.

IN WITNESS this deed has been executed by the Covenantor and is intended to be and is hereby delivered on the date shown below.

Signed

Date