



# NCBA Group Board Remuneration, Attraction and Retention Policy

May 2024

## Policy Summary

SECTION	SUMMARY
Key Policy Issues Covered	<ul style="list-style-type: none"><li>• Policy Rationale.</li><li>• Purpose and Objectives.</li><li>• Scope of Policy &amp; Policy Statements.</li><li>• Responsibilities.</li><li>• Guiding Principles and Procedures.</li><li>• Monitoring and Reporting.</li></ul>
Risks Covered	<ul style="list-style-type: none"><li>• Strategic Risk.</li><li>• Reputational Risk.</li><li>• Regulatory Risk.</li></ul>
Responsibility of BGNC	<ul style="list-style-type: none"><li>• Development, implementation oversight and tracking of guidelines and principles of the Board approved policy.</li></ul>
Monitoring by Board	<ul style="list-style-type: none"><li>• Policy establishment and oversight over BGNC role.</li></ul>
Reporting	<ul style="list-style-type: none"><li>• Disclosures to stakeholders on the Group's performance on policy objectives.</li></ul>

## Related Policies & Guidelines

This policy shall be applied in conjunction with related laws, policies and operational guidelines, including:

- a. Central Bank of Kenya Prudential Guideline on Corporate Governance;
- b. The Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015;
- c. The Group Board Charter;
- d. The Terms of Reference of the Board Governance and Nominations Committee;
- e. The Companies Act, 2015; and
- f. The Companies (General) (Amendment) Regulations, 2017.

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**DEFINITIONS:**

<b>TERM</b>	<b>MEANING</b>
BGNC	Board Governance Nominations Committee.
Board Member / Director	Means a member of the Board of any of the NCBA Group companies.
NCBA Group / the Group / the Company	Either collectively or individually, NCBA Group PLC and/or its subsidiaries, whether directly owned by NCBA Group PLC or indirectly owned, i.e. a subsidiary of a subsidiary of NCBA Group PLC.
Remuneration	The total value of all payments or benefits, in cash or in kind, made or owing to a Director.

## **1. POLICY STATEMENT**

The Board is committed to running the affairs of the Group in a professional, transparent, just and equitable manner so as to protect and enhance shareholder value and satisfy the interests of all its stakeholders. In so doing, the Board is cognisant of the need to have a membership that is qualified, experienced and competent for the role, independent of thought and of strong character and one that upholds ethical principles and good corporate governance practices.

In seeking to have a Board that exhibits these qualities, it is apparent that individuals who are fit for the role will only be willing to take up positions in Boards of organisations that have in place good governance practices, adherence to the country's legal framework, a clear vision and strong values that resonate with their personal values, the long term sustainability of the Group and value addition for the Group's shareholders and other stakeholders.

Apart from the qualities enumerated above, one of the key aspects that shareholders will take into consideration to ensure the attraction and retention of Board members of the right caliber is the level of remuneration of the Board members, for which they will endeavour to ensure a fair and just level of compensation for the work done and value to be added to the Group by the Board Directors. This will be achieved through a retrospective review and approval by the shareholders of the remuneration paid to Directors on account of the achievements of the Group as committed to by the Board during the Group's general meetings.

The Shareholders affirm their commitment to fairly, justly and equitably compensate the Board Directors for the performance of their duties and time commitment to guiding the Group's businesses on their behalf, a key determinant of any Board's performance.

This policy outlines the principles by which the Board will seek to ensure the attraction and retention of suitable persons to act as Board Directors, while setting the framework for the motivation and suitable compensation of Board members as they execute their duties.

## **2. PURPOSE AND OBJECTIVES**

This policy seeks to ensure that the NCBA Group establishes and implements a Board remuneration framework that is consistent with the achievement of its vision and that respects the principles outlined under governance regulations and best practices, and accountability to the Group's stakeholders. The objectives of the policy include the establishment of:

- A transparent, fair and reasonable process for determining an appropriate level of remuneration for the Board Directors.

- A remuneration framework that encourages behavior that supports the Group's long-term financial soundness and prudent risk management practices.
- Processes to be followed in determining the appropriate remuneration level for the Board members.
- A remuneration framework that minimises undue risk taking and ensures that the Directors are motivated to achieve superior performance whilst enhancing the strength and stability of the Group.
- A good reputation of the Group that serves to attract and retain first rate Directors.
- Continuous growth opportunities for Directors to advance their skills that will in turn benefit the advancement of the Group's long-term objectives.

### **3. SCOPE OF THE POLICY**

This policy applies to all members of the NCBA Group Boards.

### **4. POLICY GUIDELINE**

NCBA Group will remunerate directors in a manner designed to attract and retain high quality Board members who have the appropriate skills required to continuously and effectively lead and govern the Group in order to ensure its success and sustainability.

Board Remuneration will be determined in accordance with this Policy. The considerations for determining the level of remuneration, and concomitant attraction and retention of Board members, include:

#### **4.1. REMUNERATION**

**General:**

- The Group's vision, values and objectives.
- The legal framework affecting the Group's operations.
- Historical practices and emerging needs.
- The size and complexity of the business.
- Corporate Governance best practices on Board remuneration.
- The financial resources and performance of NCBA Group both during a financial year and over a 3-year look-back period.
- Value proposition that attracts applicants who are most likely to be top performers and a good cultural fit, while articulating the rewards and benefits accruing to Board members in return for their contribution to the Group.

- Fairness in the treatment of Board members on remuneration vis-à-vis contribution and responsibility vis-à-vis avoiding extravagance or other practices that could be detrimental to the sustainability of the Group.

**Non-Executive Directors:**

In addition to the general guidelines, the following considerations for determining the level of remuneration for Non-Executive Directors will apply:

- External board remuneration and related benefits in corporations of similar size and complexity, which may be established through periodic market surveys, to be undertaken at least once every 3 years, either independently or through reliance on established surveys performed by reputable institutions.
- The Group will strive to remunerate Board Directors within the top 20th percentile of the range of remuneration in corporations of similar size, complexity and performance.
- Remuneration for Non-Executive Directors will consist of:
  - Monthly Retainer.
  - Sitting allowance for attendance of Board and Board Committee meetings.
  - Other allowances as may be prescribed by the Board for services rendered as a Director during NCBA Group meetings in regional affiliates.
- Board remuneration should be commensurate with the time commitment and contribution expected from the Board members.
- A remuneration scale should be applied that recognises the differences in additional responsibilities, time commitment and effort for the roles of Board Chairs and Committee Chairs.
- Reasonable out of pocket expenses will be reimbursed at cost during travel to render services as a Director at NCBA Group company meetings. The limits applicable will similarly be reviewed during the periodic remuneration review.
- NCBA Group Directors appointed to serve on the Boards of regional affiliates will only be paid sitting allowances for the regional affiliate(s) meetings (at the local affiliate's rates) but will not be eligible for an additional monthly retainer from the regional affiliate.
- Non-Executive Directors will not be eligible for benefits available to staff, as established by the Board under the Group human resources policies.

The current remuneration for Non-Executive Directors and limits applicable for reimbursable expenses are listed under the schedule of fees that is separately prepared for Board consideration and approval during each remuneration review cycle.

### **Executive Directors:**

In addition to the general guidelines, the following considerations for determining the level of remuneration for Executive Directors will apply:

- Individual skills, qualifications, experience and responsibilities.
- Benchmarking against similar positions in institutions of similar size and complexity.
- Review of individual and institutional performance as outlined within the strategic objectives and corporation performance targets.
- Balance between rewards and benefits available under the employee value proposition and those that may accrue from being members of the Board. Nevertheless, Executive Directors serving under any of the NCBA Group entities will not be eligible to receive monthly retainer and/or sitting allowances payable to Non-Executive Directors who attend Board meetings.
- The Board will fix the remuneration payable to the Managing Director, who in turn will recommend the remuneration for other Executive Directors reporting to his / her office.
- The Managing Director and other Executive Director(s) will enjoy benefits available to staff as shall be established by the Board under the Group human resources policies.
- The remuneration of Executive Directors will primarily consist of:
  - Base Salary.
  - Performance Based Compensation (including Deferred Compensation where applicable).
  - Pension Benefits.
  - Other benefits that may include company car, medical and life cover, retirement benefits and preferential loans as determined by the Board through the Group Human Resources Policy.

Where considered appropriate in relation to the performance based compensation, the Board may consider incorporating a mix of cash and long-term share options, subject to such mechanism being compliant with the regulatory framework where applicable, and structured in a manner that would allow for clawback of amounts or securities awarded, either in part or wholly, where it is deemed that previous actions taken were not done in the best interests of the Group and in turn led to an adverse future outcome on the performance of the Group.



## **4.2. ATTRACTION AND RETENTION**

Other than the remuneration guidelines, the Board will seek to further enhance NCBA Group's attractiveness to potential high quality director candidates and longevity of service of existing Directors through the following measures:

- **Growth and Development:** Through facilitating mechanisms for and encouraging Board members to undertake relevant courses to continuously develop their skills, while entrenching a culture that focuses on Directors' advancement both professionally and personally.
- **Culture:** Through fostering a culture that aligns with the Group's long-term aspirations as espoused in its Vision and Values. This will further be enhanced through identifying director candidates that hold and practice personal values that are aligned with those of the Group.
- **Leadership:** Through providing opportunities to Directors to lead Committees and/or Sub-Committees (should the circumstances require them) by rotation, thus enhancing leadership skills and creating a pool of Directors that can readily step in to lead whenever required.
- **Benchmarking:** Periodically undertaking surveys to determine what works well for the NCBA Group and areas for improvement on culture and practices, thus providing key information for the Group's continuous improvement in creating an appealing and high-performing environment.
- **Flexibility:** Recognising and respecting Directors' time demands and creating an environment that enables ease of engagement for effective and seamless participation, including through the establishment and use of secure digital channels for ease access where practicable.
- **Autonomy/Independence:** Fostering a culture that respects independence of views, which should be considered even in the case of a dissenting opinion on a matter.
- **Performance:** Through an environment that focuses on objective deliverables that are cyclically measured using an appropriate performance evaluation tool, with the output being used to inspire a desire to constantly exceed expectations.

## **5. RESPONSIBILITIES**

### **5.1. BOARD OF DIRECTORS**

The Board will be responsible for establishing this Policy and considering periodic amendments thereof as may be recommended by the BGNC, as part of its oversight role over the Committee's activities. The Board may delegate aspects

of its role to the BGNC as per its mandate and within the Committee's Terms of Reference.

## **5.2. BOARD GOVERNANCE AND NOMINATIONS COMMITTEE**

The Committees' principal objective is to establish and maintain a robust Board of Directors that will deliver on NCBA Group's strategic objectives. As part of its mandate, the Committee has been assigned the role of determining and recommending an appropriate Board remuneration framework and measures to enhance the attraction and retention of high quality Directors.

In the context of this policy, the Committee shall oversee and recommend to the Board the remuneration structure for Non-Executive Directors, and provide leadership on matters relating to the attraction, nomination and retention of Non-Executive Directors. The Committee will also be responsible for ensuring that the requisite disclosures are made, and/or approvals secured (such as shareholder approval) in relation with the activities or actions pertaining to this policy either on its own or through the Board within the limits of its delegated authority.

The Committee will further have the option of considering and adopting specific or general or time-bound deviations from the provisions of this Policy for subsequent recommendation to the Board where it is considered appropriate and/or in the best interests of the Group to apply such deviation.

## **5.3. BOARD EXECUTIVE AND STRATEGY COMMITTEE**

The Committee's objectives include the identification of suitable senior management officials to steer the Group through the implementation of Board approved policies. As part of its mandate, the Committee will consider appropriate human resources policies, including on recruitment of Executive Directors and remuneration of all staff.

In the context of this policy, the Committee shall oversee and recommend to the Board the recruitment of and remuneration structure for Executive Directors. The Committee is encouraged to undertake joint reviews of remuneration structures with the Board Governance and Nominations Committee to ensure alignment with the broader Group governance objectives.

## **5.4. BOARD AUDIT AND RISK COMMITTEE**

The Committee's core objectives include providing oversight for the independent assurance functions with a view to entrenching a robust internal control and compliance culture.

In the context of this policy, the Committee will ensure that regulatory requirements and risk management practices relating to the Directors' remuneration framework is adhered to.

## **5.5. GOVERNANCE DEPARTMENT**

The Governance Department shall be responsible for providing support to the Board in the following areas:

- Ensuring the administrative implementation of this Policy.
- Ensuring that that all the disclosures relating to remuneration of Directors are made in accordance with the requirements of the Companies Act and the Code of Corporate Governance Practices for Issuers of Securities to the Public.
- Recommending adoption of best corporate governance practices relating to remuneration, attraction and retention of Directors for BGNC consideration.
- Undertaking regular assessments to determine whether the Group's practices are reflective of industry standards.

## **6. DISCLOSURES**

The key principles of this policy will be disclosed to shareholders and stakeholders through the annual integrated report. The core remuneration policy terms and the actual remuneration paid to NCBA Group PLC Directors will be submitted to the Group's shareholders for their approval during the Company's annual general meeting.

### **6.1. Disclosure Guidelines:**

In line with the provisions of the Companies Act and the guidance provided under the Code of Corporate Governance Practices for Issuers of Securities to the Public, the Board will include in the notes to the company's annual financial statement and through the annual integrated report, details of Directors' remuneration, other benefits and the remuneration policy thereof.

- The details to be included in the notes to the financial statements include:
  - a) Gains made by directors on the exercise of share options.
  - b) Benefits received or receivable by directors under long-term incentive schemes.
  - c) Payments for loss of office.
  - d) Benefits receivable, and contributions for the purpose of providing benefits, in respect of past services of a person as director or in any other capacity while director.

- e) Consideration paid to, or receivable by, third parties for making available the services of a person as director or in any other capacity while a director.
- f) quantum and component of remuneration for directors including non-executive directors on a consolidated basis in the following categories:
  - i) executive directors' fees / emoluments;
  - ii) non-executive directors' fees / emoluments; and
  - iii) any other benefits received by the director, whether in cash or otherwise during the course of the financial year.
- The Board shall publish annually a Directors' Remuneration Report that will disclose the core policies on remuneration and the actual elements thereof, including directors' fees, attendance allowances and any other form of benefit received by Directors for services rendered in that capacity.

## **7. POLICY REVIEW**

This Policy will be reviewed at least every three years, or more frequently based on internal and/or external factors that may impact the NCBA Group's operating environment. During reviews, consideration will be made on recommendations from regulators and/or shareholders on the Group's remuneration policy and practices.