

## SAFARICOM PLC

### BOARD HUMAN RESOURCES COMMITTEE

#### TERMS OF REFERENCE

1) **Constitution**

The Human Resource Committee (the Committee) is formally constituted by the Board of Directors (the Board) of Safaricom PLC (the Company) and has delegated authority from the Board in respect of the functions and powers set out in these Terms of Reference.

2) **Mandate**

The Board hereby delegates to the Committee the following duties to be performed by the Committee on behalf of and for the Board: -

2.1 **With regard to matters relating to Human Resource the Committee shall be responsible for the following:**

- a) Review and recommend to the Board for approval, the Company's Human Resources policies and manuals with respect to various matters including performance management, compensation and benefits, delegation of authority and learning and development and ensure that they comply with the relevant legislations and standards.
- b) Review organizational culture which shall be clearly articulated and in line with the Company's strategies.
- c) Review of appropriate staffing policies for the Chief Executive Officer, Senior Management and other employees of the Company.
- d) Oversee the development and implementation of key human resource strategies that ensure employees remain motivated and promote retention of talent.
- e) The Committee shall ensure that the Performance Management Policy is implemented throughout the Company, and that all staff are included in the system of performance review.
- f) Ensure management continuity through annual review and approval of a succession plan for the CEO and review of the CEO's plans on capacity building for Senior management.
- g) Ensure that the CEO has put into place and is monitoring succession planning systems and policies for senior management, including processes to identify, develop and retain the talent of key senior managers while maintaining an appropriate balance of skills and experience and to ensure that this is reviewed periodically.
- h) Periodically review and discuss key strategic staffing issues with Management as and when necessary.
- i) Review the content and implementation of the action plans resulting from the annual Staff Survey including any Pulse surveys thereof.
- j) Review the recommendations from Management on health, retirement and other related employee benefit programs. The Committee shall review new plans or substantive changes to existing programs.
- k) Review reports regarding the adequacy and diversity of various employee welfare provided to employees e.g. Pension schemes, medical schemes etc.
- l) Monitor employee relations and the implementation of the Company's code of conduct.
- m) Review, at least once annually, the Company's organizational structure and, where appropriate, recommend to the Board any changes.

2.2 **With regard to matters relating to Remuneration the Committee shall be responsible for the following:**

- a) Reviewing, advising, and recommending for the approval of the Board, a remuneration policy and framework for the remuneration of the Non-executive Directors and CEO of the Company and its subsidiaries. In the case of Executive Directors and the CEO, significant components of their remuneration should be linked to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration will be based on an established framework to include a panel of comparators and target positioning. Any changes to the policy should be documented and subject to the approval of the Board.

- b) Review, advise and recommend for the approval of the Board, an overall remuneration policy, performance management policies and rewards structure for Senior management in the Company and those of the Company's subsidiaries. The Committee shall ensure that the remuneration policy is aligned to the Company's purpose, values and the delivery of the Company's long-term strategy. The remuneration policy should have regard to the risk appetite of the Company and its subsidiaries, and alignment of the long-term success of the Company and its subsidiaries.
- c) The Committee shall recommend to the Board the compensation philosophy and guidelines for the CEO and senior leadership team, giving emphasis to rewarding long term results, maximizing shareholder value and ensuring sustainability of the Company.
- d) Seek independent advice on compensation programs for the CEO and Senior management based on a review of compensation practices for CEO's and various executives in the Company's own industry, as well as comparable positions in other sectors. This will include obtaining reliable, up-to-date information on the remuneration policies in other companies that are of comparable scale and complexity. The Committee shall present its findings to the Board for approval.
- e) Discuss and agree upon measurable performance goals/ key performance indicators (KPIs) that will be used to assess the CEO for the financial year and ensure that due consultations are held with the relevant stakeholders prior to finalization of the KPIs and that the Board approves the KPIs. The Committee shall oversee and carry out the annual performance evaluation of the CEO and ensure that due consultations are held with the relevant stakeholders.
- f) Review, advise and recommend to the Board for approval, the CEO's individual remuneration package and benefits including pension, performance/share based remuneration, service contracts and bonuses.
- g) Review and approve the compensation levels, including incentives, for Senior management, giving due consideration to the CEO's recommendations. The Committee shall review the performance evaluations provided by the CEO for the Senior management. The Committee shall ensure that the level of remuneration is geared to attract, retain and motivate the Senior management of the caliber needed to run the Company successfully.
- h) Review, advise and recommend the compensation packages and severance payments for the CEO and Senior Management in the event of early termination of the employment/service contracts.
- i) In consultation with the Nominations Committee, review and recommend to the Board, formal and transparent remuneration policies and procedures that attract and retain Non-Executive Directors. Determine and recommend the level of non-executive directors' fees to the Board of Directors for approval. The Committee shall ensure that the level of remuneration is geared to attract, retain and motivate the Non-Executive Directors of the caliber needed to run the Company successfully, having regard to views of shareholders and stakeholders.
- j) Review, advise and recommend the benefits for the Chairman of the Board and the Non-Executive Directors, for approval by the Board. Determine the policy for authorizing claims for expenses from the Directors.
- k) Review and make recommendations to the Board concerning any contracts or other transactions with Non-Executive Directors of the Company, including consulting arrangements and employment contracts.
- l) Review remuneration trends and various benchmarks and make recommendations in respect of remuneration practices within the Company.
- m) Approve and ensure the disclosure of the Company's remuneration policy in its annual report, including incentives for the Board and Senior management in line with the integrated reporting as per the CMA's Code of Corporate Governance.

### 2.3 General Matters

- a) Monitor the compliance of the Board with the requirements of the Code of Corporate Governance as well as any relevant laws and current or emerging governance best practices with respect to the remuneration and human resource mandate.
- b) Provide advice/guidance on policy matters that require approval of the Board.
- c) Undertake any other exercise referred to the Committee by the Board.

### 3) Chairperson of the Committee

- 3.1. The Chairperson of the Committee shall be appointed by the Board and shall be an independent non-executive director.

- 3.2. The Chairperson of the Committee shall be appointed for a period of two consecutive years with an option to extend for an additional one year.
- 3.3. In the absence of the Chairperson of the Committee, the members present shall elect one of themselves, to be appointed to chair a meeting of the Committee.

4) **Membership**

- 4.1. The members of the Committee shall be appointed by the Board upon recommendation of the Committee for a period of up to three (3) years, which may be extended for a maximum of two (2) terms of three (3) year periods respectively, provided that the member continues to meet the criteria for membership of the Committee.
- 4.2. The Committee shall comprise of seven (7) directors, comprising mainly non-executive directors.
- 4.3. The Chairperson of the Board may be a member of the Committee but will not chair the Committee.
- 4.4. A member of the Committee may relinquish their membership in the Committee by giving sixty (60) days prior notice to the Chairperson of the Board and the Company Secretary. The Committee shall review and recommend to the Board for approval, the appointment of a director to fill such vacancy.
- 4.5. The Board may revise the composition, structure and size of the Committee in its own discretion but taking into account any recommendations of the Committee and the Capital Markets Authority's (CMA) guidelines on Corporate Governance.

5) **Attendance at meetings**

- 5.1. The Chief Executive Officer (CEO) and the Chief Human Resources Officer, of the Company shall be permanent invitees to the meetings.
- 5.2. Other individuals (including representatives of external advisers) may be invited to attend all or any part of a meeting as and when appropriate in the opinion of the Committee Chairperson or the majority of its members.

6) **Quorum**

The quorum necessary for a meeting of the Committee shall be a majority of the members appointed to the Committee. 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.

7) **Meetings**

- 7.1. Unless varied by these terms of reference, meetings and proceedings of the Committee shall be governed by the Company's Articles of Association. The Committee may establish additional procedures to govern its meetings.
- 7.2. The Committee will meet as often as necessary but must meet at least once every quarter of the calendar year.
- 7.3. The Chairperson of the Committee must call a meeting of the Committee if so, requested by any Committee member or the Chief Executive Officer of the Company.
- 7.4. The Committee may invite other Directors or other persons, such as internal specialist or external advisers, to attend if considered appropriate by the Chairperson of the Committee. However, no Director invited shall be entitled to vote at such meetings or form part of the quorum unless he or she is a member of the Committee.
- 7.5. Each member of the Committee shall have one (1) vote which may be cast on matters considered at the meeting. The Chairperson shall not have a casting vote.
- 7.6. A member of the Committee shall excuse himself/herself from a meeting in which he/she has a conflict of interest of any matter subject to the discussions and deliberations of the Committee.
- 7.7. The Chairperson of the Committee may ask any attendees of a meeting of the Committee to leave the meeting to allow discussions of matters relating to them.
- 7.8. A member of the Committee may participate and attend a meeting of the Committee by electronic means and the member shall be deemed, for all intents and purposes of the meeting, to be present, entitled to vote and/or be counted for purposes of establishing a quorum.
- 7.9. Unless otherwise agreed, the notice, agenda and any supporting papers, shall be circulated to each member of the Committee and any invitee(s), no fewer than five (5) working days prior to the date of the meeting.

8) **Authority**

- 8.1. The Committee is authorized by the Board to seek any information it requires from and require the attendance at any of its meetings of, any Director or member of Management, and all employees are expected to cooperate with any request made by the Committee.
- 8.2. The Committee is authorized by the Board to obtain through the CEO, and at the Company's expense, outside legal or other independent professional advice and counsel including independent consultants and to secure the attendance of advisors with relevant experience and expertise if it considers this necessary.
- 8.3. To Committee is authorized to incur any expenditure it considers appropriate in connection with the above and the Company shall make available the necessary funds.

9) **Reporting**

- 9.1. The Chairperson of the Committee shall report the proceedings, findings and recommendations of the Committee at the next Board meeting after each meeting of the Committee.
- 9.2. The Committee's activities shall be disclosed in the annual report.
- 9.3. The Chairperson of the Committee shall attend the Company's Annual General Meeting (AGM) prepared to respond to any questions, which may be raised by shareholders on matters within the Committee's area of responsibility.
- 9.4. The Committee shall ensure, through the Chairperson of the Board that the Company maintains contact and the Chairperson of the Committee seeks engagement as required, with the Company's major shareholders on significant matters related to the Committee's area of responsibility.

10) **Secretary**

- 10.1. The Company Secretary shall act as the secretary of the Committee and attend all committee meetings in that capacity.
- 10.2. The Secretary shall:
  - a) Ensure that the Committee receives information in a timely manner to enable full and proper consideration of the issues on the agenda.
  - b) Ascertain at the beginning of each meeting, the existence of conflicts of interest and minute them accordingly.
  - c) Prepare the minutes of the Committee meetings.
  - d) Circulate the minutes and resolutions of the Committee meetings to all members of the Committee for approval.
  - e) Ensure that the minutes of the Committee meetings are properly kept and can be produced for inspection if required.
- 10.3. Perform any other act as may be required under these Terms of Reference.

11) **Review of the Terms of Reference**

- 11.1 These Terms of Reference shall be reviewed by the Committee every two years, or at such other time as may be deemed necessary to ensure that they remain relevant, objective and practical.
- 11.2 Any proposed changes to these Terms of Reference shall be submitted to the Board of Directors for approval.

12) **Other matters**

- 12.1. The Committee shall have access to sufficient resources to carry out its duties.
- 12.2. The Committee shall work and liaise with all other Board Committees.
- 1.2. No member of the Committee may participate in any decision with respect to his or her position.
- 1.3. The Committee may, in its discretion, delegate all or some of its responsibilities to a sub-committee.
- 1.4. The Committee shall continuously seek out Best Practice in terms of the processes of a committee with similar responsibilities for possible adoption by the Committee and the Board.