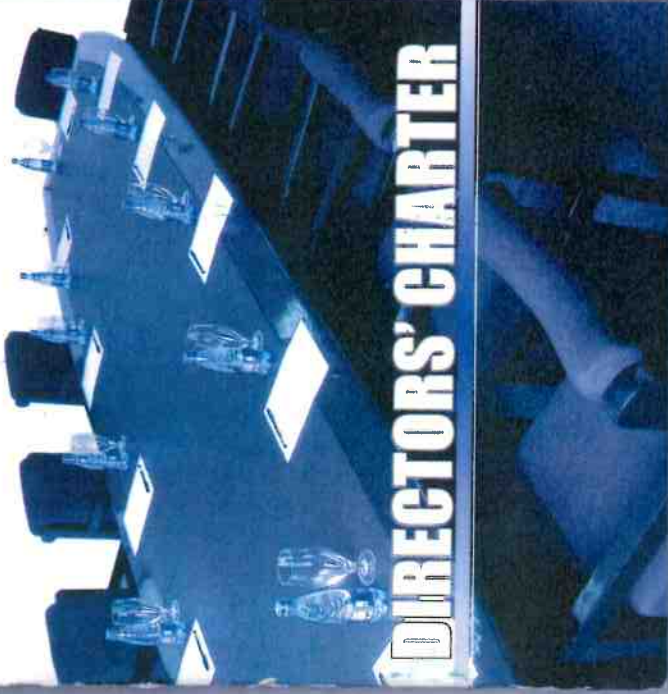




The Kenya Power & Lighting Co. Ltd.



THE KENYA POWER AND LIGHTING COMPANY LIMITED DIRECTORS CHARTER

OBJECTIVE

This Charter and the Directors Manual have been prepared by the Board of Directors of the Kenya Power and Lighting Company Limited (the Company) to assist Directors, the Board and its Committees in the exercise of their responsibilities. The Charter seeks to ensure the effectiveness of each Director's contribution in the governance of the Company consistent with the standards of independent judgement, ethics and integrity by facilitating full and free exercise of directors professional competencies and personal qualities.

These principles and policies are in addition to and are not intended to change or interpret any law, regulation or guidelines on corporate governance, which the Company ascribes to.

Before accepting to be a Director, each Director shall familiarise himself/herself with the legal and regulatory texts associated with the Company, the

Company's particulars deriving from the Articles of Association, the Board Manual, including the Directors Code of Ethics, and any knowledge necessary for the proper discharge of his/her duties.

The Board of Directors will review this Charter every two years, and, if appropriate, amend it from time to time.

Each Director undertakes to subscribe to this Charter.

VISION

The Vision of the Company is to achieve world class status as a quality service business enterprise so as to be the first choice supplier of electrical energy in a competitive environment.

CORPORATE MISSION

The Mission of the Company is to efficiently transmit and distribute high quality electricity throughout Kenya at cost effective tariffs; to achieve the highest standards of customer service; and to ensure the Company's long term, technical and financial viability.

Article 1: - Scope of Authority and Responsibility

The basic responsibility of the Board is to provide leadership and exercise business judgment in the best interest of the Company and its shareholders. In furtherance of its responsibilities, the Board shall:

- i) Set the Company's vision, mission values, strategic and financial objectives and ensure that the necessary financial, material and human resources are provided for the Company to meet its objectives;
- ii) Ensure that the performance of management and the Board itself, is regularly assessed and monitored;
- iii) Ensure effective control over the Company and accounting to its members;
- iv) Ensure compliance with regulatory, ethical, environmental and social requirements.

Article 2: Membership

The Board shall consist of at least 7 and a maximum of 10 directors elected by the shareholders during the Annual General meeting or by Directors to fill casual vacancies. At least one third of the Board shall retire by rotation every year but be eligible for re-election by shareholders.

Nominees for Directors shall be recommended by the Nomination Committee of the Board. The Board shall be responsible for nominating members for election by the shareholders and for filling casual vacancies in the Board which may occur between annual meetings of members, on both cases based on the recommendations of the Nomination Committee. Directors appointed by the Board shall retire at the next Annual General Meeting and submit themselves for election by members.

The Board shall have an appropriate mix of skills, experiences, age, gender, geographic spread, and team roles. The Board shall include a balance of executive and non-executive Directors, including independent and non-executive Directors such that no individual or group of individuals or interest can dominate its decision-making. At least one third of the Board shall consist of non-executive independent Directors.

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Article 3: - Board Meetings and Attendance

Regular meetings of the Board shall be held at least four times in a year. The number and dates of meetings and business to be transacted at each regular Board meeting shall be as contained in the Board Work-Plan and Calendar of meetings for each year. The Chairman or the Managing Director in consultation with the Chairman may call other meetings.

Each Director undertakes to prepare sufficiently for meetings by carefully considering board papers and attachments thereto, and when necessary, seeking clarifications. Where a Director is unable to attend a meeting, such Director shall communicate through the Chairman or the Chief Executive Officer any concerns or issues they would wish considered.

The Board may request a Director's resignation if the Director fails to attend three consecutive meetings.

Directors shall carefully consider the number of other boards which they can serve taking into account the time and energy required to effectively participate in the Company's Board and its Committees. Directors shall also consider any actual or perceived conflict of interest and impairment to independence which directorship in those boards may cause. Where a Director proposes to accept another Directorship in

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addition to that (or those) held at the time of his/her appointment, this fact has to be brought to the attention of the Board.

The Company's Annual Report shall report on Director attendance at Board meetings and meetings of Board Committees to which they belong. Each Director shall strive to attend the Annual General Meeting of members.

Decision making by the Board shall be by consensus or by majority votes. Directors agree to accept collective responsibility for the decisions of the Board. When a Director concludes that he or she is unable to acquiesce in a decision of the Board, some or all of the following steps should be considered:

- a) Making his/her dissent and its possible consequences clear to the Board as a means of seeking to influence the decision.
- b) Asking for additional legal, accounting or other professional advice at the expense of the Company.
- c) Asking that the decision be postponed to the next meeting to allow time for further consideration and informal discussion.

- d) Tabling a statement of dissent or writing to the chairman asking that the statement or letter be minuted.
- e) Calling a special Board meeting to consider the matter.
- f) Resigning and considering advising the appropriate regulator.

A Director who chooses to resign on a point of principle or other important matter should disclose the reasons for resignation to shareholders or to the appropriate regulator, though a Director should bear in mind the duty not to disclose confidential information.

Article 4: Directors Primary Duty and Code of Conduct

Each Director shall act first and foremost and always in the best interest of the Company and not for any other collateral purpose; exercise his/her duties and responsibilities in good faith; and act with care and diligence which a reasonable person would exercise if they were a Director in the same circumstances.

Each Director undertakes that, in arriving at a decision on any issue, he or she shall strive to ensure that the decision is in the best interest of the Company and does not favour collateral or their interests.

Article 5: - Directors Access to Officers and Employees

Directors shall have full and free access to senior officers and employees of the Company. Directors shall use their best judgment to ensure that any such contact is not disruptive to the business of the Company. Any information which a Director may require shall be obtained through the Managing Director.

Article 6: - Information Confidentiality

Information concerning the Company which is communicated to a Director in connection with his/her 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.

Article 7: - Conflicts of Interest

Each Director undertakes to disclose to the Board fully and immediately it comes to his/her attention any real or potential conflict of interest, direct or indirect, which they may have. A Director with such a conflict shall not participate in any discussion of any such topic or on voting on it.

In all circumstances, each Director shall preserve his/her independence of analysis, judgement, decision and action, and to refuse any pressure, direct or indirect, which might be exercised on him whether by other Directors, member groups, creditors, suppliers or, more generally, any third party.

Each Director undertakes not to seek, nor to accept, from the Company or any other party, directly or indirectly, any advantage that might be considered as compromising his/her independence.

Article 8: - Board Effectiveness and Evaluation

The Board will conduct an annual self-evaluation to determine its effectiveness as a collective agency and as individual Directors. Where necessary, the Board may obtain the services of an external facilitator to guide the evaluation.