LEGAL NOTICE NO. XXXX

THE CAPITAL MARKETS ACT
(Cap. 485A)

CODE OF CORPORATE GOVERNANCE PRACTICES FOR PUBLIC LISTED COMPANIES IN KENYA

IN EXERCISE of the powers conferred by sections 11(3) (v) and 12 of the Capital Markets Act, the Capital Markets Authority issues the Code set out in the Schedule hereto, for application in order to augment corporate governance standards by public listed companies in Kenya.

SCHEDULE

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ABBREVIATIONS AND ACRONYMS

AGM	-	Annual General Meeting
CA	-	Companies Act
CEO	-	Chief Executive Officer
CG	-	Corporate Governance
CMA	-	Capital Markets Authority
CMCGSC	-	Capital Markets Corporate Governance Steering Committee
CS	-	Certified Secretary
ESG	-	Environmental, Social and Governance
ICPAK	-	Institute of Certified Public Accountants of Kenya
ICPSK	-	Institute of Certified Public Secretaries of Kenya
IFRS	-	International Financial Reporting Standards
IIA	-	Institute of Internal Auditors
ISA	-	International Standards on Auditing
NSE	-	Nairobi Securities Exchange
OECD	-	Organization for Economic Cooperation and Development
SE	-	Securities Exchange
UK	-	United Kingdom

PART I: PRELIMINARY

1.1 Title – THE CODE OF CORPORATE GOVERNANCE PRACTICES FOR PUBLIC LISTED COMPANIES IN KENYA

1.2 Authorization – this Code is issued under sections 11(3) (v) and 12 of the Capital Markets Act Cap 485A.

1.3 Application – All companies listed in the Nairobi Securities Exchange (NSE).

1.4 Definitions – Terms used in this Code shall be taken to have the meaning assigned to them hereunder:

1.4.1 Blueprint

High-level strategic statement by the Capital MarketsCorporate Governance Steering Committee on a series of recommendations to strengthen the laws, regulations and institutions that impact corporate governance in Kenya.

1.4.2 Board Member

A member of a governing board that has overall responsibility for the management of an organization. A Board member oversees and advises management on issues facing the organization.

1.4.3 Capital markets

Financial markets for the buying and selling of long-term debt or equity-backed securities. These markets channel the wealth of savers to those who can put it to long-term productive use, such as companies or governments making long-term investments.

1.4.4 Equitable terms of shareholders

Include the treatment of shareholders equally according to the rights conferred on them. Some of the rights of shareholders include:

(i) The right to attend general meetings;
(ii) The right to vote in general meetings;
(iii) The right to receive a copy of the annual reports and financial statements of the Company;

(iv) The right to receive a dividend; and
(v) The right to the product of liquidation.

1.4.5 Insider

Any person who, is or was connected with a company or is deemed to have been connected with a company, and who is reasonably expected to have access, by virtue of such connection to unpublished information which if made generally available would be likely to materially affect the price or value of the securities of the Company, or who has received or has had access to such unpublished information.

1.4.6 Integrated reporting

A process that brings together the material information about an organization's strategy, governance, performance and prospects in such a way that reflects its commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organization demonstrates stewardship and how it creates value, now and in the future. Integrated reporting combines the most material elements of information currently reported in separate reporting strands (financial, management Guideline, governance and remuneration, and sustainability) into a coherent whole.

1.4.7 Internal control

Internal control is the process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

1.4.8 Material Matters

These include all transactions in the financial statements if their omission would otherwise influence the decisions of a person using the financial statements.

1.4.9 Non-Executive Director

A director who is not involved in the administrative or managerial operations of the Company.

1.4.10 Regulator

A governmental agency or department that ensures compliance with laws, regulations and established rules.

1.4.11 Regulated person

An operator of an approved person, a licensed person, a listed company or a person approved to offer securities to the public.

1.4.12 Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged or not. A related party is a person or entity that is related to the entity that is preparing its financial statements.

1.4.13 Risk management

The process of understanding what the opportunities are and how best to optimize them as well as identifying, controlling and managing threats. This is to provide assurance that the organization is meeting its governance requirements as well as assisting in the delivery of expected outcomes and returns for shareholders and stakeholders.

1.4.14 Shareholder rights

The rights which a shareholder possesses when (s) he purchases the share of a company. Shareholders have three groups of rights: information rights, voting rights and financial rights.

1.4.15 Stakeholder

A party that has an interest in an enterprise or project. The primary stakeholders in a typical corporation are its investors, employees, customers and suppliers. However, modern stakeholder theory goes beyond this conventional notion to embrace additional stakeholders such as the community, government and trade associations.

1.4.16 Stakeholder relations

Stakeholder relations involve development, coordination and implementation of marketing, communications, community relations, advocacy and stakeholder relations programs and strategic plans.

1.4.17 Substantial shareholder

Is a person who holds not less than fifteen percent of the voting shares of a listed company and has the ability to exercise a majority voting for the election of the directors.

1.4.18 Triple Bottom Line

Triple bottom line (TBL) accounting expands the traditional reporting framework to take into account social and environmental performance in addition to financial (or economic) performance.

PART II: PURPOSE OF THE CODE

2.1 Purpose

These Guidelines are intended to provide the minimum standards required from shareholders, directors, chief executive officers and management of a listed company so as to promote high standards of conduct as well as ensure that they exercise their duties and responsibilities with clarity, assurance and effectiveness.

These Guidelines should not restrict or replace the proper judgement of the management and employees.

2.2 Scope

The Code sets out the principles and specific recommendations on structures and processes, which companies should adopt in making good Corporate Governance and integral part of their business dealings and culture.

2.3 Responsibility

The Board of Directors of each company shall be responsible for formulating policies, procedures and guidelines, which ensure that:

a) All directors, chief executive officers and management are made fully aware of the requirements of this Code;

b) All management decisions are made in accordance with prudent Corporate Governance practices. The shareholders of each institution shall be responsible for the appointment of a competent and dedicated Board of directors.

INTRODUCTION

The Code of Corporate Governance 2014

The Capital Markets Code of Corporate Governance 2014 succeeds the 2002 Guidelines. It sets out the principles and specific recommendations on structures and processes, which companies should adopt in making good Corporate Governance an integral part of their business dealings and culture.

The CMA 2014 Code advocates for the adoption of standards that go beyond the minimum prescribed by legislation. The 2014 framework has moved away from the "Comply or Explain" approach to "Apply or Explain" approach. The Board should "apply" all the recommendations made in this Code of Corporate Governance explicitly or "explain" why they cannot apply the recommendations and state steps to be taken to get to compliance.

The Code is organized into seven chapters with each chapter addressing a specific governance dimension:

- Chapter 1 - Board operations and control
- Chapter 2 - Rights of shareholders
- Chapter 3 - Stakeholder relations
- Chapter 4 - Ethics and social responsibility
- Chapter 5 - Accountability, risk management and internal control
- Chapter 6 - Transparency and disclosure
- Chapter 7 - Supervision and enforcement

The CMA 2014 Corporate Governance Code is prepared in a format, which contains three sections. These are the broad Principle, and the recommended practice and the Guideline. Details on what is contained under each section are given below:

Principles
The principles of governance encapsulate broad concepts underpinning good corporate governance that companies should apply when implementing the recommendations.

Recommendations
The recommendations are standards that flow from the principles, and which companies are expected to adopt as part of their governance structure and processes. Listed

companies should explain in their annual reports how they have applied the recommendations.

Guidelines

Each recommendation is followed by a Guideline, which seeks to assist companies in understanding the recommendation. It also provides some guidance to companies in implementing the recommendations.

CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

This section is a listing of the 29 principles and their corresponding 75 recommendations. The principles and recommendations focus on, amongst others, laying a strong foundation for the Board and its committees to carry out their roles effectively, promote rights of shareholders, improve stakeholder relations, emphasize the importance of ethics and social responsibility, safeguard the integrity of financial reporting, emphasize the importance of risk management and internal controls, promote timely and balanced disclosure, enhance supervision and enforcement.

1.1 Appointment, composition, size and qualifications of Board members

Principle
There should be a formal and transparent procedure in the appointment of Board members and all persons offering themselves for appointment as directors should disclose any potential area of conflict that may undermine their position or service as director.

Recommendation 1.1.1
Procedure for Board appointments
The Board should have documented procedures for appointment of new Board members.

Recommendation 1.1.2
Role of the Nominating Committee in Board appointments
The Board should appoint a Nominating Committee consisting mainly of independent and non-executive Board members with the responsibility of proposing new nominees for appointment to the Board and for assessing the performance and effectiveness of the directors of the Company.

Recommendation 1.1.3
Board composition
The Board should comprise a balance of executive and non-executive directors, with a majority of non-executive directors. Independent and non-executive directors should be at least one third of the total number of Board members.

Recommendation 1.1.4
Board size
The Board should be of a sufficient size.

Recommendation 1.1.5
Diversity
The Board should have a policy to ensure the achievement of diversity in its composition.

Recommendation 1.1.6
Multiple directorships
There should be a limit to the number of directorships a Board member should hold.

Recommendation 1.1.7
Alternate Board members
The nomination and appointment of Alternate Board members should follow the same rigorous practice followed in the appointment of a substantive Board member.

Recommendation 1.1.8
Succession planning
Terms of Board members should be managed in order to ensure a smooth transition and there should be a succession plan for top Management.

1.2 Structure of the Board

Principle
The Board should be constituted to ensure effectiveness and value addition to the Company.

Recommendation 1.2.1
Skills and experience
The Board and its Committees should have the appropriate balance of skills; experience, independence and knowledge of the Company and its business to enable them discharge their respective duties and responsibilities effectively.

Recommendation 1.2.2
The Board should establish relevant committees to enable it discharge its mandate.

Recommendation 1.2.3
The Nominating Committee
The Board should establish a Nominating Committee which should consist of non-executive directors, a majority of whom should be independent. The Chairperson of the Nominating Committee should be an independent Board member.

Recommendation 1.2.4
The Audit Committee
The Board should establish an Audit Committee of at least three independent and non-executive directors, with written terms of reference, which deal clearly with its authority and duties.

1.3 The role and functions of the Board

Principle
Every company should be headed by an effective Board, which shall offer strategic guidance, lead and control the Company and which is accountable to its shareholders.

Recommendation 1.3.1
Fiduciary duties
The Board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions.

Recommendation 1.3.2
Functions of the Board and Management
The Board should establish clear functions reserved for the Board and those to be delegated to Management.

Recommendation 1.3.3
Roles of Chairman and Chief Executive Officer (CEO)
The roles of Chairman and CEO should not be exercised by the same individual.

Recommendation 1.3.4
The position of Chairman
The Chairperson of a public listed Company should be independent and non-executive.

Recommendation 1.3.5
Access to information
The Board should establish procedures to allow its members access to information and professional advice. The Board should have access to all information pertaining to the company. Management should supply relevant, accurate and complete information to the Board and in a timely manner to enable the Board to discharge its duties effectively.

Recommendation 1.3.6
Promoting sustainability
The Board should ensure that the Company's strategies promote the sustainability of the Company.

Recommendation 1.3.7
The Company Secretary
The Board should be assisted by a suitably qualified and competent Company Secretary who is a member of the Institute of Certified Public Secretaries of Kenya.

1.4 Board independence

Principle
The Board should have policies and procedures in place to ensure independence of members.

Recommendation 1.4.1
Independent Board members
The status of independent Board members should be assessed annually.

Recommendation 1.4.2
Tenure of independent Board members
The tenure of an independent Board member should not exceed a cumulative term of nine (9) years. Upon completion of the nine years, an independent Board member may continue to serve on the Board subject to re-designation as a non-independent member.

1.5 Age limit for Board members

Principle
There should be an age limit for Board members.

Recommendation 1.5.1
Age limit
An age limit of 70 years as prescribed in the Companies Act Cap 486 of the Laws of Kenya is recommended, but shareholders can in an AGM allow a Board member who is over 70 years to continue serving. The shareholders should approve such a continuation on an annual basis.

1.6 Term limit for Executive Board members

Principle
There should be a term limit for Executive Board members.

1.7 Board tools

Principle
The Board should have the necessary tools and aids in place to enable it to be effective in discharging its roles and responsibilities.

Recommendation 1.7.1
Code of Ethics and Conduct
The Board should formalise its ethical standards through the development of a Code of Ethics and Conduct and ensure it is complied with.

Recommendation 1.7.2
Board Charter
The Board should establish, periodically review and make public its Board Charter.

Recommendation 1.7.3
Annual Board Work-plan
The Board should develop an annual work-plan to guide its activities.

Recommendation 1.7.4
Board evaluation toolkit
The Board should determine and agree on its annual evaluation tool.

Recommendation 1.7.5
The Governance Audit
The Board should ensure that it subjects the Company to an annual governance audit by a competent and recognized professional.

1.8 Board induction and continuous skills development

Principle
All Board members should receive induction on joining the board and should update their skills and knowledge at regular intervals.

Recommendation 1.8.1
Induction of Board members
The Board should establish a formal induction program and ensure that every in-coming member is inducted.

Recommendation 1.8.2
Board members development
The Board should ensure competence up-skilling programs are prepared for its members.

Recommendation 1.8.3
Continuous Board development
Board members should be required to secure 12 hours of Continuous Education per year on areas of Corporate Governance from recognized institutions.

1.9 Annual evaluation of Board members including the CEO and Company Secretary

Principle
The Board should undertake an annual evaluation of its own performance, the performance of the Chairman, that of its committees, individual members, the CEO and Company Secretary.

Recommendation 1.9.1
Evaluation criteria
The Board should evaluate its performance, the performance of the Chairperson, the CEO and Company Secretary on an annual basis.

Recommendation 1.9.2
Evaluation results
A summary of the evaluation results should be published in the annual report of the Company.

1.10 Remuneration of Board members

Principle
Companies should remunerate Board members fairly and responsibly.

Recommendation 1.10.1
Remuneration policies and procedures
The board should establish formal and transparent remuneration policies and procedures to attract and retain Board members. These policies and procedures should be approved by shareholders.

Recommendation 1.10.2
Level of remuneration
The Board should determine the remuneration of the directors for shareholder's approval.

1.11 Compliance with Laws, Regulations and Standards

Principle
The Board should ensure the Company complies with The Constitution, all applicable laws and Regulations in line with accepted national and international standards, as well as its internal policies.

Recommendation 1.11.1
The Board should develop and implement a strategy on compliance with all applicable Laws, Regulations and Standards.

Recommendation 1.11.2
The Board should identify all applicable Laws, Regulations and standards that the company should comply with.

Recommendation 1.11.3
The Board should institute a compliance audit to be carried out on a semi-annual basis.

2.1 The rights of shareholders

Principle
The Board should recognize, respect and protect the rights of shareholders.

Recommendation 2.1.1
The Board should facilitate the effective exercise of the rights of shareholders

2.2 Equitable treatment of shareholders

Principle
The Board should ensure that all shareholders are treated equitably.

Recommendation 2.2.1
The Board should ensure there is equitable treatment of all holders of the same class of issued shares.

2.3 Institutional investors

Principle
Institutional investors operating under the jurisdiction of the Capital Markets Authority (CMA) should have transparent, honest and fair practices in their dealings with the Companies in which they invest.

Recommendation 2.3.1
Institutional investors should take up the role of stewardship for investors investing in listed companies and other approved products through their organizations.

Recommendation 2.3.2
Institutional investors should commit themselves to complying with principles of a Code that governs the roles and responsibilities of institutional investors operating under the jurisdiction of the CMA.

2.4 The media and corporate governance

Principle
The Board should proactively engage the media on dissemination of important company information and issues relating to good Corporate Governance in order to protect institutional investors.

Recommendation 2.4.1
Information to the media should be released proactively on a timely basis to ensure effective reporting on corporate affairs as well as issues of Corporate Governance.

3.1 Managing stakeholder relations

Principle
The Board should proactively manage the company's relationship with stakeholders.

Recommendation 3.1.1
The Board should have a stakeholder-inclusive approach in its practice of good Corporate Governance and should identify its various stakeholders.

Recommendation 3.1.2
The Board should develop strategies and suitable policies to manage relations with different stakeholder groups.

Recommendation 3.1.3
Constructive engagement with stakeholders should be deliberate and planned.

Recommendation 3.1.4
The Board should take into account the interests of all key groups with an interest in the business of the Company before making its decisions.

Recommendation 3.1.5
The Board should recognise, test where necessary and respect the governance practices of stakeholders in an effort to improve the Company's own governance practices.

3.2 Communication with stakeholders

Principle
The Board should ensure effective communication with stakeholders.

Recommendation 3.2.1
Transparent and effective communication is important for building and maintaining good relationships with stakeholders.

3.3 Resolving internal and external disputes

Principle
The Board should establish a formal process to resolve both internal and external disputes.

Recommendation 3.3.1
The Board should ensure the established channels of dispute resolution are used in the first instance.

4.1 Ethical leadership and corporate citizenship

Principle

The Board should clarify the standards of ethical behaviour required of its members, senior executives and all employees and ensure compliance with the set ethical standards.

Recommendation 4.1.1

The Board should ensure that all deliberations, decisions and actions are founded on the core values underpinning good governance.

4.1 Management of company's ethical issues

Principle
The Board should ensure that the Company's ethical issues are managed effectively.

Recommendation 4.2.1
The Board should ensure that ethical risks and opportunities are incorporated in the risk management process.

Recommendation 4.2.2
The Board should ensure that a Code of Conduct and Ethics is developed and implemented.

Recommendation 4.2.3
The Board should ensure that compliance with the Code of Conduct and Ethics is integrated in the operations of the Company.

Recommendation 4.2.4
The Board should ensure that the Company's performance on ethics is assessed, monitored and disclosed.

4.2 The Board and corporate citizenship

Principle
The Board should ensure that the Company is and is perceived to be a responsible corporate citizen.

Recommendation 4.3.1
The Board should ensure that management develops corporate citizenship policies for use by the Company.

Recommendation 4.3.2
The Board should consider not only the financial performance but also the impact of the Company's operations on society and the environment.

Recommendation 4.3.3
The Board should protect, enhance and invest in the well-being of the economy, society and the environment.

4.3 Strategies and policies relating to good corporate citizenship

Principle
Companies should develop strategies and policies to guide their activities in becoming and remaining good corporate citizens.

Recommendation 4.4.1
The board should ensure that activities leading to good corporate citizenship are well coordinated.

5.1 Financial and business reporting

Principle
There should be a structure to independently verify and safeguard the integrity of the financial reporting.

Recommendation 5.1.1
The Board should put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the company's financial position.

Recommendation 5.1.2
The Board should explain in the annual report their responsibility for preparing the annual report and accounts, and there should be a statement by the auditor about their reporting responsibilities.

Recommendation 5.1.3
The Shareholders should appoint independent auditors at each Annual General Meeting in line with company law.

Recommendation 5.1.4

The Board should have a policy on rotation of independent auditors after some years (say six to nine years) in keeping with the tenets of good governance.

Recommendation 5.1.5

The Board should continually work towards the introduction of integrated reporting.

5.2 Recognise and manage risks

Principle
The Company should have an effective risk management framework in place.

Recommendation 5.2.1
The Board should establish an effective risk management framework for the Company.

5.3 Internal control systems

Principle
The Company should have in place effective systems of internal control.

Recommendation 5.3.1
The Board should establish and review on a regular basis the adequacy and integrity of the Company's internal control systems for acquisitions and divestitures and

management of information systems including compliance with applicable laws, regulations, rules and guidelines.

Recommendation 5.3.2
The Board should set out its responsibility for internal control in the Board Charter.

Recommendation 5.3.3
The Board should delegate to Management the responsibility of designing, implementing and monitoring effectiveness of internal control systems.

5.4 Checking on risk management and internal control practices

Principle
The Board should confirm the effectiveness of the Company's risk management and internal control practices on a regular basis.

Recommendation 5.4.1
The Board should ensure the effectiveness of the Company's risk management and internal control practices on an annual basis.

5.5 Audit Committee

Principle
The Company should have an effective Audit Committee.

Recommendation 5.5.1
The Board should establish an Audit Committee with written terms of reference.

Recommendation 5.5.2
The Board should establish an internal audit function which reports directly to the Audit Committee.

Recommendation 5.5.3
The Board should ensure the effectiveness of the Company's risk management and internal control practices on an annual basis.

6.1 Timely and balanced disclosure

Principle
Companies should promote timely and balanced disclosure of all material information concerning the Company.

Recommendation 6.1.1
The Board should ensure the Company has appropriate corporate disclosure policies and procedures.

7.1 Compliance with the requirements of the CMA Code of Corporate Governance

Principle

The Company should comply with the Capital Markets Code of Corporate Governance 2014.

Recommendation 7.1.1

The Board should "apply" all the recommendations made in this Code of Corporate Governance or "explain" why they cannot apply the recommendations and state steps to be taken to come to compliance.

Recommendation 7.1.2

At the end of the financial year, the Board should disclose in the annual report a statement of policy on good governance and the status of compliance with this Code.

Recommendation 7.1.3

CMA should work with other complementary institutions in enforcing this Code. The complementary institutions are:

i. The Securities Exchange (SE)
ii. The Company Registrar's Office, and
iii. The Courts of Law

CHAPTER 1

BOARD OPERATIONS AND CONTROL

Overview

The single most important institution in corporate governance is the Board of Directors. Effective corporate governance requires a board composed of qualified and competent members capable of exercising objective and independent judgment, and focused on guiding strategy development and monitoring Management. A proper understanding of the role and responsibilities of the Board must be shared not only by members of the Board, but also by company executives and external stakeholders, to ensure that the Board has appropriate autonomy, authority, and accountability in exercising its functions and that it can be held accountable by stakeholders.

The principles and recommendations on how to deal with matters of Board Operations and Control are documented below:

1.1 Appointment, composition, size and qualifications of Board members

Principle

There should be a formal and transparent procedure in the appointment of Board members and all persons offering themselves for appointment as directors should disclose any potential area of conflict that may undermine their position or service as director.

Recommendation 1.1.1

Procedure for Board appointments
The Board should have documented procedures for appointment of new Board members.

Guideline

i. Shareholders are ultimately responsible for appointments to the Board and it is in their best interest to ensure that the Board is properly constituted. Information relating to those nominated for Board positions should be availed to shareholders 21 days in advance of any decision making. As the information is disseminated, the Company should ensure the use of a wide variety of communication channels so as to cater to shareholders diverse media consumption habits.
ii. To the extent that the duty is vested in general meetings, the shareholders must ensure that only credible persons who can add value to the Company's business are elected to the Board of directors.
iii. Board appointment procedures should be transparent and clearly documented and approved by the Board before they can be used. The procedures should be

formal and a matter for the Board as a whole, assisted by the Nominating Committee, and subject to shareholder approval when necessary.

iv. The appointment process should be well managed to ensure that a balanced mix of proficient individuals is attained and that each of those appointed is able to add value and bring independent judgment to bear in the decision-making process.

v. All persons offering themselves for appointment as Board members should disclose any potential areas of conflict that may undermine their position or service as director.

vi. Board members should receive formal letters of appointment setting out the main terms and conditions relative to their appointment.

Recommendation 1.1.2

Role of the Nominating Committee in Board appointments

The Board should appoint a Nominating Committee consisting mainly of independent and non-executive Board members with the responsibility of proposing new nominees for appointment to the Board and for assessing the performance and effectiveness of the directors of the Company.

Guideline

i. The Board through the Nominating Committee should on an annual basis review the required skills mix and expertise that the executive directors as well as independent and non-executive directors bring to the Board and make disclosure of the same in its annual report.

ii. The Nominating Committee should recommend to the Board candidates for directorships to be considered for appointment by the shareholders.

iii. The Nominating Committee should consider only persons of calibre, credibility and who have the necessary skills and expertise to exercise independent judgement on issues that are necessary to promote the Company's objectives and performance in its area of business.

iv. The Nominating Committee should also consider candidates for directorships proposed by the Chief Executive Officer and shareholders.

Recommendation 1.1.3

Board composition

The Board should comprise a balance of executive and non-executive directors, with a majority of non-executive directors. Independent and non-executive directors should be at least one third of the total number of Board members.

Guideline

i. The majority of non-executive directors should preferably be independent directors because this reduces the possibility of conflict of interest.

ii. The structure of the Board should comprise a number of directors, which fairly reflects the Company's shareholding structure. The Board composition should not be biased towards representation by a substantial shareholder but should reflect the Company's broad shareholding structure. The composition of the Board should also provide a mechanism for representation of the minority shareholders without undermining the collective responsibility of the directors.
iii. In instances where there is no major shareholder but there is a substantial shareholder, the Board should exercise judgment in determining the representation on the Board of such shareholder and of the other shareholders that effectively reflects the shareholding structure of the Company.
iv. The Board should monitor and manage potential conflict of interest at Management, Board and shareholder levels.
v. Executive members of the Board should manage the conflict that arises between their Management role and their role on the Board.

Recommendation 1.1.4

Board size
The Board should be of a sufficient size.

Guideline

The Board should be of such a number that enables the requirements of the company's business to be met. The size of the Board should not be too large to undermine an interactive discussion during Board meetings or too small such that the inclusion of wider expertise and skills to improve the effectiveness of the Board is compromised.

Recommendation 1.1.5

Diversity
The Board should have a policy to ensure the achievement of diversity in its composition.

Guideline
Every Board should consider whether its size, diversity and demographics make it effective. Diversity applies to academic qualifications, technical expertise, relevant industry knowledge, experience, nationality, age, race and gender. The appointment of Board members should be sensitive to gender representation and should not be perceived to represent a single or narrow community interest. Where companies establish a diversity policy, they should also introduce appropriate measures to ensure that the policy is implemented.

Recommendation 1.1.6

Multiple directorships
There should be a limit to the number of directorships a Board member should hold.

Guideline

Every person except a corporate director who is a director of a listed company shall not hold such position in more than three public listed companies at any one time to ensure effective participation in the Board. In a case where the corporate director has appointed an alternate director, the appointment of such alternate shall be restricted to two public listed companies at any one time. An executive or managing director of a listed company shall be restricted to one other directorship of another listed company.

Recommendation 1.1.7

Alternate Board members
The nomination and appointment of Alternate Board members should follow the same rigorous practice followed in the appointment of a substantive Board member.

Guideline

A person may act as an alternate to a director of a company. The "Alternate Directors" have all the obligations imposed on the primary director. Each principal director, whether body corporate or living person should have only one alternate. A body corporate should not be nominated as an alternate director.

Alternate directors should not be appointed as members of the Audit Committee.

Recommendation 1.1.8

Succession planning
Terms of Board members should be managed in order to ensure a smooth transition and there should be a succession plan for top Management.

Guideline

Terms of Board members should be organised in such a way that they end at different times. This will ensure retention of institutional memory and make it easier to induct new Board members. Where possible, no more than one third of the Board members should retire at the same time.

The Board should also ensure it has a succession plan in place for the Management. This succession plan should be reviewed and updated at regular intervals.

1.2 Structure of the Board

Principle

The Board should be constituted to ensure effectiveness and value addition to the Company.

Recommendation 1.2.1

Skills and experience
The Board and its Committees should have the appropriate balance of skills; experience, independence and knowledge of the Company and its business to enable them discharge their respective duties and responsibilities effectively.

Guideline

The Board should be structured in a way that it has the different skills and expertise within itself. An effective Board is one that facilitates the effective discharge of the duties imposed by law and adds value in a way that is appropriate to the particular company's circumstances. The Board should be structured in such a way that it:

i. has a proper understanding of, and competence to deal with, the current and emerging issues of the business;
ii. exercises independent judgement;
iii. encourages enhanced performance of the Company; and
iv. can effectively review and challenge the performance of Management.

Recommendation 1.2.2

The Board should establish relevant committees to enable it discharge its mandate.

Guideline

The Board should establish committees to cover broad functions of the Company such as: internal audit, risk management, remuneration, Board nominations, finance, investments and governance.

The committees should be appropriately constituted with members who have the necessary skills and expertise to handle the responsibilities allocated to them. Where some skills are not available, the Board may co-opt independent and external professionals to that committee. The Board should review the mandate of the committees periodically to ensure that they remain relevant. The Board should also ensure that each Board Committee has its own Charter.

The Board should specifically:
i. Establish Audit and Nominating Committees;
ii. Appoint chairpersons of Committees;
iii. Determine the procedure and process within which the Committee may be allowed to engage independent professional advice at the Company's expense; and

iv. Review the effectiveness and performance of Committees annually.

Recommendation 1.2.3

The Nominating Committee
The Board should establish a Nominating Committee which should consist of non-executive directors, a majority of whom should be independent. The Chairperson of the Nominating Committee should be an independent Board member.

Guideline

The Nominating Committee is charged with the responsibility of proposing new nominees for the Board and for the evaluation of Board members. In the absence of a Nominating Committee, all the duties that would have been performed by this committee must be performed by another Committee of the Board.

Recommendation 1.2.4

The Audit Committee
The Board should establish an Audit Committee of at least three independent and non-executive directors, with written terms of reference, which deal clearly with its authority and duties.

Guideline

The Chairperson of the Audit Committee should be an independent and non-executive director and at least one of the Committee members should hold a professional qualification in audit or accounting and be in good standing with their respective professional body. The important attributes of committee members should include:

i. broad business knowledge relevant to the Company's business;
ii. keen awareness of the interests of the investing public and familiarity with basic accounting principles; and
iii. objectivity in carrying out their mandate and no conflict of interest.

1.3 The role and functions of the Board

Principle

Every company should be headed by an effective Board, which shall offer strategic guidance, lead and control the Company and which is accountable to its shareholders.

Recommendation 1.3.1

Fiduciary duties
The Board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions.

Guideline

In exercising their fiduciary duties, each Board member:

i. must exercise the reasonable degree of care, skill and diligence;
ii. must act in the best interests of the Company and not for any other purpose;
iii. must act honestly at all times and must not place themselves in a situation where personal interests conflict with those of the Company;
iv. should at all times exercise independent judgement;
v. should devote sufficient time to carry out their responsibilities and enhance their skills;
vi. should promote and protect the image of the Company;
vii. must owe their duty to the Company and not to the nominating authority; and
viii. must owe the Company a duty to hold in confidence all information available to them by virtue of their position as a Board member.

Recommendation 1.3.2

Functions of the Board and Management
The Board should establish clear functions reserved for the Board and those to be delegated to Management.

Guideline

The Board's role should be separate from that of Management. The Board shall:

i. Define the Company's mission, its strategy, goals, risk policy plans and objectives including approval of its annual budgets;
ii. Oversee the corporate management and operations, management accounts, major capital expenditures and review corporate performance and strategies at least on a quarterly basis;
iii. Identify the corporate business opportunities as well as principal risks in its operating environment including the implementation of appropriate measures to manage such risks or anticipated changes impacting on the corporate business;
iv. Development of appropriate staffing and remuneration policy including the appointment of the Chief Executive Officer and the senior staff, particularly the Finance Director, Operations Director and the Company Secretary as may be applicable;
v. Review on a regular basis the adequacy and integrity of the Company's internal control, acquisition and divestitures and management information systems including compliance with applicable laws, regulations, rules and guidelines;

vi. Establish and implement a system that provides necessary information to the shareholders including shareholder communication policy for the Company;
vii. Monitor the effectiveness of the corporate governance practices under which the Company operates and propose revisions as may be required from time to time; and
viii. Take into consideration the interests of the Company's shareholders in its decision-making process.

Board members should clearly understand the organization's expectations of them in terms of allocation of individual responsibilities. To this end, formal letters of appointment setting out the key terms and conditions relative to their appointment are useful and should be given.

The functions of Management, which are mainly in the area of execution include: planning, organizing, staffing, coordinating, controlling, reporting and budgeting.

Recommendation 1.3.3

Roles of Chairman and Chief Executive Officer (CEO)
The roles of Chairman and CEO should not be exercised by the same individual.

Guideline

i. The division of responsibilities between the Chairman and the CEO should be clearly established, set out in writing and agreed by the Board and should be clearly defined in the Board Charter.
ii. Separation of the positions of the Chairman and the CEO promotes accountability and facilitates division of responsibilities between them.
iii. Separation of the roles of the Chairman and the CEO ensures balance of power and authority and provides for checks and balances such that no one individual has unfettered powers of decision making.
iv. The responsibilities of the Chairman should include leading the board in oversight of Management.
v. The Chief Executive Officer focuses on the day-to-day management of the Company. He/she is responsible for implementing the Board corporate decisions.
vi. There should 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.
vii. The CEO is obliged to provide such necessary information to the Board in the discharge of the Board's business.

Recommendation 1.3.4

The position of Chairman
The Chairperson of a public listed Company should be independent and non executive.

Guideline

In addition to the requirement for independence:

i. Every person who is a Chairperson of a public listed company should not hold such position in more than two (2) public listed companies at any one time, in order to allow them devote sufficient time to steering the Board, subject to the requirements under the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002.
ii. Every public listed company should have a clear succession plan for its Chairman and also for the Chief Executive Officer.

Recommendation 1.3.5

Access to information
The Board should establish procedures to allow its members access to information and professional advice. The Board should have access to all information pertaining to the company. Management should supply relevant, accurate and complete information to the Board and in a timely manner to enable the Board to discharge its duties effectively.

Guideline

In the course of seeking accurate information in order to discharge its duties and responsibilities properly, the Board should seek legal, financial, governance or any other expert advice necessary. The Board should be entitled to seek external advice at the company's expense through an agreed procedure.

Recommendation 1.3.6

Promoting sustainability
The Board should ensure that the Company's strategies promote the sustainability of the Company.

Guideline

The Board should have formal strategies to promote sustainability. Attention should be given to Environmental, Social and Governance (ESG) aspects of the business which underpin sustainability.

Recommendation 1.3.7

The Company Secretary
The Board should be assisted by a suitably qualified and competent Company Secretary who is a member of the Institute of Certified Public Secretaries of Kenya.

Guideline

The Board regularly consults the Company Secretary on procedural and regulatory matters. The Company Secretary plays an important role in supporting the Board by ensuring adherence to Board policies and procedures.
The Company Secretary should be qualified in line with the provisions of the Certified Public Secretaries of Kenya Act Chapter 534 of the Laws of Kenya, and should be a member of the Institute of Certified Public Secretaries of Kenya (ICPSK) in good standing.

A more detailed Guideline on the Company Secretary follows:

(i) The Board should appoint and remove the Company Secretary.
(ii) The Board should empower the Company Secretary to enable them effectively carry out their role.
(iii) The Company Secretary should have an arm's length relationship with the Board.
(iv) The Company Secretary should not be a member of the Board.
(v) The Company Secretary should provide guidance to the Board on their duties and responsibilities and on other matters of governance.
(vi) The Company Secretary should ensure the timely preparation and circulation of Board and Committee papers.
(vii) The Company Secretary should ensure the preparation and timely circulation of Board and Committee minutes.
(viii) The Company Secretary should assist with the Board evaluation exercise.
(ix) The Company Secretary should coordinate the governance audit process.
(x) The Company Secretary should have custody of the Organization's seal, account to the Board for its use and maintain a record of its use.
(xi) The Company Secretary should maintain and update the register of conflicts of interest.
(xii) The Company Secretary should facilitate effective communication between the organization and the shareholders.

1.4 Board independence

Principle

The Board should have policies and procedures in place to ensure independence of members.

Recommendation 1.4.1

Independent Board members
The status of independent Board members should be assessed annually.

Guideline

The Board should determine who the independent members are on an annual basis. Independent Board members bring independent and objective judgement to the Board and this mitigates risks arising from conflict of interest or undue influence from interested parties. The Board Chairman should be an independent Board member.
An independent Board member is one who:

i. Has not been employed by the Company in an executive capacity within the last three years;
ii. Is not associated to an adviser or consultant to the Company or a member of the Company's Senior Management or a significant customer or supplier of the Company or with a not-for-profit entity that receives significant contributions from the Company; or within the last five years, has not had any business relationship with the Company (other than service as a director) for which the Company has been required to make disclosure;
iii. Has no personal service contract(s) with the Company, or a member of the Company's Senior Management;
iv. Is not employed by a public listed company at which an executive officer of the Company serves as a director;
v. Is not a member of the immediate family of any person described above; or has not had any of the relationships described above with any affiliate of the Company;
vi. Is not a representative of a shareholder who has the ability to control or significantly influence Management;
vii. Is free from any business or other relationship which could be seen to interfere materially with the individual's capacity to act in an independent manner;
viii. Does not have a direct or indirect interest in the Company (including any parent or subsidiary in a consolidated group with the Company) which is either material to the director or to the Company. A holding of five (5%) percent or more is considered material;
ix. Does not hold cross-directorships or significant links with other directors through involvement in other companies or bodies; and
x. Has not served for more than nine (9) years since they were first elected.

Recommendation 1.4.2

Tenure of independent Board members
The tenure of an independent Board member should not exceed a cumulative term of nine (9) years. Upon completion of the nine years, an independent Board member may continue to serve on the Board subject to re-designation as a non-independent member.

Guideline

The assessment criteria for independence of directors should also include tenure. Long tenure can impair independence. As a result, tenure of an independent Board member is capped at nine years. The nine years can either be a consecutive service of nine years or a service of nine years with intervals.

1.5 Age limit for Board members

Principle

There should be an age limit for Board members.

Recommendation 1.5.1

Age limit
An age limit of 70 years as prescribed in the Companies Act Cap 486 of the Laws of Kenya is recommended, but shareholders can in an AGM allow a Board member who is over 70 years to continue serving. The shareholders should approve such a continuation on an annual basis.

Guideline
It is desirable for Board members to retire at the age of 70 years. However, members in an AGM can vote to retain a Board member who is over 70 years.

1.6 Board tools

Principle

The Board should have the necessary tools and aids in place to enable it to be effective in discharging its roles and responsibilities.

Recommendation 1.6.1

Code of Ethics and Conduct
The Board should formalise its ethical standards through the development of a Code of Ethics and Conduct and ensure it is complied with.

Guideline
A key role of the Board is to establish a corporate culture with ethical conduct that permeates the whole Company. The Board needs to develop a Code of Ethics and Conduct and ensure the implementation of appropriate internal systems to support, promote and ensure compliance. The Code of Ethics and Conduct should include appropriate communication and feedback mechanisms which facilitate whistle-blowing.

The Board should periodically review its Code of Ethics and Conduct. Besides, a summary of this code should be made available on the company's website.

Recommendation 1.6.2

Board Charter
The Board should establish, periodically review and make public its Board Charter.

Guideline

In establishing a Charter, it is important for the Board to set out the key values, principles and mode of operation, as policies and strategy development are based on these considerations. The Charter should set out the strategic intent and outlines the Board's roles and responsibilities. The Charter should be a source reference and primary induction literature for incoming Board members and, provide insights to prospective Board members and Senior Management. It will also assist the Board in the assessment of its own performance and that of its individual directors. Although created in the primary charter, Board committees should have their own Charters. The Charter(s) should be made public by being published on the Company's website.

The Board Charter and the Code of Ethics and Conduct should be established as two separate documents.

Recommendation 1.6.3

Annual Board Work-plan
The Board should develop an annual work-plan to guide its activities.

Guideline

The Board work-plan should as a minimum focus on:

i. Strategic plan development and review
ii. Assessment of Management's implementation of strategies, policies and plans;
iii. Risk assessment and Management;
iv. Budgeting and Financial Management;
v. Quality assurance processes;
vi. Board evaluation; and

Recommendation 1.6.4

Board evaluation toolkit
The Board should determine and agree on its annual evaluation tool.

Guideline

Board members should agree on the parameters to be used in the annual evaluation process. The parameters, to be contained in an evaluation tool should be reviewed when necessary so as to keep up with new developments in Corporate Governance.

The Board should work with independent governance specialists to develop the parameters to be included in the evaluation toolkit.

Recommendation 1.6.5

The Governance Audit
The Board should ensure that it subjects the Company to an annual governance audit by a competent and recognized professional.

Guideline

The governance audit should among other areas cover the Company's governance practices in the following parameters:

i. Leadership and Strategic Management;
ii. Transparency and disclosure;
iii. Compliance with Laws and Regulations;
iv. Communication with stakeholders;
v. Board independence and governance;
vi. Board systems and procedures;
vii. Consistent shareholder and stakeholders' value enhancement; and
viii. Corporate social responsibility and investment.

After undergoing the governance audit, the Board should provide an explicit statement on the level of compliance.

1.7 Board induction and continuous skills development

Principle

All Board members should receive induction on joining the board and should update their skills and knowledge at regular intervals.

Recommendation 1.7.1

Induction of Board members
The Board should establish a formal induction program and ensure that every in-coming member is inducted.

Guideline

The Chairman should ensure that new Board members receive a full, formal and tailored induction on joining the Board.

Newly appointed Board members should be provided with necessary orientation in the area of the Company's business. This will enable them become familiar with the Company's operations, Senior Management and the business environment and enhance their effectiveness in the Board. New Board members should also be introduced to their fiduciary duties and responsibilities.

Recommendation 1.7.2

Board members development
The Board should ensure competence up-skilling programs are prepared for its members.

Guideline

The Chairman should regularly review and agree with each Board member their development needs. Thereafter arrangements should be made to ensure Board members go through the necessary training.

Recommendation 1.7.3

Continuous Board development
Board members should be required to secure 12 hours of Continuous Education per year on areas of Corporate Governance from recognized institutions.

Guideline

In view of the changing business environment, continuous Board members' development should be undertaken. This is in order to enhance governance practices within the Board itself and in the interest of the company.

1.8 Annual evaluation of Board members including the CEO and Company Secretary

Principle

The Board should undertake an annual evaluation of its own performance, the performance of the Chairman, that of its committees, individual members, the CEO and Company Secretary.

Recommendation 1.8.1

Evaluation criteria
The Board should evaluate its performance, the performance of the Chairperson, the CEO and Company Secretary on an annual basis.

Guideline

The parameters for the evaluation of the Board, the Chairman, Board Committees, individual Board members, the CEO and the Company Secretary should be agreed on before the evaluation takes place. The Board should work with independent governance specialists to assist in the evaluation process.

Recommendation 1.8.2

Evaluation results
A summary of the evaluation results should be published in the annual report of the Company.

Guideline

After the results of the evaluation process are determined, a report should be prepared and discussed with the Board. Once the evaluation report has been agreed on, summarised results should be published in the Company's annual report. Re-appointments to the Board should be dependent on Board members having attained favourable evaluation results from the exercise. In addition, development needs of the Board members will be determined from the results of the evaluation exercise.

1.9 Remuneration of Board members

Principle

Companies should remunerate Board members fairly and responsibly.

Recommendation 1.9.1

Remuneration policies and procedures
The board should establish formal and transparent remuneration policies and procedures to attract and retain Board members. These policies and procedures should be approved by shareholders.

Guideline

i. The remuneration policy for Board members should clearly stipulate the elements of such remuneration including directors' fee, attendance allowances and bonuses.
ii. The Board should ensure that the remuneration policies are aligned with its strategy and linked to performance.

Recommendation 1.9.2

Level of remuneration
The Board should determine the remuneration of the directors for shareholder's approval.

Guideline
i. The directors' remuneration should be sufficient to attract and retain directors to run the Company effectively and should be approved by shareholders.
ii. The Board of directors should set up an independent Remuneration Committee or assign a mandate to a Nominating Committee consisting mainly of independent

and non-executive directors to recommend to the Board the remuneration of the executive directors and the structure of their compensation package.

iii. The Executive directors' remuneration should be competitively structured in line with remuneration for other directors in the same industry and should be aligned with the business strategy and long-term objectives of the Company.
iv. The determination of the remuneration for non-executive and independent directors should be a matter for the whole Board.
v. The non-executive directors' remunerations should be competitive in line with remuneration for other directors in competing sectors.
vi. The remuneration of the executive directors should include an element that is linked to corporate performance including a share option scheme so as to ensure the maximization of the shareholders' value.
vii. Remuneration of Board members should reflect the Board's responsibilities, expertise and complexity of the Company's activities.
viii. The remuneration package to directors should be appropriately disclosed.

The Board should appoint a Remuneration Committee to implement Board policies and procedures matters relating to remuneration. The board remuneration policies and procedures should be disclosed in the annual report.

1.10 Compliance with Laws, Regulations and Standards

Principle

The Board should ensure the Company complies with The Constitution, all applicable laws and Regulations in line with accepted national and international standards, as well as its internal policies.

Recommendation 1.10.1

The Board should develop and implement a strategy on compliance with all applicable Laws, Regulations and Standards.

Guideline

The Board should establish internal procedures and monitoring systems to promote compliance with applicable Laws, Regulations and Standards. In addition, the Board should ensure that the compliance strategy is aligned to the operations of the Company.

Recommendation 1.10.2

The Board should identify all applicable Laws, Regulations and standards that the company should comply with.

Guideline

The applicable legislation the Company should comply with includes but is not limited to National and County Legislation, supporting Rules and Regulations, the CMA Code on Corporate Governance, Circulars and Guidance, Regional Regulations and International treaties and Standards.

Recommendation 1.10.3

The Board should institute a compliance audit to be carried out on a semi-annual basis.

Guideline

The Board should ensure the following:

i. That periodic internal compliance audits are carried out on a quarterly basis, with the objective of establishing the level of adherence to applicable Laws, Regulations and Standards.
ii. That the findings from the quarterly compliance audits are acted upon and any con-compliance issues arising corrected as necessary.
iii. That a comprehensive and independent legal audit is carried out at least once every two years. The recommendations from the comprehensive legal audit should be implemented fully.

CHAPTER 2

RIGHTS OF SHAREHOLDERS

Overview

Shareholder rights and investor protection are key factors to consider when determining the ability of companies to raise the capital they need to grow, innovate, diversify and compete effectively. If the legal and governance framework does not provide such protection, investors may be reluctant to invest unless they become the controlling shareholders. To a large extent the interests of majority shareholders are well taken care of as they are mostly represented in the Board of directors. It is critical that the governance framework should ensure the equitable treatment of all shareholders, including the minority.

The principles and recommendations touching on the rights of shareholders are given below:

2.1 The rights of shareholders

Principle

The Board should recognize, respect and protect the rights of shareholders.

Recommendation 2.1.1

The Board should facilitate the effective exercise of the rights of shareholders.

Guideline

i. All shareholders should receive relevant information on the Company's performance through the distribution of annual reports and accounts, and half-yearly results as a matter of best practice. Such reports should be availed across multiple communication channels suitable to shareholders' different media consumption habits. These include websites, postal mail and newspapers.
ii. All shareholders have a right to receive relevant sufficient and timely information concerning the date, location and agenda of the general meeting as well as full and timely information regarding issues to be decided during the general meeting. Such information should be received at least 21 days before the Annual General Meeting.
iii. The Board should make shareholders expenses and convenience primary criteria when selecting venue and location of Annual General Meeting.
iv. The Board should provide sufficient time for shareholders to ask questions on matters pertaining to the Company's performance and seek to explain to the shareholders their concern in a clear and comprehensible manner.

v. The shareholders have a right to a secure method of transfer and registration of ownership of their shares.
vi. Every shareholder has the right to participate and vote at the general shareholders meeting including the election of directors.
vii. All shareholders should be encouraged to participate in the Annual General Meetings and to exercise their votes.
viii. The Board should ensure that shareholders' right of full participation at Annual General Meetings are protected by giving shareholders:
    a) Sufficient information on voting rules or procedures;
    b) The opportunity to quiz management;
    c) The opportunity to place items on the agenda at Annual General Meetings;
    d) The opportunity to vote in absentia; and
    e) Sufficient information to enable them to consider the costs and benefits of their votes.
ix. Every shareholder shall be entitled to ask questions, seek clarification on the Company's performance as reflected in the annual reports and accounts or on any matter that may be relevant to the Company's performance or promotion of shareholders' interests and to receive explanation from the directors and/or management. This right shall be exercised in such a way as not to disrupt the business of an AGM.
x. Every shareholder is entitled to distributed profit in form of dividend and other rights for bonus shares, script dividend or rights issue, as applicable and in the proportion of its shareholding in the Company.
xi. The Board should maintain an effective communication policy that enables both management and the Board to communicate effectively with its shareholders, stakeholders and the public in general.
xii. The annual report and accounts to the shareholders must include highlights of the operations of the Company, financial performance and status of application of this Code.
xiii. Companies should provide information on each subject to be discussed at the general meeting. They should also provide proxy models with different voting options for shareholders.
xiv. Companies should employ modern communication techniques including the use of teleconferencing, videoconferencing, websites, and emails to communicate with shareholders.
xv. Companies, as a matter of best practice, are encouraged to organize regular investor briefings and in particular when the half-yearlybiannual and annual results are declared or as may be necessary to explain their performance and promote interaction with investors.
xvi. The Board should encourage the establishment and use of the Company's website by shareholders to speed up communication and interaction among shareholders and the Company.

2.2 Equitable treatment of shareholders

Principle

The Board should ensure that all shareholders are treated equitably.

Recommendation 2.2.1

The Board should ensure there is equitable treatment of all holders of the same class of issued shares.

Guideline

i. The Board should ensure that all shareholders, including minority and foreign shareholders are treated in an equitable manner.
ii. Every Company should encourage the establishment of a Shareholders' Association to promote dialogue between the Company and the shareholders. The Association should play an important role in promoting good corporate governance and actively encourage all shareholders to participate in the Annual General Meeting of the Company or assign necessary voting proxy.
iii. Minority shareholders should be protected from any adverse actions by the controlling shareholders acting either directly or indirectly, and should have effective means of redress.

2.3 Institutional investors

Principle

Institutional investors under the jurisdiction of the Capital Markets Authority (CMA) should have transparent, honest and fair practices in their dealings with the Companies in which they invest.

Recommendation 2.3.1

Institutional investors should take up the role of stewardship as the representatives of their clients or investors in listed companies and other approved products through their organizations.

Guideline

Institutional investors are particularly encouraged to make direct contact with the Company's Management and Board to discuss performance and corporate governance matters as well as vote during the Annual General Meetings of the Company.

Recommendation 2.3.2

Institutional investors should commit themselves to complying with principles of a Code that governs the roles and responsibilities of institutional investors operating under the jurisdiction of CMA.

Guideline

The principles of the Code governing institutional investors should include:

i. Public disclosure on discharge of stewardship responsibilities.
ii. A policy on conflict of interest in relation to stewardship which should be publicly disclosed.
iii. Monitoring and evaluation of their client's investments.
iv. Guidelines on when and how they will escalate their stewardship activities.
v. A policy on voting at Annual General Meetings.
vi. A policy on periodic reporting to their clients.

2.4 The media and corporate governance

Principle

The Board should proactively engage the media on dissemination of important company information and issues relating to good corporate governance in order to protect investors.

Recommendation 2.4.1

Information to the media should be released proactively on a timely basis to ensure effective reporting on corporate affairs as well as issues of corporate governance.

Guideline

Reporters who cover a company or industry speak constantly with industry observers, participants, critics and supporters. They sometimes develop insights that are even deeper than a company's management may have. They can serve as an early warning system of trouble ahead although companies often see them as having a biased view. Such early warning systems should assist companies to take corrective measures in areas they were not doing well.

CHAPTER 3

STAKEHOLDER RELATIONS

Overview

Effective management of stakeholders will positively impact the Company's achievement of its strategy and long-term growth. Stakeholders are considered to be any group who can affect, or be affected by the Company, its decision and or its and reputation. They include shareholders, customers, suppliers, employees, creditors, regulators, lenders, media, auditors and potential investors. The Corporate Governance framework should recognise the rights of stakeholders and encourage active co-operation between companies and stakeholders in creating wealth, and sustainability of financially sound enterprises.

The principles and recommendations on managing relationship with stakeholders follow:

3.1 Managing stakeholder relations

Principle

The Board should proactively manage the relationship with stakeholders.

Recommendation 3.1.1

The Board should have a stakeholder-inclusive approach in its practice of good corporate governance and should identify its various stakeholders.

Guideline

The Board should identify all its stakeholders, and map out areas of interaction with such stakeholders.

A stakeholder-inclusive approach to corporate governance recognises that a Company has many stakeholders that can affect or be affected by it, in the achievement of its strategy and long-term sustained growth.

Recommendation 3.1.2

The Board should develop strategies and suitable policies to manage relations with different stakeholder groups and to ensure that directors disclose any conflict of interest with any related parties.

Guideline
Having identified its key stakeholders and related party interests, the Company should develop a strategy and suitable policies on how it will manage its relations with each of its stakeholder groups.

Companies need to realise that all stakeholder expectations, even if not warranted, need to be managed.

Recommendation 3.1.3
Constructive engagement with stakeholders should be deliberate and planned.

Guideline

The Board should identify mechanisms and processes that can support constructive engagement with stakeholders so as to promote enhanced levels of corporate governance.

Recommendation 3.1.4
The Board should take into account the interests of all key stakeholder groups before making its decisions.

Guideline

The Board should strive, while acting in the best interests of the Company, to achieve an appropriate balance between the interests of its various stakeholders, in order to achieve the long-term objectives of the Company. The Board, while accountable to the company, should take into account the legitimate expectations of its stakeholders in its decision-making.

Board decisions on balancing the interests of stakeholders should be guided by the aim of ultimately advancing the best interest of the Company.

Recommendation 3.1.5

The Board should recognise, test where necessary and respect the governance practices of stakeholders in an effort to improve the Company's own governance practices.

Guideline

If a company and its stakeholders in general adhere to the same standards of corporate governance, mutual respect will be a natural consequence. It is therefore important for the Company to monitor the quality of corporate governance practised by its strategic stakeholders.

An inclusive corporate governance approach enables the Company and its stakeholders to adopt a collaborative approach – one that will promote reciprocal trust and respect between the Company and its key stakeholders.

3.2 Communication with stakeholders

Principle

The Board should ensure effective communication with stakeholders.

Recommendation 3.2.1

Transparent and effective communication is important for building and maintaining trust that results in good relationships with stakeholders.

Guideline

The Board should proactively supply relevant information to stakeholders, and have regard for the best interests of the company in determining what information should be shared. In addition, it should establish whistle-blowing mechanisms encouraging stakeholders to bring out information helpful in enforcing good corporate governance practices.

3.3 Resolving internal and external disputes

Principle

The Board should establish a formal process to resolve both internal and external disputes.

Recommendation 3.3.1

The Board should ensure the established channels of dispute resolution are used in the first instance.

Guideline

Disputes involving companies are an inevitable part of doing business and mechanisms of resolving the disputes in a cost effective and timely manner should be established. Mechanisms to avoid their recurrence should be established and implemented. It is incumbent upon directors and executives, in carrying out their duty of care to a company, to ensure that disputes are resolved effectively, expeditiously and efficiently. Further, dispute resolution should be cost effective and not be a drain on the finances and resources of the Company.

CHAPTER 4

ETHICS AND SOCIAL RESPONSIBILITY

Overview

To make ethical and responsible decisions, companies should not only comply with their legal obligations, but should consider the reasonable expectations of their stakeholders. It is important for companies to demonstrate their commitment to appropriate corporate practices and strive to be socially responsible. Good corporate citizenship is the establishment of ethical relationship of the responsibility between the Company and the society in which it operates.

As good corporate citizens of the societies in which they do business, companies have, apart from rights, also legal and moral obligations in respect of their social and natural environments. The Company as a good corporate citizen should protect, enhance and invest in the well-being of society and the natural ecology.

Principles and recommendations on ethics and social responsibility follow:

4.1 Ethical leadership and corporate citizenship

Principle

The Board should set standards of ethical behaviour required of its members, senior executives and all employees and ensure observance of those standards. In setting the standards, the Board should have regard to the national standards on ethical conduct by public entities.

Recommendation 4.1.1

The Board should ensure that all deliberations, decisions and actions are founded on the core values underpinning good governance.

Guideline

The core values underpinning good governance are:

i. *Responsibility*: the Board should assume responsibility for the assets and actions of the company and be willing to take corrective actions to keep the Company on its strategic path.

ii. *Accountability*: the Board should be able to justify its decisions and actions to shareholders and other stakeholders who require it to do so.

iii. *Fairness*: in its decisions and actions, the Board should ensure it gives fair consideration to the interests of all stakeholders of the Company.

iv. *Transparency*: the Board should disclose information in a manner that enables stakeholders to make an informed analysis of the Company's performance.

4.2 Management of company's ethical issues

Principle

The Board should ensure that the Company's ethical issues are managed effectively.

Recommendation 4.2.1

The Board should ensure that ethical risks and opportunities are incorporated in the risk management process.

Guideline

An ethics risk profile should be compiled, reflecting the Company's negative ethics risks (threats) as well as its positive ethics risks (opportunities). This will enable the company to exploit the risk opportunities while avoiding the risks threats.

Recommendation 4.2.2

The Board should ensure that a Code of Conduct and Ethics is developed and implemented.

Guideline

The Company's Code of Conduct and Ethics should be developed, stipulating the ethical values, standards as well as specific guidelines that the Company should adhere to, in its interaction with its internal and external stakeholders.

The Code of Conduct and Ethics should be reviewed and updated on a regular basis.

Recommendation 4.2.3

The Board should ensure that compliance with the Code of Conduct and Ethics is integrated in the operations of the Company.

Guideline

The Board should ensure that the Company's ethical standards as set out in the Code of Conduct and Ethics and related policies; are integrated into the Company's strategies and operations. It should also provide secure whistle-blowing systems.

Recommendation 4.2.4

The Board should ensure that the Company's performance on ethics is assessed, monitored and disclosed.

Guideline

The Board should assess the Company's performance on ethics, and disclose findings to internal and external stakeholders. The Board should also reinforce good ethical conduct but sanction any misconduct.

4.3 The Board and corporate citizenship

Principle

The Board should ensure that the Company is and is perceived to be a responsible corporate citizen.

Recommendation 4.3.1

The Board should ensure that management develops corporate citizenship policies for use by the Company.

Guideline

A good corporate citizen is one that has comprehensive policies and practices in place throughout the business that enables it to make decisions and conduct its operations ethically, meet legal requirements and show consideration for society, communities and the environment.

Recommendation 4.3.2

The Board should consider not only the financial performance but also the impact of the Company's operations on society and the environment.

Guideline

The Board is not only responsible for the Company's financial bottom line, but for the Company's performance in respect of its triple bottom line. This implies that the Board should report to its shareholders and other stakeholders on the Company's economic, social and environmental performance.

Recommendation 4.3.3

The Board should protect, enhance and invest in the well being of the economy, society and the environment.

Guideline

Although the Company is an economic institution, it remains a corporate citizen and therefore has to balance economic, social and environmental value. The triple bottom line approach enhances the potential of a company to create economic value. By looking beyond immediate financial gain, the Company ensures that its reputation, one of its most significant assets, is protected. Besides, there is growing understanding in business that social and environmental issues have financial consequences.

4.4 Strategies and policies relating to good corporate citizenship

Principle

Companies should develop strategies and policies to guide their activities in becoming and remaining good corporate citizens.

Recommendation 4.4.1

The board should ensure that activities leading to good corporate citizenship are well coordinated.

Guideline

Corporate citizenship should be manifested in tangible programmes and results which can be reported on based on standard performance measures. There is no universal approach to good citizenship programmes. However, the key success factor is that such programmes should have the commitment of the leadership and should focus on corporate citizenship rather than on public relations.

The strategies and policies designed to achieve good corporate citizenship should be planned and coordinated across all sections of the Company. Negative consequences of fragmentation include duplication and missed opportunities for synergies.

CHAPTER 5

ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL

The Board has a responsibility to ensure adequate systems and processes of accountability, risk management and internal control are in place in order to achieve its strategic objectives. The Board should put in place adequate structures to enable the generation of true and fair financial statements.

The Board should understand that business involves the taking of risk in expectation of rewards. A considered and systematic approach to risk underpins the success of the Company. Risk management is the practice of identifying and analysing the risks associated with the business and taking adequate steps to manage these risks. Risk management should not be viewed as a reporting process to satisfy governance expectations only. The rigours of risk management should seek to provide interventions that optimise the balance between risk and reward in the Company.

Internal controls are important for risk management and the Board should be committed to articulating, implementing and reviewing the company's internal control system. Internal control has been defined as;

> "The process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations." *(Report by Committee of sponsoring organizations of the American Institute of Certified Public Accountants titled-Internal Control-Integrated Framework).*

The principles and recommendations on how to deal with matters of accountability, risk management and internal control follow:

5.1 Financial and business reporting

Principle

There should be a structure to independently verify and safeguard the integrity of the financial reporting.

Recommendation 5.1.1

The Board should put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the company's financial position. This structure should include:

i. Review and consideration of the financial statements by the Audit Committee.
ii. A process to ensure the independence and competence of the Company's external auditors.

Guideline

The Board should have processes in place to ensure the books of account are prepared on a timely basis. In addition, the Board should recognise the value of an effective Audit Committee in ensuring the financial statements of the Company are a reliable source of financial information. The Audit Committee should amongst other items, ensure that the Company's financial statements comply with applicable financial reporting standards as this is integral to the reliability of financial statements.

Recommendation 5.1.2

The Board should explain in its annual report its responsibility for preparing the annual report and accounts, and there should be a statement by the auditor about their reporting responsibilities.

Guideline

The Board should take full responsibility for the accuracy of the financial statements.

Recommendation 5.1.3

The shareholders should appoint independent auditors at each Annual General Meeting in line with Company Law.

Guideline

i. The Board should establish a formal and transparent arrangement for shareholders to effect the appointment of independent auditors at each Annual General Meeting.
ii. The Board should establish a formal and transparent arrangement for maintaining a professional interaction with the Company's auditors.
iii. The auditor of a public listed company shall be a member of the Institute of Certified Public Accountants and shall comply with the International Auditing Standards.

Recommendation 5.1.4

The Board should rotate independent auditors (every six to nine years) in keeping with the tenets of good governance.

Guideline

The Board should recommend to its shareholders in an AGM the rotation of auditors in order to improve their independence, objectivity and professional scepticism.

Recommendation 5.1.5

The Board should continually work towards the introduction of integrated reporting.

Guideline

Integrated reporting is a process that brings together the material information about an organization's strategy, governance, performance and prospects in such a way that reflects its commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organization demonstrates stewardship and how it creates value, now and in the future. Integrated reporting combines the most material elements of information currently reported in separate reporting strands (financial, management Guideline, governance and remuneration, and sustainability) into a coherent whole.

Adoption of integrated reporting will lead to more effective disclosure. From the Company's point of view, it will mean that more issues and areas have been taken into account in running the business including: suppliers, customers, regulators, government, creditors, debtors, investors and even the community where this business is located. Taking care of the interests of varied stakeholders can only lead to better management and control of the Company.

The various stakeholders will be better able to assess the status of the Company (whether good or bad) from the integrated (increased disclosures) reports.

5.2 Recognise and manage risks

Principle

The Company should have an effective risk management framework in place.

Recommendation 5.2.1

The Board should establish an effective risk management framework for the Company.

Guideline

The Board should determine the Company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets. The Board should disclose in the annual report the main features of the Company's risk management framework.

5.3 Internal control systems

Principle

The Company should have in place effective systems of internal controls.

Recommendation 5.3.1

The Board should establish and review on a regular basis the adequacy and integrity of the Company's internal control systems for acquisitions and divestitures and management of information systems including compliance with applicable laws, regulations, rules and guidelines.

Guideline

Internal controls are important for risk management and the Board should be committed to articulating, implementing and reviewing the Company's internal control systems. Periodic testing of the effectiveness and efficiency of the internal control procedures and processes must be conducted to ensure that the system is viable and robust.

Recommendation 5.3.2

The Board should set out its responsibility for internal control in the Board Charter.

Guideline

The Board should delineate clearly its responsibility for internal control in the Board Charter, indicating the steps that need to be taken to achieve a good internal control position for the Company.

Recommendation 5.3.3

The Board should delegate to Management the responsibility of designing, implementing and monitoring effectiveness of internal control systems.

Guideline

The Board should set out in the Board Charter the role to be played by Management in enhancing a good system on internal controls.

5.4 Checking on risk management and internal control practices

Principle

The Board should confirm the effectiveness of the Company's risk management and internal control practices on a regular basis.

Recommendation 5.4.1

The Board should ensure the effectiveness of the Company's risk management and internal control practices on an annual basis.

Guideline

The Board should, at least annually, ensure a review of the effectiveness of the Company's risk management practices and internal control systems is conducted and report to shareholders that they have done so. The review should cover all material controls including financial, operational and compliance.

5.5 Audit Committee

Principle

The Company should have an effective Audit Committee.

Recommendation 5.5.1

The Board should establish an Audit Committee with written terms of reference.

Guideline

Duties of Audit Committees

Audit Committees should have adequate resources and authority to discharge their responsibilities. The members of the Audit Committee shall:

i. be informed, vigilant and effective overseers of the financial reporting process and the Company's internal controls;
ii. review and make recommendations on management programs established to monitor compliance with the code of conduct;
iii. consider the appointment of the external auditor, the audit fee and the questions of resignation or dismissal of the external auditor;
iv. discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
v. review management's evaluation of factors related to the independence of the Company's external auditor. Both the Audit Committee and Management should assist the external auditor in preserving independence;

vi. review the quarterly, half-yearly and year-end financial statements of the Company, focusing particularly on:
    a. any changes in accounting policies and practices;
    b. significant adjustments arising from the audit;
    c. the going concern assumption; and
    d. compliance with International Accounting Standards and other legal requirements.
vii. discuss problems and reservations arising from the interim and final audits, and any other matter the external auditor may wish to discuss (in the absence of Management where necessary);
viii. review any communication between external auditor(s) and Management;
ix. consider any related party transactions that may arise within the Company or Group;
x. consider the major findings of internal investigations and Management response;
xi. have explicit authority to investigate any matter within its terms of reference. The resources that it needs to do so and full access to information;
xii. obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary; and
xiii. consider other issues as defined by the Board including regular review of the capacity of the Internal Audit function.

Recommendation 5.5.2

The Board should establish an internal audit function which reports directly to the Audit Committee.

Guideline

The Board should establish an internal audit function whether internally based or externally sourced and identify a head of internal audit who reports directly to the Audit Committee. The Head of internal audit should have relevant qualifications and be responsible for providing assurance to the Board that internal controls are operating effectively. Internal auditors should carry out their functions following the International Standards in Auditing (ISA), any standards promulgated by the Institute of Internal Auditors (IIA) and the Code of Conduct and Ethics.

Internal auditors should also conduct regular reviews and appraisals of the effectiveness of the governance, risk management and internal control processes within the Company.

Audit Committee and Internal Audit Functions

The Audit Committee should determine the remit of the internal audit function and in particular:

i. review of the adequacy, scope, functions and resources of the internal audit function, and ensure that it has the necessary authority to carry out its work;
ii. review the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of internal audit function;
iii. review any appraisal or assessment of the performance of members of the internal audit function;
iv. approve any appointment or termination of senior staff members of the internal audit function;
v. ensure that the internal audit function is independent of the activities of the Company and is performed with impartiality, proficiency and due professional care;
vi. determine the effectiveness of the internal audit function; and
vii. be informed of resignations of internal audit staff and provide the resigning staff members an opportunity to submit reasons for resigning.

Participation in the Meetings of Audit Committee

i. The Finance Director, the Head of Internal Audit (where such a function exists) and a representative of the external auditors shall normally attend meetings of the Audit Committee while other members of Management may attend meetings upon the invitation by the Audit Committee.
ii. At least once a year, the Committee shall meet with the external auditors without Board members present.
iii. The Audit Committee should meet regularly, with adequate notice of the issues to be discussed and should record its conclusions.
iv. The Board should disclose in an informative way, details of the activities of Audit Committee, the number of Audit Committee meetings held in a year and details of attendance of each Audit Committee member at such meetings.

Recommendation 5.5.3

The Board should ensure the effectiveness of the Company's risk management and internal control practices on an annual basis.

Guideline

The Board should, at least annually, ensure a review of the effectiveness of the Company's risk management practices and internal control systems is conducted and report to shareholders that they have done so. The review should cover all material controls including financial, operational and compliance.

CHAPTER 6

TRANSPARENCY AND DISCLOSURE

Overview

Transparency and disclosure are crucial for the market-based monitoring of companies and are central to a shareholder's ability to exercise his or her ownership rights. Disclosure is a powerful tool for influencing companies and protecting investors. It can help to attract capital and maintain confidence in the markets. Weak disclosure can contribute to the practice of unethical behaviour, weakening of market integrity and loss of investor confidence. Insufficient or unclear information may hamper ability of markets to function, increase cost of capital and result in poor resource allocation.

Disclosure also allows stakeholders to understand a company's activities, policies and performance with regard to environmental and ethical standards, as well as its relationship with the communities where the Company operates. Transparency and disclosure allows companies to differentiate themselves from firms who do not practice good governance.

The main principles and recommendations on transparency and disclosure are given below:

6.1 Timely and balanced disclosure

Principle

Companies should promote timely and balanced disclosure of all material information concerning the Company.

Recommendation 6.1.1

The Board should ensure the Company has appropriate corporate disclosure policies and procedures.

Guideline

The Company should have internal corporate disclosure policies and procedures, which are practical and include feedback to from stakeholders. These policies and procedures should ensure compliance with the disclosure requirements set out in the listing requirements. In formulating these policies and procedures, the Board should be guided by best practices.

Some key areas requiring disclosure and the recommended disclosure practices are given below:

i. **Audit Committee**
   The Board should disclose in its annual report whether it has an Audit Committee, the members, their qualifications, independence or lack thereof and the mandate of such committee.

ii. **Board structure**
   The Board should disclose in its annual report whether independent and non-executive directors constitute one third of the Board and if it satisfies the representation of the minority shareholders.

iii. **Code of Conduct and Ethics**
   The Board should disclose the Company's code of ethics and conduct on its website.

iv. **Company vision, mission, values and strategic objectives**
   The Board should ensure that the annual report includes a statement on the Company's vision, mission values and strategic objectives and how these influence Board and Management behaviour towards maximization of shareholder value.

v. **Compliance with Laws, Regulations and Standards**
   The Board should disclose the following:
   a) Level of compliance with Laws, Regulations and Standards.
   b) Any material departures from required compliance, the causes of non-compliance and the measures to address the non-compliance.
   c) The cost of compliance with applicable Laws, Regulations and Standards.

vi. **Details about Board members**
   Current names of Board members should be disclosed. Additional information to be disclosed includes:
   a) Qualifications of directors
   b) Other board memberships
   c) The selection process
   d) Whether directors are regarded as independent and if so, the criteria used to support the independence
   e) Any other material information

vii. **Ethical leadership and corporate citizenship**

The Board should disclose the Company’s policy on corporate social responsibility and investment. It should also disclose the Company’s policy on conflict of interest.

viii. Environmental Social and Governance policies

The Board should ensure that the Company discloses its policies and implementation thereof in its annual report and website.

ix. Evaluation Results

Summary results of the evaluation exercise of the Board, the Chairperson, the CEO and Company Secretary should be published in the annual report and financial statements of the Company.

x. Financial reporting

The Board should disclose the Management Discussion and Analysis. This is a narrative which sets out:

a) Management‘s assessment of the factors that affected the Company‘s financial condition and results of operation over the period covered by the financial statements; and
b) Known trends that are reasonably likely to have a material effect on the Company‘s financial condition and results of operations in the future.

The Board should disclose whether it has complied with the International Financial Reporting Standards (IFRS) in preparing their financial statements. Any deviation from these financial standards should be disclosed.

xi. Governance structures

The Board should include in its annual report the governance structure including the composition and size of the Board, the committees of the Board, Management and their mandate.

xii. Information technology and corporate reporting

The Board should disclose the Company’s policy on information technology.

xiii. Insider dealings

The Board should institute structures to prevent insider dealings by its directors and management. In addition, the Board should disclose all insider dealings that come to its attention.

xiv. Key company’s risks and sustainability

The Board should disclose the Company’s risk management policy. It should also disclose the key risks to which the Company is exposed.

xv. Key stakeholder groups

The Board should disclose the key shareholders and the extent of their shareholding. In this regard, the following information should be disclosed:

- The top ten (direct) shareholders.
- Beneficial ownership and control.
- A complete list of shareholders to the Registrar of Companies on an annual basis.
- The name of the parent company and parent company of the group.
- Shareholder agreements.
- As per IFRS requirements, consolidation and a discussion of the basis for consolidation that would include mention of relevant subsidiaries.

The Board should disclose key stakeholders who may have an influence on the Company's performance and sustainability.

xvi. Policy on corporate governance

The Board should include in its annual report a statement on compliance with good corporate governance. The statement should indicate aspects of this Code which have not been applied, the reasons thereof, indicative timelines and proposed strategies towards application.

xvii. Procurement

The Board should disclose the Company's policy on procurement. In addition, the Board should disclose the top ten contracts in terms of value.

xviii. Related party transactions

The Board should disclose all related party transactions. The disclosure of related party transactions should be further guided by the provisions of applicable laws.

xix. Remuneration structure

The Board should annually disclose in its annual report, its policies for remuneration including incentives for the Board and senior management particularly the following:

a) Quantum and component of remuneration for directors including non-executive directors on a consolidated basis in the following categories;
   i. Executive directors fees;
   ii. Executive directors emoluments;
   iii. Non-executive directors fees;
   iv. Non-executive directors emoluments.
b) The remuneration of the Chief Executive Officer (CEO);
c) Share options and other forms of executive compensation that have to be made or have been made during the course of the financial year; and
d) Aggregate directors' loans.

xi. Resignation of Board members

Resignation by a serving Board member together with the detailed circumstances necessitating the resignation should be adequately disclosed:

a) in two Newspapers with national reach immediately it happens;
b) in the Company's website immediately it happens; and

c) in the annual report at the end of the financial year;

In addition, CMA should be notified immediately the resignation takes place.

xx. Whistle-blowing policy

The Board should disclose the Company's Whistle Blowing Policy on its annual report and website.

CHAPTER 7

SUPERVISION AND ENFORCEMENT

Overview

Without effective supervision and enforcement, laws and regulations can have little impact. Laws can serve to instruct and educate. But to be truly effective, market practices must be supervised, and violations of laws and rules must be sanctioned through administrative and criminal procedures. This Code is offered for compliance on an "Apply or Explain" basis its application and enforcement will be by the Capital Markets Authority (CMA). It is noted that some of the principles contained in this code are also contained in capital markets legislation and require compliance.

The principles and recommendations on Supervision and Enforcement are given below:

7.2 Application of the Principles and Recommendations of the CMA Code of Corporate Governance

Principle

The Company should apply this Code of Corporate Governance Practices for Public Listed Companies in Kenya, 2014.

Recommendation 7.1.1

The Board should apply all the principles and recommendations contained in this Code or explain the principles not applied and the steps being taken towards their application.

Guideline

Any non- application by listed companies with the Code of Corporate Governance should be brought to the attention of Capital Markets Authority immediately it occurs. The reasons for non-application, the time frame required and the strategies to be put in place towards application should be clearly indicated.

Recommendation 7.1.2

At the end of the year, the Board should disclose in its annual report a statement of policy on good governance and the status of application of this Code.

Guideline

In addition to disclosing the statement of policy on good governance in its annual report, the Board should also disclose the level of application of the CMA Code of Corporate Governance. Any areas not applied should be indicated, the reasons thereof, the steps to be taken and the time it would take to get to full compliance towards application.

Recommendation 7.1.3

CMA should work with other complementary institutions in ensuring compliance with this Code. The complementary institutions are:

iv. The Securities Exchange (SE)
v. The Registrar of Companies and
vi. The Courts of Law

Guideline

The Capital Markets Authority (CMA) should work closely with any relevant Securities Exchange, The Companies Registry and the Courts to ensure proper understanding of the role of corporate governance. Once the other three institutions have a good understanding of corporate governance guidelines, they can assist in enforcing this Code of Corporate Governance.

APPENDIX I

CODE OF CORPORATE GOVERNANCE PRACTICES FOR PUBLIC LISTED COMPANIES IN KENYA

SELECTED MANDATORY REQUIREMENTS

Board composition, appointment and procedures

1. (1) Every Company shall be headed by an effective Board which shall offer strategic guidance, leadership and control of the Company.

   (2) The Board shall-

   (a) have an appropriate balance of skills, experience, independence and knowledge of the Company and its business to enable them discharge their respective duties and responsibilities effectively;
   (b) have transparent and documented procedures for appointment of new Board members;
   (c) establish clear functions reserved for the Board and those functions delegated to Management;
   (d) establish policies to ensure that that Board members are independent;
   (e) formalize its ethical standards through the development of a Code of Ethics and Conduct and ensure it is complied with;
   (f) establish, periodically review and make public its Board Charter;
   (g) ensure the Company complies with the Constitution, all applicable laws and regulations in line with accepted national and international standards, as well as its internal policies;
   (h) be accountable to the Company's shareholders.

   (3) A person offering himself or herself for appointment as a Board member shall disclose any conflict or potential conflict that may undermine their position or duties as a director.

   (4) The roles of Chairman and chief executive officer shall not be exercised by the same person.
   (5) The Chairperson of a public listed Company shall be independent and non-executive.
   (6) The Board shall
   (a) evaluate its performance, the performance of the Chairperson, the Chief Executive Officer on an annual basis;
   (b) publish a summary of the evaluation results in the annual report of the Company.

Board Committees

2. (1) The Board shall-

(a) establish relevant committees to enable it discharge its mandate.
(b) ensure that the Committees shall be appropriately constituted with members who have the necessary skills and expertise to handle the responsibilities allocated to them;
(c) appoint chairpersons of the Committees
(d) determine the procedure and process within which the Committees may be allowed to engage independent professional advise at the Company's expense;

(e) review the effectiveness and performance of the Committees annually.

Nominating Committee

3. (1) The Board shall appoint a Nominating Committee consisting of at least three independent and non-executive Board members.
   (2) The Nominating Committee shall-
      (a) recommend new nominees for appointment to the Board
      (b) assess the performance and effectiveness of the directors of the Company
   (3) The Chairperson of the Nominating Committee shall be an independent Board member.

Audit Committee

4. (1) The Board shall establish an Audit Committee of at least three independent and non-executive directors, with written terms of reference, which deal clearly with its authority and duties.
   (2) The Chairperson of the Audit Committee shall be an independent and non-executive director.
   (3) The Board shall ensure that at least one of the members of the Audit Committee holds a professional qualification in audit or accounting and be in good standing with their professional body.

Board balance

5. (1) The Board shall comprise a balance of executive and non-executive directors, with a majority of non-executive directors.
   (2) Independent and non-executive directors should be at least one third of the total number of Board members.
   (3) An independent Board member shall serve for a term not exceeding nine years and may thereafter be re-designated as a non-independent member.

Limit on directorships

6. (1) A director of a listed company other than a corporate director shall not be a director in more than three public listed companies at any one time.
   (2) Where a corporate director has appointed an alternate director, the appointment of such alternate shall be restricted to two public listed companies at any one time.
   (3) An executive or managing director of a listed company shall be restricted to one other directorship of another listed company.

Alternate Board members

7. (1) The qualification and procedure for nomination and appointment of Alternate Board members shall be the same as that required in the appointment of a substantive Board member.
(2) A principal director whether a body corporate or a natural person shall have one alternate director.
(3) A body corporate shall not be nominated as an alternate director.
(4) An alternate director shall not be appointed as a member of the Audit Committee.

Company Secretary

8. The Board shall be assisted by a suitably qualified and competent Company Secretary who shall be a member of the Institute of Certified Public Secretaries of Kenya.

Policies and Procedures

9. The Board shall establish formal and transparent policies and procedures for-
   (a) remuneration;
   (b) effective communication with stakeholders;
   (c) corporate disclosure policies and procedures.
   (d) dispute resolution for internal and external disputes
   (e) policies and procedures to attract and retain Board members. These policies and procedures should be approved by shareholders.

Shareholders

10. (1) The Board should facilitate the effective exercise of the rights of shareholders.
(2) The Board should ensure there is equitable treatment of all holders of the same class of issued shares.
(3) The shareholders shall appoint independent auditors at each Annual General Meeting.

Financial reporting

11. (1) The Board shall develop structures to-
   (a) independently verify and safeguard the integrity of financial reporting;
   (b) ensure the truthful and factual presentation of the Company's financial position.

(2) The Board shall explain in the Company's annual report the Board's responsibility for preparing the annual report and accounts, with a statement by the auditor about their reporting responsibilities.

Internal control systems

12. (1) The Board shall-
   (a) establish and review on a regular basis the adequacy and integrity of the Company's internal control systems for acquisitions and divestitures and management of information systems including compliance with applicable laws, regulations, rules and guidelines;
   (b) set out its responsibility for internal control in the Board Charter;

(c) ensure the effectiveness of the Company's risk management and internal control practices on an annual basis.