

# REAL PEOPLE KENYA LIMITED

## Audit & Risk Committee

### Charter

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1.	1.0.0	July 2015		Initial Draft	RPKL	Legal and Compliance Department
2.	1.0.1	October 2024	Simon Owawa	2.2,5,6,8,9,11,12,13,14	RPKL	Legal and Compliance Department

## **1. INTRODUCTION**

- 1.1. The Audit and Risk Committee is a Committee appointed the Board of Directors of Real People Kenya Limited ("the Company") based on guidelines from the Kenyan Companies Act Cap 486 and Capital Market Authorities guidelines. The Board is mandated to create an effective Audit and Risk Committee with written terms of reference.
- 1.2. The duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities that they have as members of the Board.
- 1.3. The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations.
- 1.4. These Terms of Reference are subject to the provisions of the Companies Act, the Company's Memorandum and Articles of Association and any other applicable law or regulatory provision.

## **2. PURPOSE AND OBJECTIVES**

- 2.1. The purpose of these Terms of Reference is to set out the Committee's role and responsibilities as well as the requirements for its composition and meeting procedures.
- 2.2. The Committee serves in an advisory capacity to the Board and assists the directors in discharging their duties relating to:
  - 2.2.1. the safeguarding of assets.
  - 2.2.2. the operation of adequate systems, financial risk management and controls.
  - 2.2.3. the review of financial information, and the preparation of annual financial statements.
  - 2.2.4. the review of the Company's risk management framework and practices.
  - 2.2.5. Oversight of internal and external audit functions.
  - 2.2.6. Compliance with laws, regulations, and ethical standards.
  - 2.2.7. Other matters incorporated in the annual report.

## **3. SCOPE**

The Audit and Risk Committee's mandate covers the Company only.

## **4. ROLE**

- 4.1. The Committee has an independent role with accountability to both the Board and the shareholders.
- 4.2. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

## **5. MEMBERSHIP**

- 5.1. The Committee shall:
  - 5.1.1. Consist of at least three independent non-executive directors, with written terms of reference.

- 5.1.2. Include at least one member who holds a professional qualification in finance or accounting and be in good standing with their respective professional body
- 5.1.3. Ensure that all members are financially literate and are able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statements.
- 5.2. The Chairperson of the Audit and Risk Committee shall be an independent non- executive director.
- 5.3. The important attributes of Committee members shall include:
  - 5.3.1. Broad business knowledge relevant to the Company's business;
  - 5.3.2. Keen awareness of the interests of the investing public and familiarity with basic accounting principles; and
  - 5.3.3. Objectivity in carrying out their mandate with no conflicts of interest.
- 5.4. The Board should ensure continuity of Committee membership where possible, with any changes to the Committee's composition made in stages.
- 5.5. Alternate directors should not be appointed as members of the Audit and Risk Committee.
- 5.6. Committee members shall serve for a term of three years, renewable once, for a maximum tenure of six years.

## 6. **FUNCTIONS**

### 6.1. **Financial Reporting Oversight**

The Committee shall:

- 6.1.1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 6.1.2. Review with management and the external auditors the results of the audit, including any difficulties encountered.
- 6.1.3. Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- 6.1.4. Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- 6.1.5. Review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.
- 6.1.6. Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- 6.1.7. Review interim financial reports with management and the external auditors before filing with regulators and publishing; and consider whether they are complete and consistent with the information known to Committee members.
- 6.1.8. Oversee the Company's integrated reporting process for the annual report, ensuring:

- 6.1.8.1. The report provides a holistic and integrated representation of the Company's performance in terms of both its finances and its sustainability.
- 6.1.8.2. The integrated report complies with relevant regulatory requirements and aligns with best practices in integrated reporting.
- 6.1.8.3. There is appropriate connectivity of information that shows how the Company's strategy, governance, performance, and prospects lead to value creation over time.
- 6.1.8.4. The report adequately addresses material matters impacting the company's ability to create value in the short, medium, and long term.
- 6.1.8.5. The integrity of all information presented in the integrated report, including both financial and non-financial information.
- 6.1.8.6. Proper stakeholder engagement has been conducted to inform the integrated reporting process.
- 6.1.8.7. The integrated report is consistent with other communications issued by the Company.
- 6.1.8.8. The report includes an appropriate balance of positive and negative information.

## 6.2. Risk Management

The Committee shall:

- 6.2.1. Oversee the Company's enterprise risk management framework and its implementation.
- 6.2.2. Review and assess the effectiveness of the Company's risk management processes for identifying, assessing, and managing the principal risks facing the company.
- 6.2.3. Review regular risk reports and ensure that the Company is taking appropriate steps to manage all material risks.
- 6.2.4. Specifically focus on credit risk, given the Company's nature, ensuring robust processes are in place for credit underwriting, monitoring, and recovery.
- 6.2.5. Review and approve the Company's risk appetite statement annually.
- 6.2.6. Ensure that stress testing of risk critical parameters is carried out periodically.
- 6.2.7. Review the adequacy of the Company's insurance coverage.

## 6.3. Internal Control and Compliance

The Committee shall:

- 6.3.1. Consider the effectiveness of the Company's internal control system, including information technology security and control.
- 6.3.2. Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

- 6.3.3. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- 6.3.4. Review the findings of any examinations by regulatory agencies, and any auditor observations.
- 6.3.5. Review the process for communicating the code of conduct to Company personnel, and for monitoring compliance therewith.
- 6.3.6. Obtain regular updates from management and Company Legal and Compliance Officer regarding compliance matters.

#### 6.4. **Internal Audit**

The Committee shall:

- 6.4.1. Review and approve the annual internal audit plan and all major changes to the plan.
- 6.4.2. Review the internal audit activity's performance relative to its plan.
- 6.4.3. Review with the Internal Audit and Risk Officer the internal audit budget, resource plan, activities, and organisational structure of the internal audit function.
- 6.4.4. At least once per year, review the performance of the Internal Audit and Risk Officer.
- 6.4.5. Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing.
- 6.4.6. On a regular basis, meet separately with the Internal Audit and Risk Officer to discuss any matters that the Committee or internal audit function believes should be discussed privately.
- 6.4.7. Ensure that the internal audit function has unrestricted scope, the necessary resources, and access to information to enable it to fulfill its mandate.

#### 6.5. **External Audit**

The Committee shall:

- 6.5.1. Be directly responsible for the appointment, compensation, retention, and oversight of the work of the external auditor.
- 6.5.2. Review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit.
- 6.5.3. Review the performance of the external auditor, and exercise final approval on the appointment or discharge of the auditors.
- 6.5.4. Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services.
- 6.5.5. On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- 6.5.6. Ensure the rotation of the external auditor after every six years.

6.5.7. Present its conclusions with respect to the external auditor to the Board.

#### 6.6. **Cybersecurity and Data Privacy**

The Committee shall:

- 6.6.1. Review and assess the effectiveness of the Company's cybersecurity programs and its preparedness to respond to cybersecurity risks and incidents.
- 6.6.2. Receive regular briefings on the Company's cybersecurity and data protection strategies, policies, and practices.
- 6.6.3. Review reports on any major cybersecurity incidents or data breaches and the Company's response to such events.
- 6.6.4. Ensure that the Company has appropriate data privacy policies and practices in place, in compliance with applicable laws and regulations.
- 6.6.5. Review the Company's business continuity and disaster recovery plans as they relate to information technology systems.
- 6.6.6. Oversee management's efforts to monitor and enforce the Company's cybersecurity and data privacy policies.
- 6.6.7. Ensure that Board members receive regular cybersecurity training to enhance their understanding of cyber risks and mitigation strategies.
- 6.6.8. Oversee the conduct of periodic third-party cybersecurity audits and review the results and management's response.

#### 6.7. **ESG (Environmental, Social, Governance) Considerations**

The Committee shall:

- 6.7.1. Oversee the Company's ESG reporting and disclosure practices, ensuring they meet regulatory requirements and stakeholder expectations.
- 6.7.2. Review and assess the Company's processes for identifying, measuring, and reporting on ESG-related risks and opportunities.
- 6.7.3. Evaluate the integration of material ESG factors into the Company's overall risk management framework.
- 6.7.4. Review any external assurance processes related to ESG reporting.
- 6.7.5. Monitor emerging ESG trends, regulations, and best practices that may affect the Company's business operations or reporting obligations.
- 6.7.6. Coordinate with the Remuneration and Nominations Committee (REMNCO) to ensure comprehensive oversight of ESG matters.
- 6.7.7. Review and approve the Company's ESG strategy and targets annually.
- 6.7.8. Monitor and assess the Company's performance against its ESG targets and industry benchmarks.

**6.8. Ethics and Compliance Oversight**

The Committee shall:

- 6.8.1. Oversee the Company's ethics and compliance program, including its structure, implementation, and effectiveness.
- 6.8.2. Review and approve the Company's code of ethics and conduct, ensuring it meets regulatory requirements and reflects best practices.
- 6.8.3. Receive regular reports from management on the Company's compliance with applicable laws, regulations, and internal policies.
- 6.8.4. Review the process for communicating the code of ethics and conduct to company personnel and monitoring compliance.
- 6.8.5. Oversee the Company's anti-corruption and anti-bribery policies and procedures, ensuring they are robust and effectively implemented.
- 6.8.6. Review and assess the adequacy of the Company's procedures for handling ethics complaints or concerns, including those related to financial matters.
- 6.8.7. Receive periodic updates on significant ethics and compliance issues, investigations, and their resolutions.
- 6.8.8. Ensure that the ethics and compliance function has adequate resources and authority to carry out its responsibilities effectively.
- 6.8.9. Review the results of any external ethics and compliance audits or assessments and monitor the implementation of recommended improvements.
- 6.8.10. Coordinate with REMNCO to ensure comprehensive oversight of ethics and compliance matters across the organization.
- 6.8.11. Review and assess the Company's ethics training programs for employees, management, and the Board.
- 6.8.12. Periodically review key ethics and compliance metrics and benchmarks to assess the overall health of the Company's ethics culture.

**6.9. Corporate Governance Audit Oversight**

The Committee shall:

- 6.9.1. Oversee the annual corporate governance audit process, ensuring it is conducted in accordance with relevant regulations and best practices.
- 6.9.2. Review and approve the scope and methodology of the corporate governance audit.
- 6.9.3. Ensure the independence and objectivity of the corporate governance auditors, whether internal or external.

- 6.9.4. Review the findings of the corporate governance audit and management's responses to those findings.
- 6.9.5. Monitor the implementation of recommendations arising from the corporate governance audit.
- 6.9.6. Assess the effectiveness of the Company's corporate governance framework, including but not limited to:
  - 6.9.6.1. Board structure and composition.
  - 6.9.6.2. Board and committee charters and their implementation.
  - 6.9.6.3. Director independence.
  - 6.9.6.4. Board and committee performance evaluation processes.
  - 6.9.6.5. Succession planning for the board and senior management.
  - 6.9.6.6. Shareholder rights and engagement.
  - 6.9.6.7. Related party transactions and conflicts of interest policies.
  - 6.9.6.8. Disclosure and transparency practices
- 6.9.7. Review the Company's compliance with applicable corporate governance codes and regulations.
- 6.9.8. Oversee the development and implementation of a corporate governance improvement plan based on audit findings and best practices.
- 6.9.9. Ensure that the corporate governance audit results are appropriately disclosed in the company's annual report or other relevant communications.
- 6.9.10. Periodically review and assess the adequacy of the company's corporate governance policies and practices, recommending changes to the Board as appropriate.
- 6.9.11. Coordinate with other board committees to ensure comprehensive oversight of corporate governance matters across the organization.
- 6.9.12. Review and assess the Company's director orientation program and ongoing education initiatives related to corporate governance.
- 6.9.13. Report to the Board on significant issues identified through the corporate governance audit process and the steps taken to address these issues.

#### **6.10. Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) Oversight**

The Committee shall:

- 6.10.1. Oversee the Company's AML and CTF programs, ensuring they are robust, effective, and compliant with all relevant laws and regulations.
- 6.10.2. Review and approve the Company's AML and CTF policies, procedures, and controls, ensuring they are up-to-date and aligned with industry best practices.



- 6.10.3. Ensure that the Company has appointed Money Laundering Reporting Function (MLRF) and that this function has sufficient authority and resources to carry out its responsibilities effectively.
- 6.10.4. Receive and review regular reports from the MLRF on the status and effectiveness of the AML and CTF programs, including any significant issues or trends.
- 6.10.5. Review the results of independent testing and audits of the AML and CTF programs and monitor the implementation of any recommended improvements.
- 6.10.6. Review the Company's risk assessment processes for money laundering and terrorism financing, ensuring they adequately capture and address the Company's risk exposure.
- 6.10.7. Review and assess the adequacy of AML and CTF training programs for employees, management, and the Board.
- 6.10.8. Ensure that the Company has appropriate systems and controls in place to comply with sanctions regimes and to prevent dealings with sanctioned individuals or entities.
- 6.10.9. Review any significant AML or CTF incidents, including any regulatory investigations or actions, and oversee the Company's response.
- 6.10.10. Periodically review key AML and CTF metrics to assess the overall effectiveness of the Company's programs.
- 6.10.11. Stay informed about emerging AML and CTF risks, regulatory changes, and industry best practices, ensuring the Company's programs remain current and effective.
- 6.10.12. Report to the Board on significant AML and CTF matters, including the overall status of the Company's programs, any material risks or issues identified, and steps taken to address them.

#### **6.11. Crisis Management and Business Continuity**

The Committee shall:

- 6.11.1. Oversee the Company's crisis management and business continuity planning processes.
- 6.11.2. Review and approve the Company's crisis management and business continuity plans annually.
- 6.11.3. In the event of a crisis, the Committee shall convene as necessary to provide oversight and guidance to management.

### **7. OTHER RESPONSIBILITIES**

The Committee shall perform the functions assigned to it by statute and those delegated to it by the Board.

### **8. WHISTLEBLOWING**

8.1. The Committee shall: -

- 8.1.1. Establish and oversee procedures for the receipt, retention, and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters.

- 8.1.2. Ensure the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- 8.1.3. Review any significant cases of employee conflict of interest, misconduct, or fraud, or any other unethical activity by employees or the company.
- 8.1.4. Ensure that proper investigation is carried out on all whistleblowing reports and appropriate follow-up action is taken.
- 8.1.5. Receive reports on the status and outcome of whistleblowing cases on a regular basis.
- 8.1.6. Review and assess the effectiveness of the company's whistleblowing policy and procedures annually.
- 8.1.7. Conduct an annual review of the effectiveness of the Company's whistleblowing system and procedures.
- 8.1.8. Receive direct reports on any whistleblowing cases involving senior management and oversee their investigation and resolution.

## **9. MEETINGS**

- 9.1. The Committee shall:
  - 9.1.1. Meet at least quarterly, with authority to convene additional meetings as circumstances require in accordance with clause 9.9 below.
  - 9.1.2. Hold private meetings with auditors (both internal and external) and executive sessions.
  - 9.1.3. Invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary.
  - 9.1.4. Promote free and open communication among committee members, external auditors, internal auditors, and management.
  - 9.1.5. Utilise secure digital platforms for distribution of meeting materials and collaborative review of documents.
  - 9.1.6. Allow for virtual or hybrid meeting attendance, ensuring that appropriate security and confidentiality measures are in place.
  - 9.1.7. Maintain detailed minutes of meetings, including key discussions, decisions, and action items.
- 9.2. Unless varied by these Terms of Reference, the Company's Memorandum and Articles of Association will govern meetings and proceedings of the Audit and Risk Committee.
- 9.3. The chair of the Committee shall report to the next meeting of the Board on the deliberations and recommendations of the Committee to assist the Board in discharging its obligations under the Act.
- 9.4. In addition to the members of the Committee, the following persons should be in attendance, but may not vote, at meetings of the Committee: -
  - 9.4.1. The CEO, Head of Finance, Head of Internal Audit and Risk , and representatives from the external auditors.
- 9.5. Members of the Board have the right of attendance at meetings of the Committee.

9.6. The Committee has the authority to exclude any attendee from meetings of the Committee for the duration of a specific meeting, or for a particular item under discussion, if it believes there is sufficient reason.

9.7. If the nominated Chair of the Committee is absent from a meeting, the members present must elect one of the members to act as Chairman.

#### 9.8. **Secretary**

9.8.1. The Company Secretary shall act as the Secretary of the Committee.

9.8.2. In absence of the Company Secretary, the Legal and Compliance Officer shall assume the role of the Company Secretary.

#### 9.9. **Frequency of meetings**

9.9.1. The Committee should meet at least four times a year, prior to the scheduled board meetings each year.

9.9.2. Further meetings may be called by the chairman of the Committee or any other member of the Committee, or at the instance of the internal or external auditors or the Board or the CFO and CEO, subject to the Committee being in agreement with the circumstances giving rise to the request for such additional meetings.

#### 9.10. **Notice of Meetings**

9.10.1. The notice of each meeting of the Committee, confirming the venue, date and time and enclosing an agenda of items to be discussed, shall be forwarded to each member of the Committee not less than four working days prior to the date of the meeting.

9.10.2. The notice of the meeting should be accompanied by a detailed agenda together with supporting documentation.

#### 9.11. **Quorum**

9.11.1. The quorum necessary in order for decisions to be taken and business to be validly transacted shall be two members.

9.11.2. Persons in attendance at the Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

#### 9.12. **Minutes**

9.12.1. Minutes of meetings shall be taken by the secretary of the Committee and shall be distributed to the members and the normal attendees at meetings of the Committee and tabled at subsequent Board meetings for noting.

9.12.2. The Committee at its next scheduled meeting must formally approve the minutes.

### 10. **REMUNERATION**

10.1. The members of the Committee will be remunerated for their services at a level recommended from time to time by the Board and approved by the shareholders of the Company in general meeting.

### 11. **PERFORMANCE EVALUATION**

The Committee shall:

11.1. Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with this charter.

- 11.2. As part of this evaluation, review the adequacy of this charter annually and recommend any proposed changes to the Board for approval.
- 11.3. Confirm annually that all responsibilities outlined in this charter have been carried out.
- 11.4. Evaluate the performance of individual committee members on a regular basis.
- 11.5. Consider engaging independent external evaluators periodically to provide an objective assessment of the Committee's performance.
- 11.6. Report the results of the self-evaluation and any recommendations to the Board.
- 11.7. Ensure that actions arising from the evaluation process are agreed upon, recorded, and acted upon in a timely manner.

## **12. CONTINUOUS EDUCATION**

- 12.1. Committee members shall participate in continuous education programs to enhance their expertise in relevant areas, including but not limited to:
  - 12.1.1. Emerging accounting standards and financial reporting requirements.
  - 12.1.2. Risk management practices and methodologies.
  - 12.1.3. Cybersecurity and data privacy.
  - 12.1.4. ESG reporting and integration.
  - 12.1.5. Regulatory changes affecting the Company's operations.
- 12.2. The Company shall provide resources and support for these educational activities.

## **13. STAKEHOLDER ENGAGEMENT**

- 13.1. The Committee shall periodically engage with key stakeholders, including major shareholders and regulators, on matters within its purview.
- 13.2. The Committee shall report to the Board on the outcomes of such engagements and any resulting recommendations.

## **14. REPORTING TO THE BOARD**

- 14.1. The Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 14.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 14.3. The Committee shall immediately report to the Board on any material issues or concerns identified during the course of its work.

## **15. REVIEW/AMENDMENT**

- 15.1. These Terms of Reference shall be reviewed by the Committee from time to time, and may be

amended as required, subject to approval of the Board.

**# End #**

Signed By: Titus M. Karanja

Chairman of the Board of Directors



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DATE: 31.10.2024