



BOARD AUDIT AND RISK MANAGEMENT COMMITTEE (BARMC)

TERMS OF REFERENCE

The Terms of Reference defines the following:

1. Overall Purpose and Objectives
2. Authority
3. Organization
 - 3.1 Appointment & Membership
 - 3.2 Attendance at meetings
 - 3.3 Reporting responsibilities
4. Roles and responsibilities
 - 4.1 Internal Control
 - 4.2 Internal Audit
 - 4.3 External Audit
 - 4.4 Inspection by Regulatory Authorities
 - 4.5 Others – Audit Function
 - 4.6 Risk Management Function
 - 4.7 Business Continuity and Disaster Recovery Function

Appendix 1 – Members of Board Audit & Risk Management Committee

1. Overall Purpose and Objectives

The Board Audit and Risk Management Committee (BARMC) shall assist the Board in fulfilling its responsibilities by:

i. As regards the Audit function:

- Reviewing the financial system and internal control system of I&M Holdings PLC (“I&M Holdings” or “the Company”);
- Reviewing the key findings from internal audits carried out of the financial systems / operations undertaken at the level of Group entities;
- Reviewing the recommended remedial actions at the level of the Company and the Group and the status thereof.

ii. As regards the Risk function:

- Review the reports of the Board Risk Management Committees of the various Group Entities;
- Take decisions regarding the Group Risk Appetite, and any improvements in the Risk Management Frameworks across the Group.

2. Authority

The Board authorizes the BARMC, within the scope of its responsibilities, to:

- Seek any information it requires from:
 - any Director;
 - any employee within the Group; and
 - External parties.
- Obtain outside legal or other professional advice.
- Ensure the attendance of Group / Company Officers at meetings as appropriate.

3. Organization

3.1 Appointment & Membership

3.1.1 The Board will appoint the BARMC. The number of members shall be determined by the Board from time to time and will consist of not less than three (3) members, all of whom shall be Independent and Non-Executive Directors. The current membership of the BARMC is shown in **Appendix 1**.

3.1.2 The Independent Directors shall be free from any relationship that in the opinion of the Board would interfere with the exercise of independent judgment.

3.1.3 The members of the BARMC should have broad business knowledge relevant to the Company’s business, a keen awareness of the interests of the investing

public and familiarity with basic accounting principles. In addition, they should display objectivity in carrying out their mandate and no conflict of interest.

- 3.1.4 The Committee Chair will be appointed by the Board and will be an independent, non-executive director.
- 3.1.5 The Board shall fix the term of the BARMC members. All directors, including the Chairman, shall submit themselves for re-election at least once every 3 years, and more frequently, if so required.
- 3.1.6 The Board will, on an annual basis, review the composition of the BARMC, and make any changes it deems appropriate.
- 3.1.7 The Board will have the power to appoint and remove any member of the BARMC, and to fill all casual vacancies that may arise.

3.2 Attendance at meetings

- 3.2.1 A quorum for any meeting shall be two members, one of whom shall be an Independent Director.
- 3.2.2 The BARMC will meet at least once quarterly and may meet more frequently if so required in order to effectively discharge its mandate. Adequate notice of the issues to be discussed should be issued and its conclusions must be recorded.
- 3.2.3 A representative of the financial reporting function and the Group Head of Internal Audit shall normally attend meetings of the audit committee. The BARMC may invite such other persons to its meetings, as it deems necessary, including the Chief Executive Officer of I&M Bank Limited, and any other Board members.
- 3.2.4 The BARMC members shall appoint the Secretary of the BARMC who shall be a representative from I&M Bank's Internal Audit or Risk departments.
- 3.2.5 The Committee should meet at least once in a year with the external auditors without executive board members present. These may be separate meetings or meetings held before or after a scheduled meeting of the BARMC.
- 3.2.6 The Committee may deliberate on urgent matters by circulation. A resolution in writing shall be assented to by all Members for this to be as valid and effective as if it had been passed at a meeting of the Committee, duly convened and held. Any such resolution shall be tabled at the next meeting of the Committee for ratification.

3.3 Reporting responsibilities

- 3.3.1 The BARMC shall report directly to the Board through the BARMC Chairman.
- 3.3.2 The report of the BARMC shall form part of the Board agenda, and accordingly, minutes of BARMC meetings shall be circulated to the Board and the BARMC members.
- 3.3.3 The BARMC shall regularly update the Board about the Committee's activities, and make appropriate recommendations. It shall ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the business.
- 3.3.4 The BARMC shall review and update, at regular periodicity, its Terms of Reference, and receive approval from the Board on its updated Terms of Reference.
- 3.3.5 The BARMC shall evaluate its own performance at least on an annual basis. It shall be guided by these Terms of Reference, the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya issued by the Capital Markets Authority, and current best practice, in this process.

4. Roles and Responsibilities

4.1 Internal Control

- 4.1.1 Ensure that the Company establishes and maintains an adequate, effective and efficient internal control framework.
- 4.1.2 Review any significant matters on internal controls that may be reported with regard to Group entities.
- 4.1.3 Review significant accounting and reporting issues, including recent professional, legal and regulatory pronouncements, and understand their impact on the financial statements.
- 4.1.4 Keep the Board informed of any significant developments in accounting and disclosure requirements, reporting requirements and other related issues.

4.2 Internal Audit

- 4.2.1 Ensure establishment of a permanent, adequate, effective and efficient internal audit function (*including the scope, functions and resources*) of the Company and the Group.
- 4.2.2 Receive and review a report on significant findings on internal audits and recommendations proposed at Group entities' Board Audit Committees, and confirm that appropriate action has been taken.

- 4.2.3 Ensure that the Group's internal audit function is independent and has the necessary resources, budget, standing and authority to enable it to discharge its functions effectively.
- 4.2.4 Approve the Group's internal audit plan, as well as approve any appointment or termination of senior staff members of the internal audit team. Also, to be informed of resignations of internal audit staff members and provide the resigning staff members an opportunity to submit reasons for resigning.
- 4.2.5 Ensure the head of internal audit is an ICPAK member or a member of similar institutes recognized by the Central Banks of the East African Community member states or an international institute recognized by ICPAK.
- 4.2.6 Ensure that the internal audit function is independent of the activities of the Company and is performed with impartiality, proficiency and due professional care.
- 4.2.7. Commission such ad-hoc internal audit assignments as deemed necessary by BARMC, or the Board.

4.3 External Audit

- 4.3.1 Ensure that the Committee is well informed and vigilant and effective overseers of the financial reporting process and the Company's internal controls.
- 4.3.2 Consider the appointment of the external auditors, the audit fees and any questions of resignation or dismissal of the external auditor. Nomination of External Auditors for appointment by the Shareholders to be in accordance with the applicable CMA Regulations and Guidelines and / or any applicable Guidelines issued by the Central Bank of Kenya.
- 4.3.3 Review and monitor the external auditors' independence and objectivity, taking into consideration relevant professional and regulatory requirements.
- 4.3.4 Review with the external auditors, before the commencement of the audit, the nature and scope of the audit.
- 4.3.5 Review any communication between the external auditor and the financial reporting function.
- 4.3.6 Review Management reports and reports from external auditors concerning deviations and weaknesses in accounting and internal controls. In particular, to discuss problems and reservations arising from the interim and final audits and any matter the external auditor may wish to discuss.

4.4 Inspection by Regulatory Authorities

- 4.4.1 Receive and review a report on the key comments made by Board Audit Committees / Board of each entity in the Group (as appropriate) with regard to their respective Central Banks' Inspection Reports, with a view to understanding the implementation plan in place for addressing concerns raised by a Central Bank, and monitoring progress of implementation.
- 4.4.2 Review any reports submitted by the Capital Markets Authority in Kenya or any other regulator in Kenya or any other country in which the Group has a presence, following any inspection it may make of the Company's affairs.

4.5 Others – Audit Function

4.5.1 Financial statements

Ensure that the Company's accounts are prepared in a timely and accurate manner to facilitate prompt publication of half-yearly and annual financial statements and to review and approve the publications.

The review of the quarterly, half-yearly and year-end financial statements of the Company will entail a focus 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 Financial Reporting Standards and other legal requirements.

4.5.2 Related Party

Review any related party transactions that may arise within the Company or the Group.

4.6 Risk Management Function

- 4.6.1 Ensure that there is adequate review and monitoring of the various risk indicators, and the Group's overall risk profile in accordance with structure and the periodicity as defined under the Risk Management Process of I&M Bank.
- 4.6.2 BARMC to receive regular reports identifying shall include the key risk indicators, the aggregate risk profile and changes therein, and any recommendations for the implementation of the appropriate risk management technique, with regard to the Group entities.
- 4.6.3 To receive reports with regard to implementations plan for recommendations made and status of implementation.

4.7 Business Continuity and Disaster Recovery Function

- 4.7.1 Ensure the establishment of a Group Business Continuity Plan (BCP) and Disaster Recovery Programme (DRP), and adequately tested by the Internal Audit Function.
- 4.7.2 Receive periodic reports from Group entities as to the periodic review of the BCP & DRP, to ensure that changes in the business structure, service delivery channels, etc. are reflected therein.

January 2020

BOARD AUDIT AND RISK MANAGEMENT COMMITTEE

The proposed Members of BARMC, effective from JANUARY 2020, are:

Mr. Daniel Ndonye Independent Director & Chairman

Mr. Michael Turner Independent Director

Mr. Vincent De Brouwer Regional Director