



BOARD AUDIT AND RISK MANAGEMENT COMMITTEE (BARMC)

TERMS OF REFERENCE

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1. Overall Purpose and Objectives

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

1.1.As regards the Audit function:

- 1.1.1. Oversight of the Group Financial reporting process and the disclosures of its financial information to ensure that the financial statements are correct, sufficient and creditable.
- 1.1.2. Reviewing the annual financial statements and auditor's management reports before submission to the Board for approval
- 1.1.3. Recommending for appointment, remuneration and terms of appointment of the Group external auditors
- 1.1.4. Reviewing the adequacy of internal controls, key findings and the remedial actions arising from internal audits undertaken at the level of Group entities;
- 1.1.5. Reviewing internal audit plans, and evaluating the performance of internal and external auditors
- 1.1.6. Discussing with Internal Auditors and/or Auditors on any significant findings and follow-up thereon

1.2.As regards the Risk function:

- 1.2.1. Oversight of I&M Group risk and compliance management
- 1.2.2. Reviewing the Group's risk appetite and enterprise risk profile
- 1.2.3. Reviewing the effectiveness of the Group enterprise risk management framework
- 1.2.4. Reviewing the methodology used in determining the Group's capital requirements and stress testing.
- 1.2.5. Reviewing adequacy of the monitoring framework on prudential legal and regulatory requirements 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.
- Support to set the scope of the compliance and ethics program and to review and recommend approval of key policies and frameworks to the Board.

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, two (2) of whom shall be Independent and the Regional Executive Director. 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. The Group Chief Finance Office, Group Audit Executive, Group Chief Information Security Officer and Group Chief Risk Officer shall normally attend meetings of the BARMC. The BARMC may invite such other persons to its meetings, as it deems necessary, including the Chief Executive Officer of I&M Bank Kenya Limited, Group Chief Operations Officer and any other Board members.
- 3.2.4. The BARMC members shall appoint the Secretary of the BARMC. The Secretary of the BARMC will be Company Secretary at I&M Bank Ltd, or such other person as nominated by the Board.
- 3.2.5. The Committee should meet at least once in a year with the external auditors without executive board members and management present. These may be separate meetings or meetings held before or after a scheduled meeting of the BARMC.
- 3.2.6. The Chair of the Committee shall quarterly meet with the Group Chief Audit Executive without executive board members and management present. These may be separate meetings or meetings held before or after a scheduled meeting of the BARMC.
- 3.2.7. 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).
- 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 Enterprise Risk Management Framework (ERMF).
- 4.6.2. Receive, evaluate, and report to the IMG Board on the Group's risk profile, any material breaches to the Risk Appetite, risk monitoring and risk tolerance for the principal risks in the ERMF and any recommendations for the implementation of the appropriate risk management technique, with regard to the Group entities.

- 4.6.3. Evaluate material changes to the Group's or subsidiary risk profile or Risk Appetite arising from planned new or increased business and/or the risks associated with the Group's entry into new business, products and/or geographical areas and/or constraints on its risk profile or Risk Appetite.
- 4.6.4. Annually receive and consider reports from all subsidiaries on ICAAP. Additionally, if there is any material concern regarding the capital adequacy of a subsidiary, receive and consider strategies in place to mitigate the capital risk.

4.7.Cyber security

- 4.7.1. Review the Group Information & Cyber Security strategy and evaluate its implementation.
- 4.7.2. Receive and evaluate reports on the current Group Cyber Security risk profile and exposure and the maturity of cyber risks controls as implemented across the group.
- 4.7.3. Review reports on any cyber security incidents and the adequacy of proposed action.
- 4.7.4. Receive reports on cyber risk posed by third parties including outsourced IT and any other parties;
- 4.7.5. Annually assess the adequacy of the Group's cyber insurance cover.

4.8.Business Continuity and Disaster Recovery Function

- 4.8.1. Ensure the establishment of a Group Business Continuity Plan (BCP) and Disaster Recovery Programme (DRP), and adequately tested by the Internal Audit Function.
- 4.8.2. 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.

END

5. Appendix 1 - Membership

BOARD AUDIT AND RISK MANAGEMENT COMMITTEE (BARMC)

Members of this committee are:

Name	Position	Role
Ms. Rose Wanjiru Kinuthia	Independent Non-Executive Director	Member and Chairman
Mr. Michael Turner	Independent Non-Executive Director	Member
Dr. Nyambura Koigi	Independent Non-Executive Director	Member
Mr. Chris Low	Regional Director	Member

Secretary:

Name	Position	Role
Ms. Stella G. Kariuki	Company Secretary I&M Bank Ltd	Secretary