



Board Audit & Risk Committee Terms of Reference

Drawn by:

Livingstone Associates
Certified Public Secretaries (Kenya)
Deloitte Place
Waiyaki Way
P O Box 30029, 00100
NAIROBI

Table of Contents

Table of Contents.....	ii
1. Preamble	1
2. Interpretation.....	1
3. Purpose	1
4. Membership and Meetings.....	1
5. Roles and Responsibilities	2
6. Performance Evaluation.....	4
7. Communications with management	5
8. Authority	5

1. Preamble

Board Audit & Risk Committee (BAC) is a sub-committee of the Unga Group Plc (UGL) Board of Directors. The Committee will provide oversight on both audit and risk management processes, with the later encompassing both internal and external audit including the activities therewith.

Risk is defined as events of uncertainty that could affect the Group currently or in the future having a substantially adverse impact on its earnings and/or financial status. This is further broken down into its frequency against its severity of occurrence so as to focus on the key risk events. Risk management is the framework used to pro-actively control these risk events and ensure there is adequate capacity and resources to withstand significant shocks that could arise if the risk crystallised.

The UGL Board has overall responsibility for ensuring that risks are managed. On behalf of the Board, BAC provides policy leadership on Risk Management and is responsible for overseeing all aspects of risk management and internal control.

The Committee shall have a code of conduct to ensure that there is no conflict of interest in performance of its duties.

2. Interpretation

'Board' means the Board of Directors of Unga Group Plc.

'Committee' means the Board Audit and Risk Committee.

'Company' means Unga Group Plc.

'Director' means a member of the Board.

'Group' means Unga Group Plc and its subsidiaries.

3. Purpose

The primary function of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for:-

- financial reporting and the integrity of the Group's financial statements;
- the Group's compliance with legal, regulatory and policy requirements;
- adequacy of corporate governance, risk management and internal controls processes; and
- the performance of the Group's Internal Audit function and that of the independent auditors.

4. Membership and Meetings.

The committee will be appointed by the Board from amongst the independent/non-executive directors of the company. At least one of the members should have accounting expertise or experience in the field of finance and be a member of the Institute of Certified Public Accountants of Kenya (ICPAK) or an equivalent institute recognised by the East African Community member states, or an equivalent international institute recognised by ICPAK. The Committee members should also collectively possess knowledge, skills and experience in risk management.

The committee will consist of at least three (3) and no more than five (5) members of the Board of Directors, and the quorum for meetings will be two-thirds of the members.

The Board will appoint the Committee Chairman from amongst the members. If the Chairman is not present, a Chairman may be designated by a majority vote of the Committee members present for the purpose of that specific Committee's session.

The Board will review appointments to the Committee on an annual basis. Vacancies arising during the course of the year will be addressed by the Board as an extraordinary item. No Committee member shall simultaneously serve in the Audit & Risk Committees of more than two other Public Companies.

Committee membership is restricted to a term no longer than three years (renewable by no more than two additional consecutive terms).

The number of meetings held in a year will be at the discretion of the Committee Chairman but shall not be less than four (4). The External Auditors may, however, request a meeting if they consider it necessary.

The Committee shall adopt resolutions by a simple majority of votes of all members present. When there is a tie in votes, the matter will be referred to the Board of Directors for a decision.

The Group Managing Director and Group Finance Director, staff in charge of Risk Management, Head of Internal Audit and the External Auditors may attend meetings as invitees of the Committee. Other Board members and management may also attend as invitees. However, at least once a year, the Committee will meet with the External Auditors without management and executive Board members present.

The Head of Internal Audit shall act as the secretary to the Committee.

A report back to the Board should be made by the Chairman of the Committee in the Board meeting following the Committee's meeting.

5. Roles and Responsibilities

In meeting its responsibilities, the Audit & Risk Committee is expected to:-

- a) Review and update the Committee's Terms of Reference (TOR) document annually.
- b) Provide an open avenue of communications between the Head of Internal Audit, the External Auditors and the Board of Directors.
- c) On the External Auditors:
 - Review the scope and extent of both audit and non-audit services provided to the company by the external auditors and any associated fees and terms of engagement;
 - Annually assesses the performance and effectiveness of the external auditor;
 - Recommend to the Board (and hence to shareholders) the appointment, reappointment and removal of the external auditor;
 - Annually assess the procedures in-place to ensure the independence and objectivity of the external auditor;
 - Regularly seek information from the external auditor about its policies and processes for maintaining independence and monitoring compliance with relevant requirements, including requirements regarding the rotation of audit partners and senior staff; and
 - Review the nature and extent of non-audit services provided by the external auditor.
- d) Review the appointment, performance and dismissal of the Head of Internal Audit.
- e) Ensure the independence of the Internal Audit function.

- f) Consider the respective scopes of work and plan of Internal Audit, the External Auditors and Risk Management function.
- g) Review with the Head of Internal Audit, the External Auditors and the Risk Officer the coordination of assurance effort to ensure completeness of coverage, avoid duplication of effort and promote effective use of resources.
- h) To ensure all important aspects of internal control are verified, thus ensuring that errors and frauds are prevented or detected early.
- i) Consider and review with the Head of Internal Audit:
- Management's review and authorization controls;
 - The budgetary control system;
 - The adequacy of the Group's internal controls including computerized information systems controls and security; and
 - Management letters and any related significant findings and recommendations of the External Auditors and Internal Audit together with management's response thereto ensuring that recommendations made or previously agreed upon are being implemented.
- j) Review the Group's published financial statements, focusing particularly on:
- Any changes in accounting policies and practices,
 - Major areas of judgment;
 - Significant adjustments arising from audit;
 - Compliance with International Financial Reporting Standards (IFRS) and other legal requirements
 - The findings of the External Auditors' audit of the financial statements and their report thereon including proposed action and management responses thereto;
 - Other matters related to the conduct of audit, which are to be communicated to the Committee under generally accepted auditing standards.
- k) Review other published documents and consider whether the information contained in them is consistent with the information contained in the annual Financial Statements.
- l) Consider and review with the management and the Head of Internal Audit:
- Significant internal audit findings during the year and management's responses thereto;
 - The status of resolution of significant audit findings, recommendations and management's responses;
 - Any difficulties encountered in the course of the audits, including any restrictions on the scope of their work or access to required information;
 - Any changes required in the scope of their audit plan; and
 - The Internal Audit department budget and staffing.

- m) Review the legal and regulatory matters that may have a material impact on the financial Statements, related company compliance policies, and reports received from regulators and any auditor's observations.
- n) Meet separately with the Head of Internal Audit, the External Auditors, and executive management to discuss any matters that the Committee or any of the groups believe should be discussed privately with the Audit & Risk Committee.
- o) Annually report to the Board of Directors about Committee activities and issues that arise with respect to the quality or integrity of the Group's financial statements, the Group's compliance with legal or regulatory requirements, risk management, the performance and independence of the Group's independent auditors, and the performance of the Internal Audit function.
- p) Ensure that Quality Assurance Review of the Internal Audit function is undertaken at least once every three (3) years but in any event no more than five (5) years.
- q) Provide oversight with respect to adequacy and implementation of the Group's Risk Management policies and procedures as detailed below:-
 - In conjunction with management, review and recommend to the Board proposed aggregate loss limit targets for various risk categories paying special attention to the key success factors for each business unit/function.
 - Review the Group's major risks, risk management infrastructure and control systems to ensure adequacy to enforce its risk policies.
 - Ensure that management develops a comprehensive Risk Management Framework.
 - Receive reports on exceptions, emerging risks and other relevant subjects for review and action.
 - Review and recommend to the Board for approval of risk measurements and rating methodologies.
 - Review assumptions used in risk measurement models and ensuring that risk model issues have been properly considered and validated.
 - Ensure that regulatory and legal requirements on Risk are complied with.
 - Regularly review management performance against various risk policies and parameters.
 - Review compliance with the Risk Management Plan.
 - Receive reports from the Risk Officer and review any policy matters thereon.
- r) Review the arrangements by which staff may raise concerns in confidence about possible improprieties in matters of financial reporting, financial control or related matters.

6. Performance Evaluation

The Committee shall establish a criterion for assessment of its performance and will conduct such an evaluation at the end of each financial year agreeing on actions to improve the effectiveness of the Committee.

An induction program (covering the role of the Committee; its terms of reference; expected time commitment by members; an overview of the company's business; and the main business and financial dynamics and risks) shall be provided to new Committee members.

If deemed necessary, relevant external training should be arranged for existing and any new members introduced to the Committee. This will be arranged through the Chairman of the Committee.

7. Communications with management

All communications in respect of request for information, clarification, matters of enquiry or areas of concern by Committee members will be channelled to management through the BAC Chairman.

8. Authority

The Audit & Risk Committee shall have the power to conduct or authorize investigations into any matter within the Committees' scope of responsibilities.

The Committee shall have full access to the Company's records, employees, and Internal or External auditors (with or without the presence of management) relevant to the subject matter under review.

The Committee shall be empowered to obtain independent legal or other professional advice to assist in the conduct of any investigation, with the cost to be borne by the Company.

The Committee shall have access to sufficient funds to fulfil its duties.

Last reviewed : Date..... Signature.....

Amendments approved by BAC : Date..... Signature.....

Adopted by the Board of Unga Group Plc

Signed: _____
Chairman

Date: _____