

EAAGADS LIMITED
BOARD AUDIT AND RISK COMMITTEE
TERMS OF REFERENCE

EAAGADS LIMITED

BOARD AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

1) Objectives

The Board Audit and Risk Committee ("BARC" or "the Committee") is a committee of the Board of Directors. The primary objective of the Committee is to assist the Board of Directors in fulfilling its responsibility of oversight and effective governance over:

- a) The appropriateness of financial reporting including the adequacy of related disclosures of Eaagads Limited (the "Company");
- b) The Company's systems of internal control;
- c) The Company's risk management system and monitoring of business risks;
- d) The Company's compliance activities; and
- e) The performance and independence of both the internal audit function and the external auditor.

2) Authority

The Committee shall have the authority to investigate any activity within its scope of responsibility.

- a) 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.
- b) The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other professional advisors for advice and assistance.
- c) The Committee is authorized to seek any information it requires from any employee of the company in order to perform its duties and to meet with company officers, external auditors, or outside counsel, as necessary.
- d) The Committee is empowered to appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- e) The Committee is empowered to resolve any disagreements between Management and the auditor regarding financial reporting.
- f) The Committee shall pre-approve all auditing and non-audit services provided by the external auditor.

3) Membership

- a) The Committee shall consist of at least four non-executive Directors, with three being independent Directors and who shall report to the Board. The members of the Committee shall be appointed by the Board of Directors.
- b) Appointments of Independent Directors to the Committee shall be for a period of up to three years, which may be extendable for no more than two further terms of three-year periods each, so long as members continue to be independent.
- c) The key attributes of Committee members shall include the following:
 - broad business knowledge relevant to the company's business;
 - keen awareness of the interests of the investing public and familiarity with basic accounting principles; and
 - objectivity in carrying out their mandate without any conflict of interest.
- d) The Chairperson of the Committee shall be an independent and non-executive Director who is not the Chairperson of the Board of Directors. The Chairperson of the board shall not be a member of the Committee.
- e) The Board of Directors shall appoint the Committee Chairperson. In the absence of the Committee Chairperson, the remaining Committee members present shall elect one of themselves to chair the meeting.

- At least one member should have recent and relevant knowledge of financial matters and act as the financial expert with competence in audit and/or accounting and be in good standing with his or her respective professional body.
- The Company Secretary shall act as the secretary of the Committee.

4) **Committee Meetings**

a) **Frequency of Meetings:**

- The Committee shall meet at least two times in a year, or more frequently at appropriate intervals in the financial reporting and audit cycle and as it deems necessary to carry out its responsibilities. The meetings shall be held in person, by video conference and/or other remote meeting technologies agreeable to the Committee members.
- At least once a year, the Committee shall meet with the External Auditors without members of Management being present.
- Outside of the formal meeting programme, the committee Chairperson, and to a lesser extent, the other committee members, will maintain a dialogue with key individuals involved in the company's governance, including the Board Chairperson, the representative of Coffee Management Services Limited (CMS) and the External Audit Lead Partner.

b) **Notification of Meetings and Agenda Items**

- The Company Secretary shall be responsible for issuing proper notices of meetings, preparation of agenda and circulation of the relevant papers and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
- The External Auditor shall have unrestricted access to the Chairperson of the Committee.

c) **Attendance at Meetings and Minutes**

- Every member has a duty to attend Committee meetings regularly and to effectively participate in the conduct of the business of the Committee.
- Every member of the BARC should attend at least 75% of the BARC meetings of the Company in any financial year. Attendance is disclosed in the Annual Report.
- At a full meeting of the Committee, the members shall review the suitability of a member who has failed to comply with the 75% attendance rule, without a compelling reason.
- The quorum necessary for meetings of the Committee shall be any two members of the Committee.
- The Committee shall adopt resolutions by a simple majority of votes of all members of the Committee.
- Video conferencing or such other remote conference solution will be used to hold meetings where doing so would not jeopardize or prejudice the agenda of the meeting or expected deliberations.
- The representative of CMS, the Chief Finance Officer (CFO), and the Lead External Audit Partner shall be permanent invitees to the Committee meetings. Other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary, in consultation with the Chairperson of the Committee.
- The Company Secretary shall be responsible for keeping minutes, which provide an accurate record of the names of all persons present, deliberations and resolutions of all Committee Meetings, including recording the names of those present and in attendance.
- Draft minutes of the committee meetings shall be agreed with the committee Chairperson and then circulated promptly to all members of the committee, unless it would be inappropriate to do so in the opinion of the committee Chairperson.
- The minutes of the Meetings shall be considered at the next meeting, approved and signed by the Chairperson of the meeting.

5) **Roles and Responsibilities**

In carrying out its oversight responsibilities, the Committee will be relying, in part, on the expertise of Management and the External Auditor. To fulfil this oversight responsibility, the Committee should receive reports from management and external auditors, as appropriate. The roles and responsibilities of the Committee shall be as follows:

Financial Reporting and Disclosure Matters

- a) Review the published financial statements and recommend their approval to the Board of Directors.
- b) Review the Company budget and recommend its approval to the Board of Directors.
- c) The Committee shall be responsible for monitoring the integrity of the financial statements of the Company, including its annual and half year reports, interim management statements, preliminary announcements and any other formal statements relating to its financial performance, and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the External Auditor.
- d) In particular, the Committee shall review the half-yearly and year-end financial statements of the Company, focusing on:
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with International Accounting Standards and other legal requirements.
- e) Review and discuss with management and the External Auditor any significant events or transactions affecting the Company's financial reporting.
- f) 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;
- g) Consider any related party transactions that may arise within the Company.
- h) Consider findings from the external and outsourced internal auditors on material weaknesses in the accounting and financial control systems.
- i) Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

Risk Management and Internal Controls

- a) Review and assess the Company's risk management process and the adequacy of the overall control environment including regularly reviewing the nature and extent of the Company's risk appetite as well as monitoring the significant risks that the Company is willing to take in achieving its strategic directives.
- b) Review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems.
- c) Ensure that appropriate reporting is included in the annual report, including explaining how the principal risks have been managed or mitigated and whether there are any material uncertainties in relation to the Company's ability to continue to adopt the going concern basis of accounting.
- d) Monitoring compliance with statutory and listing requirements for any exchange on which the Company's shares and debt instruments are quoted.
- e) Review the Company's process of ensuring compliance with Laws and Regulations and meeting all regulators' requirements; and
- f) Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

External Auditor Oversight Responsibilities

- a) Evaluate and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, with respect to the appointment, re-appointment and removal of the Company's External Auditor. The Committee shall develop and oversee the selection procedure for the appointment of an audit firm as External Auditors.
- b) Review the independence, objectivity and effectiveness of the External Auditor, assess any threats to their independence and safeguards applied to mitigate against those threats, in addition to reviewing their quality control procedure and steps taken to respond to changes in regulatory and other requirements taking into account relevant Kenyan law, regulations and relevant professional requirements.
- c) 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, including the assessment of the non impairment of the auditor's judgement and independence.
- d) Ensure that the External Auditor submits a formal written statement delineating all relationships between themselves and the Company. The Committee shall then satisfy itself that there are no relationships between the External Auditor and the Company (other than in the ordinary course of business) which could adversely affect the External Auditor's independence and objectivity.
- e) Review any representation letters requested by the External Auditor before they are signed by Management.
- f) Review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key audit judgements by the External Auditor, including the auditors' response to questions raised by the committee.
- g) In the event that an External Auditor resigns, the Committee shall investigate the issues leading to the resignation and take appropriate action as required.

Internal Audit Oversight Responsibilities

- a) Approve the internal audit charter.
- b) Review the adequacy, scope, functions and resources of the outsourced internal audit function, and ensure that it has the necessary authority to carry out its work.
- c) Be informed of resignations of outsourced internal audit staff assigned to support the Company's internal audit function.
- d) Review and approve the annual internal audit plan and ensure that it is consistent with the Company's business plan and aligned to the key risks of the business.
- e) Receive and review regular reports on work carried out by the outsourced internal audit function, status of findings, recommendations and management responses.
- f) Ensure the Lead Partner in-charge of the outsourced Internal Audit function has direct access to the Committee Chairperson.

6) Reporting Responsibilities

- a) The Committee Chairperson shall report to the Board of Directors with respect to the proceedings of the Committee after each meeting.
- b) The Committee Chairperson shall formally report to the Board of Directors on the Committee's activities and how it has discharged its responsibilities, at least once in a year. The report shall include:-
 - The significant issues that it considered in relation to the financial statements and how they were addressed;
 - its assessment of the effectiveness of the external audit process; and
 - any other issues on which the board has requested the committee's opinion.

c) The Committee Chairperson shall facilitate the annual disclosure by the Board of the activities of the Committee including the committee's composition, the number of Committee meetings held and details of attendance at the meetings.

7) **Other Responsibilities**

- a) Perform other activities related to this Terms of Reference as requested by the Board.
- b) Ensure that all responsibilities outlined in these Terms of Reference have been carried out.

8) **Conflict of Interest**

- a) The Committee shall agree on a code of conduct to ensure that there is no conflict of interest in the performance of its duties.
- b) Members of the Committee will not participate in discussions and will not vote on any issue in respect of which there is an actual or perceived conflict of interest.
- c) Members will be required to declare any interest that could constitute a real, potential or perceived conflict of interest with respect to their role in the affairs of the Committee.
- d) The declaration must be made on appointment to the Committee and in relation to specific agenda items at the onset of each Committee meeting and will be updated as necessary.

9) **Performance of the Committee**

- a) The Committee shall perform a self-assessment at least once a year and agree on actions to improve the effectiveness of the committee.
- b) If deemed necessary external training should be arranged for existing and any new members introduced to the committee. This will be arranged through the Chairperson of the Committee.

10) **Review of Terms of Reference**

- a) These Terms of Reference shall be reviewed by the Board annually, or at such other time as may be deemed necessary to ensure it remains relevant, objective and practical.
- b) Any proposed changes to these Terms of Reference shall be submitted to the Board of Directors for approval.

This Policy was approved and adopted by the Board on 2024.

Signed by the Chairman of the Board:

DocuSigned by:
Dr. Joseph Kangara Kimemia
013B6505B8664D1...
Dr. Joseph Kangara Kimemia

13 June 2024

Date