

Eaagads Limited

Related Party Policy

1) **Overview**

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders.

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2015 ('Act') read with the CMA Code of Corporate Governance Practices for issuers of Securities to the Public 2015 (the 'CMA Code') and the Rules framed thereunder and the provisions of international reporting framework (IFRS/IAS), Eaagads Limited (the "Company") has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

The board of directors of the Company (the "Board") has determined that the Eaagads Limited Board Audit and Risk Committee (the "Committee") will be responsible for reviewing all Related Party Transactions that may arise within the Company and recommend to the Board for final approval. The Board will review this Policy every two years, unless there is a change in applicable regulations and/or in business conditions affecting the Company, which requires an earlier change to the Policy.

The provisions contained in this Policy are in addition to any existing or newly enacted legislation governing the Company.

The intention of this Policy is that, in the context of related party transactions, the Company and its directors and officers must over and above compliance with legislative provisions also comply with the provisions of this Policy, having regard to the fact that this Policy is intended to require higher standards in the case of related party transactions than those that may be contained in legislative provisions.

1.1 **Policy Objective**

The objective of the Policy is to:

- (i) ensure Related Party Transactions (defined below) are properly reviewed, approved, and disclosed in accordance with the legal and regulatory requirements;
- (ii) ensure the Company and the Board are protected from any conflicts of interest that may arise between the Company and its Related Parties.

1.2 **Policy Application**

1.2.1 This Policy applies to the Company and is the guide to the Board on related party transactions.

1.2.2 Noting that Eaagads Limited may have other investments where the Company jointly holds shares and/or voting rights but is not the majority or controlling shareholder (**JV Entities**).

2) **Definitions**

For emphasis, the definitions in this document shall have the same meaning as defined under the Kenya Companies Act 2015, the CMA Code, the International Accounting Standards (IFRS/IAS) and any other applicable law or regulation.

Definitions denoting the singular number shall include the plural and vice versa.

2.1. **"Arm's Length Transaction"**

This refers to a transaction between two related parties that is conducted as if the parties are unrelated, so that there is no conflict of interest or where based on the business requirements and the prevailing economic conditions, the relevant stakeholders have approved the terms of the proposed related party transaction or where a regulator provides for any conditions impacting the market price of such transaction.

2.2. “JV Entity”

A JV Entity is any entity in which the Company jointly holds shares and/or voting rights but is not the majority or controlling shareholder.

2.3. “Key Management”

Means a senior managerial level employee of the Company and above or such other similar line.

2.4. “Material Modification”

Means any modification made in the value/exposure of any ongoing or proposed Related Party Transaction, as originally approved by the Board which has the effect of increasing the or a change of such other parameter as may be determined by the Board from time to time.

2.5. “Material Related Party Transactions”

Means a transaction with a Related Party which if entered into individually or taken together with previous transactions entered into with the same party during a financial year exceeds the limits set out by the Board at any point in time.

The Board has guided that all Related Party Transactions require Board approval until such time as a materiality threshold is set and approved by the Board.

2.6. “Ordinary Course of Business”

This refers to a transaction which/wherein is common commercial practice and meets any other parameters/criteria as decided by the Board Audit and Risk Committee.

2.7. “Related Party”

A related party is a person or a relative of a person or an entity that is related to the entity that is preparing its financial Statements.

For purposes of this Policy a “Related Party” is any:

- i. person who is a legal or beneficial owner of ten per cent (10%) or more of the Company's share capital (a Material Shareholder);
- ii. director (including a nominee or alternate) of the Company and/or its Subsidiary, if any, its Material Shareholder (including entities controlled or jointly controlled by (a Material Shareholder);
- iii. person who is a member of the Key Management personnel of the Company, or of a Material Shareholder;
- iv. person who is a Relative (defined below) of a director of the Company or a member of the Key Management personnel of the Company;
- v. company in which any of the persons listed in paragraphs ii) to iv) is a director or company in which any of the persons listed in paragraphs ii) to iv) is a member either directly or indirectly holding more than 10%;
- vi. entity that directly or indirectly controls, or is directly or indirectly controlled or jointly controlled by the Company or a Material Shareholder.

2.8. “Related Party Transaction”

Is any business deal or arrangement, which involves a transfer of resources, services, or obligations between Related Parties that has the effect of bestowing a benefit to a Related Party regardless of whether a price is charged.

These shall include (but are not limited) by way of example, to the following:

- Transfer under finance agreements (including loans and equity contributions in cash or in kind)
- Transfer under license agreements
- Management contracts
- Purchases, sales or supply of goods or services
- Purchases or sales of property and other assets
- Rendering or receiving of services

- Leasing agreements
- Agency agreements
- Outsourcing arrangements
- Licensing agreements
- Arrangements for leasing, selling, buying and disposing of property
- Provision of guarantees, collaterals, and sureties (benefiting the Related Party, other than the Company)
- Sponsorships (benefiting the Related Party, other than the Company)
- Non-business deals (e.g., staff rate recharges, etc.)
- Commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised)
- Settlement of liabilities on behalf of the entity or by the entity on behalf of another party.

2.9. “Relative”

In the context of this Policy, an individual is related to another individual if they:

- i) are married, or live together in a relationship similar to a marriage; or
 - ii) are separated by no more than two degrees of natural or adopted consanguinity or affinity;
- includes but is not limited to the party's biological or adopted parents, brothers, sisters, children, aunts, uncles, nieces, nephews and first cousins.

It also includes the party's spouse or common law partner.

2.10. “Subsidiary”

A Subsidiary is any entity in which the Company, directly or indirectly:

- i) holds a majority of the voting rights in it; or
- ii) is a member of it and has the right to appoint or remove a majority of its board of directors, or
- iii) is a member of it and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it.

3. Procedure for approval of related party transactions

3.1. Identification of related parties

From the effective date of this Policy, Chief Finance Officer or an equivalent, shall on an ongoing basis, identify the list of Related Parties as prescribed in the Companies Act, 2015, the Listing Regulations (NSE), the CMA Code of Corporate Governance, in this Policy or any other applicable law or regulation including the relevant international accounting standards (IAS24).

This list shall be maintained and made known within the business and updated on an annual basis, or within such shorter period as may be required.

3.2. Identification of related party transactions

Management shall on an ongoing basis, identify Related Party Transactions in accordance with the Companies Act, 2015, the Listing Regulations (NSE), the CMA Code of Corporate Governance, this Policy or any other applicable law or regulation including the relevant international accounting standards (IAS24).

3.3. Notification, and Reporting of Related Party contracting.

Management shall ensure that all contracts and agreements executed with any service provider, customer or partner have been reviewed and a determination made on whether the counter party is a Related Party.

The process of identification shall start at the point of service procurement and will be enforced all through to the point of final contract execution by both the Supply Chain Management (SCM) and the Legal team who will perform all necessary due diligence on each service provider or partner or consumer of goods before executing any contract or service agreement.

All suppliers, partners or customers shall be required to disclose to SCM if they are Related Parties.

Each director of the Company and member of Key Management shall promptly notify SCM and Legal teams of any interest that such person or a Relative of such person had, has or may have in a Related Party Transaction. The notice shall include a description of the transaction and the aggregate value.

On identification of any Related Party, SCM and Legal shall be required to promptly notify the Finance Manager who will then inform the Chief Executive Officer Coffee Management Services of any interest arising from a proposed Related Party engagement including a description of the services to be contracted and aggregate amount based on the contract under negotiation.

The notification shall be done before execution of the agreement with any Related Party with the Company (to the extent such agreement is to be entered into after the implementation of this Policy).

The Country Head through the Company Secretary will notify the Chairperson of the Board Audit and Risk Committee of the Related Party Transaction(s) for review, and recommendation to the Board for approval, ratification or other determination by the Board.

Together with the notification, the Country Head through the Company Secretary shall present to the Chairperson of the Board Audit and Risk Committee the following information in relation to Related Party Transactions:

- description of transaction(s) including material terms and conditions;
- name of the Related Party and basis for this qualification;
- Related Party's interest in the transaction(s) including the Person's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s);
- appropriate value of transaction(s) and approximate value of Related Party's interest in the transaction(s);
- whether the proposed transaction will involve any potential reputational risk issues arising from connection with the proposed transaction(s); and
- any other material information regarding the transaction(s) or Related Party's interest in the transaction(s).

4. Approval of the Board

- 4.1. All Related Party Transactions and subsequent Material Modifications require prior approval of the Board. Only members of the Board, who are not conflicted or have any interest in the matter, shall approve Related Party Transactions.
- 4.2. The Board Audit and Risk Committee will be responsible for the review and recommendation to the Board for approval or ratification of all Related Party Transactions.
- 4.3. The Board Audit and Risk Committee and the Board may use the considerations below while reviewing the Related Party Transaction:
 - whether the terms of the Related Party Transaction are much more favorable than terms generally available in the market to an unaffiliated third-party under the same or similar circumstances and extent of Related Party's interest in the Related Party Transaction;
 - whether there is any Material Modification of previously approved transactions or contracts and agreements and reasons for modification;

- identity and relationship of the parties involved in the transaction and impact on Director's independence;
- whether there is any compelling business reason for the Company to enter into the Related Party Transaction and the nature of alternative transactions if any;
- whether the Related Party Transaction would present an improper conflict of interest for any Director or Shareholder holding a stake in the Company;
- whether the proposed transaction will involve any potential reputational risk issues arising from connection with the proposed transaction(s);
- any other material information regarding the transaction(s) or Related Party's interest in the transaction(s).

Note:

- a) A Director who is a Related Party with respect to a Related Party Transaction will be required to disclose all material facts to the Board or the Board Audit and Risk Committee and abstain from participation in the review and approval of the Related Party Transaction.
- b) The Board may from time to time determine the materiality thresholds of Related Party Transactions. For avoidance of doubt all Related Party Transactions must be approved by the Board unless such waiver is expressly given through a resolution of the Board.
- c) The Board may disapprove of a previously entered into Related Party Transaction requiring the management of the Company to take all reasonable efforts to cancel, unwind, terminate or annul the Related Party Transaction.

While seeking approval for a Related Party Transaction placed before the Board, the Board shall be provided with the information as required to be provided under the Act, the Code of Governance and the Listing Regulations and any applicable reporting frameworks including IAS 24 requirements.

5. Materiality Thresholds

All Related Party Transactions of the Company shall be approved by the Board regardless of the quantum and substance. Any subsequent modifications to the terms of such transactions, as defined by the Board shall also require the Board approval by way of a resolution.

Material Modification shall be construed as one meeting the conditions as provided in this Policy.

The Board may review this Policy from time to time, and may, in keeping with best practice prescribe a materiality threshold or category of matters that will not require the approval of the Board as a Related Party Transaction.

6. Review of Related Party Transactions

Every quarter, management will present a report of all Related Party Transactions for the period under review to the Board Audit and Risk Committee.

6.1. Pre-approval for Related Party Transactions

Management may obtain omnibus approval from the Board for such transactions that are considered regular Arm's Length Transactions in the Ordinary Course of Business.

The Board shall specify the criteria for granting the omnibus approval in line with this Policy after reviewing and considering imposing any of the following conditions (non-exhaustive):

- (i) the name/s of the Related Party and its relationship with the Company, nature of transaction, period of transaction, maximum number of transactions, in aggregate, which shall be entered into in a year are disclosed;
- (ii) the maximum value per transaction which can be allowed;
- (iii) the indicative base price/current contracted price and the formula for variation in the price, if any;
- (iv) transactions which cannot be subject to the omnibus approval by the Board;
- (v) review of, at such intervals as the Board may deem fit, Related Party Transaction(s) entered into by the Company pursuant to each omnibus approval made;
- (vi) any such other conditions as the Board may deem fit to improve governance.

The Board shall consider the following factors while specifying the criteria for making omnibus approval, namely:

- a) repetitiveness of the transactions (in past or in future);
- b) justification for the need of omnibus approval;
- c) transactions with similar terms available to all employees generally;
- d) any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority; and
- e) payment to Regulators or statutory bodies.

The Board shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company.

Transactions of the following nature will **not** be subject to the omnibus approval of the Board:

- (i) transactions which are not at arm's length or not in the Ordinary Course of Business;
- (ii) transactions which are not repetitive in nature;
- (iii) transactions exceeding materiality thresholds as approved by the Board and laid down in this Policy;
- (iv) transactions in respect of selling or disposing of an undertaking of the Company;
- (v) financial transactions e.g., loans to Related Parties, intercompany corporate deposits, subscriptions to bond, debenture or preference shares issued by the Related Parties, corporate guarantees given/received from Related Parties; and
- (vi) any other transaction the Board may deem unfit for omnibus approval.

6.2. Related Party Transactions Not Approved Under This Policy

In the event management becomes aware of a transaction with a Related Party that has not been approved in accordance with this Policy prior to its consummation:

- (i) The matter shall be brought to the attention of the Board Audit and Risk Committee for review and recommendation to the Board.
- (ii) The Board shall consider all the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction.
- (iii) The Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Board under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.
- (iv) In any case, where the Board determines not to ratify a Related Party Transaction that has been commenced without approval, the Board, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking a ratification approval of the Board, payment of compensation for the loss suffered by the Related Party etc.
- (v) In connection with any review/approval of a Related Party Transaction, the Board has authority to modify or waive any procedural requirements of this Policy.

7. Exceptions.

7.1. The following shall not be considered "Related Party Transactions" and shall not be subject to the procedures set out in this Policy, instead shall be subject to the below mechanisms.

| Issue | Notification | Approval |
|--|---------------|---------------|
| 7.1.1. Any transaction involving a Related Party where the rates or charges and terms are determined by competitive bids, and Related Party submits the most competitive offer. | Yes | Not required |
| 7.1.2. Any transaction involving a Related Party where the Related Party is the party solely able to provide the service or good, or the Company is required by law to engage the Related Party. E.g. contract for services with Kenya Power | Yes | Not required |
| 7.1.3. Directors' compensation: any compensation paid to a director subject of which has already secured Board approval. No additional Board approval required. | Not required | Not required |
| 7.1.4. Employment or compensation of a member of the Key Management provided that the person: - is not a Relative of another member of the Key Management or director of the Company; and - was not a Related Party of the Company prior to becoming an employee of the Company. | Yes | Not required |
| 7.1.5. Transactions where all shareholders receive proportional benefits e.g., dividends. | Not required | Note required |
| 7.1.6. Employee benefits i.e., auxiliary services granted with preferential rates or waivers to all employees (including Key Management) as part of employees' incentives or benefits. | Note required | Not required |

7.2. The Board may review the Policy from time to time and amend the list of exceptions as may be appropriate to reflect business needs.

8. Disclosure and Regulatory Reporting

The reporting and disclosure of Related Party Transactions shall be done in accordance with the Companies Act 2015, the CMA Code and the International Financial Reporting Standards.

9. Interpretation

In circumstances where the terms of this Policy differ from newly enacted laws, regulations or standards governing the Company, the law, regulation, or standard will take precedence over this Policy until this Policy is amended to conform to such law, regulation or standard.

10. Policy Review

The Board will review this Policy every two years to ensure that it remains consistent with the objectives of the Board, it's responsibilities and the CMA Code unless there is a change in applicable regulations and/or in business conditions affecting the Company/its Subsidiaries, which requires an earlier change to the Policy.

The chairperson of the Board will sign the approved Policy.

11. Policy Approval

This Policy was approved by the Board of Directors on _____ 2024.

Signed by the Chairman of the Board:

DocuSigned by:
Dr. Joseph Kangara Kimemia
013B6605B8664D1
Dr. Joseph Kangara Kimemia

13 June 2024

Date