

CORPORATE GOVERNANCE REPORTING TEMPLATE FOR ISSUES OF SECURITIES TO THE PUBLIC

TO BE FILLED IN LINE WITH THE REQUIREMENTS OF THE CODE OF CORPORATE GOVERNANCE PRACTICES FOR ISSUERS OF SECURITIES TO THE PUBLIC, 2015

Company Name: The Kenya Power and Lighting Company Limited **Company Details to be Provided:**

Reviewer's Name: Beatrice Meso

Stock Code: KE0000000349, KE0000001877, KE0000002982

Sector Energy: Energy & Petroleum

Year - 2016/2017

Date of Financial Year End: 30th June 2017

MD & CEO Signature

Company Secretary Signature

Company market to book ratio at end of financial year: 1:3

No of outstanding shares at end of financial year: 1,951,467,045 Ordinary Shares

Closing price of stock at end of financial year: Kshs. 7.87 per Ordinary Share

Net sales as per Income Statement at end of financial year: Kshs. 120,742,270,000/=

Net profit as per Income Statement at end of financial year: Kshs. 10,912,442,000/=

Total debt (short and long term) as per Balance Sheet at end of financial year: Kshs. 122,016,122,000/=

Total equity as per Balance Sheet at end of financial year: Kshs. 69,961,655,000/=

Total no. of Board members at end of financial year: 8 Members

No. of independent directors at end of financial year: 7 Members

No. of non-executive directors at end of financial year: 1 Members

Consecutive No.	Mandatory or 'apply or	Part No.	Question	Kenya Code Reference	Application - FA, FA or NA - See	Application or Explanation - Note 3 & 4	Source of Information
		A	INTRODUCTION				
1	M	A.1	Has the company developed and published a Board Charter which is periodically reviewed and which sets out the Board responsibility for internal control?	1.1.2, 2.6.2, 6.3.2	FA	Yes the Board has Board Charter in place	Board Charter Document
2	M	A.2	Do the Board Charter or company documents distinguish the responsibilities of the board from management in line with Code requirements?	1.1.2, 2.3.1, 2.3.2, 2.6.2	FA	Yes this is covered in Board manual	Board Manual Document
3	A or E	A.3	Is there a statement indicating the responsibility of Board members for the application of corporate governance policies and procedures of the company?	1.1.6	FA	This is contained in Board manual	Board Manual Document
4	M	A.4	How has the Board ensured all directors, CEOs and management are fully aware of the requirements of this Code?	1.1.6	FA	The Board was trained on the code on 29th June 2017	Board training report
5	M	A.5	Do company documents indicate the role of the Board in developing and monitoring the company strategy?	Part II - Overview, 2.3	FA	This is contained in corporate strategic plan	Strategic plan 2017/2022
6	A or E	A.6	Does the company strategy promote sustainability of the company?	2.3.6	FA	Yes this is well covered in strategic pillars of the Company	Strategic plan 2017/2022
7	M	A.7	Are all board committees governed by a written charter/terms of reference, disclosing its mandate, authority, duties, composition, leadership and working processes?	2.2.2	FA	Board Committees composition and terms of reference are discussed and approved each calendar year	Board Committees Composition document
		B	BOARD OPERATIONS and CONTROL				

8	M	B.1	Has the Board established a Nomination Committee comprised mainly of independent and non-executive Board members?	2.1.2, 2.2.2	FA	The task is handled by Human Resource Committee with three non-executive members	Board Committees Composition document
9	M	B.2	Is the chairperson of the Nomination Committee an independent director?	2.2.3	FA	Yes the Chair of Committee is non-executive director	Board Committees Composition document
10	M	B.3	Has the board adopted and published procedures for nomination and appointment of new Board members?	2.1.1, 2.1.7	FA	Yes the Board strictly adhere to the requirements of Articles of Association and same disclosed in annual report	Articles of association of the Company and Annual report
11	M	B.4	Is the Board size adequate for the exercise of the company business?	2.1.4	FA	The Board has nine Board members	Board Composition document
12	A or E	B.5	Has the board adopted a policy to ensure the achievement of diversity including age, race and gender) in its composition?	2.1.2, 2.1.3, 2.1.5, 2.5.1	FA	The Board ensure achievement of diversity with age, race and gender	Annual Report
13	M	B.6	Do the Board members represent a mix of skills, experience, business knowledge and independence to enable the discharge of their duties?	2.2.1	FA	The Board is composed of members with diverse skills and experience	Annual Report
14	M	B.7	Has the board adopted and applied a policy limiting the number of board positions each Board member may hold at any one time?	2.1.6	FA	The current members comply with this provision	Annual Report
15	M	B.8	Have any Alternate Board members been appointed? If so, have the Alternate Director/s been appointed according to regulation and Code requirements?	2.1.6, 2.1.7	FA	Yes two alternates are appointed to represent PS Energy and Cabinet Secretary the National treasury	Annual Report
16	M	B.9	Are independent directors at least one-third of the total number of Board members?	1.1.2, 2.1.3, 2.4.1	FA	The Board has 6 out of 9 independent directors	Board Composition document
17	A or E	B.10	Does the Board have policies and procedures to annually assess the independence of independent Board members?	2.4.1	FA	The Board declares conflict of interest at each meeting	Board Manual Document
18	M	B.11	Do all independent Board members have a tenure of less than 9 years?	2.4.2	FA	Directors are eligible for retirement by rotation	Articles of association
19	M	B.12	Is the Board comprised of a majority of non-executive board members?	2.1.3	FA	The Board has 6 out of 9 independent directors	Board Composition document
20	M	B.13	How does the Board ensure a smooth transition of Board members?	2.1.8	FA	Only a third Board members retire by rotation and eligible for re-election	Articles of association of the Company
21	M	B.14	Has the Board established an effective Audit Committee according to Code requirements?	2.2.4, 6.5.1, 2.1.7	FA	The Board has in place Board & Risk Committee with four non-executive members	Board Committees Composition document

22	M	B.15	Are the functions of the Chairperson and the Chief Executive Officer exercised by different individuals?	2.3.3	FA	Yes the functions of the Chairman & MD & CEO are performed by difference persons	Board Manual Document
23	M	B.16	Is the Chairman of the Board a non-executive board member?	2.3.4	FA	Yes the Chairman in non-executive Board member	Board manual Document
24	A or E	B.17	Has the Board established procedures to allow its members access to relevant, accurate and complete information and professional advice?	2.3.5	FA	Yes the process to access information is provided in the Board Manual	Board Manual
25	M	B.18	Has the Board adopted a policy on managing conflict of interest?	2.3.8	FA	Yes this is well defined	Conflict of interest policy
26	M	B.19	Has the Board adopted a policy on related party transactions to protect the interests of the company and all its shareholders and which meets the requirements of the Code?	2.3.7	FA	Yes this is well defined	Related party policy
27	M	B.20	Has the company appointed a qualified and competent company secretary who is a member in good standing of ICPSK?	2.3.9	FA	A Company has a qualified Company Secretary who is a members of ICPSK	Annual report 2016/2017
28	A or E	B.21	Has the Board adopted policies and processes to ensure oversight of sustainability, environmental and social risks and issues?	2.3.2, 2.3.6	FA	Risk Management, safety and CSR policies are in place	Policy documents
29	A or E	B.22	Has the Board developed an annual work-plan to guide its activities?	2.6.3	FA	Board Calendar is prepared annually in advance	Board Almanac
30	M	B.23	Has the Board determined, agreed on its annual evaluation process and undertaken the evaluation or the performance of the Board, the Board Committees, the CEO and the company secretary?	2.6.4, 2.8	FA	Board evaluation assisted by SCAC was conducted in June 2017	Board evaluation results
31	A or E	B.24	Has the Board established and applied a formal induction program for in-coming members?	2.7.1	FA	New members are taken through induction programme	Annual report
32	A or E	B.25	Do Board members participate in on-going corporate governance training to the extent of 12 hours per year?	2.7.3	FA	The Board were taken through a similar programme approved by CMA	Calendar of events
33	A or E	B.26	Has the Board set up an independent Remuneration Committee or assigned to another Board committee the responsibility for determination of remuneration of directors?	2.9.2	FA	This task is performed by Human Resources Committee	HR Committee minutes
34	M	B.27	Has the Board established and approved formal and transparent remuneration policies and procedures that attract and retain Board members?	2.9.1	FA	This is in place guided by State Advisory Corporation Committee	Circulars from SCAC
35	M	B.28	How does the Board ensure compliance with all applicable laws, regulations and standards, including the Constitution and internal policies?	2.10, 2.10.1, 2.10.2	FA	The compliance of the laws are in Board performance contract	Board performance contract
36	M	B.29	In the past year, has the Board organized a legal and compliance audit to be carried out on a periodic basis?	2.10.3	FA	Legal audit was carried out in 2016/2017	Audit report
37	A or E	B.30	Has the Board subjected the company to an annual governance audit?	2.11.1	FA	Corporate governance audit was carried by Robson Harris Co. Advocates	Report
	C	RIGHTS of SHAREHOLDERS					

38	M	C.1	Does the governance framework recognize the need to equitably treat all shareholders, including the minority and foreign shareholders?	3.0 Overview , 3.2.1	FA	Yes this is provided in Board manual	Board manual
39	M	C.2	Other than at the AGM, how does the Board facilitate the effective exercise of shareholders' rights?	3.1.1	FA	Shareholders have open access to offices of the Company and we publish information required to be disclosed	Board manual
40	M	C.3	How does the Board facilitate shareholders participation at the AGM?	3.1.1	FA	We send notice in press and sms reminders for AGM and use our website	AGM notice
41	A or E	C.4	Are minority and foreign shareholders holding the same class of shares treated equitably?	3.2.1	FA	Yes all shareholders are treated equally and given chance to appoint proxy and vote during AGM	Articles of Association
42	A or E	C.5	Is there evidence that the Board proactively provides information to shareholders and the media, (and in a timely basis) on corporate affairs and corporate governance?	3.1.1, 3.4.1	FA	Press notices are issued whenever there is change in Board, AGM notice put in press and results of voting of directors published in press	Press notices sent to CMA
D STAKEHOLDER RELATIONS							
43	A or E	D.1	Does the Board have a stakeholder-inclusive approach in its practice of corporate governance and which identifies its various stakeholders?	4.1.1	FA	Yes stakeholders including suppliers, financiers and business partners are engaged by the Company	Engagement meetings
44	A or E	D.2	Has the Board developed policies, procedures and strategies to manage relations with different/key stakeholder groups?	4.1.2, 4.1.3, 4.1.5, 4.2.1	FA	Stakeholder policy on engagement is in place under Corporate Communication Department	Stakeholder policy
45	A or E	D.3	How does the Board take into account the interests of key stakeholder groups prior to making decisions?	4.1.4	FA	Engagements are in place on Tarriff increase, setting up of substations and other power projects	Stakeholder meetings
46	M	D.4	How does the Board ensure effective communications with stakeholders?	4.2, 4.2.1	FA	Communication are done formal meetings and press	Stakeholder meetings
47	M	D.5	Has the Board established a formal dispute resolution process to address internal and external disputes?	4.3.1	FA	The Company has dispute resolution mechanism in place	Dispute resolution mechanism
E ETHICS AND SOCIAL RESPONSIBILITY							
48	A or E	E.1	Does the Board ensure that all deliberations, decisions and actions are founded on the core values (responsibility, accountability, fairness and transparency) underpinning good governance and sustainability?	5.1.1	FA	The Board ensure declaration of conflict of interest at every meeting and ensures decisions made are for the benefit of all stakeholders	Board deliberations
49	M	E.2	Has the Board developed a Code of Ethics and Conduct (which includes sustainability) and has it worked to ensure its application by all directors, management and employees?	2.6.1, 5.2.2, 5.2.3, 5.2.4	FA	Code of Ethics and Conduct is place and all employees and Board are required to sign and adhere to it	Code of Ethics and Conduct
50	A or E	E.3	How does the Board ensure that compliance with the Ethics Code and Conduct is integrated into company operations?	5.2.3	FA	All employees are required to adhere and regularly updated on Code of Ethics	Annual Report 2016/2017
51	A or E	E.4	Does the Board incorporate ethical and sustainability risks and opportunities in the risk management process?	5.2.1	FA	The ethical and sustainability risks are embedded in Risk Framework	Enterprise Risk Framework
52	A or E	E.5	How is the company performance on ethics assessed, monitored and disclosed to internal and external stakeholders?	5.2.4, 5.2.5	FA	The intergrity and risk reports are regularly reported to the Audit Committee and Ethics and anti-currupcion commission	Ethics and integrity report

53	A or E	E.6	Has the company established and implemented a whistle blowing policy?	5.2.5	FA	The company has in place whistle blowing policy	Whistle blowing policy
54	A or E	E.7	Has the Board/or management developed policies on corporate citizenship and sustainability and strategies for company use?	5.3.1, 5.4	FA	The strategies forms part of performance targets	Performance targets
55	M	E.8	Does the Board consider not only the financial performance but also the impact of the company's operations on society and the environment?	5.3.2, 5.3.3	FA	There are CSR activities in place	Corporate Social responsibility policy
56	A or E	E.9	Does the Board monitor and report activities leading to good corporate citizenship and sustainability to demonstrate they are well coordinated?	5.4.1	FA	The reports/activities including intergrity reports are considered by Audit Committee	Board minutes
		F	ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL				
57	M	F.1	Does the Audit Committee and the Board consider and review the financial statements for integrity of the process and for truthful and factual presentation?	6.1, 6.1.1a	FA	The Audit Committee go through the audited accounts and reports before the same is published	Board and Committee minutes
58	M	F.2	Does the Annual Report contain a statement fromn the Board explaining its responsibility for preparing the accounts and is there a statement by the external auditor about his/her reporting responsibilities?	6.1.2	FA	The statements are in the annual report	Annual report 2016/2017
59	A or E	F.3	Does the board or audit committee have a process in place to ensure the independence and competence of the Company's external auditors?	6.1.1b	FA	There is a procurement process in place for sourcing of external auditors for recommendation to Auditor General	Evaluation criteria for external auditors
60	M	F.4	Do the shareholders formally appoint the external auditor at the AGM through a formal and transparent process?	6.1.3	FA	The appointment of External Auditors is part of AGM agenda	Annual report 2016/2017
61	A or E	F.5	Is the Company working towards the introduction of integrated reporting (incorporating financial and non-financial information) or is the company's Annual Report prepared on an integrated basis using a framework available from the Integrated Reporting Council, The Global Reporting Initiative, G4 Sustainability Guidelines and/or Sustainability Accounting Standards Booard standards?	6.1.5	FA	The Company is working towards integrated reporting frame as outlined in the annual report 2016/2017	Annual report 2016/2017
62	A or E	F.6	Has the Board established an effective risk management framework which is inclusive of key risks as well as foreseeable risks, environmental and social risks and issues ?	6.2.1	FA	There is an effective risk Management framework in place which is contiously reviewed	Annual report 2016/2017
63	M	F.7	Has the Board established and reviewed on a regular basis the adequacy, integrity and management of internal control systems and information systems (including for compliance with all applicable laws, regulations, rules and guidelines)?	6.3.1, 6.3.2, 6.3.3	FA	Yes the task is performed by internal Audit and Quality Assurance functions	Annual report 2016/2017
64	M	F.8	Does the Board annually conduct a review on the effectiveness of the company's risk management practices and internal control systems and report this to shareholders?	6.4.1	FA	This is disclosed in the annual report on Risk department functions and internal control	Annual report 2016/2017

65	M	F.9	Has the Board established an effective internal audit function according to Code requirements and which reports directly to the Audit Committee?	6.5.2	FA	The internal Audit division is in place headed by a General Manager	Annual report 2016/2017
66	A or E	F.10	Does the Board disclose details of Audit Committee activities?	6.5.2	FA	The disclosures are as contained in annual report	Annual report 2016/2017
		G	TRANSPARENCY and DISCLOSURE				
67	M	G.1	Does the company have policies and processes to ensure timely and balanced disclosure of all material information as required by all laws, regulations and standards and this Code.	7.0 Overview, 7.1.1	FA	Major Board decision are disclosed within 24 hours as required and in annual report	Press notices and Annual Report 2016/2017
68	A or E	G.2	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to the company's governance, the Board and the Audit Committee?	7.1.1	FA	This is disclosed in annual report	Annual report 2016/2017
69	A or E	G.3	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to the company's mission, vision and strategic objectives?	7.1.1	FA	This is disclosed in annual report	Annual report 2016/2017
70	A or E	G.4	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to remuneration and whistleblowing?	7.1.1	FA	This is disclosed in annual report	Annual report 2016/2017
71	A or E	G.5	As a minimum, does the company website disclose current information on all areas prescribed in 7.1.1 (Board Charter, Whistleblowing Policy, Code of Ethics and information on resignation of directors)?	7.1.1	PA	The informstion currently in intranet to be disclosed in website	Website
72	A or E	G.6	Does the Board disclose the management discussion and analysis as required in 7.1.1?	7.1.1	FA	This will in future be clearly stated in annual report	Annual report
73	A or E	G.7	Has the Board provided disclosures as required in 7.1.1 on compliance with laws, regulations and standards; ethical leadership, conflict of interest, corporate social responsibility and citizenship?	7.1.1	FA	This is disclosed in annual report	Annual report 2016/2017
74	A or E	G.8	Has the Board made all required disclosures, including confirming requirements of 7.1.1 which include that a governance audit was carried out and that there are no known insider dealings?	7.1.1	PA	This will in future be clearly stated in annual report	Annual report
75	A or E	G.9	Has the Board disclosed the company's risk management policy, company procurement policy, policy on information technology as per 7.1.1?	7.1.1	FA	This is disclosed in annual report	Annual report 2016/2017
76	M	G.10	Has the Board disclosed information on shareholders, including the key shareholders, including shareholding by directors and senior management and the extent of their shareholdings as required in 7.1.1 and on stakeholder who influence company performance and sustainability?	7.1.1	FA	This is disclosed in annual report	Annual report 2016/2017
77	M	G.11	Has the Board disclosed all related-party transactions?	7.1.1t	FA	This is disclosed before any meeting	Board minutes
78	M	G.12	Does the Board include in its Annual Report a statement of policy on good governance and the status of the application of this Code?	1.1.3, 7.1.1r	FA	Yes this is disclosed in annual report	Annual report 2016/2017

- Note 1 The Reporting Template shall be used by companies to report on their application of the provisions of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code). The completion of the Reporting Template and its filing with the Capital Markets Authority (CMA) will fulfill the reporting requirements of the Code at 1.1.3 paragraph 2. All elements marked in green are mandatory and MUST be complied with. Failure to fully apply will result in regulatory sanctions. When completing column 'F' for MANDATORY ITEMS, 'FA' will mean 'Fully Complied With', 'PA' will mean 'Partially Complied With' and 'NA' will mean 'Not Complied With'.
- Note 2 Column 'F' should be marked as follows: 'FA' - Full Application, PA - Partially Applied or 'NA' - Not Applied. Full application of this Code is required by the Code. Therefore anything less than 'full application' is considered 'non compliance or non-application' of the Code. A response of PA or NA is non-compliance and requires an explanation to be provided with a firm commitment to moving towards full compliance. See also Note 4.
- Note 3 An explanation of how the Code provision is applied is required in column 'G' and shall be supported by evidence of how application has been achieved. If the provision is NOT applied, an explanation for why it is not applied or only partially applied is required in column 'G'. For each question, column 'G ' must be completed.
- Note 4 If an explanation is required because of non-application of any element of the Code, the explanation must be satisfactory, must be provided to relevant stakeholders including the Capital Markets Authority and shall include:
- a: reasons for non-application
 - b: time frame required to meet each application requirement
 - c: the strategies to be put in place to progress to full application.