



THE KENYA POWER AND LIGHTING COMPANY PLC

CONFLICT OF INTEREST AND BOARD INDEPENDENCE POLICY

Part A- Document Control Sheet			
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CONFLICT OF INTEREST AND BOARD INDEPENDENCE POLICY

Part B- Definition

1. **Conflict of Interest:**

- 1.1 "Conflict of interest" means a situation that has the potential to undermine the impartiality of a person because of the possibility of a clash between the person's self-interest and professional interest or public interest.
- 1.2 A conflict of interest arises when one's personal interests or other interests affect or could be perceived to affect or has the potential to affect one's objectivity and discretion or the discretion of another person in performing Company duties or making decisions on behalf of the Company.
- 1.3 A conflict of interest is therefore any relation that is or appears to be not in the best interest of the Company. A conflict of interest would prejudice an individual's ability to perform their duties and responsibilities objectively.

2. **Immediate Family Member:** means a spouse, child, stepchild, parent, stepparent, sibling, mother in-law, father in-law, son in-law, daughter in-law, brother in-law or sister in-law of a director, executive officer or significant shareholder and any person (other than a tenant or employee) sharing the household of such director, executive officer, or significant shareholder.

3. **Independent Director:** means a non-executive director who:

- 3.1 Has not been employed by the company in an executive capacity within the last three years;
- 3.2 Is not associated with an adviser or consultant to the company or a member of the company's senior management or a significant customer or supplier of the company or with a not-for-profit entity that receives significant contributions from the company; or within the last three years, has not had any business relationship with the company (other than service as a director) for which the company has been required to make disclosure;
- 3.3 Has no personal service contract with the company, or a member of the company's senior management;
- 3.4 Is not employed by a public listed company at which an executive officer of the company serves as a director;
- 3.5 Is not a member of the immediate family of any person described above, or has not had any of the relationships described above with any affiliate of the company;
- 3.6 Is not a representative of a shareholder who has the ability to control or significantly influence management;
- 3.7 Is free from any business or other relationship which could be seen to interfere materially with the individual's capacity to act in an independent manner;

- 3.8 Does not have a direct or indirect interest in the company (including any parent or subsidiary in a consolidated group with the company) which is either material to the director or to the company. A holding of five percent or more is considered material;
 - 3.9 Does not hold cross-directorships or significant links with other directors through involvement in other companies or bodies; and
 - 3.10 Has not served for more than six years since they were first elected.
4. **Non-executive director:** means a member of the board of the Company who does not form part of the management team and who is not an employee of the Company or affiliated with it in any other way but can own shares in the Company.
5. **Supplier:** Means any person or entity that does business with the Company or tenders to do business with the Company. These include but are not limited to providers of goods, services, and works, contractors, sub-contractors, consultants, and agents.

Part C- Introduction

1. The Kenya Power and Lighting Company PLC (the Company) is incorporated in Kenya under the Companies Act 2015 (previously Chapter 486, laws of Kenya) and listed on the Nairobi Securities Exchange.
2. All employees and directors of the Company are required to perform their duties honestly, fairly, transparently and act in the best interests of the Company at all times. Article 73(2) (b) and (c) of the Constitution of Kenya (2010) states that the guiding principles of leadership and integrity include:
 - 2.1 Objectivity and impartiality in decision making, and in ensuring that decisions are not influenced by nepotism, favouritism, other improper motives, or corrupt practices.
 - 2.2 Selfless service based solely on the public interest demonstrated by:
 - 2.2.1.1 Honesty in the execution of public duties
 - 2.2.1.2 The declaration of any personal interest that may conflict with public duties.
3. This policy document:
 - 3.1 Sets out obligations of Employees and Directors with regard to Conflict of Interest and the declaration and management of these interests.
 - 3.2 Serves as a guide on the principles and procedures that relate to the independence of directors of the Company.

Part D- Scope

1. This policy applies to all members of staff of the Company, including permanent and temporary staff. It also applies to Directors, Contractors, Suppliers, Customers,

Shareholders, Members of the public and any other Stakeholder parties regardless of location or business unit.

2. This policy reflects the Company's minimum requirements and may be supplemented by other business policies and procedures.
3. In the event of conflict of interest between this policy and other policies dealing with the issue of conflict of interest, this policy will take precedence as far as conflicts of interest are concerned.

Part E- Rationale

This Policy has been developed in accordance with:

1. The Constitution of Kenya, 2010
2. Applicable Laws including:
 - 2.1 The Companies Act No. 17 of 2015
 - 2.2 Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023
 - 2.3 Public Procurement & Asset Disposal Act, 2015
 - 2.4 Leadership and Integrity Act, 2012
 - 2.5 Public Officers Ethics Act, 2003
3. Board Charter, 2023
4. The KPLC Code of Conduct and Ethics
5. International Standards, including the United Nations Conventions Against Corruption (UNCAC), The AU Convention on Preventing and Combating Corruption and the OECD guidelines for managing conflicts of interest in the public service.
6. Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015
7. *Mwongozo* Code of Corporate Governance for State Corporations, 2015
8. Best Corporate Governance Principles

This policy should be read together with the Company's other policies in this regard, in particular the overarching Code of Conduct and Ethics. The Code of Ethics is supported by specific ethics policies and guidelines that deal with areas of importance.

Part F- Policy Statement

1. In support of its Vision, Mission, Values and statutory obligations, the Company will take all steps within its reasonable control to manage conflicts of interest throughout the company.
2. An important element of trust and integrity is ensuring that the Company conducts its business in accordance with the values the Company has adopted; its own Code of Conduct and Ethics and in compliance with applicable laws, rules, and standards.
3. The Company adopts a zero-tolerance attitude to market abuse, market misconduct, fraud, money laundering, terrorist financing, bribery, corruption, sanctions breaches and other financial and other crime. And requires all

employees, consultants, contractors, suppliers, directors, associated persons and other third parties to act honestly and with integrity at all times and to manage fairly all Conflicts of Interest.

Part G- Purpose

The purpose of this Policy is to ensure best practice by:

1. Ensuring the Company's employees and directors carry out the business of the Company in a fair, impartial, accountable and transparent manner.
2. Avoiding any decision-making by employees in respect of official business where an employee has a conflict of interest and managing economic risk and protecting the reputation of the Company and its employees.
3. Aiming to help all directors, employees and business partners and other stakeholders to recognize and deal with situations that may give rise to or be perceived to be a conflict of interest.
4. Documenting the process for the disclosure and review of potential, actual or perceived conflicts of interest.
5. Describe how the Board will assess the independence of each Director, Identify the information that will be collected from each Director to make the assessment of independence and,
6. Outline the disclosure to shareholders of the assessment of independence of Directors, including the disclosure of any interests, positions or relationships that may be perceived to affect the independence or objectivity of a director.

Part H- Conflict of Interest

1. In all situations, employees and directors are expected to avoid interests, activities, investments, relationships, and influence that might compromise their objectivity, effectiveness, and the faithful performance of their duties. In addition, all employees and directors must act honestly at all times and shall use their best efforts to avoid being in a position where their personal interests conflict with their official duties.
2. A conflict of interest may arise when an employee or director has competing interests between public duty and private interests which could improperly influence the performance of official duties and responsibilities.
3. While an employee or director has a duty to avoid conflicts of interest, situations of actual or perceived conflicts of interest could arise. Conflicts of interest should be managed effectively in order to uphold good corporate governance and organizational integrity.
4. Employees and directors have an obligation to manage and declare conflicts of interest. This process is critical to ensure that the objectivity and integrity of the employees and directors is not compromised and that the employees and directors act in the Company's best interest, to ensure the Company avoids situations where it can be accused of improper or unfair conduct.
5. Upon appointment to the Board and thereafter, where circumstances so demand, directors shall declare any real or perceived conflict of interest with the Company.

6. Directors shall not take part in any discussions or decision-making regarding any subject or transactions in which they have a conflict of interest.
7. The Company shall maintain a register of declared conflict of interest.

8. Conflict of Interest Situations

Conflict of interest may commonly arise in situations such as:

- 8.1 Having a personal financial, partnership or profit-sharing interest in a firm that is doing or seeking to do business with the Company.
- 8.2 An employee or director holding a directorship position with an entity having a direct or indirect business relationship with the Company.
- 8.3 Awarding contracts to family members or a company controlled by an associate or other proxy.
- 8.4 Being involved in the engagement, management, or supervision of business parties in which one has a financial interest.
- 8.5 An employee being compromised by a supplier or contractor in order to procure substandard goods, works or services for the Company.
- 8.6 Employing or influencing the employment of a family member, friend, or associate.
- 8.7 Soliciting or obtaining loans or guarantees of personal obligations for one or close family member and close associates from entities doing business with the Company.
- 8.8 An employee having business interests or activities that create or appear to create an excessive demand for their time, attention and energy that would negatively impact the interests of the Company.
- 8.9 Any other situation whereby a conflict of interest as defined in Part B would arise.

9. Conflict of Interest Guidelines:

Leaders including Directors, managers, and supervisors will lead by example, know, understand, and personally abide by the Policy at all times.

In order to effectively manage and declare conflicts of interest all Board Directors and employees are required to abide by the following guidelines:

9.1 Guidelines for Board members

- 9.1.1 A Conflict of interest may arise where a Board Director or close family member such as a spouse, child, parent, or sibling has private interest that could improperly influence the performance of the Board Director's official duties and responsibilities.
- 9.1.2 Conflict of interest may also arise where a Board Director uses their office for personal gain.
- 9.1.3 Board Directors are required to avoid conflict of interest and deal at arm's length in any matter that relates to the Company.

- 9.1.4 A Board Director who identifies an area of conflict shall be required to disclose any actual or potential conflict of interest to the Board.
- 9.1.5 In so reporting the Board Directors are required to provide all relevant information including information which relates to their immediate family members by blood or marriage which is related to the area of conflict.
- 9.1.6 When declared the Board Director shall abstain from decisions where the conflict exists.
- 9.1.7 The Company Secretary shall keep a record of conflicts of interests declared for accountability purposes.
- 9.1.8 As a rule of good practice on appointment as a Board Director or at regular intervals or at any time when circumstances change, all members shall in good faith disclose to the Board for recording any other business or interest likely to create a potential conflict of interest.

9.2 Guidelines for Staff and Senior Management

- 9.2.1 Each employee shall have access to this Policy. In addition new employees joining the Company will be required to complete a conflict-of-interest declaration form (see appendix 1). All other employees will be required to fill in the conflict-of-interest declaration form whenever an actual or potential conflict arises in individual circumstances.
- 9.2.2 With regard to procurement, Conflicts of interest declaration and necessary disclosures must separately be made at all stages of the procurement process from procurement planning to tendering, procurement of products, services, works and contract management.
- 9.2.3 An employee shall not have any business interests or activities that create or appear to create demand for their time, attention and energy that would negatively impact on the interests of the Company.
- 9.2.4 Queries regarding tenders and contracts should be referred to the Supply Chain Division and employees should refrain from directly intervening in any procurement issues outside the normal procurement processes or lines of authority.
- 9.2.5 Users involved in tender evaluation should not be in contact with suppliers during the procurement process and any clarifications on tenders or proposals under consideration shall be sought through the General Manager, Supply Chain.
- 9.2.6 Employees should not under any circumstances be involved in the preparation of tenders to be submitted to the Company by companies bidding to provide goods, services or works to the Company.
- 9.2.7 With regard to Human Resources, all employees who form part of the recruitment training, development and promotion processes shall submit conflict of interest declarations at the beginning of each process.
- 9.2.8 Where there is a conflict of interest, the employees must declare and excuse themselves from any deliberations or committee meeting or access

to information dealing with that particular item and will not participate in any decisions relating to the matter.

- 9.2.9 Employees in their private capacity shall not become involved as a director, advisor or in any other capacity in an entity that has contracts with the Company as a supplier or is a competitor of the Company.
- 9.2.10 With regard to events sponsored by suppliers, the costs of travel to an event and accommodation shall be borne by the Company and not the supplier.
- 9.2.11 All staff travelling for factory acceptance or other procurement-related visits shall submit conflict of interest declarations before any such travel.
- 9.2.12 For employees travelling on official duties, any costs incurred other than those of official travel and accommodation must be declared to the Company for approval.
- 9.2.13 The Ethics and Integrity Section shall keep a central database of all conflicts of interest declarations made in the Company.

9.3 Confidentiality

An Employee or Director shall not disclose or use any confidential information of the Company or any information of third parties obtained through the carrying out of their duties for the Company for any purposes other than to fulfil their duties.

10 Non-Compliance by Employees

- 10.1 Non-compliance with this Policy will result in disciplinary action being taken against the employee, consequences of which may include dismissal.
- 10.2 If an employee fails to disclose a conflict of interest, any other employee who is aware of the conflict should declare it to their supervisor or the Ethics and Integrity Office. Employees who make such disclosures in good faith will have the necessary protection in accordance with the Company's Whistle Blowing Policy.
- 10.3 The Board and Regulatory Affairs Department will endeavor to educate all stakeholders on the provisions of this Policy.

Part I- Board Independence

- 1. The Board shall determine who the independent directors are on an annual basis. Independent directors bring independent and objective judgement to the Board, and this mitigates risks arising from conflict of interest or undue influence from interested parties.
- 2. Directors elected by holders of Class A shares or appointed by holders of Class B shares should recognize that they owe their duties to the Company and not their nominating or appointing shareholders.

3. Assessment of Directors Independence

- 3.1 The status of independent Board members shall be assessed annually by the entire Board.

- 3.2 The assessment criteria for independence of directors shall also include tenure. Long tenure can impair independence. The tenure of an independent Board member shall therefore not exceed a cumulative term of six years. The six years can either be a consecutive service of six years or a service of six years with intervals.
- 3.3 Each independent non-executive director shall annually respond to a questionnaire developed by the Board to assess their independence as specified in 3.1 above.
- 3.4 Each independent Director will notify the Chairperson or Company Secretary as soon as reasonably practicable, of any event, situation or condition that may affect the Board's evaluation of his or her independence.
- 3.5 With the exception of the Cabinet Secretary, National Treasury & Economic Planning and the Principal Secretary, Ministry of Energy, and their alternate directors all other directors appointed by the holders of Class B shares will be deemed to be independent directors.

4. Disclosure

- 4.1 The Board will disclose to shareholders annually which directors are independent and non-independent (and any change in status that occurred during the year) and their period of office.
- 4.2 The Board will make the following disclosure to shareholders in the Company's Annual Report:
 - 4.2.1 Independent and non-independent directors standing for re-election will also be identified in the Notice of Annual General Meeting.
 - 4.2.2 If the Board's assessment of a director's independence changes, that change will be disclosed immediately through an announcement to the regulator and, where required, any other applicable stock exchange.

Part J- Triggers for Policy Review

The Policy will undergo a review under the following circumstances: -

1. Legal and regulatory changes
2. Change in organization structure, corporate strategy and business models
3. Changes in business environment
4. A lapse of a 3-year time period after the last review

Part K- Responsibility for Implementation

Action Owner	Responsibility
Board of Directors	Approval and Adoption of this Policy.
	Provide oversight on implementation of this Policy.
Managing Director and Governance Human Resource	Ensure accountability for successful implementation of this Policy.

Committee	
General Manager, Legal, Regulatory Affairs & Company Secretary	Monitor the implementation of this policy
	Raise awareness in terms of this Policy and related procedures
	Provide training and guidance in respect of this policy to all business areas.
	Initiate the changes to the policy when it is due for review or when there are legislative changes.

Part L- Distribution List

This Policy shall be distributed to all Board Members and Employees.

SIGNED BY:-

JOY BRENDA MASINDE
CHAIRMAN, BOARD OF DIRECTORS

Signature Date:

APPENDIX 1: CONFLICT OF INTEREST DECLARATION FORM

PART A: DECLARATION (To be completed by ALL Staff)

I hereby undertake to advise my supervisor and the Integrity & Ethics Office when a situation arises where an interest of mine or any relationship of which I am aware, conflicts or may reasonably be thought to conflict, with the Company or public duty whether that interest is financial or otherwise.

I affirm that the information contained in this declaration is true and complete.

I would like to report the following existing/potential conflict of interest situation arising during the discharge of my official duties:

Persons/Companies with whom/which I have official dealings and or personal interest.

- 1.
- 2.
- 3.

Brief description of my duties which involve the persons/companies mentioned above.

.....
.....

Areas of real/possible conflicts of interest:

- 1.
- 2.
- 3.

Date: Name of declaring staff

Designation..... Staff No.....

Signature.....

PART B: ACKNOWLEDGEMENT (To be completed by the approving authority)

To: (Declaring Staff)

The information contained in your declaration for is noted. It has been decided that: (Tick as appropriate)

You should refrain from performing or getting involved in performing the work, as described in Part A, which may give rise to conflicts of interest.

You should continue to handle the work as described in Part A, provided that there is no change in the information declared above.

Other conditions (please specify)

.....
.....

Name.....

Title.....

Signature

Date.....

PART C : DECLARATION OF CONFLICT OF INTEREST BY DIRECTORS FORM

NAME:

I have received a copy of the Kenya Power and Lighting Company PLC Conflict of Interest Policy.

I have read and understand the policy and agree to comply with it. On this form, I am disclosing other positions and responsibilities that may cause conflicting interest to arise.

I will recuse myself from deliberations and decisions on transactions or arrangements that give rise to a conflict of interest: -

1. Professional, business or volunteer positions or responsibilities that might give rise to conflicts.
2. Situations in which I am serving as a supplier/vendor, or I am employed by or consulting with a vendor.
3. I know of no professional, business or volunteer position or responsibility, including vendor situations that might give rise to conflicts.
4. In addition to filing a disclosure form annually, I will disclose to the Management or Chairman of the Board any possible conflict of interest whenever it may arise.

Signature.....

Name of Director.....

Date.....

Part D: QUESTIONNAIRE FOR ASSESSMENT OF INDEPENDENCE OF DIRECTORS

(Pursuant to Part I of Conflict of Interest and Independence of Directors Policy)

To be filled by Independent Directors of the Company on an annual basis

No.	Question	Yes	No	Remarks
1.	Have you been employed by KPLC in an executive capacity within the last three years?			
2.	Are you associated with an adviser or consultant of KPLC or a member of KPLC's senior management or a significant customer or supplier of KPLC or with a not-for-profit entity that receives significant contributions from KPLC?			
3.	Have you had any business relationship with KPLC within the last three years, (other than service as a director) for which KPLC has been required to make disclosure?			
4.	Do you have any personal service contract with KPLC, or a member of KPLC's senior management?			
5.	Are you employed by a public listed company at which an executive officer of KPLC serves as a director?			
6.	Are you a member of the immediate family of any person described above, or have you had any of the relationships described above with any affiliate of KPLC?			
7.	Are you a representative of a shareholder who has the ability to control or significantly influence management?			
8.	Are you free from any business or other relationship which could be seen to interfere materially with the your capacity to act in an independent manner?			
9.	Do you have a direct or indirect interest in KPLC which is either material to you or to KPLC? (A holding of five percent or more is considered material)			
10.	Have you served on the Board of KPLC for more than six (6) years since you were first elected?			

Signature.....

Name of Director.....

Date.....