

Reporting Template for Disclosing Application of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015

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.

The completed Reporting Template shall be filed with the CMA as part of all year-end filings and shall be filed no later than four months after financial year end.

The Code follows the approach of “Apply or Explain” which essentially is a principle-based approach and recognizes that a satisfactory explanation for any non-application will be acceptable in certain circumstances. **However, the Code contains mandatory provisions that have been replicated in the Capital Markets (Securities) (Public Offers, Listing & Disclosure) Regulations, 2002. These mandatory provisions are marked as ‘M’ in the template.**

The goal of this Reporting Template is to:

- Guide the company in its efforts to improve corporate governance structures and practices in a progressive and orderly manner;
- Provide a framework for companies to structure their compliance statements, reducing the regulatory burden;
- Ensure that shareholders/investors and other stakeholders are able to rapidly understand an issuer’s degree of compliance with the Code and commitment to good corporate governance; and
- Present data in a structured format that allows for cross-company comparison.

This Reporting Template is structured according to the Principles, Recommendations and Guidelines in the Code. Note that this Reporting Template does not cover the entire provisions of the Code. All relevant Recommendations should be referred to prior to completion of columns ‘F’ and ‘G’ of the Reporting Template.

Column ‘F’ of the Reporting Template should be marked as **FA - “Fully Applied”, PA “Partially Applied”, or NA - “Not Applied”**. In cases of **mandatory requirements** only, ‘FA’ will be taken to mean ‘Fully Complied With’; ‘PA’ will be taken to mean ‘Partially Complied With’ and ‘NA’ as ‘Not Complied With’. The person completing this Reporting Template should check thoroughly all relevant company documents and practices to ensure that responses are accurate and reflect the true position and detail all such referenced documents as evidence in column G.

Alternatives to a Recommendation may be justified in particular circumstances if good governance can be achieved by other means. If this is the case, the company must disclose and describe this non-compliance, and explain how the overall goal is being achieved. The alternative should be consistent with the overall Principle and Recommendations. Descriptions and explanations should be written in plain language and in a clear, complete, objective and precise manner, so that shareholders and other stakeholders can assess the company's governance framework.

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Column 'G' of the report should include explanations of how the relevant requirement has been applied with supporting evidence provided. If a company has applied a higher or different standard than that set by the Code, it should still explain how it has applied the requirement and how the alternative or higher application meets the requirement.

If the relevant recommendation/s **are not fully applied, the Code is considered to have NOT been applied** and an explanation is required to be provided in column 'G'. Therefore column 'G' will be completed for all questions.

In cases of non-application of the Code or non-compliance ('PA' or 'NA' in column 'F'), descriptions and explanations shall include:

- a: reasons for non-application or partial application
- b: time frame required to meet each application requirement; and
- c: the strategies the company will put in place to progress to full application.

Unusually, there may be one or two questions which are not applicable to the company. For example, Question B.8 refers to the appointment of Alternate Directors. If the company has not appointed any Alternate Directors, then the response to the question is '**not applicable**'. These words shall be written in full in column 'G'.

The Reporting Template should be treated as any other compliance document and be checked before submission. The signatures of the following shall appear on the document as a statement they have read and agree with the contents of the Reporting Template. The signatories shall be:

- Chairman of the Board;
- Chief Executive Officer; and
- Company Secretary.

The company Board of Directors is responsible for the accuracy and integrity of the responses in the Reporting Template, which shall be completed by a nominated company officer. Completion of the Reporting Template may not be delegated to the external auditor.

The Report resulting from completion of the template must be:

- posted on the website of each issuer; and
- sent to the CMA within four (4) months of the close of each financial year.

Further, the company must disclose in its Annual Report a statement of policy on good governance and the status of application of the Code.

CMA Support

CMA support in the completion of the Reporting Template is available through the Frequently Asked Questions on the CMA website – www.cma.or.ke. The Template is available on CMA website.

For any clarification or guidance, please contact the Capital Markets Authority.