

 IBEDC	
CODE OF CORPORATE GOVERNANCE	POLICY No: IBEDC.POL/14/01
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ISSUER: PETER A ONI - Strategy and Policy BOLANLE ONAGORUWA, Legal Adviser/Company Sec.	APPROVAL: BOARD OF DIRECTORS

OBJECTIVE

The objective of this Corporate Governance Code is to document the various mechanisms and processes by which IBEDC will be controlled and directed. Sound governance practices and behaviour facilitate prudent management that can deliver long term success for the company and its numerous stakeholders.

SCOPE

The provisions of this Code shall apply to all members of the Board, Board Committee Members and all Employees of Ibadan Electricity Distribution Company (IBEDC). It shall also apply to all policies and procedures of the company.

STATEMENT OF CORPORATE PRINCIPLES

The Board of Directors, Board Committees, Executive Committees, and all employees of IBEDC hereby commit themselves to the fundamental principles of sound corporate governance provided in this Code and acknowledge that the same are necessary components of sound strategic business management that will enhance the value of the company.

The company adheres to the principles of integrity, accountability, fairness, equity and transparency to develop and uphold an ethical culture that will protect and promote the best interest of the company for the common benefit of the company's shareholders and other stakeholders.

This Code shall be kept under constant review to meet the evolving international standards of good corporate governance practices.

CORPORATE GOVERNANCE RULES AND PRINCIPLES

Preamble

Corporate governance broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed.

Governance structures identify the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and include the rules and procedures for making decisions in corporate affairs.

Weak Corporate Governance practices have been identified as being responsible for recent corporate failures across the world. This has led to renewed interest in the governance practices of modern corporations, particularly in relation to accountability, since the high-profile collapses of a number of large corporations during 2001–2002, most of which involved accounting fraud; and then again after the recent financial crisis in 2008.

This Code complies with best practices in Corporate Governance which include the following:

- United States' Sarbanes-Oxley Act, 2002
- Nigerian Electricity Regulatory Commission's (NERC) Draft Code of Corporate Governance, 2014
- Securities and Exchange Commission of Nigeria (SEC) Code of Corporate Governance, 2011
- Organisation of Economic Cooperation and Development (OECD) Model of Corporate Governance, 2004
- United Kingdom's Financial Reporting Council (FRC) Code of Corporate Governance, 2012

PART A: APPLICATION OF THE CODE

This Code is not intended as a rigid set of rules. It is expected to be viewed and understood as a guide to facilitate sound corporate practices and behaviour. The code should be seen as a dynamic document defining minimum standards of corporate governance within the company.

PART B: BOARD GOVERNANCE

Section 1.0 Composition of the Board

- 1.1 The board consists of Directors who shall be elected by the shareholders at the regular or special meeting in accordance with the Company and Allied Matters Act (CAMA) 2004 and the Memorandum and Articles of Association of the company (MEMART)
- 1.2 The board shall have at least one independent director or such number of independent directors as may be appropriate for its business.
- 1.3 The board shall be composed so as to ensure diversity of experience and promote integrity, compatibility, impartiality and independence. This diversity acts as a check on the board as it does not allow an individual or any group of individuals to totally control the decision making mechanism of the company.
- 1.4 The Board shall comprise of a mixture of executive and non-executive directors led by a non-executive chairman. The independent director shall have no equity or other financial or pecuniary interest in or previous relationship with the company and its shareholders.
- 1.5 Directors shall be individuals who possess integrity, relevant experience of corporate practice and who would contribute positively to the growth and best management of the company.
- 1.6 The Offices of Chairman and Chief Executive Officer shall respectively be held by different persons so as to avoid the concentration of power in one individual.

Section 2.0 Duties and Responsibilities of the Board

2.1 General responsibilities

- a. The Board of Directors is primarily responsible for the governance of the company. Consequent to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.
- b. The Board should establish the company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the mechanisms for effective monitoring of the Management's performance.
- c. A Director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability, integrity, utmost good faith and fairness.

2.2 Specific Duties and Functions

To ensure a high standard of best practice for the company and its stakeholders, the Board shall:

- a. Adopt a process of selection to ensure a mix of competent directors and officers and oversee the implementation of compensation plans and professional development programs for officers and succession planning for senior management officers;
- b. Oversee Management's formulation and implementation of sound strategic policies and guidelines on major capital expenditures, business strategies, plans and policies and periodically evaluate Management's overall performance;
- c. Ensure that the company complies with all relevant laws, regulations and endeavour to adopt best industry practices;
- d. Identify the company's key stakeholders and oversee Management's formulation and implementation of the company's communication policy and program;
- e. Adopt a system of checks and balances within the Board, which should be regularly reviewed for effectiveness;

- f. Provide oversight with regard to Enterprise Risk Management (ERM);
- g. Develop and monitor key performance indicators (KPI's) in line with industry best practices;
- h. Ensure that the company establishes appropriate policies and procedures including, but not limited to, conflict of interest and related party transactions;
- i. Constitute Board committees that it deems necessary to assist the Board in the performance of its duties and responsibilities;
- j. Consider the creation and maintenance of an alternative dispute resolution system in the company that can amicably settle differences or conflicts within the company;
- k. Properly discharge Board functions by meeting regularly. Divergent views during board meetings should be given due consideration and all such meetings should be duly recorded in the minutes' books;
- l. Keep Board authority within the powers of the institution as prescribed in the Memorandum and Articles of Association (MEMART), and the extant laws, rules and regulations.

2.3 Chairman of the Board

The Chairman shall ensure the effective operation of the Board and provide overall leadership to other Directors and to the company. He/she shall not be involved in the day-to-day operations/management of the company.

In addition, the Chairman shall:

- a. Ensure that Board meetings and general meetings are properly conducted and, in conjunction with the Chief Executive Officer and Company Secretary, set the agenda for such meetings.
- b. Play a leading role in ensuring that the Board and its committees are composed of individual Directors with the relevant skills, competencies and desired experience.
- c. Preside over Board meetings and general meetings of the company.

- d. Ensure effective communication and relations with shareholders and other strategic stakeholders.
- e. Ensure that the board members receive accurate and clear information, in a timely manner; about the affairs of the company to enable Directors make informed decisions in relation to the operations and activities of the company.
- f. Ensure that all directors focus on their key responsibilities and perform constructive roles in the affairs of the company.

Where there is a perceived conflict of interest involving the Chairman, the Board must appoint a lead Director from among the Directors to temporarily preside in the meeting to ensure the independence of the Board.

2.4 Chief Executive Officer/Managing Director

- a. The responsibility of the Chief Executive Officer or Managing Director shall be to oversee the day-to-day operations of the company. He shall be the head of the Management team of the company and shall be answerable to the Board.
- b. The Chief Executive Officer shall ensure that the company is run efficiently in order to achieve the strategic and other objectives of the company and in accordance with the relevant laws, industry practice/codes and regulations.
- c. The Board may delegate such of its powers to the Chief Executive Officer as it deems appropriate to ensure the smooth day-to-day operations of the company.

2.5 Independent Directors

An Independent Director is a Non-Executive Director who:

- a. Has no shareholding, direct or indirect in the company;
- b. Is not a representative of a shareholder that has the ability to control or significantly influence Management;

- c. Has not been employed by the company or the group of which it currently forms part, or has served in any executive capacity in the company or group for the preceding three financial years;
- d. Is not a member of the immediate family of an individual who is, or has been in any of the past three financial years, employed by the company or the group in an executive capacity;
- e. Is not a professional adviser to the company or the group, other than in the capacity of a Director;
- f. Is not a significant supplier to the company or group;
- g. Has no significant contractual relationship with the company or group and is free from any business or other relationship which could materially interfere with his/her capacity to act in an independent manner; and
- h. Is not a partner or an Executive of the company's statutory audit firm, internal audit firm, legal or other consulting firm that have a material association with the company and has not been a partner or an Executive of any such firm for three financial years preceding his/her appointment;
- i. Shall be an individual of recognised achievement in the public or private sector, with such experience acceptable to the membership of the board of directors of the company;
- j. At least one Independent Director shall be appointed by the Board;
- k. The Independent Director shall chair the Board Audit, Risk & Governance Committee (ARGC);
- l. Independent directors should, as much as possible, be in attendance during Board meetings to promote transparency. Unless otherwise provided in the MEMART of the company, their absence shall not affect the quorum requirement.

2.6 Company Secretary

- a. The company secretary shall be a person possessing the relevant qualifications and competence necessary to discharge effectively the duties of his office. Accordingly, the Company Secretary should be appointed through a rigorous selection process that is applicable for appointment of new Directors;

- b. The Company Secretary has the primary duty of assisting the Board and Management in implementing this Code and developing good corporate governance practices and culture;
- c. The Company Secretary shall ensure that Directors, Management and employees of the company comply with all extant regulations issued not only by the Nigerian Electricity Regulatory Commission (NERC) but the other agencies whose power extend to the company and ensure that company rules, procedures and policies are complied with and that the company corporate behaviour meets its own Code of Conduct;
- d. The Company Secretary shall report directly to the MD/CEO but shall also have a direct channel of communication to the Chairman;
- e. In addition to his statutory functions, the Company Secretary shall carry out the following duties and responsibilities:
 - (i) Provide the Board and Directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interest of the company;
 - (ii) Coordinate the training and orientation of new Directors;
 - (iii) Assist the Chairman and MD/CEO to determine the annual Board plan and with the administration of other strategic issues at the Board level;
 - (iv) Compilation of the Board papers and ensuring that the Board's discussions and decisions are clearly and properly recorded and communicated to the relevant persons;
 - (v) Notify the Board members of matters that warrant their attention;
 - (vi) Provide a central source of guidance and advice to the Board and the company, on matters of ethics, conflict of interest and good Corporate Governance;
 - (vii) The Company Secretary should be properly empowered by the Board to discharge his/her duties and responsibilities. His /Her appointment or termination should be tabled and ratified by the Board.

Section 3.0 Multiple Directorships

There is no limit on the number of concurrent directorships a Director of a company may hold. However, concurrent service on too many Boards may interfere with an individual's ability to discharge his/her responsibilities. The Board and the shareholders should therefore give careful consideration to other obligations and commitments of nominees in assessing their suitability for appointment into the Board. Accordingly;

- a. Except with the written approval of NERC, the Directors of the company shall not be shareholders in or be Directors of other licensed electricity companies in order to avoid any real, potential or perceived conflict of interest, breach of confidentiality and misappropriation of corporate opportunity. Serving Directors shall notify other Directors through the Chairman of prospective appointments as Directors in other companies in the Nigerian Electricity Supply Industry (NESI), whether licensed or not;
- b. Where a prospective nominee to the Board is also a Director in other companies in the NESI, whether licensed or not, he/she shall disclose this fact to NERC prior to the appointment taking effect. If similar circumstances arise in the course of serving on the Board, the Director in such position shall immediately upon becoming so aware disclose such fact to the Board and NERC;
- c. NERC shall consider the other NESI directorship held or to be held by such a prospective nominee or Director and determine whether the prospective nominee or Director can contribute effectively to the performance of the Board and the discharge of its responsibilities; and on the basis of such facts as it may obtain with all due diligence, make a determination whether to permit the Director to take his seat on the new Board of Directors.

Section 4.0 Board Committees

4.1 General Rules

The Board shall have the power to delegate some of its duties to committees. The Board may establish such committees as they deem appropriate,

depending on its needs. The Board shall determine the extent to which its duties shall be undertaken through committees as well as the composition and duties of such committees. It shall also ensure that such committees comprise Directors with relevant skills, competencies and sufficient time to devote to the committee's work.

- a. It shall be the responsibility of the Board to facilitate the effective discharge of the duties and responsibilities of their committees.
- b. The Chairman of the Board shall not be a member of any of the committees established by the Board.
- c. Each Board committee may co-opt senior management staff of the company into the committee in advisory or other capacity but not as members as the committee may determine.
- d. Each Board committee shall meet not less than once in each quarter of the company's financial year. Appropriate notice of meetings shall be given to members including the date, time, place and agenda of the meeting.

4.2 Audit, Risk and Governance Committee

The Board shall establish an Audit, Risk and Governance Committee (ARGC) composed of Non-Executive Directors to keep under review the scope and results of Audit and the independence and objectivity of the external auditors of the company

- a. The ARGC shall be composed of at least two (2) Directors, who shall preferably have accounting and finance backgrounds.
- b. The functions of the ARGC shall be in line with the provisions of section 359(6) of Companies and Allied Matters Act 2004 (CAMA).
- c. In addition to the functions stipulated in the CAMA, it shall carry out other functions agreed upon by the Board, and conveyed to it via a written resolution of the Directors, provided any such additional function shall not conflict in any way with its statutory function under Section 359(6), CAMA
- d. The Chief Audit Executive (CAE) of the company shall have total, unrestricted access to the Chairman of the Audit Committee as well as the Chairman of the Board. The CAE shall report once every quarter to the

ARGC on the adequacy and effectiveness of the internal audit and control systems, risk management and accounting systems and any deficiencies observed alongside any appropriate remedial measures in the financial and accounting management practices of the company

- e. The ARGC shall have the following duties and responsibilities:
- i. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring compliance with applicable laws, rules and regulations;
 - ii. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal, and other risks of the company.
 - iii. Perform oversight functions over the company's internal and external auditors. It shall ensure that internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;
 - iv. Review and approve the annual internal audit plan to support the attainment of the objectives of the Company. The plan shall include the audit scope, resources, and budget necessary to implement it;
 - v. Prior to commencement of a statutory audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one (1) audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts
 - vi. Establish an effective audit function and consider the appointment of an independent external auditor, and the terms and conditions of their engagement and removal;
 - vii. Monitor and evaluate the adequacy and effectiveness of the company's internal control system, including financial reporting control and information technology security;
 - viii. Review the reports submitted by the internal and external auditors;
 - ix. Review the completeness, accuracy, and fairness of the quarterly,

half-year, and annual financial statements before their submission to the Board or regulators with regards to the provisions of CAMA

- x. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. The ARGC shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties;
- xi. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the company's overall consultancy expenses. The ARGC shall disallow any non-audit work that will conflict with his duties as an external auditor that may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the company's annual report; and
- xii. Such other duties and responsibilities as may be provided in the Audit, Risk and Governance Charter.

4.3 Board Finance and Investment Committee

- a. The Board Finance and Investment Committee (BFIC) shall be composed of at least two (2) directors with the Chief Finance Officer as ex-officio member.
- b. The BFIC is in charge of reviewing the financial operations of the company and matters regarding the acquisitions of or investments in companies, business or projects. It endorses recommendations to the Board as deemed appropriate or approved actions with its delegated authority.
- c. The BFIC shall review, advise and recommend approval, decision or action on financial matters, including but not limited to the following:
 - i. Establishment of and changes to financial, accounting and treasury policies;
 - ii. All major financing transactions of the Company;
 - iii. Issuance of shares and shares repurchases, valuation of shares, and other such activities involving existing shares;

- iv. The Company's corporate plans and budgets;
- v. Proposals for Dividends and transfers to reserve; vi. Financing, guarantees, indemnities and mortgaging of the company's assets;
- vii. Any actual, or potential, major exception or occurrence which has, or may have, a major financial impact on the company;
- viii. Guarantees, financial support, undertakings and indemnities concerning investments or liabilities of subsidiary or associated companies, other than those which are the subject of an existing general or specific Board or Committee approval;
- ix. Proposed principal agreements with Government, Joint Venture and Shareholders' Agreements, Major Acquisitions, Divestment and property redevelopment;
- x. Ensure cost effectiveness and efficiency in project implementation including procurement of goods, works and services;
- xi. Establish a transparent procedure to ensure the award of contracts to competent and cost-competitive contractors; and
- xii. Undertake relevant procurement research and survey before undertaking any project and
- xiii. Such other duties and responsibilities as may be provided in the BFIC charter

4.4 Human Capital, Remuneration and Safety Committee

The Board shall establish a Human Capital, Remuneration and Safety Committee (HCRSC) and it shall have the responsibility of reviewing, and evaluating persons nominated to the Board, determining the remuneration of the Chief Executive Officer, the Executive Directors and the Heads of Departments of the company.

- a. The HCRSC shall be made up wholly of Non-Executive Directors
- b. HCRSC shall:

- i. Review and evaluate the qualifications of all persons nominated to Board and other appointments that require Board approval in accordance with the qualifications prescribed by law, pertinent rules and regulations, any rules created by the company and this Code. The screening shall include the evaluation of the nominee's directorship, membership and employment history in other corporations or organizations to ensure that he can perform his duties diligently and effectively;
- ii. Provide a final list of qualified nominees to the Board;
- iii. Recommend committee membership appointments, including committee chairmanships, to the Board for approval after receiving advice from the Chairman of the Board and CEO and with consideration of the desires of individual Board members;
- iv. Review annually the Charters of the Board Committees for the purpose of recommending any needed change(s) to the Board;
- v. Recommend processes and mechanisms for evaluating the performance of the Board, the Board committees and Management;
- vi. Assess the effectiveness of the Board's processes and procedures in the election or replacement of Directors;
- vii. Review annually the prescribed full Interest disclosure of all incoming Directors and Officers;
- viii. Review and recommend the Human Resources Policy of the Company to the Board for approval;
- ix. Approve the promotion, redeployment and disengagement of staff other than the MD/CEO, Executive Officers, Chief Operating Officer, Chief Finance Officer, Chief Technical Officer and Company Secretary
- x. Recommend compensation for all staff of the Company, except the MD/CEO and Executive Directors, to the Board;
- xi. Oversee strategic issues including employee retention, equality and diversity as well as other significant employee relationship matters;

- xii. Prepare and annually review benefit Policies and practices of the Company;
- xiii. Organise Board and Committees' induction and other training;
- xiv. Review public and employee safety standards and procedures, operational performance, and compliance issues relating to utility operations and facilities.
- xv. Provide input to the annual report of the Company in respect of Directors' compensation;
- xvi. Ensure that a comprehensive succession policy and plan exists for the positions of the Chairman, MD/CEO, Executive Directors and the Heads of various departments
- xvii. Ensure that the Board conducts performance evaluation of the Directors as regularly as the Board deems fit;
- xviii. Review and make recommendations to the Board for approval of the Company's organisational structure and any proposed amendments.

4.5 Strategy and Business Development Committee

The Board shall establish a Strategy and Business Development Committee (SBDC) and it shall have the following responsibilities:

- i. Periodically review changes in the economic and business environment, including emerging trends and other factors relevant to the Company's strategic goals;
- ii. Study and give advice on the strategic plans for the long-term development of the Company (including but not limited to the funding, financial policies and other significant matters) for recommendation to the Board;
- iii. Receive and consider reports on the Company's performance against the annual and long term plan;
- iv. Review and report to the Board on the effectiveness and timeliness of Management's execution of specific investments that were approved by the Board;
- v. Conduct public engagement/consultation processes as required;

- vi. Consider and make decisions which are within the Chief Executive's Officer's delegations, and which the Chief Executive has referred to Strategy and Policy Committee for decision making;
- vii. In conjunction with the Remuneration and Human Resources Committee, develop strategy outlining the company's approach to staff planning and development;
- viii. Assess the investment, required resources, organization and the effort and time for the realization of the aforesaid opportunities;
- ix. Handle such other matters as required by the Board of Directors.

Section 5.0 Management Team

The Management is represented by an Executive Management Committee (EXCOM) composed of the MD/CEO, Company Secretary and Heads of Departments and headed by the MD/CEO.

Section 6.0 Executive Management Committee (EXCOM)

All principal Policies and directives governing the organisation, management and operations of the company shall be formulated and implemented by this committee, subject to Board approval when required by existing laws. The committee shall regularly report to the Board at its regular Board meeting, or during special meeting whenever necessary or requested by the Board, through the CEO/MD and/or the Company Secretary, on the matters concerning the Company's operation as well as significant events or occurrences affecting the company.

6.2 Duties and Responsibilities of the MD/CEO

The MD/CEO shall be in charge of the management and administration of the business operations, affairs and properties of the Company. He shall ensure that all resolutions of the Board are carried into effect and see that the business and affairs of the Company are managed in a sound and prudent manner. He shall ensure the reliability and integrity of financial and operational information and effectiveness, as well as, the efficiency of operations.

The MD/CEO shall report to the Board, from time to time, all matters within his knowledge in which the company has material interest.

Section 7.0 External Advisors

External Advisors “**may**” be brought in should the need arise.

Section 8.0 External Auditor

1. The Board, after consultation with the Audit, Risk & Governance Committee, shall recommend to the shareholders an external auditor who shall undertake an independent audit of the company, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.
2. The external auditor of the company should not at the same time provide the services of an internal auditor.
3. The company’s external auditor should be rotated or the engagement partner should be changed every five (5) years or earlier.
4. The reason(s) for the resignation, dismissal or cessation from service of an external auditor and the date thereof shall be reported in the Company’s annual and current reports. The said report should include a discussion of any disagreement with the former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.
5. If an external auditor believes that the statements made in the company’s annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

Section 9.0 Internal Auditor

1. The Company shall have in place an independent internal audit function which shall be performed by an internal Auditor or an internal audit organisation, through which the Board, senior management, and shareholders shall be provided with reasonable assurance that the

company's key organisational and procedural controls are effective, appropriate, and complied with.

2. The Internal Auditor should certify that the conduct of internal audit activities is in accordance with the International Standards for Professional Practice of Internal Auditing.
3. The Internal Auditor shall functionally report directly to the Chairman, Board Audit, Risk & Governance Committee.
4. The Internal Auditor shall submit to the Board Audit, Risk and Governance Committee an annual report on the internal audit department's activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Committee.

Section 10.0 Performance Evaluation of the Board

The Board should establish a system to undertake a formal and rigorous annual evaluation of its own performance, that of its committees, the Chairman and the individual Directors.

Section 11.0 Supply of Information

All Directors shall be provided with complete, adequate and timely information about the matters to be taken up in their meetings and which would enable them to discharge their duties.

- a. Management is responsible for providing the Board with appropriate and timely information. If the information provided by Management is insufficient, the Board will make further inquiries where necessary to which the persons responsible will respond as fully and promptly as possible.
- b. The Directors, either individually or as a group, in the performance of their duties may seek independent professional advice within the guidelines set by the Board.
- c. A full agenda and comprehensive Board papers are to be circulated to all Directors well in advance of each Board meeting.

- d. Full Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director during office hours.

Section 12.0 Disclosure and Transparency

- a. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders. All material information may include: earnings, results, acquisition or disposition of assets, board changes, related party transactions, shareholdings of Directors, changes in ownership, remuneration (including stock options) of all Directors and senior management, corporate strategy, and off balance sheet transactions.
- b. All information may be disclosed via company announcements as well as through the annual report. The company shall cause the filing of all required information for the interest of the stakeholders.

Section 13.0 Accountability and Audit

- a. The Board shall ensure that shareholders are provided with a balanced and comprehensible assessment of the company's performance, position and prospects on an annual basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.
- b. Management should formulate the rules, procedures on internal controls, and financial operations for presentation to the Audit, Risk & Governance Committee.

Section 14.0 Meetings of the Board

- a. The Board shall meet not less than once in each quarter of the company's financial year. Appropriate notice of meetings shall be given to members including the date, time, place and agenda of the meeting.
- b. Every Director should attend at least three-quarters of all Board meetings. Such attendance shall be a primary criterion for the re-nomination of a

Director except there are cogent reasons for not attaining the minimum number of meetings, which reasons the Board must notify to the Shareholders at the Annual General Meeting at which such re-nomination is to be considered.

- c. At each meeting, the Board shall have a formal schedule of matters specifically reserved for its decision. The formal schedule shall be such as to ensure that the direction and control of the company is firmly in the hands of the Board.
- d. Board and Company meetings shall be conducted in such a manner as to permit a free flow of discussions. The Board shall ensure that the shareholders are not disenfranchised as a result of the timing and venue of a meeting. The venue of the meeting should be accessible to the shareholders and such period of notice no less than is required by law shall be given to all those entitled to attend meetings of the company.

Section 15.0 Reporting and Control

The Directors shall have the duty of presenting a balanced and transparent assessment of the Company's position. It shall be the duty of the Directors to ensure that an objective and professional relationship is maintained with the auditors, the regulatory authority and its shareholders.

- a. The Directors shall ensure that the company's annual report includes a corporate governance and compliance report that conveys clear information on the strength of the Company's governance structures, policies and practices to Stakeholders. The report should include the following:
 - i. Composition of the Board of Directors stating names of the Chairman, CEO, Executive and Non- Executive Directors;
 - ii. The roles and responsibilities of the Directors setting out matters which are reserved for the Board and those delegated to Management;
 - iii. Board Induction Process and training of Board members;
 - iv. iv. Evaluation Process and Summary of evaluation results for the

- Directors as a whole, its committees and each individual Director;
- v. Composition of Board Committees including names of chairmen, members and any advisers of each committee;
 - vi. Description of the roles and responsibilities of the Board Committees and how the committees have discharged those responsibilities during the preceding financial year;
 - vii. The number of meetings of the Board and the Committees held during the year and the attendance at such;
 - viii. Disclosure of the Code of Business Conduct and Ethics, if any, for Directors and employees;
 - ix. Human resource Policies, internal management structure, relations with employees, any employee share-ownership schemes and other workplace development initiatives; and
 - x. Company's sustainability policies and programmes covering issues such as corruption, community service, environmental protection, HIV/AIDS and general corporate social responsibility issues.
- b. In addition to the foregoing, the Directors shall ensure that the company's annual report makes sufficient disclosure on accounting and risk management issues. In particular, the following matters shall be disclosed:
- i. A statement of the Directors' responsibilities in connection with the preparation of the financial statements;
 - ii. Details of Accounting Policies utilised and reasons for any changes in accounting policies;
 - iii. Where the accounting policies applied do not conform to standard practice, the external auditor should express an opinion on whether he agreed with the departure and the reasons for the departure;
 - iv. A statement from the directors that the business is a going concern, with supporting assumption or qualifications where necessary;
 - v. Executive Directors' remuneration and share options, if any;
 - vi. Non-Executive Directors' and allowances and share options, if any;
 - vii. Risk management indicating the Board's responsibility for the total processes of risk management as well as its opinion on the effectiveness of the process.

- c. The Chairman's statement in the annual report should provide a balanced and readable summary of the company's performance for the period under review and future prospects and should reflect the collective views of the Board.
- d. The annual report should contain a statement from the Board with regards to the Company's degree of compliance with all applicable rules, regulations, codes, etc. In particular, the report will include;
 - i. Assurances that effective internal audit and control function exists in the company and that risk management and compliance system are operating efficiently and effectively in all respects;
 - ii. Justification where the Board does not accept the Audit Committee's recommendation on the appointment, reappointment or removal of an external auditor; explaining the recommendation and the reasons for the Board's decision;
 - iii. Disclosure of related party relationships and transactions, their nature and summaries providing such information as will enable the reader obtain an understanding of the potential effect of the relationship on the financial statements and or whether a conflict exists between the company or any of its Directors and the related party.
- e. The company shall disclose details of Directors' direct or indirect interest in entities that have or obtain contracts with the Company or its subsidiaries or holding companies. The details should include the name of the Director having the interest, the nature and details of the contract and the Directors' interest therein.

Section 16.0 Conflict of Interest

- a. Any Director shall promptly disclose any real, potential or perceived conflict of interest that he may have regarding matters that may come before the Board or its Committees. A Director should not participate in discussions and voting on any matter in which the Director has or may have real or potential conflict of interest.

- b. The company shall disclose details of Director's interest in contracts either directly or indirectly with the company or its subsidiaries or holding companies. The details should include the name of the Director, the nature and details of the contract and the Director's interest therein.
- c. If a Director is not certain whether he is in conflict of interest situation, the Director should discuss the matter with the Chairman of the Board and with the Company Secretary sitting together for advice and guidance.
- d. If any question arises before the Board, as to the existence of a real, potential or perceived conflict, the Board shall discuss the matter as exhaustively as they can and immediately thereafter by a simple majority determine if a conflict exists. The Director or Directors potentially in the conflict of interest situation shall not participate in any discussion and shall not vote on the issue.
- e. Directors who are aware of a real, potential or perceived conflict of interest on the part of a fellow Director, have a responsibility to promptly raise the issue for clarification, either with the Director concerned or the Chairman of the Board.
- f. The disclosure of a Director of a real, potential or perceived conflict of interest or a decision by the Board as to whether a conflict of interest exists should be recorded in the minutes of the meeting.
- g. A conflict of interest exists where a Director:
 - 1. Possesses an interest outside his official duties that materially erodes on the time or attention which should otherwise be devoted to the affairs of the company
 - 2. Possesses a direct or indirect interest in or a relationship with a contractor or consultant for the company that is inherently unethical or that may be implied or construed to be or make possible personal gain due to the Director's ability to influence dealings.
 - 3. Entertains relationships which are unethical, rendering his attitude partial towards an outsider for personal reasons or otherwise inhibits the impartiality of the Directors business judgement.

4. By his act or omission, places the company in an equivocal, embarrassing or ethically questionable position.
5. Entertains relationships that compromises the reputation and/or integrity of the company
6. Receives benefits by taking personal advantage of an opportunity that properly belongs to the company
7. Creates a source of personal revenue or advantage by using the company property which comes into his hands either in his course of work or otherwise.
8. Discloses confidential information to unauthorised persons.
9. Any other act or omission that the Chairman of the Board of Directors or the Board as a whole describes as being in conflict of interest.

PART C: RELATIONSHIP WITH SHAREHOLDERS

The Board shall ensure that the statutory rights of the shareholders are protected at all times. The venue of General meetings should be carefully chosen to ensure that it is affordable and accessible for all shareholders to attend and vote. The adequate notice of such meetings should be given to enable the shareholders attend the meeting and the Board shall ensure that decisions reached at the general meetings are implemented immediately and to the extent required by such decision.

Section 1.0 Investors' right and protection

The Board shall commit to respect the following rights of the shareholders:

1.1 Voting Right

- a. Shareholders shall have the right to elect, remove and replace Directors and vote on certain corporate acts in accordance with this Code.

1.2 Pre-emptive Right

Unless otherwise stated in the MEMART or the CAMA, all shareholders shall enjoy pre-emptive right to subscribe to all issues or disposition of shares in proportion to their respective shareholdings.

1.3 Right of Inspection

Any shareholder who desires to exercise his right to inspect corporate books and records of the company must make a written request addressed to the Company Secretary, and stating the specific reason(s) or purposes for the inspection and must sign a confidentiality agreement. The exercise of such right may be denied if:

- (i) The requesting shareholder improperly used information obtained from prior examination; or
- (ii) Is not acting in good faith; or
- (iii) There is a reasonable ground to safeguard the interests of the company, such as when the subject of inspection contains confidential or proprietary information or covered by a confidentiality or non-disclosure obligation which will be violated by the company if inspection were allowed.

In no cases shall the shareholder be allowed to take corporate books and other records out of the principal office of the company for the purpose of inspecting them. Books and records of the company shall be available for inspection by any shareholder of the company at reasonable hours on business days.

1.4 Right to Information

Shareholders shall be provided, upon request, with periodic reports filed by the company with regulatory agencies which disclose personal or professional information about the Directors and Officers such as their educational and business background, holdings of the company's shares, material transactions with the company, relationship with other Directors and officers and the aggregate compensation of Directors and officers.

1.5 Right To Dividends

- a. Shareholders shall have the right to receive declared dividends subject to the procedures prescribed by the Board.

- b. The company shall be compelled to declare dividends when its retained earnings exceeds 100% of its paid-in capital stock, except:
 - i. When justified by definite corporate expansion projects or programs approved by the Boards; or
 - ii. When the company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or
 - iii. When it can be clearly shown that such retention is necessary under special circumstances obtaining in the company, such as when there is a need for special reserve for probable contingencies.

1.6 Right to Transparent and Fair Conduct of Shareholders' Meeting

The Board shall adopt appropriate measure to ensure that shareholders' meetings are conducted in a fair and transparent manner. The shareholders shall be encouraged to personally attend such meetings, and if unable to do so, they should be advised ahead of time of their rights to appoint a proxy on their behalf.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights.

PART D: RELATIONSHIP TO STAKEHOLDERS

The Board shall recognise the rights of stakeholders as established by law and shall encourage active cooperation between the company and the stakeholders in creating wealth, creating jobs, protecting the environment and the sustainability of financially sound enterprises. In this regard, the Board shall ensure that the rights of stakeholders that are protected by law are respected and the stakeholders have the opportunity to seek effective redress within the company for any violations of their rights.

PART E: CODE OF ETHICS FOR DIRECTORS

The directors of the company owe these duties, as an irreducible minimum to the company.

- a. In accordance with legal requirements and agreed ethical standards, Directors of the company will at all times, in relation to any affairs of the company, act honestly, in good faith and in the best interest of the company.
- b. Directors owe a fiduciary duty to the company as a whole, and have a duty to use due care and diligence in fulfilling the functions of their office and exercising the powers attached thereto.
- c. They shall undertake diligent analysis of work proposal placed before the Board and act with the high level of skills, experience and maturity expected from Directors and key Executives of a company licenced to operate in the NESI.
- d. They shall not make improper use of information acquired and not disclose non-public information except where disclosure is authorised or legally mandated.
- e. They shall not take improper advantage of the position of a Director or use the position for personal gain or to compete with the Company.
- f. They shall not take advantage of property or use of property for personal gain or to compete with the company.
- g. They shall protect and ensure the efficient use of the Company's assets for legitimate business purposes of the company.
- h. They shall not engage in conduct likely to discredit the company, and should encourage fair dealing by all employees with the company's customers, suppliers, competitors and other employees.
- i. They shall not allow personal interest, or interest of any associated person or related party, to conflict with the interest of the company.
- j. They shall ensure the reporting of unlawful/unethical behaviour and actively promote ethical behaviour by other Directors and all staff of

the company; and ensure protection for those who report violations in good faith.

- k. They shall maintain independence and objectivity by, among other actions, avoiding real, potential or perceived conflicts of interest, refraining from self-dealing, and refusing any gift that could reasonably be expected to affect their loyalty either to the company or to their respective sponsors. They shall not put themselves in a position where their interests and the interests of the company conflict.
- l. They should undertake a formal and rigorous annual evaluation of their own performance and that of committees and individual Directors.

PART F: ADMINISTRATION AND ENFORCEMENT OF CODE

- a. This Code shall be circulated to all existing Directors of the company, and it shall be binding on them.
- b. The Code shall commit the company, its Board and Management to the highest standards of professional behaviour, business conduct and sustainable business practices.
- c. The Code shall be reviewed by the Board regularly and updated when necessary.
- d. Breaches of the Code shall be met with appropriate sanctions as determined by the Board.

PART G: REVIEWS REQUIRED

The Board Audit, Risk and Governance Committee will regularly review the provisions of this Code and ensure full compliance across the company. across the company.