

**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: Imelda Bore

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

Stock Code: KE0000000349, KE0000001877, KE0000002982

Closing price of stock at end of financial year: Kshs. 6.75 per Ordinary Share

Sector Energy: Energy & Petroleum

Net sales as per Income Statement at end of financial year: Kshs. 125,854,230,000/=

Year - 2017/2018

Net profit as per income Statement at end of financial year: Kshs. 3,089,209,000/=

Date of Financial Year End: 30th June 2018

Total debt (short and long term) as per Balance Sheet at end of financial year: Kshs. 113,029,384,000/=

Total equity as per Balance Sheet at end of financial year: Kshs. 64,207,389,000/=

MD & CEO Signature

Total no. of Board members at end of financial year: 9 Members

No. of independent members: 6 members

Company Secretary Signature

No. of non-executive members: 8 members

Consecutive No.	Part No.	Question	Kenya Code Reference	Application or Explanation - Note 3 & 4	Source of Information	
<b>A INTRODUCTION</b>						
1	M	A.1	1.1.2, 2.6.2, 6.3.2	FA	Yes the Board has in place a Board Charter and Manual which is in the Company's website. However, a review of the Charter and Mawhich was undertaken in the year and will be concluded in the current financial year.G29	Company's website (www.kplc.co.ke)
2	M	A.2	1.1.2, 2.3.1, 2.3.2, 2.6.2	FA	Yes this is covered in the Board manual	Board Manual Document
3	A or E	A.3	1.1.6	FA	This is contained in the Board manual	Board Manual Document
4	M	A.4	1.1.6	FA	All new directors were trained on the Code. Other Board members were trained and are aware of the Code.	Board training report
5	M	A.5	Part II - Overview, 2.3	FA	This is contained in the corporate revised strategic plan	Strategic plan 2018/2023
6	A or E	A.6	2.3.6	FA	Yes this is well covered in the strategic pillars of the Company	Strategic plan 2018/2023
7	M	A.7	2.2.2	FA	Board Committees composition and terms of reference are discussed and approved each calendar year	Board Committees Composition document
<b>B BOARD OPERATIONS and CONTROL</b>						

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 the 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 the 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 adheres to the requirements of the Articles of Association and the is same disclosed in the annual reports	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 for effective management of its business+G36	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 ensures achievement of diversity in 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 current Board is composed of members with diverse skills and experience in law, finance, accounting, audit, investments, engineering, management, projects management etc.	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 independent directors out of 9 members	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 and no Board member has served for more than 9 years. Board members do not serve for a tenure exceeding 9 years.	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 of the Board members retire by rotation and are 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 a Board Audit & 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 different persons	Board Manual Document and Annual Report
23	M	B.16	Is the Chairman of the Board a non-executive board member?	2.3.4	FA	Yes the Chairman is a 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 in the Conflict of Interest Policy	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 member in good standing of ICPSK	Annual report
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 of 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 2018	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 an 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 was 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 the Board's Human Resource 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 guided by the State Corporations Advisory Committee (SCAC)	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	Compliance with applicable laws are in the Board's performance contract. A legal and governance audit were also undertaken during the year	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 regular basis?	2.10.3	FA	Legal and compliance audit was undertaken during the year	Legal 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 out during the year	Governance Audit Report
<b>C RIGHTS of SHAREHOLDERS</b>							
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 for in the 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 the Company's offices, investor briefing is done and we publish in the media any information we are required to disclose.	Board manual and annual report
40	M	C.3	How does the Board facilitate shareholders participation at the AGM?	3.1.1	FA	We notices and reminders for the AGM are published in the newspapers as well as on use our website. Transport is provided for the shareholders to the venue. In addition, shareholders are given time to ask questions during AGM.	AGM notice and annual report
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 a chance to appoint proxies and vote during the 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 are changes in the Board, changes affecting the MD and Company Secretary, AGM notices and reminders are published as well as the results of voting of directors.	Press notices sent to CMA
<b>D STAKEHOLDER RELATIONS</b>							
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	Stakeholders 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 engagement 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 new 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	By putting in place a communication policy and holding forums, meetings and conference calls when need arises	Stakeholder meetings and Communication policy
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 a dispute resolution mechanism in place.	Collective Bargaining agreement
<b>E ETHICS AND SOCIAL RESPONSIBILITY</b>							
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 ensures declaration of conflict of interest at every meeting and ensures decisions made are for the benefit of all stakeholders. Deliberations are made on all issues and board members are given an opportunity to contribute.	Board minutes
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, S.2.2, S.2.3, S.2.4	FA	Code of Ethics and Conduct is place and all employees and Board are required to sign and adhere to it. Staff are routinely trained on the Code and integrity issues. Reports are routinely G77 and controls have been put in place	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 sign the code of ethics and are required to adhere to it. The Board is routinely briefed on integrity issues and the Code of Ethics.	Code of Ethics and Quarterly reports to the board
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 the 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 of the Board and the Ethics and Anti-Corruption Commission (EACC). Integrity and Ethics Surveys are done periodically.	Ethics and integrity reports
53	A or E	E.6	Has the company established and implemented a whistle blowing policy?	5.2.5	FA	The company has a Whistle Blowing Policy in place.	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 form part of the Board's 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	yes, there are CSR activities in place. A Safety, Health and Environment Department is in place to ensure that all projects are undertaken in a manner that is friendly to the community and environment.	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	<b>ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL</b>				
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 oversees the process of auditing the Company's accounts and reports while the Board reviews and approves the financial statements before the same is published	Board and Committee minutes
58	M	F.2	Does the Annual Report contain a statement from 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	Yes, the statements are in the annual report	Annual report 2017/2018
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 the 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	AGM minutes
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 Board standards?	6.1.5	FA	The Company is working towards procuring a firm to assist in integrated reporting	Internal Reports

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
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 function	Annual report and Internal Audit Reports
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	Quarterly reports are made to the Audit Committee of the Board. Disclosures are made in the annual report on Risk department functions and internal control	Annual report
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 and reports are made to the Audit Committee periodically	Annual report
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 the Annual Report	Annual report
		G	<b>TRANSPARENCY and DISCLOSURE</b>				
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	Press notices
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 the Annual Report under corporate governance report	Annual report
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 the Annual Report	Annual report
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 the Annual Report	Annual report
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 information are currently in the intranet and 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 be clearly stated in the Annual Report next year	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 the Annual Report	Annual report
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 is clearly stated in the Annual Report and Board manual	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 the Annual Report	Annual report

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 the Annual Report	Annual report
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 the Annual Report	Annual report

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.

