

## **APPENDIX 3**

### **EAST AFRICAN BREWERIES LIMITED**

**(the "Company")**

#### **BOARD AUDIT AND RISK MANAGEMENT COMMITTEE**

##### **TERMS OF REFERENCE**

##### **Membership**

- 1) Membership of the Board Audit and Risk Management Committee (the "Committee") shall be recommended by the board of directors for appointment by the Shareholders, on the recommendation of the Nominations & Remuneration Committee. The Committee shall comprise of at least three Independent Non-Executive Directors, one of whom shall have recent and relevant financial experience, professional qualifications in audit or accounting and be in good standing with the applicable professional body.
- 2) The Chairman of the Board shall not be a member of the Committee.
- 3) The Board shall appoint the Committee Chairman who shall be an independent non-executive director (INED). In the absence of the Committee Chairman, the remaining members present shall choose one of their members to chair the meeting.
- 4) Appointments to the Committee shall be for a period of up to three (3) years (subject to the election and re-election provisions in the Company's Memorandum & Articles of Association), which may be extended for further periods of up to three (3) years each, provided the director concerned still satisfies the criteria (were he to be a new member) for appointment to the Committee.
- 5) The Committee shall also serve as the Audit and Risk Committee for Uganda Breweries Limited (UBL). The UBL Audit and Risk committee operating within this Committee shall comprise a maximum of four members one of whom shall be an independent non-executive director of UBL. The INED shall be the Chairman of the UBL Audit and Risk committee. The other members of this Committee shall not be directors of UBL.
- 6) The Committee agenda, pre-read and minutes of meeting shall include specific reference to UBL where applicable.

## **Quorum**

- 7) The quorum for purposes of conducting the business of the Committee shall be two (2), one of whom shall be an independent director. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## **Attendance at meetings**

- 8) No one other than the members of the Committee shall be entitled to attend the Committee meetings and pass/vote on committee resolutions.
- 9) The following are permanent invitees in the committee meetings:
  - a) Group Managing Director
  - b) Group Finance & Strategy Director
  - c) Head of Group Audit and Risk (**GAR**) for EABL
  - d) Group Legal Director
  - e) Group Controls, Compliance & Ethics (**CCE**) Director
  - f) A representative of EABL's appointed external auditor who shall be the senior engagement partner

The committee may invite any other non-executive directors, representatives of the external advisers, or other persons to attend all or part of any meeting as and when appropriate in the opinion of the Committee Chairman or the majority of its members.

- 10) The Company Secretary, or any other person selected for the task by the Committee, shall act as the secretary of the Committee.

## **Frequency of meetings**

- 11) Meetings shall be held not less than three (3) times a year (to coincide with key dates in the Company's financial reporting cycle) and otherwise as required.
- 12) External auditors, the Group Managing Director, the Group Finance & Strategy Director, Group Legal Director, Group CCE Director, Finance Director UBL or the Head of GAR may request of the Chairman a Committee meeting, if they consider that one is necessary.
- 13) There should be at least one (1) meeting in a year, where the Committee meets the external and internal auditors without executive Board members present. This need not be the same meeting as the Committee meeting.

## **Notice and Agenda of meetings**

- 14) Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chairman.

- 15) The Committee Chairman will review the agenda before it's published. The agenda shall cover the Committee work plan and other areas of interest identified by the Committee members or the EABL Management team that are within the scope.
- 16) The EABL Finance & Strategy Director will support the Chairman and Secretary in facilitating the Committee agenda and actions. This role was previously performed by GAR.
- 17) Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and copies of all Committee papers shall be sent to all members of the Committee, and to all other non-executive directors and other attendees as appropriate, at least five working days before the meeting.

### **Authority**

- 18) The Committee is authorized to:
  - (a) Seek any information that it requires from any employee of the Company in order to perform its duties and all employees are directed to cooperate with any request made by the Committee;
  - (b) investigate any activity within these terms of reference;
  - (c) obtain external legal or other professional advice and to secure the attendance of anyone it considers has relevant experience, expertise or knowledge; and
  - (d) have the right to publish in the Company's annual report and accounts details of any issues that cannot be resolved between it and the Board.

### **Duties**

- 19) The Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

### **Financial reporting**

- 20) The Committee shall monitor the integrity of the Company's financial statements, operating and financial review, interim reports, preliminary announcements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain.
- 21) The Committee shall review and challenge where necessary:
  - (a) critical accounting policies and practices, and any changes in them;
  - (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management and the ramifications of the use of such;

- (c) alternative disclosures and treatments, and the treatment preferred by the external auditor; and decisions requiring a significant element of judgment;
- (d) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
- (e) the clarity of disclosures in the Company's financial reports and the context in which statements are made;
- (f) significant adjustments resulting from the audit;
- (g) the going concern assumption;
- (h) compliance with accounting standards;
- (i) compliance with securities exchange and other legal requirements;
- (j) all material information presented with the financial statements;
- (k) other material written communications between the auditor and management or the Committee; and
- (l) other topics for consideration, as defined by the Board such as periodic legal reports.

### **Internal control and risk management**

22) On internal controls and risk management, it is the duty of the Committee to:

- (a) determine and review the Company's risk profile, including the nature and extent of significant risks that the Company is willing to take in achieving its strategic objective;
- (b) assess the scope, adequacy and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.
- (c) review management's and GARs reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- (d) monitor the integrity of the Company's internal financial controls;
- (e) review the timeliness of, and report on, the effectiveness of corrective action taken by the Company's management;

- (f) review the Company's procedures for managing breaches of the Code of Business Conduct (**COBC**) including the risk of fraud (prevention, detecting and dealing with fraud);
- (g) review the COBC, anti-bribery & corruption policy and related corporate responsibility policies and how these are communicated to staff and monitored; and
- (h) review the statement in the annual report and accounts on the Company's internal controls and risk management framework, prior to consideration by the Board;
- (i) Ensure that all ethical risks are captured in the Company's risk management process.

### **Whistle blowing**

23) The Committee shall:

- (a) Be responsible for ensuring that there is a whistle blowing policy in place;
- (b) review the Company's procedures for handling allegations from whistleblowers by which staff or other person can report in confidence possible wrongdoing in financial reporting or other matters; and
- (c) ensure that these arrangements allow timely and independent investigation of such matters and appropriate follow up action;
- (d) review reports on all matters reported through whistle blowing.

### **Global Audit & Risk (GAR)**

24) The Committee shall:

- (a) review and assess the GAR audit programme;
- (b) review the adequacy, scope and functions of the GAR internal audit function and ensure that it is adequately resourced and has appropriate authority to carry out its work;
- (c) ensure the GAR internal audit function is independent of the activities of the Company and is performed with impartiality, proficiency and due professional care;
- (d) ensure that the Head of Group Audit & Risk has direct access to the Board Chairman and the Committee and is accountable to the Committee;
- (e) receive a report on the results of the GAR internal auditors' work on a periodic basis;

- (f) review and monitor management's responsiveness to the internal audit findings and recommendations;
- (g) monitor and assess the role and effectiveness of the GAR internal audit function in the overall context of the Company's risk management system;
- (h) review any appraisal or assessment of the performance of the members of the GAR internal audit functions;
- (i) be informed of resignations of GAR internal audit staff members and ensure that resigning staff members are provided an opportunity to submit reasons for resigning.

### **External audit**

25) The Committee shall be directly responsible for recommendation of appointment, compensation, and oversight of the work of any registered public accounting firm employed by the Company (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The registered public accounting firm shall report directly to the Committee.

26) Specifically, the Committee shall:

- (a) consider, and make recommendations on the appointment, reappointment and removal of the external auditor;
- (b) consider and make recommendations on the remuneration to be paid to the external auditor in respect of audit and non-audit services provided;
- (c) approve the terms of engagement for the external auditor;
- (d) assess the qualifications, expertise and resources, effectiveness and independence of the external auditors annually;
- (e) discuss with the external auditor, before the audit commences, the nature and scope of the audit;
- (f) satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company other than in the ordinary course);
- (g) agree with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of such policy;
- (h) seek to ensure co-ordination with the activities of the internal audit function;

- (i) consider the risk of the withdrawal of the Company's present auditor from the market;
- (j) review with the external auditors, the findings of their work, including, any major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved; key accounting and audit judgments; levels of errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors might remain unadjusted;
- (k) review the audit representation letters before consideration by the Board, giving particular consideration to matters that relate to non-standard issues;
- (l) assess, at the end of the audit cycle, the effectiveness of the audit process by;
  - i. reviewing whether the auditor has met the agreed audit plan and understanding the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks;
  - ii. considering the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgments identified and in responding to questions from the audit committees, and in their commentary, where appropriate, on the systems of internal control; and
  - iii. obtaining feedback about the conduct of the audit from key people involved;
- (m) review and monitor the content of the external auditor's management letter, in order to;
  - i. assess whether it is based on a good understanding of the Company's business; and
  - ii. establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon;
- (n) develop and recommend to the Board the Company's policy in relation to the provision of non-audit services by the auditor and ensure that the provision of such services does not impair the external auditor's independence or objectivity. In doing so, the audit committee should;
  - i. consider whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;
  - ii. consider whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;

- iii. consider the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit fee; and
  - iv. consider the criteria which govern the compensation of the individuals performing the audit;
- (o) Set and apply a formal policy specifying the types of non-audit work: from which the external auditors are excluded; for which the external auditors can be engaged without referral to the audit committee; and for which a case-by-case decision is necessary.

### **Corporate Governance**

- 27) Pursuant to the New Companies Act 2015, the Committee shall set out the corporate governance principles that are appropriate for the nature and scope of the company's business; establish policies and strategies for achieving them; and annually assess the extent to which the company has observed those policies and strategies.  
The committee may delegate this duty to the Corporate Governance Committee and shall annually review the principles set out by the Corporate Governance Committee.

### **Reporting Procedures**

- 28) The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 29) The Secretary shall minute the proceedings and resolutions of the Committee meetings, including the names of those present and in attendance.
- 30) The Secretary shall circulate draft minutes of meetings of the Committee to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board except where the Committee determines it to be inappropriate to do so for reasons of confidentiality.
- 31) The Committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report and accounts. Such a report should specifically include:
- (a) a summary of the role of the Committee;
  - (b) the number of Committee meetings and attendance by each member;
  - (c) the way the Committee has discharged its responsibilities;

- (d) how it has assessed the effectiveness of the external audit process;
- (e) where the external auditor has provided non-audit services, how auditor objectivity and independence has been safeguarded;
- (f) where disagreements between the Committee and the Board cannot be resolved, the Committee shall report the issue to the shareholders as part of the report on its activities in the Company's annual report; and
- (g) if the board does not accept the Committee's recommendation regarding the appointment, reappointment and removal of the external auditors, the Committee shall include a statement explaining its recommendation and reasons why the Board has taken a different stance in the annual report.

32) The Committee Chairman shall attend the Company's AGM prepared to respond to any questions which may be raised by shareholders on matters within the Committee's area of responsibility.

#### **Other**

33) The Committee shall:

- (a) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (b) give due consideration to all applicable laws and regulations, as appropriate; and
- (c) periodically review its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

#### **Schedule of reviews:**

<b>Date</b>	<b>Action Taken</b>
<b>17/9/2013</b>	<b>Committee Terms of Reference (TOR) approved by the committee and adopted by the board.</b>
<b>18/4/2017</b>	<b>Revised TOR recommended to the board for adoption</b>
<b>18/5/2017</b>	<b>Revised TOR adopted by the board</b>
<b>17/4/2018</b>	<b>Revised TOR recommended to the board for adoption</b>
<b>24/4/2018</b>	<b>Revised TOR adopted by the board.</b>