



THE KENYA POWER AND LIGHTING COMPANY PLC

RELATED PARTY TRANSACTIONS POLICY

Part A- Document Control Sheet			
Document	Related Party Transactions Policy		
Document Owner	General Manager, Legal, Regulatory Affairs & Company Secretary		
Division	Legal, Regulatory Affairs & Company Secretary		
Department	Board & Regulatory Affairs		
Lead Contact	Manager, Board & Regulatory Affairs		
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	Governance & Human Resource Committee		Wed. 30 th October 2024
	Board of Directors		Thur. 7 th November 2024
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Complimentary Support Documents	Memorandum and Articles of Association, CMA Code of Governance, Mwongozo Code, Board Charter, Conflict of Interest Policy, Gifts Policy, Diversity Policy, Code of Conduct & Ethics and IAS 24

RELATED PARTY TRANSACTIONS POLICY

Part B- Policy Statement

The Kenya Power and Lighting Company PLC (The Company) is incorporated in Kenya under the Companies Act 2015 (previously Chapter 486, Laws of Kenya) and listed at the Nairobi Securities Exchange. The Board of KPLC has approved this Related Party Transactions Policy in line with recommendations of the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 and the International Accounting Standard (IAS 24) on Related Party Disclosures.

Part C- Policy Purpose and Objectives

The Objective of the policy is to ensure that:

1. Related Party transactions are properly reviewed, approved, and disclosed in accordance with legal and regulatory requirements and
2. KPLC is protected from any conflicts of interest that may arise between KPLC and its Related Parties.

Part D- Definitions

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

- 2 **A Related Party** means any person who is or at any time since the beginning of the financial year under review was:
- 2.1 A director or Executive Officer of KPLC and/or a significant shareholder or an Immediate Family Member of any of the foregoing persons.
 - 2.2 Person who has acquired notifiable interest in KPLC and is a beneficial owner of 10% or more of KPLC's shareholding or
 - 2.3 Entities in which the majority shareholder, Director of the company or Senior Manager owns a majority share or control
- 3 **Immediate Family Member** means a spouse, child, stepchild, parent, stepparent, sibling, mother in-law, father in-law, son in-law, daughter in-law, brother in-law or sister in-law of a director, Executive Officer or Significant Shareholder and any person (other than a tenant or employee) sharing the household of such director, Executive Officer, or Significant Shareholder.
- 4 **Executive Officer** means any Executive Director, Senior Management or Company Secretary of the Company as designated by the Board.
- 5 **Senior Management** means members of the Executive Committee of KPLC.
- 6 **Significant Shareholder** means an entity or person known by KPLC to be the beneficial owner of more than 5 percent of any class of shares of KPLC.
- 7 **A Related Party Transaction:** means.
- 7.1 Any transaction directly or indirectly involving any Related Party that would be required to be disclosed under the Companies Act 2015, the Capital Markets Act (Cap 485A) and/or CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and IAS 24 as may be amended from time to time.
 - 7.2 Any material amendment or modification to an existing Related Party Transaction regardless of whether such transaction had previously been approved in accordance with this Policy.
 - 7.3 Any business deal or arrangement between two or more parties who are joined by a special relationship prior to the deal and includes a business

transaction between a major shareholder and or any company in which the shareholder holds shareholding in KPLC.

Examples of Related Party Transactions include the following transactions if entered by KPLC with a Related Party:

- i. Purchases, sales or supply of goods or services
- ii. Management contracts
- iii. Agency agreements
- iv. Rendering or receiving of services
- v. Leases
- vi. Outsourcing arrangements
- vii. Arrangements for leasing, selling, buying, and disposing of property and other assets.
- viii. Transfers and Licensing agreements
- ix. Finance (credit, equity contribution etc.)
- x. Provision of guarantees or collaterals and sureties etc.
- xi. Transfers of research and development
- xii. Transfers under finance arrangements (including loans and equity contributions in cash or in kind)
- xiii. Commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognized and unrecognized); and
- xiv. Settlement of liabilities on behalf of KPLC or by KPLC on behalf of that Related Party.

Part E- Policy Statements

All potential Related Party Transactions must be reported to the Chairman of the Board, General Manager Finance or Company Secretary and, if determined to constitute a Related Party Transaction, then the General Manager Finance shall refer the same for approval or ratification by the Board through the Audit Committee in accordance with this policy.

The Board has determined that the Audit Committee will be responsible for reviewing all Related Party Transactions that may arise within KPLC.

Part F- Correlation with the Conflict of Interest Policy

Whereas Related Party Transactions relate to existing and underlying business relationships between the Company and Related Parties, Conflict of interest relates to real, potential or perceived personal interest that may result in lack of objectivity in decision making and which should be disclosed.

All Conflicts of Interest shall be handled in line with the Conflict of Interest & Board Independence Policy and the Code of Conduct & Ethics.

Part G- Procedure

1. Identification of Potential Related Party Transactions:

- 1.1 Each Director or Executive Officer is responsible for providing prompt written notice to the Chairman of the Board, General Manager Finance or the Company Secretary of any potential Related Party Transaction involving them or their Immediate Family Member, including any additional information about the transaction that the Chairman, General Manager Finance or Company Secretary may reasonably request. The Chairman, in consultation with the Managing Director, General Manager Finance, the Company Secretary, and external counsel as appropriate will determine whether the transaction does in fact constitute a Related Party Transaction requiring compliance with this Policy.
- 1.2 In addition, each Director and Executive Officer is required on an annual basis to complete a questionnaire that asks about the current, past or proposed Related Party Transaction and conflict of interest during the financial year involving themselves or their Immediate Family Members.
- 1.3 Each Related Party is required to promptly notify the Chairman, General Manager Finance or Company Secretary of any interest arising from a Related Party Transaction including a description of the transaction and

aggregate amount. The notification should be made before engaging in any Related Party Transaction with KPLC.

2. Review of Related Party Transactions:

- 2.1 The Board Audit Committee (The “Committee”) will be responsible for the review, approval, or ratification of the Related Party Transactions subject to material facts and may approve or disapprove based on the exception below.
- 2.2 The Committee may disapprove of the previously entered Related Party Transaction requiring the Management of KPLC to take all reasonable efforts to cancel, unwind, terminate, or annul the Related Party Transaction.
- 2.3 While reviewing the Related Party Transaction, the Committee will consider among other factors, whether the Related Party Transaction terms are no less favourable than terms generally available to an unaffiliated third party under the same or similar circumstances and extent of Related Party's interest in the related party transaction.
- 2.4 The General Manager, Finance shall present to the Audit Committee the following information in relation to Related Party transactions:
 - a) Description of transaction(s) including material terms and conditions
 - b) Name of the Related Party and basis for this qualification
 - c) Related Party's interest in the transaction(s) including the person's position or relationship with or ownership of any entity that is a party to or has interest in the transaction(s)
 - d) Approximate value of transaction(s) and approximate value of Related Party's interest in the transaction(s)
 - e) Whether the proposed transaction will involve any potential reputational risk issues arising from connection with the proposed transaction(s) and

- f) Any other material information regarding the transaction(s) or Related Party's interest in the transaction(s)
- 2.5 The Committee will consider the following as it deems relevant to the Related Party Transaction in accordance with an independent review.
- a) Identity and relationship of the parties involved in the transactions.
 - b) The terms of the transaction should be fair and on an arm's length basis to KPLC.
 - c) Impact on Director's or Senior Manager's independence and
 - d) Whether the Related Party Transaction would present an improper conflict of interest for any Director, Senior Manager or Shareholder holding at least 10% of KPLC's Share capital.
- 2.6 Each director who is a Related Party with respect to a Related Party Transaction will be required to disclose all material facts to the Committee as well as the Board and abstain from participating in the review and approval of the Related Party Transaction. The Committee may, if need be, recommend to the Board the creation of a special committee to review any Related Party Transaction.
- 2.7 For ongoing Related Party Transaction, the Committee may establish guidelines to be followed, review and assess ongoing relationships with Related Parties at every Committee Meeting. Material amendments, renewals or extensions of a transaction and relationships will also be reviewed at these meetings. The Committee will periodically review this Policy and recommend amendments it deems appropriate.
- 2.8 The General Manager, Supply Chain shall put in place mechanisms to ensure that any related party transactions are disclosed during the tendering process and shall notify the Chairman of the Board, General Manager Finance or the Company Secretary of any potential Related Party Transaction.

3. Pre-approval for Related Party Transactions:

- 3.1 The Board may review in advance and provide standing pre-approvals for certain Related Party Transactions.
- 3.2 The following are deemed to be pre-approved Related Party Transactions:
 - 3.2.1 Directors' remuneration: any remuneration to a Director and required to be reported in the Company's Annual Report in regard to Directors Remuneration.
 - 3.2.2 Employment or compensation of a Senior Manager provided the Senior Manager:-
 - 3.2.2.1.1 is not an Immediate Family Member of another Senior Manager or Director of KPLC and
 - 3.2.2.1.2 was not a Related Party of KPLC prior to becoming an employee of KPLC.
 - 3.2.3 Regulated transactions involving rendering of services as a contract carrier, or public utility at fixed rates in conformity with the legal or government regulations.
 - 3.2.4 Transactions where all shareholders receive proportional benefits e.g., Dividends or stock splits.
 - 3.2.5 Employee benefits i.e., auxiliary services granted with preferential rates or waivers to all employees (including Senior Managers) as part of employee's incentives or benefits.

Part H- Disclosure and Regulatory Reporting

- 1. Related Party balances will be disclosed by the General Manager Finance during the Audit Committee meetings.
- 2. The Board will disclose Related Party Transactions in the notes to the Annual Report and Financial Statements of the Company in line with the International Financial Reporting Standards.

3. The Company shall further publish this Policy on its website for stakeholders' reference.
4. Material Related Party Transactions will be reported to regulatory agencies if required and shall be disclosed to shareholders in the Annual Report and Financial Statements.

Part I- Responsibilities for Implementation of the Policy

1. Board of Directors

- 1.1 Approval and Adoption of this Policy.
- 1.2 Provide oversight on implementation of this Policy

2. Audit Committee

- 2.1 Ensure accountability for successful implementation of this Policy.

3. General Manager, Legal, Regulatory Affairs & Company Secretary

- 3.1 Monitor the implementation of this Policy
- 3.2 Initiate changes to the Policy when it is due for review or when there are legislative changes.
- 3.3 Receive notification of any interest arising from a Related Party Transaction

4. General Manager, Finance

- 1.1 Disclose Related Party balances to the Audit Committee of the Board
- 1.2 Receive notification of any interest arising from a Related Party Transaction

2. General Manager, Supply Chain

- 2.1 Disclose any Related Party Transactions arising from the tendering process to the Chairman of the Board, General Manager Finance or the Company Secretary.

Part J- Triggers for Policy Review

1. This Policy will undergo review under the following circumstances:-
 - 1.1 Legal and regulatory changes

- 1.2 Change in organization structure, corporate strategy and business models
 - 1.3 Changes in business environment
 - 1.4 A lapse of a 3-year time period after the last review
- 2 The Board of Directors shall approve any revisions to the Policy.

Part K- Distribution List

This policy shall be distributed to all Stakeholders and shall be displayed on the website.

Approved this day of2024

CHAIRMAN, BOARD OF DIRECTORS
THE KENYA POWER AND LIGHTING COMPANY PLC

Signature Date: