

BAMBURI CEMENT LIMITED

AUDIT & RISK COMMITTEE CHARTER

The Board Audit and Risk Committee Charter sets out guidelines for the duties of the Board Audit and Risk Committee (the ‘Committee’). By elaborating on the basic duties of the Committee, the Charter serves to help both the full Board and Committee members understand their obligations and the general boundaries in which they will operate.

The Charter also incorporates the statutory provisions in respect of its responsibilities and in particular Section 770 of the Companies Act, 2015 (the ‘Act’) and Chapter 6 of the Capital Markets Authority Code of Governance Practices for Issuers of Securities to the Public, 2015 (the ‘Code’).

A. Purpose

The Board Audit and Risk Committee is appointed by the Board of Directors of Bamburi Cement Limited to assist the Board in fulfilling its oversight responsibilities for:

- Corporate Governance;
- Company’s strategic priorities, investment policy and other important strategic issues;
- Financial reporting process including the integrity of the Company's financial statements;
- Company's compliance with legal and regulatory requirements and the Code of Business Conduct;
- External Auditor's qualifications and independence;
- Performance of the Company's internal audit function and external auditors; and
- Company’s risk management processes and practices.

B. Support Requirements

- Risk framework and profile
- Adequate provision of data
- Duty of Management to provide the Committee with complete copies of all reports on matters pertaining to critical and sensitive issues being dealt with by Management.
- Training on specialized issues where necessary.

C. Authority

The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization;
- Resolve any disagreements between Management and the external Auditor regarding financial reporting;
- Pre-approve by way of consent on the annual audit work plan all auditing and non-audit services provided by any registered public accounting firm;
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation;
- Seek any information it requires from employees-all of whom are directed to cooperate with the Committee's requests-or external parties; and

- Meet with management, external auditors, or outside counsel, as necessary.

D. Composition

The Board Audit and Risk Committee will consist of at least three (3) independent non-executive directors and no more than five (5) non-executive members of the Board of Directors. The Board will nominate Committee members and the Committee chair.

Each Committee member will be independent and a majority of the members shall be experienced in financial and accounting matters. At least one member shall be designated as the financial expert with professional qualification in audit or accounting and be in good standing with his or her respective professional body. The Committee should consist of multi discipline expertise.

D. Meetings

The Committee will meet at least four (4) times a year (once every quarter), with authority to convene additional meetings, as circumstances require with approval of the Board. The Committee shall also have at least one meeting annually with the auditors (internal and external) in the absence of Management.

All Committee members are expected to attend each meeting. A majority of the members of the Committee shall constitute a quorum. The Committee will invite members of Management, auditors or others to attend meetings and provide pertinent information, as necessary. The Finance Director and Internal Controls Manager are permanent invitees to Committee meetings.

The Company Secretary shall be responsible for issuing notices of meetings, preparation of the agenda and keeping minutes of all Committee meetings.

The Committee shall, through its chairperson, report regularly to the Board of Directors following the meeting of the Committee, addressing all material matters addressed at the meetings.

E. Responsibilities

1. Corporate Governance

The Committee shall:

- Develop and recommend a set of corporate governance principles that are appropriate for the nature and scope of the Company's business and review them regularly;
- Establish policies and strategies for achieving the corporate governance principles;
- Annually assess the extent of compliance with such principles, policies and strategies, and applicable legal, regulatory and listing requirements in respect of corporate governance, recommend any proposed changes;
- Review and make recommendations in respect of external disclosures relating to corporate governance.

2. Strategy

The Committee's responsibilities in respect of strategy shall be:

- Organise the Company to promote the effective and prudent management of the Company and the Directors' oversight of that management;
- Monitor trends and developments to enable it propose improvements in order to ensure the Company's growth and performance;
- Upon proposal by Management, advice, assess, review and submit to the Board significant matters relating to:
 - objectives and targets
 - business strategy and plans
 - major policies that are to govern the operation of the Company
 - significant alliances/joint ventures and
 - other key strategic initiatives such as regional, segment, functional strategies.

3. Financial Statements

Management is responsible for preparing the Company's financial statements and the external Auditors are responsible for auditing and/or reviewing those financial statements.

It is not the responsibility of the Committee to plan or conduct audits or prepare the financial statements. This is the responsibility of Management. The Committee's principal responsibility is one of oversight. In carrying out these oversight responsibilities, the Committee is not providing any specialist assurance as to the Company's financial statements or any professional certification as to the external Auditors' work.

The Committee will carry out the following responsibilities:

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- Review with Management and the external Auditors the results of the audit, including any difficulties encountered;
- Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles;
- Recommend approval of the financial statements to the Board;
- Review with Management and the external Auditors all matters required to be communicated to the Committee in accordance with International Financial Reporting and Audit Standards;
- Review interim financial reports with Management and the external Auditors before filing with regulators, and consider whether they are complete and consistent with the information known to Committee members; and
- Review the viability of the dividend proposed by Management and give its recommendations to the Board.

4. Internal Control

The Committee shall:

- Consider the effectiveness of the Bamburi Group's internal control system and risk profile in consultation with the external auditor and internal auditor, review the integrity of the Bamburi Group's financial reporting processes and the internal control structure;
- Understand the scope of the Bamburi Group's internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses;
- Review periodic follow up reports of the Management letters from the external auditor and internal audit and communicate to the Board on the success of implementation;
- Communicate to the Board in writing, if necessary, whether Management is setting the appropriate tone at the top by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities with respect to internal control;
- By way of a specialized report, consider the effectiveness of the company's information technology security and control. This includes focus on the extent to which internal and external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a system breakdown; and
- Request the external auditor and Company internal auditors to keep the Committee informed about any fraud, illegal acts, and any material weaknesses or significant deficiencies in internal control. Review Management's implementation of recommendations to remediate any material weaknesses or significant deficiencies in internal control.

5. Internal Audit

The Committee shall:

- Review with management and the Head of Internal Audit the Charter, activities, staffing, and organizational structure of the Internal Audit Function;
- Have final authority to review and approve the annual audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Head of Internal Audit;
- Review the effectiveness of the Internal Audit Function, including compliance with any relevant internal audit standards; and
- On a need basis, meet separately with the Head of Internal Audit to discuss any matters that the Committee or internal audit believes should be discussed privately.

6. External Audit

The Committee shall:

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit to avoid duplication of effort;
- Review the performance of the external auditors, and exercise final recommendation on the appointment or discharge of the external auditors;
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditors; and
- At least once a year, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

7. Risk Management

The Committee shall be responsible for:

- Reviewing the Risk Management Framework Policy on a biannual basis, and more frequently if necessary; approving risk management related policies, procedures and parameters that govern the management of all business functions, services, operations and management information systems;
- Overseeing all key risks associated with the activities of the Company, and in establishing a strong internal control environment that fulfils the expectations of the shareholders and is consistent with safe and sound practices;
- Understanding the major aspects of the Company's overall risk profile through the biannual review of high-level reports that address material risks and strategic implications for the Company;
- Helping ensure that management demonstrates active use of the Risk Management Framework in assessing and managing risks, and is not limited to only regulatory compliance;
- Helping ensure that mechanisms exist to allow for the independent verification of the Risk Management Framework and associated policies' and procedures' implementation and assessment activities; and
- Reviewing the adequacy of the Company's insurance cover.

8. Compliance

The Committee shall:

- Establish standards of business and ethical behaviour for directors, managers and other personnel, including policies on private transactions, self-dealing and other transactions or practices of a non-arms' length nature;
- Ensure a Whistleblowing Policy is in place that provides for filing of confidential reports to encourage identification of improprieties at all levels in the Company, providing clear procedures for reporting and management of disclosures while providing assurance of non-retaliation;

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- Review the findings of any examinations by regulatory agencies, and any auditor observations;
- Review the process for communicating the Code of Conduct to Company personnel, and for monitoring compliance therewith;
- Obtain regular updates from Management and Company's legal counsel regarding compliance matters including quarterly reports on pending legal matters; and,
- Provide Management with guidance and opinion on legal matters brought to the Board.

9. Reporting Responsibilities

The Committee shall:

- Regularly report to the Board of Directors about the Board Audit & Risk Committee activities, issues, and related recommendations;
- Provide an open avenue of communication between the internal audit, the external auditors, and the Board of Directors; and,
- Review any other reports the Company issues that relate to Committee responsibilities.

10. Other Responsibilities

The Committee shall:

- Perform other activities related to this Charter as requested by the Board of Directors;
- Institute and oversee special investigations as needed;
- Review and assess the adequacy of the Committee Charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation;
- Confirm annually that responsibilities outlined in this Charter have been carried out; and
- Ensure that there exists a mechanism to facilitate the evaluation of the Committee's performance on a regular basis.

Approval:

This Charter was reviewed by the Audit & Risk Committee on 20th August 2020 and approved by the Company's Board on 27th August 2020.

The next review will be undertaken in July 2021.