



**FINANCE BOARD COMMITTEE CHARTER**

**NATIONAL OIL CORPORATION OF KENYA**

**TERMS OF REFERENCE**

National Oil Corporation of Kenya  
Finance Committee Board Charter 2022

Signed.....



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## **I. PURPOSE OF THE COMMITTEE**

The primary purpose of the Finance Board Committee (*the "Committee"*) is to review the Corporation's Finance, ICT and Procurement department's policies, strategies, operations and structure and take such action, make such reports and recommendations to the Board of Directors (*the "Board"*) as it deems advisable.

## **2. COMMITTEE MEMBERSHIP**

- 2.1 The Committee will be comprised of a minimum of a third (1/3<sup>rd</sup>) of Directors from the Board. The members of the Committee will be appointed by the Board of Directors.
- 2.2 When making the appointment the Board will ensure that every member appointed is, independent of the current management or has not been involved in the management of the institution in the last two years preceding his /her appointment, and is free from any relationship that in the opinion of the Board would interfere with his/her exercise of independent judgement.
- 2.3 In appointing Committee members the Board will consider persons with:
  - 2.3.1 Background in Corporate Finance or Accounting
  - 2.3.2 Background in ICT.
  - 2.3.3 Background in Public Procurement.
  - 2.3.4 Background in the Oil Industry.
  - 2.3.5 Every member appointed is aware of the interests of all stakeholders.
- 2.4 The Secretary to the Committee and the Chief Executive Officer shall have no voting rights.
- 2.5 The Board will on an annual basis review the composition of the Finance Board Committee and make any changes it deems appropriate.



- 2.6 The Board Committee shall be chaired by one of the non-independent directors who shall be appointed by the Board from amongst the Board Committee members.
- 2.7 The Board will have the absolute power to appoint and remove any member of the Finance Board Committee and to fill all vacancies that may arise.

### **3. COMMITTEE STRUCTURE AND OPERATIONS**

- 3.1 The Committee shall fix its own rules of procedure and shall meet where and when as provided by such rules or by a resolution of the Committee. In addition to the regular meeting schedule established by the Committee, the Chair of the Committee may call a special meeting at any time.
- 3.2 The Company Secretary of the Corporation shall be the Secretary of the Finance Board Committee unless the Committee designates otherwise. In the absence of the Chair during any Committee meeting, the Committee may designate an interim Chair.
- 3.3 The Committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous written consent. The Committee may establish sub-committees / ad-hoc Committees consisting of one or more members to carry out such duties as the Committee may delegate.
- 3.4 The Committee shall fulfill its responsibilities within the context of the following overriding principles:

#### **3.4.1 Communication**

The Chair and other committee members shall, to the extent appropriate, maintain an open avenue of contact with Senior Management, other Committee Chairs and other



key Committee advisors, to strengthen the Committee's knowledge of relevant, current and prospective business issues.

#### 3.4.2 Education/ Orientation

Individual Committee Members shall be encouraged to participate in relevant and appropriate self study education to ensure understanding of the business and environment in which the Corporation operates.

The Corporation shall also undertake training and offer capacity building opportunities to the Committee Members, as and when need arises.

#### 3.4.3 Quorum

The quorum at all meetings will not be less than two thirds (2/3<sup>rd</sup>) of the Committee members. No member is permitted to appoint a proxy.

#### 3.4.4 Meeting Agenda

Committee meeting agendas shall be the responsibility of the Committee Chair, with input from the Management and other Committee Members.

#### 3.4.5 Expectations and information needs

The Committee shall communicate Committee expectations and the nature, timing and the extent of Committee information needs to Management and Auditors appointed by the Corporation.

Board Committee papers, including key performance indicators and measures related to key business and financial risks, shall be received from Management, Auditors and others at least within seven (7) days but not less than three (3) days in advance of meeting dates.



Meeting conduct will assume Committee members have reviewed the Board Committee papers in sufficient depth to participate in the Committee meeting.

#### 3.4.6 Meeting Attendees

The Committee shall request members of the Management, external experts and external Auditors, as applicable to participate in Committee Meetings, as and of when necessary.

#### 3.4.7 Meeting Frequency

The Committee shall meet quarterly. Additional meetings shall be scheduled as considered necessary by the Committee.

### 4. COMMITTEE RESPONSIBILITIES

The following shall be the responsibilities of the Committee in carrying out its purpose:-

#### 4.1 Financial

- 4.1.1 Review, as the Committee deems appropriate, the Corporation's financial policies, strategies and capital structure, and make such reports and recommendations to the Board with respect thereto as it may deem advisable.
- 4.1.2 Review and provide guidance to the Board and Management on proposals concerning the principle financial policies of the Corporation, including:
  - i. Banking Facilities.
  - ii. Policies relating to the Corporation's cash needs and investments.
  - iii. Adjustments to the Corporation's capital structure
  - iv. Insurance and risk management
  - v. Proposed mergers, acquisitions, divestitures, strategic investments and
  - vi. Other transactions or financial issues that Management desires to have reviewed by the Finance Committee.



- 4.1.3 Review of the Financial Results: On a quarterly basis, the Committee will receive and review financial statements of year-to-date as follows:-
- i. Statement of financial position;
  - ii. Income statement;
  - iii. Operating statement; and
  - iv. Key financial performance benchmarks that the Committee deems relevant from time-to-time. These financial statements will be accompanied by a narrative from Management highlighting any financial issues and, where necessary, management actions related thereto.
- 4.1.4 Review and approval of an Annual Capital and Operating Budget: The Committee will review the proposed annual capital and operating budget for the ensuing fiscal year as presented by Corporations management. After review and amendment, if necessary, the Committee will recommend a final capital and operating budget to the Full Board of Directors for approval.
- 4.1.5 Review and assess the annual financial statements.
- 4.1.6 Review and recommend to the Board financial implications of matters pertaining to major investments, acquisitions, divestitures, joint ventures or similar transactions.
- 4.1.7 Develop a Finance Committee work plan on an annual basis, identifying priorities and objectives.
- 4.1.8 Take such other action and do such other things as may be referred to it from time to time by the Board.

#### 4.2 ICT

- 4.2.1 Review, as the Committee deems appropriate, the Corporation's ICT policies, strategies and governance framework, and make such reports and recommendations to the Board with respect thereto as it may deem advisable
- 4.2.2 Review and provide guidance to the Board and Management about proposals and projects concerning the principle ICT policies of the Corporation, including:



- i. Policies relating to the Corporation's information security.
- ii. ICT governance framework.
- iii. ICT service delivery and systems and infrastructure management.
- iv. Business continuity and disaster management.
- v. ICT asset management.
- vi. ICT audit issues.
- vii. Other ICT issues that Management desires to have reviewed by the Committee.

4.2.3 Review the performance of ICT:

Quarterly, the Committee will review the performance of ICT against the set key performance targets and recommend areas of improvement. The performance review will be based on alignment of ICT to the overall Corporation's strategic plan.

4.2.4 Review and recommend to the Board on matters pertaining to major ICT investments.

4.2.5 Take such other action and do such other things as may be referred to it from time to time by the Board.

### 4.3 Public Procurement

The Committee will:-

4.3.1 Ensure that National Oil's procurement practice is in accordance with the Public Procurement and Asset Disposal Act, 2015 ("PPADA") and the Public Procurement and Disposal Regulations, 2006 ("PPDR") or any amendments therein.

4.3.2 Monitor procurement and disposal in National Oil and ensure that procurement and disposal practice is in accordance with the law and the National Oil approved budget.

4.3.3 Ensure that procurement and disposal activities contribute to the delivery of National Oil's strategic objectives.





- 4.3.4 Ensure that procurement practice of National Oil meets requirements of the Public Procurement Regulatory Authority in ensuring efficiency and effectiveness
- 4.3.5 Review and recommend the Annual Procurement Plan to the Full Board for approval.

**5. COMMITTEE REPORTS**

The Chair of the Committee will report regularly to the Full Board on the Committee's activities, findings, and recommendations, including the results of the Committee's self-evaluation and any recommended changes to the Committee's Charter as deemed necessary to the Full Board.

**6. RESOURCES AND AUTHORITY OF THE COMMITTEE**

The Committee has the authority to engage such outside advisors, including legal counsel or other experts, as it deems appropriate. All requests for such advice will be made through the Board.

**7. CHARTER APPROVAL**

**APPROVED** by Board of Directors

This.....day of .....2022

SIGNED



Board Chairman

14/01/2022

Date