

# BOC KENYA PLC

## RISK MANAGEMENT POLICY

### Introduction

BOC Kenya PLC (“the Company”), is exposed to a great variety of risks in the course of its business. As a Company publicly listed in Kenya, BOC Kenya PLC must ensure appropriate risk management and risk monitoring. Risks therefore have to be identified in a way such that Management has sufficient time to take appropriate action.

Application of this Policy within the Risk Management Framework (RMF) will assist in strengthening Management’s practices, decision making and priority setting with the aim of making the achievement of the Company’s objectives more certain. It is anticipated that implementation and adherence to this policy and the RMF will result in:

- Alignment of risk appetite with business strategy
- Enhanced risk treatment decisions
- Reduction of operational losses
- Identification and management of multiple and cross business risks
- Improved deployment of capital
- Improved governance and stakeholder confidence and trust

### The Risk Management Process

The Risk Management Process is effectively made up of two cycles. Risk Assessment and Risk Treatment. Risk Assessment involves the identification, analyses and evaluation of risks, while Risk Treatment covers the mitigation and control of risks. Whilst the Managing Director and the Finance Director are responsible for embedding the Enterprise Risk Management (ERM) system into the Company, the Board and the Audit & Risk Committee have oversight of the ERM and its output.

The key principles and requirements of the Risk Management Process are as follows:

- Adherence to the Companies Act 2015, Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to The Public 2015, the Company’s Articles of Association and other applicable laws, regulations and standards.
- Risks are future based events that threaten the achievement of BOC’s group or business objectives.
- BOC distinguishes between risks that can impact across the Company and its subsidiaries (Group Risks, Corporate Risks) and risks arising from and affecting BOC’s operational business units (Business Risks).
- Risk updates should be undertaken every quarter within all operational business units.
- All risks must be assessed and quantified using the BOC scale for impact and probability.
- Where risks are scored with the maximum rating of 4 for Impact, regardless of their probability score, they are classified as Tier 1 risks, and an additional level of analysis is required to provide a better indication of their potential impact value since these are the risks that could potentially threaten the existence or have a material effect on the Company and its subsidiaries.

### Risk Reporting

Business risks will be updated and formally reviewed by Management on a quarterly basis. Following this, an analysis of the Company’s risk position will be presented to the Audit & Risk Committee and the Board also on a quarterly basis. Upon identification, risks must be analysed and evaluated, then assigned an owner so that appropriate treatment plans can be developed and implemented in a timely manner.

In addition to the quarterly risk updates Management will distribute a number of other management reports to contacts within the Linde Group as part of the second line of defence to enable existing management controls within these areas to be reviewed and support offered to BOC to treat the risk.

### **Internal Controls**

The aim of the internal control system is to prevent risks arising in the course of operations by adopting appropriate controls, especially with regard to conformity with the law, compliance with strategy, the quality of accounting and reporting, the quality of processes and the protection of assets.

The Company does not limit itself to risks that might have a direct impact on the net assets, financial position or results of operations of the Company, but also includes risks which might have an indirect impact on key financial figures, such as risks to the Company's reputation.

The internal control system comprises all the controls which are embedded in the Company's business operations. The Company has a set of 112 Key Controls that are monitored and reviewed on a regular basis.

### **Risk Management – Roles and Responsibilities**

**The Board:-** The Board is responsible for the oversight and evaluation of the efficiency and appropriateness of The Risk Management Framework, and the Company's overall approach to Enterprise Risk Management. The Board supervises and advises Management and is directly involved in decisions of fundamental importance to the Company. The Board obtains risk management information as part of their supervisory role through the Audit & Risk Committee.

**Audit & Risk Committee:-** The Audit & Risk Committee supports the Board in monitoring the activities of Management, concerning itself in particular with risk management issues. It receives the quarterly risk reports, detailing information on the identification and monitoring of risks within the Company.

**Management:-** Led by the Managing Director and Finance Director, Management is responsible for taking suitable measures to manage risks by establishing and implementing a suitable and appropriate risk management system which will allow for the timely identification and management of risks which may negatively impact the Company's objectives. The Managing Director and the Finance Director must also reinforce and support the principles and processes underpinning the Risk Management Framework i.e. ensure risk reviews (risk workshops) take place; ensure timely risk identification and appropriate management and escalation; ensure all risks are reported in accordance with the Linde Group Risk Management Framework.

**Internal / External Audit:-** Group Internal Audit provides assurance to Management and the Board on the adequacy of the Risk Management System and that the risk management activities within the business are in line with the framework and that all necessary Internal Controls are in place across the Company and its subsidiaries, and working effectively.

The Risk Management System may be audited by an external auditor, who would normally also audit the Group's Annual Financial Statements. It is the duty of the external auditor to then report on findings to the Audit & Risk Committee and the Board.

### **Business Continuity Management**

We define Business Continuity (BC) as the capability of the Company to continue delivery of products or services at acceptable predefined levels following a disruptive incident.

The business environment moves at a fast pace and is increasingly interconnected, such that events elsewhere can quickly escalate into incidents that impact the Company. Hence the Company is more exposed to threats that endanger productivity or our ability to provide services to our customers promptly and continuously. These threats

present themselves and impact us in a number of ways. Threats include known and emerging external threats such as natural catastrophes, environmental disasters, pandemics, social unrest, or terrorist attacks. Sometimes initiatives within Linde Group which reduce costs or optimize our business processes can also increase risk exposure because of centralization or the removal of duplication, such as with the creation of Shared Service Centers, Central IT Services or the Outsourcing of IT Services.

Our Business Continuity Management processes:

- Minimize the effect of a disruption on the Company.
- Reduce the risk of unacceptable financial loss.
- Aim at retaining our brand and image and give staff, clients and suppliers confidence in our services.
- Enable the recovery of critical business activities within an agreed timeframe.
- Meet legal and statutory obligations.

### **Related Policies and Procedures**

The Company is a subsidiary of BOC Holdings (UK) and a Member of the Linde Group. This Policy should therefore be read in conjunction with the Linde Group Risk Management Framework Version 6.1 available on [www.boc.co.ke](http://www.boc.co.ke).

### **Review of the Policy**

The Audit & Risk Committee will review the Policy annually, which will include an assessment of the effectiveness of the Policy. The Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

### **APPROVALS:**

**This Risk Management Policy was last Reviewed by the Audit & Risk Committee on Wednesday 30 March 2022 and Approved by the Board of Directors of BOC Kenya PLC on Monday 4 April 2022.**

**The Board of Directors of BOC Kenya PLC additionally, on the said date, Approved upload of the Risk Management Policy onto the Company's website.**

SIGNED this \_\_\_\_\_ day of \_\_\_\_\_ 2022

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**Mr. R. Mbugua**  
Chairman of the Board

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**Mr. S. Maina**  
Chairman of the Audit & Risk Committee