



Navigating Complexity: The Audit Committee's Role in a Disruptive World

DAY 2

Audit Committee (ACI)
Forum Ethiopia

April 2025

kpmg.com/eastafrica



Programme of activities

Time	Agenda	Presenters
08:00am – 8:45am	Arrival and registration	Azeb Kibreab
8:45am – 9:00am	<ul style="list-style-type: none"> - Welcoming address & Introduction of KPMG - Opening remarks by Senior Manager at ESX and brief on Audit Committee Oversight on Capital Markets - Opening remarks by KPMG 	1. Mr. Vasken Sissian 2. Mr. Dawit Abebayehu: Senior Manager at ESX 3. Mr. Daniel Karuga
9:00am – 9:50am	2025 Global Internal Audit Standards <ul style="list-style-type: none"> - Ethical Risk Oversight - Fraud prevention and Detection - Stakeholder Engagement 	Mr. Daniel Karuga
9:50am – 10:40am	Integration of ESG into Audits <ul style="list-style-type: none"> - ESG Reporting Standards and Disclosure - Integration of ESG into Risk Frameworks - Audit Committee's Role in ESG Governance 	1. Mr. Dereje Gelana 2. Mr. Peter Mwangi
10:40pm – 11:00am	Tea break	
11:00am – 11:45pm	Regulatory Compliance and Governance <ul style="list-style-type: none"> - Local Governance and Regulatory Environment - Understanding and oversight of Capital Markets - Audit Committee Oversight on Capital Markets 	Mr. Geoffrey Gikonyo
11:45pm – 12:30pm	<ul style="list-style-type: none"> - Panel discussion - Q&A Session: Moderate - Closing Remarks 	Panel Discussion Mr. Dawit Abebayehu, Kalikdan Deribe, Mr. Daniel Karuga, Mr. Peter Mwangi– (Moderator)
12:30pm – 02:30 pm	Lunch and networking	

KPMG Presenters



Daniel Karuga
Head of Enterprise Risk Services



Bernard Amukah
Head of Business Consulting



Peter Mwangi
Associate Director, Enterprise Risk Services



Vasken Hrair
Associate Director, International Development Advisory Services (IDAS)



Faith Maina
Senior Manager, Enterprise Risk Services



Hidaya Yusuf
Manager, Business Consulting



Geoffrey Gikonyo
Associate Director, Business Consulting



Abraham Tamiru
Manager, Audit and Assurance Services

About KPMG



KPMG in Africa

KPMG has a significant presence in Africa, structured into clusters for efficient client service:

- ✓ East Africa
- ✓ West Africa
- ✓ Southern Africa
- ✓ Francophone
- ✓ Angola (due to its Portuguese language).

We also have offices Egypt, Morocco, Libya & Tunisia.

We operate 29 firms across 54 countries, offering Audit, Tax, and Advisory Services.

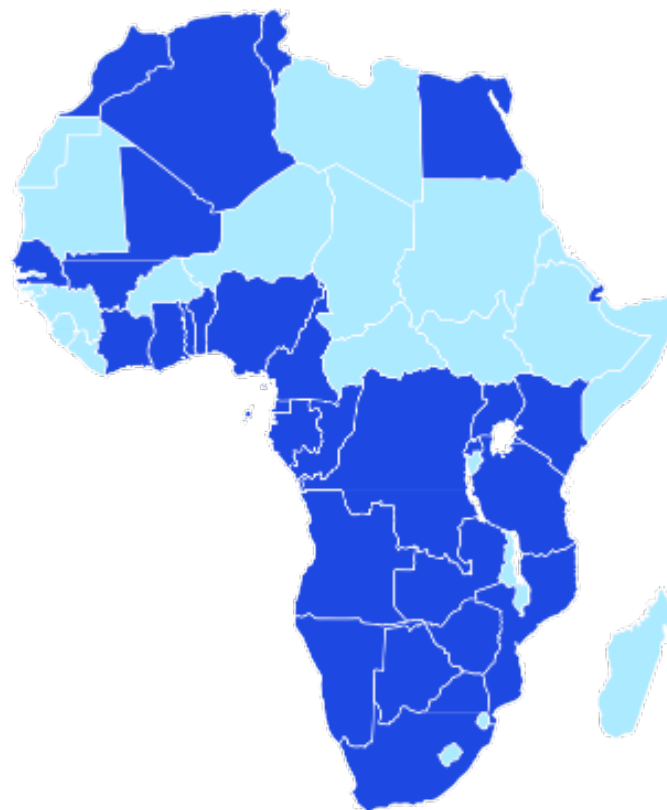
Our Africa footprint

29

Practices servicing

54

Counties



Serviced out of another country

Angola services

São Tomé, Príncipe

Cameroon services

Central African Republic, Chad

East Africa services

Burundi, Eritrea, Ethiopia, Somalia, South Sudan

Egypt services

Sudan

Ghana services

Liberia, Gambia, Sierra Leone

Ivory Coast services

Burkina Faso, Guinea, Niger

Mauritius services

Comoros, Madagascar, Seychelles

Portugal services

Cape Verde

Senegal services

Guinea-Bissau, Mauritania

South Africa services

Lesotho, Malawi, Eswatini, Swaziland

Tunisia Services

Libya



When insights drive action, **GREAT OUTCOMES HAPPEN**

KPMG consulting services

We adopt an enterprise based, client centric, data and technology driven approach to serving our clients. Whether it's helping you lead an ESG integration, risk mitigation, or driving digital transformation, our services are tailored to deliver value, drive innovation, and build stakeholder trust.

Our service categories:

01 Audit & Assurance

- Financial Statement Audits
- Private Audit Services
- Sustainability Reporting & Assurance

02 Tax & Regulatory Services

- Tax Compliance Services
- Transfer Pricing Services
- Tax Dispute Resolution Services
- Regulatory Compliance Services

03 Advisory Services

- Deal Advisory & Strategy Services
- **Consulting Services**
- International Development Advisory Services

Consulting Services

- Enterprise Risk Services
- Business Consulting Services
- Technology Risk
- Technology & Innovation





2025 Global Internal Audit Standards



01: Key Changes to the Standards

Structure of the New Standards

Domain	Domain Description	Domain Summary
I	Purpose of Internal Auditing	To enhance and protect organizational value by providing independent, risk-based, and objective assurance, advice, insight, and foresight to the board and management.
II	Ethic & Professionalism	<ul style="list-style-type: none"> ▪ Incorporates the code of ethics, including practitioner conduct, objectivity and competency while also addressing due professional care and confidentiality. ▪ Sets behavioral expectations for internal auditors regarding integrity, objectivity, competency, care, and confidentiality.
III	Governing the Internal Audit Function	<ul style="list-style-type: none"> ▪ Clarifies the board's role, the board's independence and its responsibility in overseeing the internal audit function. ▪ Outlines requirements for positioning and overseeing functions through collaboration between the CAE, the Board, and Management.
IV	Managing the Internal Audit Function	Focuses on the Chief Audit Executive (CAE)'s role in overseeing and governing the internal audit function, including planning, resource management, communication and quality management.
V	Performing Internal Audit Services	Addresses internal audit engagements and how to plan and effectively conduct the work while providing quality services to an organization.

Changes to the Standards



-  Stronger Governance of IAF - Board and Senior Managements' Responsibilities & Oversight over IA
-  Establishment of Internal Audit Strategy
-  Combined Assurance Framework
-  Building Relationships
-  Enhanced Quality Requirements
-  Technological Resources
-  Consideration for small audit functions
-  Consideration for Public Sector Entities
-  Internal Auditing and Public Interest



02: **Key Takeaways for the Board Members**

Key Takeaways for the Audit Committees & Board Member in the New GIAS

Scope of IA Activities

- A revised purpose for internal audit with less emphasis on developing assurance-based reports and more focus on advisory, assurance, insight and foresight.

Enhanced Oversight over IA

- An increase in focus on governance and the role of audit committees in overseeing internal audit.

Establishment of an IA Strategy

- The expectation to document a forward-looking strategy. While there has always been an expectation to have an improvement program, it is now meant to include more focus on emerging risks.

Investments in Technology

- Specific guidance and standards in critical risk areas such as cybersecurity and technology.

Competency Assessment

- Greater emphasis on training, professional development and auditor competence particularly in areas such as professional skepticism, integrity, objectivity and ethical standards.

Key Takeaways for the Audit Committees & Board Member in the New GIAS

Quality Assurance and Improvement Programme

- Greater requirements to retain evidence to demonstrate conformance with the standards.

Audit Reporting

- Clarified requirements for identifying root causes and prioritizing findings through the delivery of audit activity.

Coordination and Reliance

- Establishment of an assurance mapping

03: 2025 Standards

- Ethical Risk Oversight
- Fraud prevention and Detection
- Stakeholder Engagement

Responsibilities of the Audit Committees in Ethical Risk Oversight

01

Establishing & upholding Ethical Standards

- Definition & promotion the organization's ethical values and principles.
- Integration of ethical standards into the organization's culture, operations, and decision-making processes.

02

Ensuring Organizational Independence of Internal Audit

- Maintenance of IA's independence.
- Review and approve inclusion of review of ethical mandate on the internal audit charter.

03

Approving and Monitoring the Internal Audit Strategy and Plan

- Ensure IA strategy to ensure alignment ethical considerations & strategy.
- Regular inclusion of organizational ethical climate as part of the risk based audit plans.

04

Reviewing Internal Audit Findings on Ethical Risks

- Reports on ethical risks, fraud, conflicts of interest, and compliance with ethical policies.
- Timely and effective implementation of corrective actions in response to identified ethical issues.

05

Facilitating Open Communication

- On ethical concerns and risk exposures.
- Establishment of confidential reporting channels for unethical behavior, ensuring protection for whistleblowers.

Responsibilities of the Audit Committees in Overseeing Fraud Mgt

01

Defining Internal Audit's Role and Authority (Audit Charter)

- On fraud risk management
- On investigation

02

Communicating with the CAEs

- Maintain open, collaborative, and interactive communication on fraud risks.
- Provide guidance to the CAE on review of effectiveness of fraud prevention and detection efforts.

03

Ensuring Adequate Resources and Skills

- Staffing, technology, and training, to effectively address fraud risks.
- Safeguard the independence and objectivity of IA for unbiased assessments and recommendations.

04

Monitoring and Evaluating Internal Audit Performance

- Assess the performance and quality of the internal audit function in relation to fraud risk management.
- Establish and agree upon performance metrics, reporting, and escalation.

05

Overseeing Fraud Risk Assessment and Management

- Review and evaluate the organization's fraud risk assessment processes to ensure comprehensive identification and mitigation of fraud risks.
- Monitor the implementation and effectiveness of fraud prevention and detection controls, policies, and procedures

Stakeholder Engagement by the Audit Committee

01

Establishment of a Stakeholder engagement plan

- Define IA Stakeholders

02

Definition of stakeholder engagement channels

- Formal channels
- Informal Channels

03

Reliance and Coordination

- Establishment of assurance map
- Mapping of roles and responsibilities to assurance providers



Integration of ESG in Audits

ESG Risk: An introduction



ESG Risk

69% of global CEOs have fully embedded ESG into their business as a means to create value.*
Effective Internal Auditing is essential in managing ESG risks and validating controls to mitigate these risks..



Despite increasing economic and political uncertainty, the latest survey findings reflect a growing sense of resilience and focus from CEOs on ESG. With continued financial and geopolitical pressures ahead, it will undoubtedly be a test of nerves for many CEOs, but the data shows that the vast majority of senior executives are now fully **onboard and recognize that E, S and G are no longer optional extras for successful, sustainable businesses.***

**KPMG 2024 Global CEO Outlook*



ESG elements and metrics

Why the drive for sustainable change now?

It's the right thing to do for planet, people and profit.



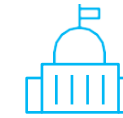
Environmental: Conservation of the natural world:

- Climate change and emissions
- Air and water pollution
- Biodiversity
- Deforestation
- Energy efficiency
- Waste management
- Water scarcity



Social: Consideration of people and relationships:

- Customer satisfaction
- Data protection and privacy
- Gender and diversity
- Employee engagement
- Community relations
- Human rights
- Labor standards



Governance: Standards for running an organization:

- Board composition
- Audit committee structure
- Bribery and corruption
- Executive compensation
- Culture and behavior
- Political contributions
- Whistleblower schemes

An alphabet soup of ESG standards, frameworks and ratings

Stakeholder groups of widely varying interests and geographies have their own respective demands of sustainability information.

A whole universe of ESG standards, frameworks and ratings had emerged in the landscape, with the more dominant ones as follows (circa 2021):

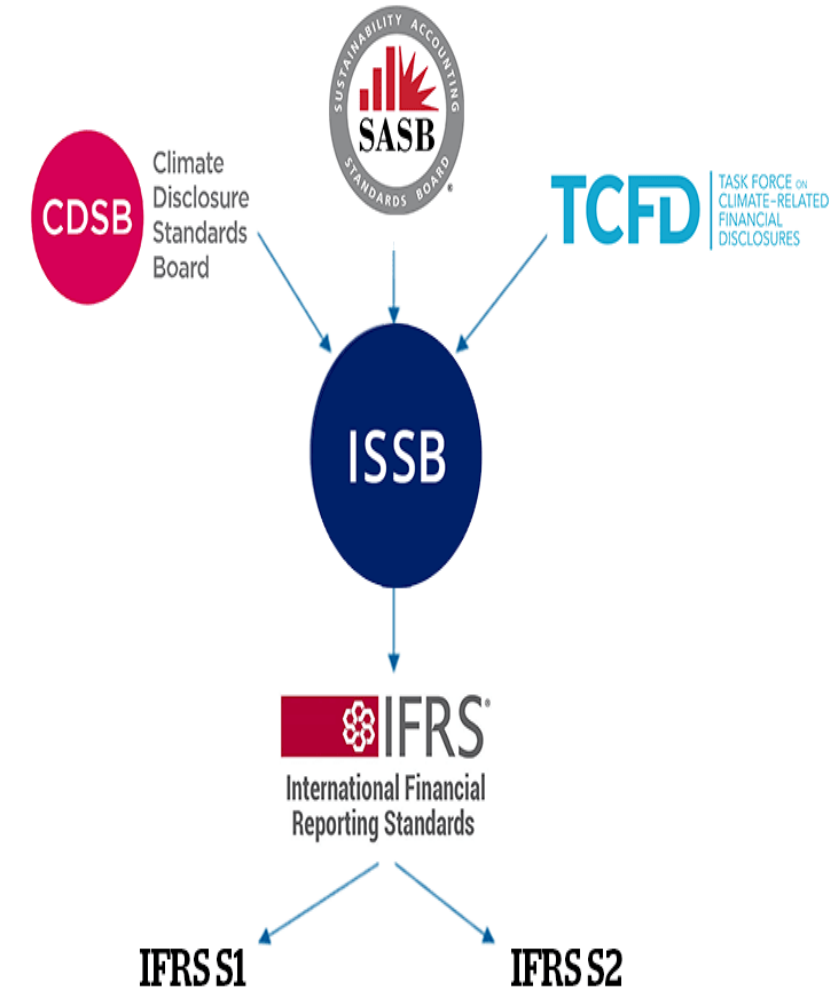
Sustainability Reporting Standards & Frameworks	Sustainability Ratings / Tools	Sustainability Guidelines & Principles
      <p>European Financial Reporting Advisory Group</p>  	        	  <p>Principles for Responsible Investment</p>    <p>International Finance Corporation WORLD BANK GROUP</p>  <p>United Nations Global Compact</p>

Lists are non-exhaustive.

IFRS Sustainability Disclosure Standards (ISSB)

Consolidation of the sustainability reporting landscape:

- Sustainability Accounting Standards Board (SASB),
- Climate Disclosure Standards Board (CDSB),
- Task Force for Climate-related Financial Disclosures (TCFD),
- Taskforce on Nature-related Financial Disclosures (TNFD)
- Integrated Reporting- show how an organization creates value over time.
- Full interoperability with Global Reporting Initiative (GRI)- a comprehensive framework for sustainability reporting



Importance of sustainability reporting assurance



1. *Big shifts, small steps*. Global Survey of Sustainability Reporting 2022 A look at global trends in sustainability reporting (October, 2022)

Sustainability Assurance Practices



ASSURED ESG INFORMATION.

The percentage of companies that obtained assurance on some of their ESG reporting increased.

51%

in 2019

58%

in 2020

64%

in 2021

69%

in 2022

WHO PROVIDES ASSURANCE.

689 of 1,187 (for 950 companies) assurance reports were signed by audit firms in 2022.

63%

in 2019

61%

in 2020

57%

in 2021

58%

in 2022

ASSURANCE STANDARDS.

The International Auditing and Assurance Standards Board's (IAASB) International Standard on Assurance Engagements (ISAE) 3000 (Revised) remained the most widely used standard for ESG assurance engagements.

68%

in 2019

72%

in 2020

70%

in 2021

72%

in 2022

Sustainability Assurance Standards

➤ Assurance Standards:

- International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements
- Developed by the International Auditing and Assurance Standards Board (IAASB)
- Issued in November 2024.
- Effective for periods beginning or after December 15, 2026
- Early application permitted

➤ Sustainability Assurance providers

- should be carried out by a qualified and experienced independent provider.
- are expected to possess the professional qualifications.



Local Regulations on ESG

ESG regulatory landscape and reporting drivers in the region

Central Bank of Kenya (CBK)

Issues Guidance on Climate Related Risks: Issued on 15 October 2021 guiding financial institutions to manage their climate-related risks by integrating climate related risk management into their business decisions and activities.

Kenya Green Finance Taxonomy (2025) and the Climate Risk Disclosure Framework

Intended to serve as tools to enable market participants classify their particular economic activities as to whether or not these are 'green' or environmentally sustainable and promote the transition to a low-carbon economy.

Capital Markets Authority (Kenya)

The CMA's Stewardship and Corporate Governance Codes issued in 2016.

Sustainable Finance Initiative (Kenya)

Kenya Bankers' Association (KBA) led the banking sector to put together the SFI Principles: a Kenya-specific set of harmonized guidelines for sustainable development in 2015.

Nairobi Securities Exchange

ESG Disclosure guidance manual

National Bank of Rwanda

Regulation No 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks requires banks, on annual basis

Dar es Salaam Stock Exchange (DSE) -

Tanzania's stock exchange, joined the United Nations Sustainable Stock Exchanges (SSE) initiative in 2016

Bank of Uganda

Discussion on possible regulation is ongoing



Key Legislation – National Outlook

- **The Constitution of the Federal Democratic Republic of Ethiopia (the Constitution)** - Article 44 of the Constitution speaks into right to **a clean and healthy environment**. Article 92 speaks into rights and obligations of both citizens and the Government in relation to the environment. Article 43 speaks of the right to sustainable development. This goes into the E & S aspect in ESG
- **Ethiopian Environmental Policy (EEP)** - issued in 1997, a Federal level policy spanning numerous sectoral and cross-sectoral areas. The EEP recognizes that natural resources form the foundation of the Ethiopian economy and aims to improve and enhance the health and quality of life of all Ethiopians, while also promoting sustainable social and economic development. To achieve these objectives, the policy requires the sound management and use of natural, human-made and cultural resources, and the environment as a whole.
- **Climate Resilient Green Economy Strategy (CRGE)** - Endorsed in 2011, the first national climate policy document. Under the strategy, Ethiopia aimed to achieve middle income status by 2025 while building a green economy. The CRGE strategy is incorporated in Ethiopia's TYDP for 2021-2030.
- **Environmental Impact Assessment (EIA)** - Ethiopia adopted the EIA Proclamation in 2002, recognizing the value of EIAs in “harmonizing and integrating environmental, economic, cultural and social considerations into a decision-making process in a manner that promotes sustainable development”

Others:

- **Integrated ESG Program** – Launched by the IFC in 2023, aims to boost sustainable business growth and private sector investment in the country with a focus on the banking, manufacturing, and agribusiness sectors.
- **ESG Guidelines for Bank** issued
- **NBE Corporate Governance (June 2024) requires Disclosures of Sustainability Risks and Opportunities**

In the pipeline

- **Sustainability focused Corporate Governance code/directive** under issuance by AABE in collaboration with IFC
- **ESG Guidelines** in progress for Manufacturing and Agricultural Sector by Addis Ababa Chamber of Commerce and Sectoral Association

(AACCSA) and IFC



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TEA BREAK

10.40AM-11.00AM





Integration of ESG into Risk Frameworks

Integrating ESG into Risk Management Framework



Common Trends in ESG - FY2025

01

Biodiversity risks and opportunities

Risks stemming from biodiversity loss. This include the very real threat of potential failures in credit portfolios. Leading banks are taking several steps to mitigate these risks.

02

Transition plans

Transition plans are emerging as the key mechanism for bridging the gap between net zero commitments and current operations.

03

Rise in green and sustainable / Net zero products

Rising awareness about sustainability globally, has propelled the growth of ESG investments in the Banking industry.

04

ESG data management and architecture

ESG data management is becoming an essential aspect of businesses, with a parallel push towards technology driven ESG data management.

05

Artificial Intelligence (AI)

Use of AI to improve their ESG performance and promote sustainable decision-making.

06

Climate Finance

Increasing demand for clean energy and the rapid shift towards renewables are the major driving forces for climate finance..

The ESG Wave



Reputational and Litigation Risk

- Social issues have significant reputational fallout if not managed properly.
- Litigation risks are arising from the emergence of social inflation affecting claims volumes and expenses, as well as political / regulatory influences on greenwashing and fiduciary duty conflicts.



Increasing complexity of global social trends

- The emergence of Gen Z and Millennials as consumers and employees who place importance on social and cultural responsibility.
- Increasing global awareness and severity of action taken around social issues means that inaction could be insufficient.



Regulatory Expectations

- Heavy pipeline of regulations with significant social considerations (CSRD, MSS as part of SFDR & EU Taxonomy, increased requirement to align with the UNGPs and perform sufficient due diligence).



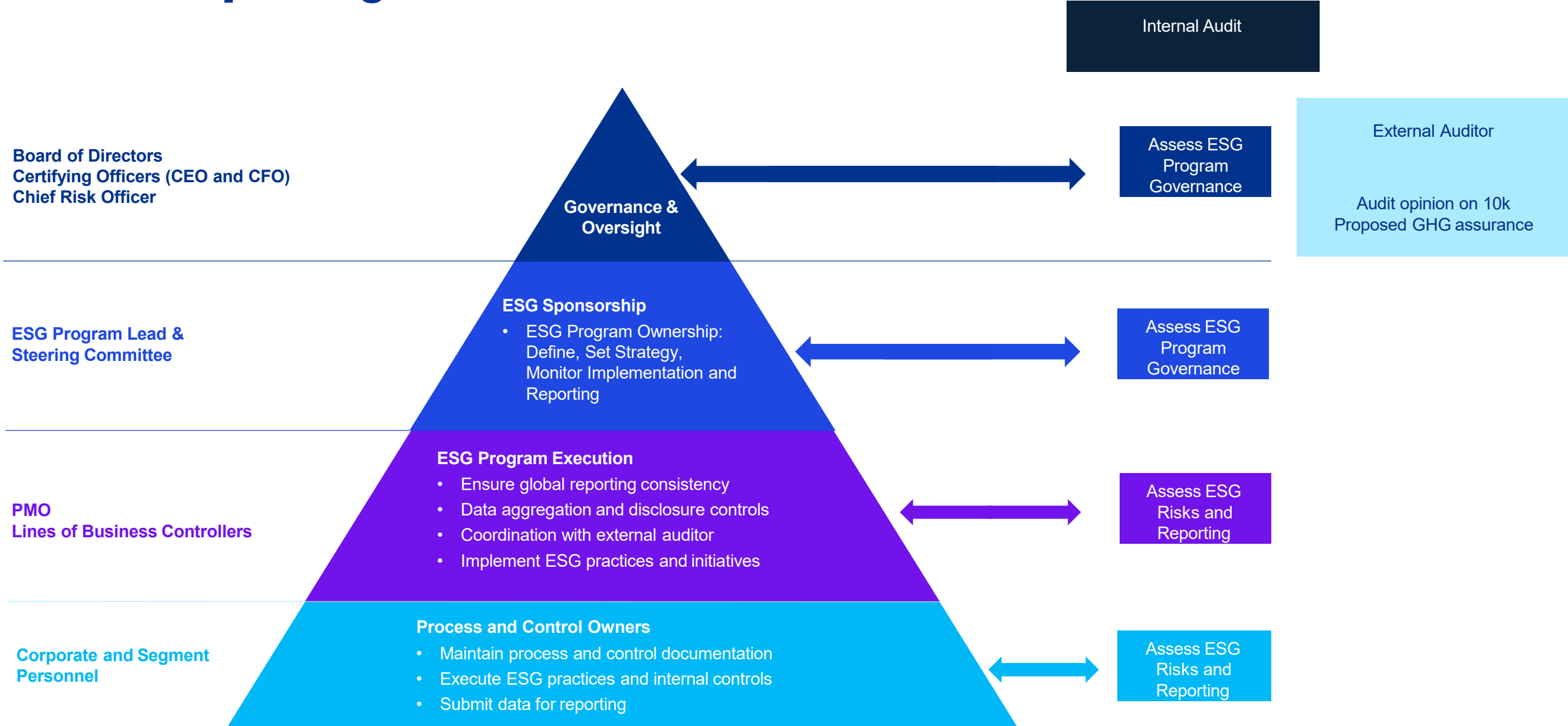
Green & Social Washing

- There is a need to ensure that commitments made are verifiable and fully operational.
- Having a robust and defensible understanding of social impacts, responsibilities and requirements will guide appropriate decision making and reduce this risk.



Audit Committees role in ESG Governance

ESG Reporting Governance Model



ESG Reporting: Board's responsibility

Responsibility and liability increases as ESG reporting requirements expands

Changes of reporting duties

ESG reporting structure options:

- Fully integrated report
- Separate ESG chapter in Annual report
- Separate ESG report
- Voluntary ESG report

Depending on regulatory requirements:

- Global and local laws, regulations and guidances to be considered
- Applicability of EU Taxonomy (opt-in on voluntary basis for companies that fall outside the scope of the CSRD)\
- Applicability of non-EU

Governance and responsibilities



Board of directors
(including especially Audit Committee)

Risk Management

Compliance

Internal Control System

Depending on delegation (e.g. Head of Sustainability)

Key changes and implications due to ESG reporting

Oversight

- **Oversight** includes **Sustainability Statement**
- Engages external auditor for assurance over **Sustainability Statement**

Duty of care and overall responsibility

- Required to ensure a **complete and accurate Sustainability Statement**
- **Duty of care and liability extended to sustainability** reporting and management, incl. risk management, compliance, and internal control systems
- **Respective Board Member steers and leads implementation** of those requirements as responsible board member

Responsible organization unit

- Responsible organization unit (delegation of **operational execution** and **overall management** of the ESG reporting requirements)

ESG Governance Framework

Governance framework elements per layer

Each of the governance framework layers has multiple elements that require assessment and consideration when designing, (re)considering and implementing an ESG Governance Model.



Governance ecosystem

Set up the ESG organizational structure
Define roles and responsibilities



Corporate governance and culture

Define ESG leadership and incentivization.
Assess ESG culture and define approach for successful ESG transformation journey.



Data governance and tooling

Set up proper data governance to ensure timely and reliable ESG information and leverage tooling to track ESG performance.



Reporting governance

Define and set up KPI's and reporting lines to drive communication on ESG performance and support decision-making.



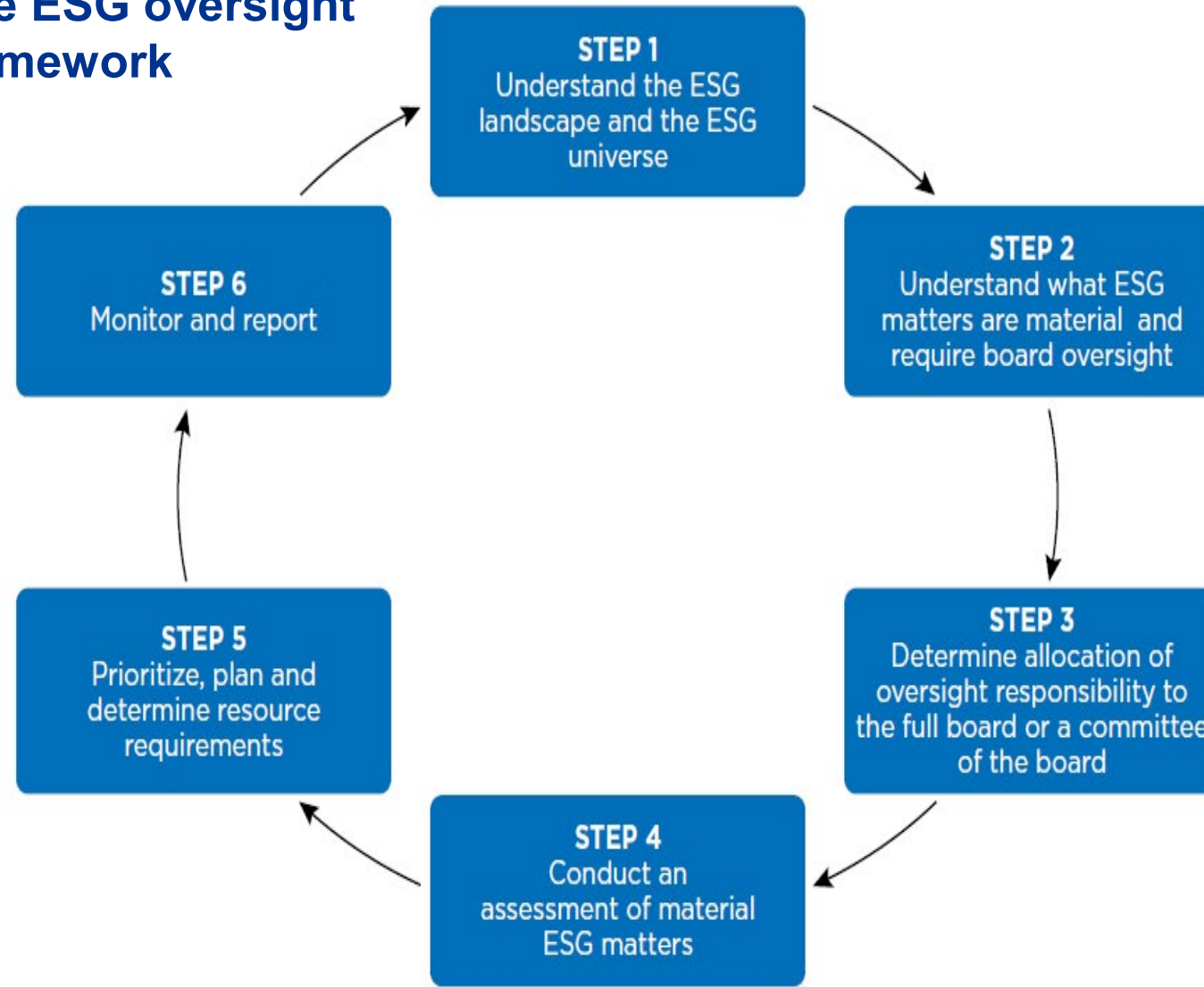
Risk management and internal control

Integrate ESG in the Risk Management Framework to manage ESG risks and opportunities and obtain (internal) assurance over ESG information.

Key message

The board's role in ESG oversight

The ESG oversight framework



ESG matters present both risks and opportunities to companies. From a board's perspective, it can be challenging to understand how to carry out its oversight role in this area.

Responsibilities of the Audit Committees in ESG Governance

01

ESG Risk Oversight

- Assess and oversee ESG-related risks, such as climate change, diversity and inclusion, cybersecurity, and regulatory compliance
- Integrate ESG risks into the organization's broader enterprise risk management (ERM) framework

02

ESG Reporting & Disclosures

- Ensure accuracy, completeness, and transparency in ESG-related disclosures (e.g., sustainability reports, and climate impact reports)
- Review and validate ESG data to **prevent greenwashing or misleading information**
- Align ESG reporting with recognized frameworks (e.g., GRI), (TCFD), and (SASB))

03

Regulatory & Compliance Oversight

- **Monitor compliance** with evolving ESG-related regulations and standards, such as SEC climate disclosure rules, EU Corporate Sustainability Reporting Directive (CSRD), and IFRS sustainability standards
- Work with **legal and compliance teams** to ensure adherence to local and international ESG laws

Responsibilities of the Audit Committees in ESG Governance

04

Internal Controls & Assurance

- Ensure that ESG data is subject to **internal controls and assurance processes** similar to financial reporting
- Engage internal or external auditors to validate ESG data and disclosures

05

Stakeholder Engagement & Ethical Governance

- **Consider the interests** of investors, customers, employees, regulators, and other stakeholders in ESG decision-making
- Promote ethical business practices and corporate governance aligned with ESG principles

06

Collaboration with Other Committees

- Work with the board's risk, nomination, and compensation committees **to integrate ESG considerations into executive compensation, board composition, and risk management**
- Coordinate with the sustainability team and management to align ESG initiatives with business strategy

A priority for Audit Committees will be monitoring management's preparation for new climate reporting frameworks/standards

Preparation is about more than disclosure; it could require reassessments of the company's climate-related risk management and board oversight processes, and other governance processes.

Areas for Audit Committees to focus on in addition to management's climate-related expertise and resources:

- Management's plans to meet compliance deadlines.
- Consideration of materiality and double materiality.
- Disclosure controls and procedures, and internal controls.



A key question for Audit Committees is whether management has the necessary talent, resources, and expertise – Internal and external – to gather, organize, calculate, assure and report the necessary climate data such as GHG emissions, and to develop the necessary internal controls and disclosure controls and procedures to support the regulatory and voluntary climate disclosures.

**KPMG On the Audit Committee Agenda 2025*

Regulatory Compliance & Governance

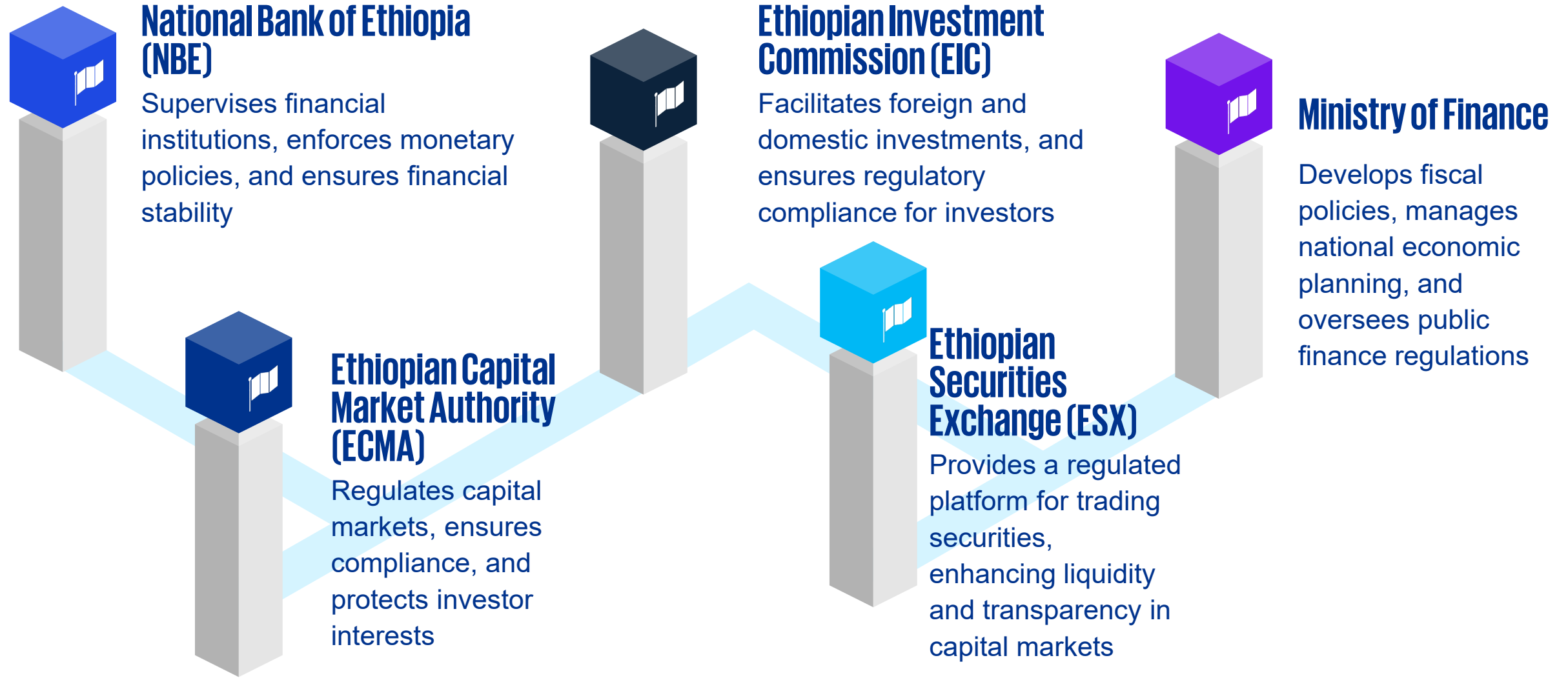




01: Local Governance and Regulatory Environment

Local Governance and Regulatory Environment

Ethiopia's capital market is governed and regulated by the following bodies:



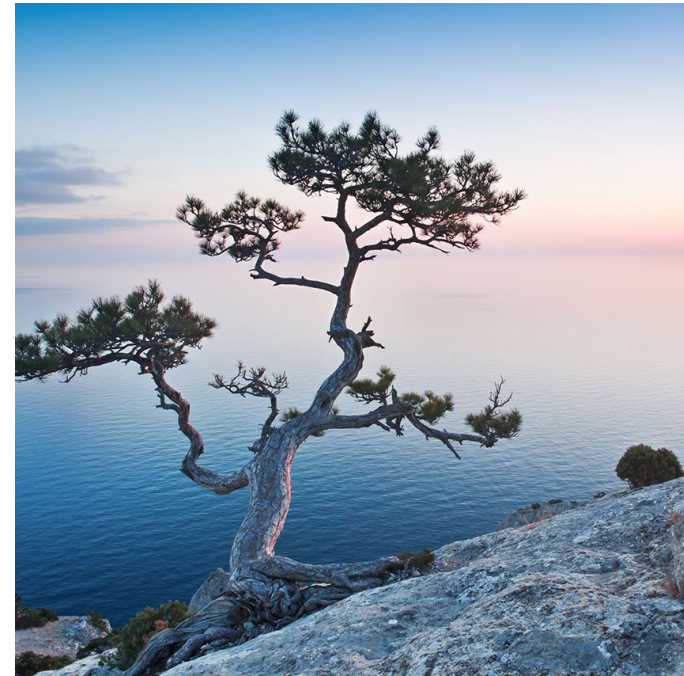
Local Governance and Regulatory Environment (Cont'd)

Other Regulatory bodies in Ethiopia:

1. Ministry of Revenues (MoR) and custom commission: Manages tax collection and customs regulations.
2. Ethiopian Industrial Parks Development Corporation (IPDC): Regulates industrial park development and operations.

Banking & Insurance Sector Regulations in Ethiopia:

1. National Bank of Ethiopia (NBE): The central authority overseeing the financial sector.
2. Banking Business Proclamation No. 1360/2025: Defines the regulatory framework for financial institutions.
3. Banking Supervision Guidelines: The NBE enforces guidelines for the operation of banks, credit institutions, and microfinance.
4. Foreign Exchange Control Regulations: Regulates the use of foreign currency and international transactions.



Local Governance and Regulatory Environment (Cont'd)

1. Bureaucratic Delays

Challenges in obtaining permits, licenses, and approvals

2. Complex Tax and Customs Systems

Issues related to tax compliance and navigating customs regulations.

3. Currency Restrictions

Limited access to foreign currency for businesses dealing internationally

4. Limited Foreign Ownership

Restrictions on foreign investments and the complexities of establishing foreign-owned businesses

5. Legal & Regulatory changes

Uncertainty regarding frequent changes to regulations and policies



02: Understanding and Oversight of Capital Markets

What are capital markets

- These are financial markets where long-term securities are bought and sold.
- The main types of capital markets include bond markets, stock markets, derivatives markets, and currency markets.

Features of Capital Markets:

A public, open and transparent market

Capital circulation is represented by securities

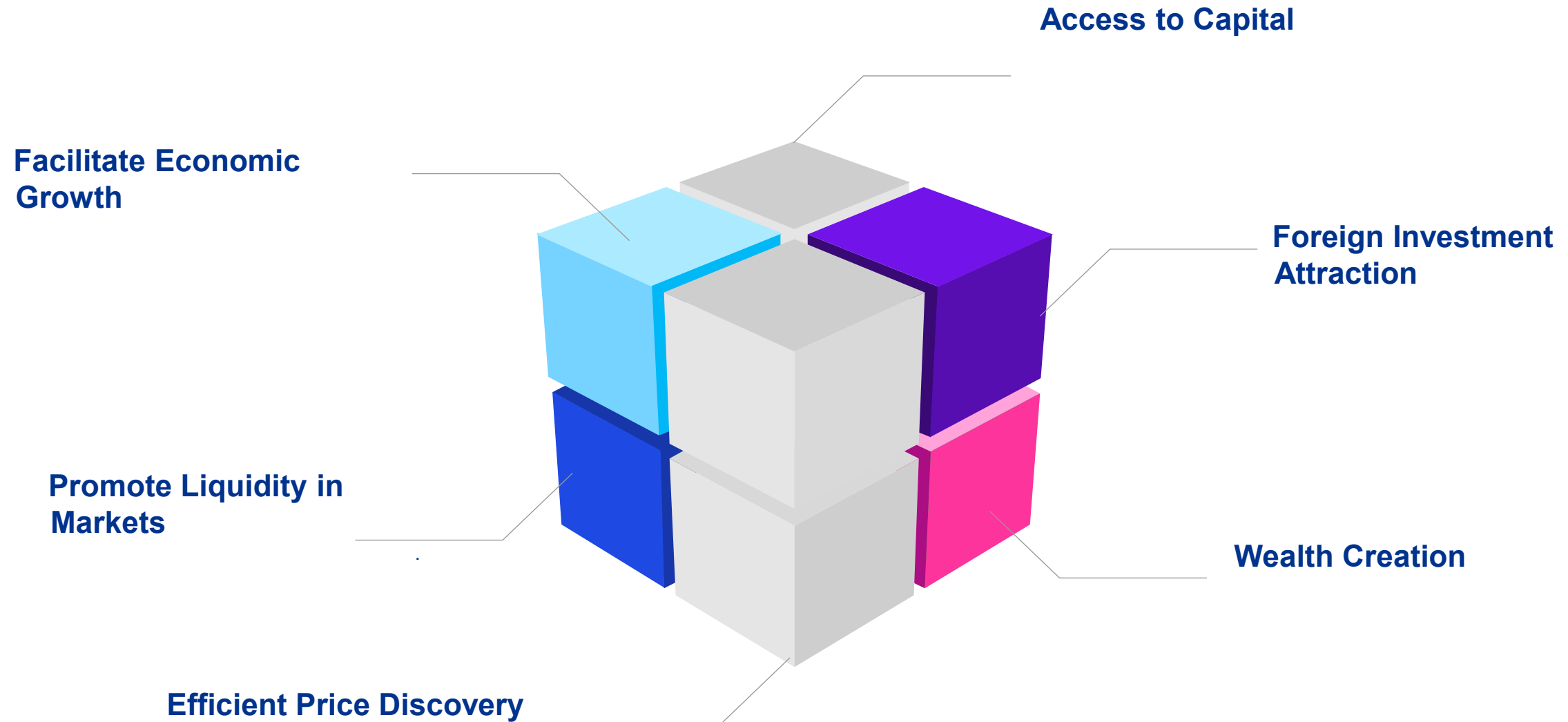
Organized market

Specialized markets with medium & long-term financial assets

Corporate actions

Transaction made through intermediaries

Role of capital markets



Capital markets Structure

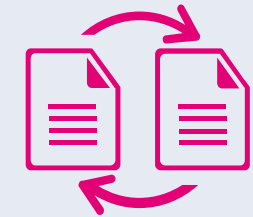
Primary markets

Consist of issuers and investors who purchase newly issued securities directly from the issuing company.

Secondary markets

Where the trade of already issued certificates between investors are overseen by regulatory bodies.

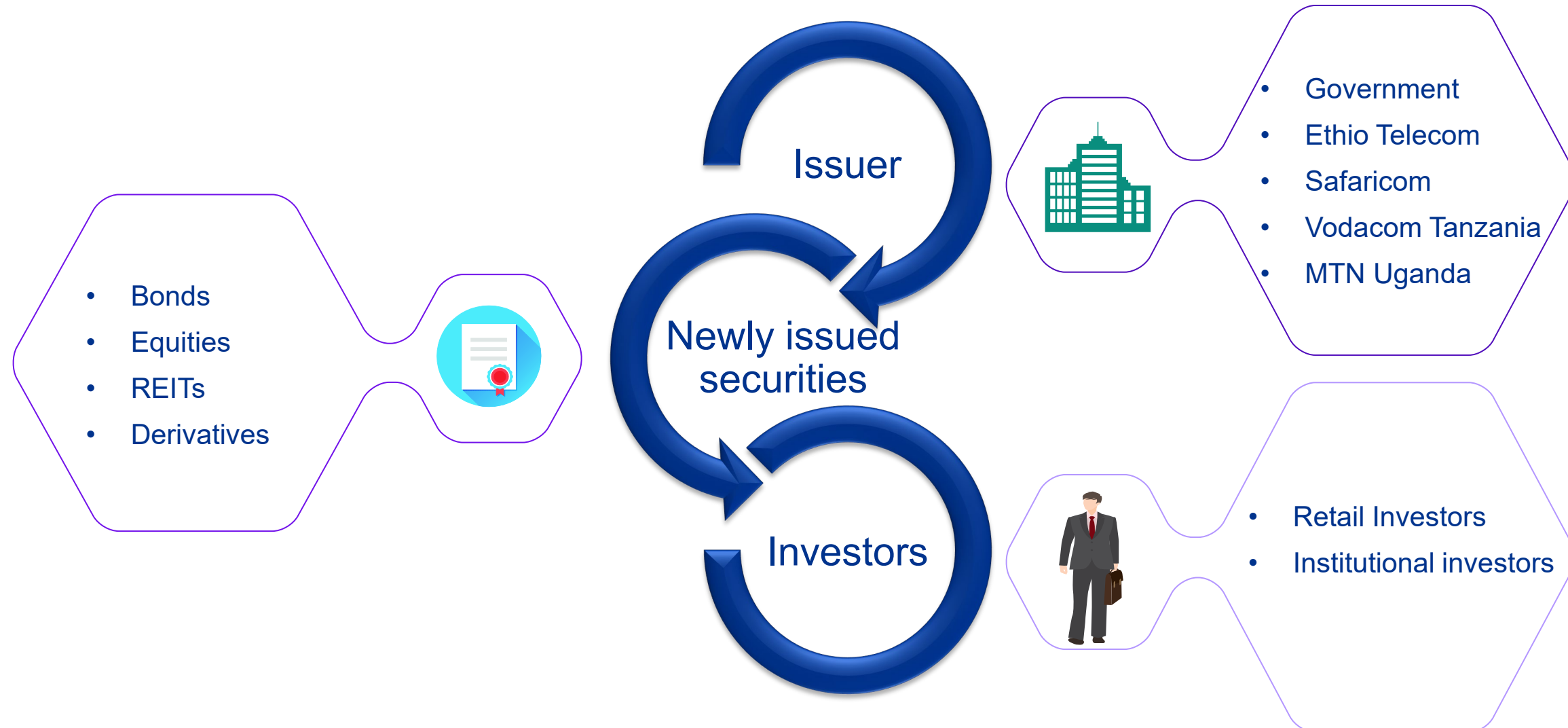
Trading products:



- Debt securities (e.g. infrastructure bonds issued by the Ethiopian government)
- Equity securities (e.g. Shares listed on ESX)
- Derivatives (e.g. FX Forward Contracts.)

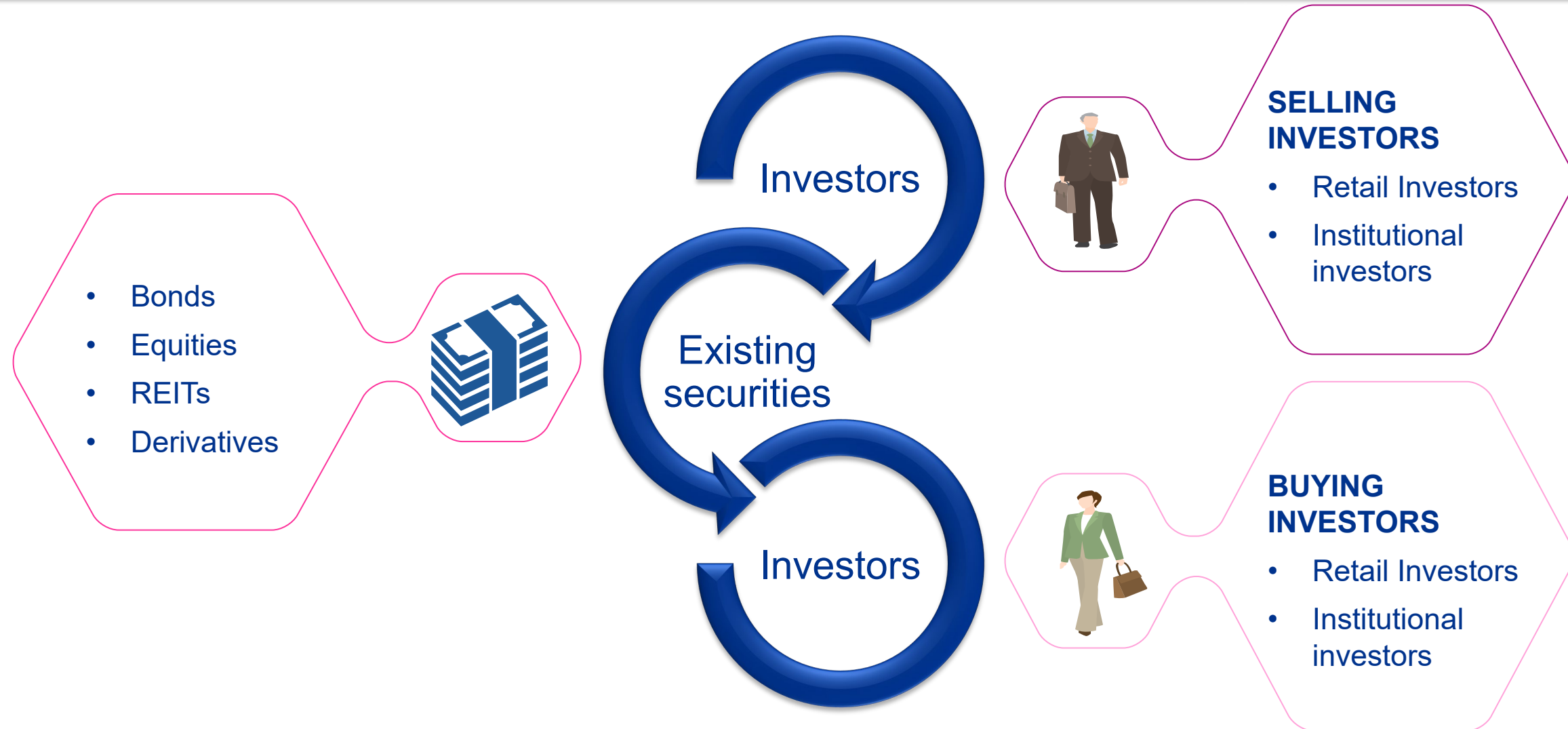
Capital markets Structure

PRIMARY MARKETS



Capital markets Structure

SECONDARY MARKETS



Who are the key players in Capital markets?

Intermediaries

- Facilitate transactions between issuers and investors. Examples: Stock exchanges, Investment banks, & Financial advisors.

Market Makers

- Firms or individuals that provide liquidity in the market by buying and selling securities.
- They help maintain an orderly market by ensuring there's a constant flow of trades.

Issuers

- Entities that raise capital by issuing securities (debt or equity) in the form of bonds and shares.
- Examples: Government, Corporations and Municipalities.

Regulators

- Oversee and regulate capital markets and ensure investor protection, maintaining fair and transparent trading.

Investors

- Individuals and institutions who provide capital to entities that need to grow and operate their businesses.





03: Capital Raising Options

Capital raising options

No	Capital raising option	What it entails
1	Initial Public Offering	Involves the first public issuance of a company's shares
2	Listing by shares introduction	Registering already existing shares to trade on ESX.
3	Rights issue	Additional new shares offer to existing shareholders.
4	Bonus / Scrip issue	Distributing additional shares to existing shareholders free of charge.
5	Employee share issuance scheme (ESOP)	Option for employees to acquire shares at the bank.
6	Mergers and acquisition	Consolidation of entities through financial transactions.
7	Convertible debentures	Combination of debt and equity allowing flexibility and conversion options for shareholders.

Route to listing

Step 1 - Decision to go public approved by Board and shareholders

Step 2 - Appointment of IPO advisors and team

Step 3 - Underwriter due diligence

Step 4 - Drafting of the prospectus and filing a registration statement

Step 5 - Allotment of securities

Step 6 - Publication of allotment results

Step 7 - Life as a listed entity



05: Audit Committee Oversight on Capital Markets

Audit Committee Oversight on Capital Markets

01

Audit oversight on capital markets

- **Enhancing financial integrity:**
 - Preventing fraud & financial misstatements.
 - Strengthening investor confidence.
 - Ensuring accurate valuation of securities.
- **Risk Management and Compliance:**
 - Monitoring AML/CFT regulations.
 - Auditing financial disclosures.
 - Evaluating governance practices.

02

Audit oversight on disclosures

- Ensuring accurate & timely financial reports.
- Compliance with IFRS & Ethiopian regulations (e.g ECMA, NBE & ESX directives)
- Preventing earnings manipulation

03

Audit oversight on enhancing investor relations & transparency

Transparent reporting strengthens investor confidence and compliance. This can be achieved through the following best practices for Audit committees:

- Regular financial disclosures.
- Independent audit reviews.
- Ethical governance frameworks.
- Strong internal controls & risk management.

The background features a vibrant purple and blue color scheme. On the left, there are concentric, wavy lines that create a sense of depth and movement. On the right, a 3D bar chart with several bars of increasing height is visible, suggesting growth or progress. The overall aesthetic is modern and professional.

07: Trends and developments in the Capital Markets

Global Capital market trends and developments



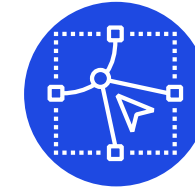
Technological advancements

- AI, Blockchain and machine learning re-shaping how financial services are delivered.
- Adoption of mobile banking has expanded financial inclusion and improved trade.



Sustainable and ESG Investing

- ESG will improve investor reporting enhancing climate change awareness, social inequalities and corporate governance.
- Regulatory focus on standardized reporting on ESG with view to demonstrate commitment to ESG principles.



Increased competition and market disruption

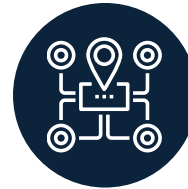
- Rise of fintech companies and digital-only financial services has intensified competition with innovative, low-cost solutions presenting convenience over traditional banking methods.

Global Capital market trends and developments (Cont'd)



Central Bank Digital Currencies (CBDCs)

- Virtual money backed and issued by Central Banks. The adoption of CBDCs is improving the efficiency, resilience, and effectiveness of money flows and capital markets by enabling faster payments and settlements.



Geopolitical risks and market volatility

- Geopolitical tensions such as the US-led global sanctions, Israel-Hamas war, Russia-Ukraine war, and other political events will continue to affecting global supply chains and trade costs, in turn impacting capital market stability and investor sentiment.



Regulation and compliance

- Regulatory scrutiny is increasing as regulators seek to protect investors and prevent fraud, with this trend being driven by the increasing complexity of financial instruments such as digital assets.
- Regulators such as Capital Markets Authority (CMA) in Kenya and the National Bank of Ethiopia (NBE) are working on frameworks to prevent such fraud instances and protect the investors and traders in the capital markets.

Audit Committee survey



Board Leadership Centre (BLC) audit committee survey

Navigating the Future: Key priorities for Audit Committees in 2025 and beyond

Why you should participate

- Influence Audit Committee Priorities – Share your insights to help shape key focus areas across industries.
- Access Industry-Wide Insights – Gain a broader perspective on challenges like risk management, cybersecurity, and AI/GenAI.
- Strengthen Decision-Making – Use published survey findings to guide informed discussions in your audit committee.
- Contribute to Thought Leadership – Help shape KPMG's governance insights and best practices for audit committees.

Click here to participate



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Audit committee survey



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Wifi password

Wifi password

Panel Discussions

The background is a vibrant, abstract composition. It features a series of concentric, wavy lines in shades of purple and blue, creating a sense of depth and movement. On the right side, there is a staircase-like structure composed of a series of small, light blue squares that ascend towards the top right corner. The overall effect is a modern, digital aesthetic.

Thank you



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