

BOARD RELATED PARTY TRANSACTION POLICY

Origin NIG

Validation level 1

Responsible Board of Directors **Recipients** Board of Directors

Document Location File Server\\Legal Cloud

LAST UPDATE VERSION BY MODIFICATIONS

26/10/2022 0.1 L&C Creation

16/12/2022 1.0 BOD Validation

Enter the date Enter version no. Name

ORGANISATION REVIEW BY SIGNATURE

16/12/20200

Damilola Ojo



VERSION VALIDATION DATE BY SIGNATURE

1.0 16/12/2022 Board of Director



OBJECTIVES

The present policy aims to ensure that all Related Party Transactions with Advans La Fayette Microfinance Bank Limited ("the Bank") receive the proper approval or ratification by the Board upon recommendation from the Audit Committee (the "Committee"). This Policy is intended to augment and work in conjunction with the Bank's other policies having any code of conduct, code of ethics and/or conflict of interest provisions.

RELATED DOCUMENTS

Board Charter

Board Committee Charters

Contents

- 1. Introduction..... 3
- 2. Scope of the Policy 3
- 3. Definition 3
- 4. Exemptions to the Related Party Transaction..... 3
- 5. Transactions that are to be disclosed if they are with a Related Party..... 4
- 6. Requirements for Disclosure of Related Party Transactions..... 4
- 7. Review and Approval of Related Party Transactions 5
- 8. Periodic Review 5

1. Introduction

As a result of the high risk of conflict of interest inherent in a related party transaction, any proposed related party transaction must be approved or ratified in accordance with this Policy. Thus, this policy seeks to provide clear guidelines and procedure on related party transactions with the Bank and to ensure that all the Directors and Senior Managers understand their responsibilities and obligations in respect to related party transactions.

The Board Audit Committee is charged with the responsibility to review and make a recommendation to the Board to approve a related party transaction where it deems appropriate

2. Scope of the Policy

This policy shall apply to any transaction in which the Bank is a participant and there is a transfer of resources, services, or obligations such that a Related Party has or will have a direct or indirect interest regardless of whether a price is charged.

3. Definition

“Related Party Transaction” means a transfer of resources, services or obligations between the Bank and a related party.

“Related Party” include:

- + A Director (including a nominee);
- + Senior Manager;
- + 5% and above Shareholder; and
- + Immediate Family Member of any of the foregoing.

“Immediate Family Member” means the spouse, child, sibling, parent, partner, in-law of a person and anyone residing in such person’s home (other than a tenant or an employee).

4. Exemptions to the Related Party Transaction

> The following transactions are exempted from this policy or are deemed pre-approved by the Board:

- + Payment of compensation by the Bank to a Director or executive officer for the person’s service to the Bank in the capacity or capacities that give rise to the person’s status as a “Related Person”;
- + Transactions available to all employees or all shareholders of the Bank on the same terms except for loans and term deposits;
- + Transactions that involve NGN1,000,000.00 in the aggregate;
- + Financial services rendered by the Bank in the ordinary course of its business provided that the transaction has no policy deviations, it excludes loans and

- term deposits and the services are substantially the same terms as those prevailing at the time for comparable services provided to unrelated parties;
- + Any transaction between the Bank and another Party in which a Related Party's only relationship is as a director and/or beneficial owner of less than 10% of that party's equity interests;
 - + Any charitable contribution or grant by the Bank to a charitable organization or foundation where a Related Party is a trustee or employee, if the aggregate amount involved does not exceed 2 percent of the charitable organization's total annual receipts; and
 - + A transaction where the rates or charges involved in the transaction are determined by competitive bids or fixed by law or regulation.

5. Transactions that are to be disclosed if they are with a Related Party

A related party shall disclose to the Committee the following transactions with the Bank including whether such transactions are considered by this related party to have been executed at arm's length and on normal market terms:

- + Purchases or sales of goods;
- + Purchases or sales of property and other assets;
- + Rendering or receiving of services;
- + Leases;
- + Transfers under finance arrangements (including loans and equity contributions in cash or in kind);
- + Provision of guarantees or collateral; and
- + Commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognized and unrecognized).

6. Requirements for Disclosure of Related Party Transactions

> Any Director or Senior Manager who is aware of an actual or potential Related Party Transaction, or who is, or reasonably believes that he or she may be, a Related Party with respect to a particular Related Party Transaction, shall disclose all material information to the Committee concerning such Related Party Transaction prior to its conclusion, including:

- + A general description of the transaction, including the material terms and conditions;
- + The name of the Related Party and the basis on which such person or entity is a Related Party;
- + The Related Party's interest in the transaction, including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction;

- ⊕ The total value of the proposed transaction and the share of the Related Party's interest in the transaction;
- ⊕ Whether the proposed transaction includes any potential reputational risk issues that may arise as a result or in connection with the proposed transaction; and
- ⊕ Any other material information regarding the transaction/s or the Related Party's interest in the transaction.

7. Review and Approval of Related Party Transactions

- All related party transactions shall be submitted to the Committee for review and the Committee where it deems appropriate shall make a recommendation to the Board to approve of the entry into the Related Party Transaction.
- The Committee shall consider the following factors to the extent relevant to the Related Party Transaction in reviewing the related party transaction:
 - ⊕ the identities of the parties involved in the transaction or relationship;
 - ⊕ whether the terms of the transactions are fair to the Bank and on an arms' length basis;
 - ⊕ whether the Related Party Transaction would impair the independence of the Director, Shareholder, or Senior Manager;
 - ⊕ the extent of the Related Party's interest in the Related Party Transaction; and
 - ⊕ whether the Related Party Transaction would present an improper conflict of interest for any Director, Shareholder, or Senior Manager of the Bank.
- Any member of the Committee who has an interest in the transaction must abstain/recuse himself from participation in the review of any Related Party Transaction.

8. Periodic Review

- The Conflict of Interest Policy shall be reviewed every 3 years.
- This Policy may be amended only by the Board.