



BERKSHIRE

RELATED PARTY POLICY

Corporate Policy



1. Objective

This Policy aims to provide clear guidelines and procedures on related party transactions within Berkshire Finance Company Limited (“**Berkshire**” or “**Company**”) and to ensure that the Company’s Employees and Directors fully understand their responsibilities and obligations in respect of related party transactions.

2. Policy Purpose

To outline the disclosure and approval requirements for related party transactions.

3. Definitions

- “Applicable Laws and Regulations” means and includes all regulatory guidelines for Finance Companies issued by regulators such as the Central Bank of Nigeria (CBN) and laws and regulations in force in the Federal Republic of Nigeria which relate to or affect the Company and its operations
- “Director” means a member of the Board of Directors of the Company;
- An “Immediate Family Member” means the spouse/spousal equivalent, child, sibling, parent, partner or in-law of a person
- “Key Personnel” means executive management or officers who control, direct or administer the Company’s business;
- “Other related parties” means friends or associates of key personnel, subsidiary company;
- “Related Party” means (in relation to another party) any party who can control the other party or exercise significant influence over the other party in making financial and/or operating decisions and shall include:
 - a Director of the Company
 - any Key Personnel of the Company
 - any shareholder owning in excess of 5% of the Company’s total shares
 - any mid- or long-term debtholder of the Company where the debt (whether secured or unsecured) is in excess of 50% of the total mid/long-term borrowings of the Company



- “Related Party Transaction” includes any transfer of resources or obligations between the Company and a Related Party or the performance of services by the Company to or for a Related Party in which:
 - The Company is a participant; and
 - Any Related Party has or will have a direct or indirect interest

- “Related Party Transaction Review Panel” (the “Panel”)) means the first level reviewing Committee which shall consist of the following representatives:
 - The Chief Operating Officer (COO) will act as the Chairman of the Panel. The MD/CEO will chair the panel in the event of the COO’s absence
 - Group Head (GH), Assurance Services
 - Legal Executive

- “Related Party Transaction Approvals” means the expense transactions are reviewed and approved by the Panel. All loan facilities shall be referred to the Management Credit Committee (MCC) for approval

4. Applicability

This Policy will be applicable to the Company to regulate transactions between the Company and its Related Parties based on applicable laws and regulations.

5. Procedure for Disclosure

Notification Process

- Each Director and Key Personnel shall promptly notify the COO of any interest that such person or an Immediate Family Member of such person has or may have in a Related Party Transaction. The notice shall include a description of the transaction, the aggregate amount and the benefit accruing to the Director, Key Personnel or Immediate Family Member

- Upon receipt of such disclosure, the COO shall within 48 hours or at the earliest possible time following such disclosure, convene a meeting of the Panel to review the transaction

- Where the Related Party Transaction is initiated by the Company, the Chief Executive Officer of the Company shall promptly notify the COO and GH, Assurance Services about the details of the transaction and the fact that a Director, Key Personnel or Immediate Family Member



has an interest in the transaction and shall ensure that sign-off is obtained in accordance with the terms of this Policy before the transaction commences

Review Process

All Related Party Transactions shall be reviewed by the Panel in the first instance.

- In determining whether to approve, ratify, disapprove or reject a Related Party Transaction, MCC or the Board, as appropriate, shall take into account, among other factors it deems appropriate, the following:
 - The terms, purpose and timing of the transaction;
 - Whether the Related Party Transaction is entered into on terms comparable to those generally available to an unaffiliated third party under the same or similar circumstances;
 - Whether or not the transaction could potentially create an exposure to the Company pursuant to the Revised Guidelines for Finance Companies in Nigeria (2014);
 - If the transaction involves the sale of an asset, the full description of the asset, including date acquired and cost basis and Board approval;
 - Review of the valuation methodology used and alternative approaches to valuation of the transaction;
 - Whether there was a bidding process and the results thereof as well as the integrity of the process;
 - The extent of the Related Party's interest in the transaction.
 - The approximate value of the transaction and the approximate value of the Related Party's interest in the transaction;
 - Information concerning potential counterparties in the transaction;
 - Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
 - Whether the proposed transaction could potentially have an adverse impact on the Company's pricing and/or relationship with key institutional investors;
 - Description of any terms or limitations imposed as a result of entering the proposed transaction; and
 - Any other relevant information regarding the transaction.

- The Panel shall be responsible for the review of and approval of all Related Party Transaction with a value of below and up to ₦5million in which a Director, Key Personnel, Immediate Family Member of Director or other related parties has an interest



- The MCC shall be responsible for the second level review and approval of all Related Party Transactions valued at over ₦1million. Upon review and consideration of the proposed Related Party Transaction, the MCC shall either approve the transaction or make a recommendation to the Board of Directors through the relevant Board Committee regarding whether to approve or reject the proposed transaction
- Where the Related Party Transaction (Loan facility) is valued at more than ₦1million then the Panel shall deliberate upon the transaction in the first instance and then refer the matter to the MCC for its review and consideration. To assist the MCC with its deliberations, the Panel shall provide the MCC with a summary of the Panel's discussion and its recommendation regarding the transaction
- A Director or Key Personnel shall excuse himself or herself from any discussion or approval of a Related Party Transaction for which he or she or any member of his or her Immediate Family Member is involved. Such a Director or Key Personnel's contribution shall be limited to providing the necessary material information concerning the Related Party Transaction to the Panel, MCC and Board
- The Board shall be responsible for the final stage review, approval and/or ratification of any Related Party Transaction with a value of over ₦5 million
- All referrals and recommendations from the MCC to the Board shall be presented in the form of a written memorandum. The memorandum shall be prepared by the MCC in conjunction with the Panel, approved by the Chairman of the MCC and presented to the Board by the COO. Before submitting the memorandum to the Board, the COO shall liaise with the Legal Executive to ensure that the memorandum is fit for presentation

6. Exceptions

- Any exceptions to the Policy on Related Party Transactions must be approved in advance by the MCC and ratified by the Board
- The following types of Related Party Transactions shall be deemed to be pre-approved or ratified by the Panel, the MCC and the Board shall not require any further review or approval by these bodies:
 - i. Any compensation paid to a member of the Board if the related compensation is required to be reported in the Company's Annual Report under the Code of Corporate Governance for Finance Companies.



- ii. Any transaction between the Company and another party in which a Related Party's only relationship is as:
 - a Key Personnel in the third party (i.e., the Related Party is not the equivalent of a Key Personnel in the third party);
 - a beneficial owner of less than 5% of that party's outstanding loan, or
 - in the case of partnerships, a limited partner, if the aggregate amount involved does not exceed 2% of that partnership's total annual revenues
- Any charitable contribution grant or endowment by the Company to a charitable organisation or foundation where a Related Party is a trustee or employee, if the aggregate amount involved does not exceed 2% of the charitable organisation's total annual receipts
- Any transaction where the Related Party's interest arises solely from the ownership of less than 5% of the Company's shares and all holders of the Company's shares receive the same benefit on a pro rata basis (e.g., dividends, rights offer)

7. Breach of Policy

A breach of this policy shall be dealt with by the Board of Directors after due consideration has been given to all of the relevant facts and circumstances regarding the Related Party Transaction.

The Board shall have full discretion in determining whether to ratify, revise or terminate the referred Related Party Transaction. Sanctions may also be recommended where it is deemed appropriate.

Finally, it is acknowledged that where the provisions of this Policy do not provide guidance and discretion is required, the Company's management shall exercise such discretion bearing in mind the role of the Board, reasonableness and international best practices.