

Version No.	Date	Sections Updated	Reason for change	Description of the Change
Version 1.0	28 th April 2022	Original policy	-NA-	-NA-

Overview

The Board of HFCB Group PLC (the “Company”) has approved this Related Party Transactions policy (the “Policy”), in line with recommendations of the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015. The objective of the Policy is to:

- ensure Related Party Transactions are properly reviewed, approved and disclosed in accordance with the legal and regulatory requirements; and
 - the Company is protected from any conflicts of interest that may arise between the Company and its Related Parties.
- The Board has determined that the Audit Committee of the Company will be responsible for reviewing all Related Party Transactions that may arise within the Company.

1) Definitions

A. “Related Party” is any:

- Director (including a nominee) of the Company and/or its subsidiary or,
- A Senior Officer of the Company, within the meaning of Section 9 (A) (8) of the Banking Act; or,
- Person who has acquired a notifiable interest in the Company and is a beneficial owner of 5% or more of the Company’s shareholding; or,
- Entities in HFCB Group owned directly or indirectly i.e. its subsidiaries/affiliates including special purpose entities or those that exert control over the Company; or,
- Entities in which the major shareholder, Director of the Company or Senior Manager owns a majority share or control; or
- Immediate family members of a Director, Senior Officer or 5% or more shareholder (shareholder being a natural person) up to the second degree of affinity i.e. spouse, parents, stepparents, children, step children, siblings and in-laws and any individual sharing the household of such a person (other than tenant or employee).

B. “Related Party Transaction” is any business deal or arrangement between two or more parties who are joined by a special relationship prior to the deal and includes a business transaction between a major shareholder, or any company in which the shareholder holds shareholding and the company. Related Party Transactions include the following transactions if entered by the Company with a Related Party:

- Finance (credit, equity contributions etc.)
- Purchases, sales or supply of goods or services
- Agency agreements
- Outsourcing arrangements
- Arrangements for leasing, selling, buying and disposing of property
- Licensing agreements
- Management contracts
- Guarantees and sureties etc.

2) Procedures

2.1 Notification of Related Party Transactions

- Each Related Party is required to promptly notify the Chief Executive Officer | Managing Director | Chief Finance Officer of any interest arising from a Related Party Transaction including a description of the transaction and aggregate amount. The notification should be done before engaging in any Related Party Transaction with the Company.
- If it is a Credit Transaction, the Chief Executive Officer | Managing Director | Chief Finance Officer will notify the Credit Committee for approval of the credit terms in compliance with the prevailing delegated authority limits.
- The Chief Executive Officer | Managing Director | Chief Finance Officer will table a list of all related party transactions for review by the Audit Committee periodically.

2.2 Review of Related Party Transactions

- a) The Audit Committee will be responsible for the review of all Related Party Transactions. While reviewing the Related Party Transaction, the Committee will consider among other factors, whether the Related Party Transaction terms are no less favourable than terms generally available to an unaffiliated third-party under the same or similar circumstances and extent of Related Party's interest in the Related Party Transaction.
- b) The Chief Finance Officer shall present to the Audit Committee / Credit Committee (*both referred to as "the Committee"*) the following information in relation to Related Party Transactions:
 - Description of transaction(s) including material terms and conditions;
 - Name of the Related Party and basis for this qualification;
 - Related Party's interest in the transaction(s) including the Person's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s);
 - Approximate value of transaction(s) and approximate value of Related Party's interest in the transaction(s);
 - Whether the proposed transaction will involve any potential reputational risk issues arising from connection with the proposed transaction(s); and,
 - Any other material information regarding the transaction(s) or Related Party's interest in the transaction(s).
- c) The Committee will consider the following factors as it deems relevant to the Related Party Transaction in conducting an independent review:
 - Identity and relationship of the parties involved in the transaction;
 - That terms of the transaction are fair and on arm's length basis to the Company;
 - Impact on Director's or Senior Manager's independence; and
 - Whether the Related Party Transaction would present an improper conflict of interest for any Director, Senior Officer or Shareholder holding at least 5% of the Company.
- d) Each Director who is a Related Party with respect to a Related Party Transaction will be required to disclose all material facts to the Committee and abstain from participation in the review and approval of the Related Party Transaction.
- e) The Committee may, if need be, recommend creation of a special committee to review any Related Party Transaction.
- f) For ongoing Related Party Transactions, the Committee may establish guidelines to be followed and review and assess ongoing relationships with Related Parties at every Committee meeting. Material amendments, renewals or extensions of a transaction and relationships will be also be reviewed at these meetings.
- g) The Committee will review this Policy every three years, or earlier in case of need and recommend amendments as it deems appropriate.
- h) This Policy is intended to work in conjunction with other Company policies including the Standards of Business Conduct and conflict of interest disclosure provisions.

2.3 Pre-approval for Related Party Transactions

The Board may review in advance and provide standing pre-approval for certain Related Party Transactions. The following are deemed to be pre-approved Related Party Transactions:

- Directors' compensation: any compensation paid to a Director and required to be reported in the Company's Directors' Remuneration Report;
- Employment or compensation of an Executive Manager provided the executive Manager:
 - is not an immediate family member of another Executive Manager or Director of the Company; and
 - was not a Related Party of the Company prior to becoming an employee of the Company.
- Regulated transactions involving rendering of services as a contract carrier, or public utility at fixed rates in conformity with the legal or government regulations.
- Transactions where all shareholders receive proportional benefits e.g. dividends or stock splits.
- Employee benefits i.e. auxiliary services granted with preferential rates or waivers to all employees (including Senior Officers) as part of employees' incentives or benefits.

3) Disclosure and Regulatory Reporting

- Related Party balances will be disclosed by the Chief Finance Officer during the Board Committee meetings.
- The Board will also disclose Related Party Transactions in the Notes to the Annual Report and Financial Statements of the Company in line with International Financial Reporting Standards.
- The Company shall further shall publish this Policy on its website, www.hfcbgroup.co.ke for shareholder reference.
- Material Related Party Transactions will be reported to regulatory agencies if required and shall be approved by the shareholders whilst approving the Annual Report and Financial Statements of the Company;

4) Interpretation

- In circumstances where the terms of these Policies and Procedures differ from newly enacted laws, regulations or standards governing the Company, the law, regulation or standard will take precedence over these policies and procedures until these policies and procedures are amended to conform to the law, regulation or standard.

Approvals		
Approved By	HFCB Board	28 th April 2022

Effective Date			Next Review Date	
Date	Month	Year	Month	Year
28 th	April	2022	April	2025