



## Summary of FSDH Holding Company Related Party Transaction Policy

### 1. Introduction and Purpose of the Related Party Transaction Policy

The **Related Party Transaction Policy (this "Policy")** Policy outlines the treatment of related party transactions in FSDH Holding Company Limited to ensure compliance with International Accounting Standards (IAS 24), International Financial Reporting Standard (IFRS) and the regulations of the Central Bank of Nigeria. The aim is to ensure that financial statements disclose potential impacts on financial positions and profit/loss due to related parties and their transactions.

**2. Applicability:** This Policy applies to all Directors and Employees of FSDH Holding Company Limited.

### 3. Identification of Related Parties

**"Related Party"** has the meanings given by the International Accounting Standard No. 24 (IAS 24) and such further qualifications prescribed by regulations and legislations in force in the Federal Republic of Nigeria.

Under IAS 24, a **"Related Party"** means a person or the entity that is related to the entity that is preparing the financial statements (In this standard that is referred to as the "reporting entity"). A person or close member of that person's family is related to a reporting entity if that person:

- i. Has control or joint control over the reporting entity;
- ii. Has significant influence over the reporting entity; or
- iii. Is a member of the Key Management Personnel of the reporting entity; or is a member of the Key Management Personnel of the reporting entity or of a parent of the reporting entity.
- iv. The entity is an affiliate or a subsidiary of FSDH Holding Company Limited, Director, substantial shareholder, key personnel, or a close Family Member of any individual referred to in any of the clauses above;
- v. The party is an entity that is controlled, jointly or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in any of the clauses above; or
- vi. The party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity."

For the purpose of this Policy, related parties shall be inclusive of Directors, significant shareholders (holding more than 5% of the shares in the FSDH Holding Company Limited or the respective subsidiaries), employees and their immediate Family Members.

### 4. Responsibility:

The following key stakeholders have distinct responsibilities as it concerns related party transactions:

- Board
- Company Secretary/ Head Legal Counsel
- Each Employee and Director

## 5. Governance and Reporting

### 5.1 Disclosure Requirements

In line with the Central Bank of Nigeria's requirement, details of all related party transaction are to be disclosed and reported periodically to the regulators. The disclosures include:

1. **Aggregate Number of Transactions:** The total sum of related party loans, advances, and leases outstanding as of the financial year-end.
2. **Non-Performing Components:** A breakdown of non-performing components, including details related to security, maturity, performance provision, interest-in-suspense, and the names of borrowers.
3. **Guarantees, Commitments, and Contingent Liabilities:** Comprehensive information on any guarantees, commitments, or other contingent liabilities that have arisen from related party transactions.

These disclosure requirements do not apply to:

- Credits extended to employees under their employment scheme of service.
- Shareholders with shareholding and related interests of less than 5% in the FSDH Holding Company Limited and respective subsidiaries' paid-up capital as of the financial report date.
- Public limited liability companies in which a director has an interest of less than 5%.

Our Related Party Transaction Policy mandates transparent reporting of related party transactions, focusing on aggregate amounts, non-performing components, and contingent liabilities, while also specifying exemptions for certain cases to streamline reporting obligations.

### 5.2 Review Process

Subsidiary Board Risk Committees are to review and recommend to their full Boards all related party transactions.

**5.3 Extension of Approved Transactions:** Extensions or variations of approved related party transactions require Board consideration and approval.

**5.4 Decision Making:** Employees must comply with Board decisions on related party transactions.

**5.5 Conflicts of Interest Versus Related Party Transactions:** FSDH Holding Company Limited acknowledges that Conflict of Interest could arise from related party transactions. Unchecked, the misuse of related party transactions could result in fraud and financial ruin for all parties involved, therefore, Directors have a legal obligation to act in the best interest of the Company and should make their best effort to avoid situations where there

may be a potential Conflict of Interest or situations where others might reasonably perceive there to be a Conflict of Interest.

Where the Director is not certain whether there is a Conflict of Interest position, the matter should be discussed with the Chairman of the Board, Company Secretary or the Chairman of the Governance and Nominations Committee for advice and guidance.

#### **5.6 Management of Conflicts of Interest and Related Party Transactions:**

**Initial Disclosure:** Upon their appointment, every Director must provide a full, written disclosure of their interests. This information is submitted to the Company Secretary, who is responsible for maintaining an interests' register.

**Director's Responsibility:** It is each Director's responsibility to ensure that any interests are declared to the Company Secretary, who records them in the interests' register.

**Immediate Disclosure:** Directors are required to promptly disclose any Conflicts of Interest that may arise during meetings or activities. If they are uncertain about a potential conflict, they should declare it anyway and seek clarification.

**Abstention from Voting:** Board members with a Conflict of Interest will not vote or use their personal influence on the matter and will not be present when the Board discusses the matter.

**Code of Business Conduct and Ethics:** The Board approved corporate code of ethics addresses issues of Conflicts of Interest

**Terms of Transactions:** In cases where Conflict of Interest exist with Board members, related transactions are conducted on terms consistent with customary Arm's Length Transactions in the organization's business. Decisions to engage in such transactions require Board approval.

**6. Exceptions to this Policy:** Only the Board may approve exceptions.

#### **7. Key Definitions**

- a) **"Arm's Length Transaction"** means that the terms of the related party transactions must be similar or identical to the terms of an independent third-party transaction carried out in the same or similar circumstances.
- b) **"FSDH Holding Company Limited"** is licensed by the Central Bank of Nigeria to operate as a financial holding company to invest in and hold controlling shares in, as well as manage equity investments in its subsidiary companies.
- c) **"Board"** means the Board of Directors of FSDH Holding Company Limited.
- d) **"Conflict of Interest"** can be defined as any situation in which an individual is in a position to exploit a professional or official capacity in some way for their personal benefit. A Conflict of Interest occurs when an individual or organisation is involved in multiple interests, one of which could possibly create unfavourable influence for an act in the other.
- e) **"Director"** means members of the Board

- f) **“Family Member”** means the spouse, child, sibling, parent or relative of a “related party”
- g) **“Key Management Personnel”** means persons employed within the entity in a managerial capacity and are empowered to make discretionary decisions on behalf of the entity and have a say in the Company’s long-term strategy and overall operations.