

COMPLIANCE

# Related Party Transactions Policy

Investec Bank (Mauritius) Limited

April 2024



**DOCUMENT INFORMATION**

<b>Applicable to</b>	DLC	n/a	Ltd	n/a	Plc	n/a
<b>Document location</b>	Shared Drive/Policy folder					
<b>Version</b>	4/2023					
<b>Approved by</b>	IBM Board					
<b>Effective date</b>	November 2023					
<b>Review frequency</b>	Annual					
<b>Owner(s)</b>	IBM Compliance					
<b>Author</b>	IBM Compliance					
<b>Superseded document</b>	Related Party Transactions Policy – August 2023					
<b>Notes</b>	Applies to Investec Bank (Mauritius) Limited (IBM) and its subsidiaries					

# Table of Contents

<b>01</b>	Introduction and purpose of policy	04
<b>02</b>	Organisational scope/application	04
<b>03</b>	Definitions	04
<b>04</b>	Governance Framework	
	4.1 Policy Contents	04
	4.2 Responsibilities of the Board of Directors	04
	4.3 Conflicts of Interest	05
	4.4 Approval of Related Party Transactions	05
	4.5 Write-off of Related Party Exposures	05
<b>05</b>	Rules Governing Related Party Transactions	
	5.1 Regulatory Limits on Credit Exposures to Related Parties	05
	5.2 Regulatory Limits	05
	5.3 Exemptions from Regulatory Limits	06
<b>06</b>	Monitoring of Related Party Transactions	
	6.1 Disclosure of Interest	06
<b>07</b>	Disclosure and Regulatory Reporting	06
<b>08</b>	Policy Updates	06

# Related Party Transactions Policy

## 1. Introduction and purpose of policy

Investec Bank (Mauritius) Limited ("Investec") commits to comply fully with all regulations pertaining to related party transactions, such as the Banking Act, Bank of Mauritius ("BOM") Guidelines, The Code of Ethics and Banking Practice as well as any other legislation and regulations applicable. This document is intended to assist in adhering to this commitment.

Related parties, whether body corporates or natural persons, fall into two main groups:

- (a) those that are related to Investec because of ownership interest; and
- (b) those that are related otherwise, such as directors and senior officers who may also have some ownership interest in Investec.

The purpose of this policy is to provide the foundation for implementing a consistent approach throughout Investec and, in turn, facilitate Investec's compliance with its regulatory obligations. The objectives and requirements below set out our best practice guidelines and the standard which we hold ourselves to.

## 2. Organisational scope/application

The policy applies to all employees, including consultants, contractors and temporary workers employed in Investec as well as its subsidiary/ies.

## 3. Definitions

"Act" means the Banking Act 2004.

"control functions" mean those functions that have a responsibility independent from management to provide objective assessment, reporting and/or assurance. This includes the risk management function, the compliance function and the internal audit function;

"credit exposure" has the same meaning as credit exposure/ facility in the Guideline on Credit Concentration Risk;

"financial institution" means any bank or non-bank deposit taking institution licensed by the Bank;

"related party" in relation to a financial institution has the same meaning as in the Act;

"senior officer" of a financial institution has the same meaning as in the Banking Act 2004;

"significant interest" has the same meaning as in the Act;

"subsidiary" has the same meaning as in the Companies Act 2001; and

"tier 1 capital" has the same meaning as in the Guideline on Scope of Application of Basel III and Eligible Capital

## 4. Governance Framework

### 4.1 Policy Contents

The policy on related party transactions includes the following:

- a. the approval process and approval authorities including, inter alia, for new credit limits/ engagements, renewal of existing limits/ engagements and changes in terms and conditions
- b. prudent rules and limits for all credit exposures to related parties and other transactions with related parties
- c. a requirement for shareholders with significant interest, beneficial owners, directors, senior officers and other body corporate that control Investec or which Investec controls to declare the entities controlled by them and (in case of natural persons) their spouse, child, parent or ascendant or descendant; and
- d. processes to monitor compliance with the policy including set limits.

### 4.2 Responsibilities of the Board of Directors

The board of directors of Investec shall:

- a. review and approve the policy on related party transactions periodically at intervals not exceeding one year
- b. require the senior management of the Investec to establish policies, systems and procedures to among others comply with the policy on related party transactions and requirements of the BOM Guideline
- c. ensure that the policies, systems and procedures are subject to regular review by control functions to ensure their continuing effectiveness, adequacy and enforcement
- d. establish procedures to ensure that board members and staff with conflict of interest are excluded from the approval and monitoring process of related party transactions
- e. ensure that Investec has a robust system of checks and balances to monitor compliance with the regulatory limits, uphold impartiality and prevent credit activities of any kind which override established credit approval policies and procedures when granting credit facilities to related parties
- f. ensure that any transaction with related parties that may have a material effect on the stability and solvency of the Investec is identified and dealt with in a timely manner
- g. ensure that it is promptly apprised of material developments on related party transactions; and
- h. receive periodic reports, at intervals not exceeding three months, from the Audit Committee, the Risk Management Committee, senior management, the Chief Risk Officer, control functions and other relevant functions on related party transactions. The report shall, inter alia, cover:

- i. new related party transactions
- ii. the performance of the bank's related party exposures including compliance with policies and procedures (including internal/ regulatory limits), breach of covenants, deterioration in credit quality, impairment of assets and non-perfection of collateral
- iii. the performance of services provided by related parties and other arrangements/ contracts with related parties including compliance with agreed service level agreements; and
- iv. the findings and status of recommendations of control functions, the Audit Committee and the Risk Management Committee in respect of related party transactions.

### 4.3 Conflicts of Interest

Investec has in place a suitable framework duly approved by its board to avoid any actual or perceived conflict of interest by board members and the staff approving/monitoring the related party transactions.

The framework encompasses a clearly defined approval process and a policy on conduct, ethics and gifts/entertainment among others.

Board members and the staff of Investec approving/monitoring the related party transactions shall declare their interest (if any) and shall, in the case of conflict of interest, be excluded from the approval/monitoring process of related party transactions. The declaration of interest shall be duly documented.

### 4.4 Approval of Related Party Transactions

#### Approval of Related Party Transactions – Below threshold

For a related party loan (Individual and Corporate) whereby the amount is up to USD 1 Million, a forum consisting of at least three persons at Senior Management level will be required for approval. Approvers for related party transactions will be set out in the loan procedures (SOP) and all such transactions will be reported to the board on a regular basis.

#### Approval of Related Party Transactions – Above threshold

All related party loans above USD 1 Million, must be approved by the Board of directors.

### 4.5 Write-off of Related Party Exposures

Write-offs of related party credit exposures shall be subject to the prior approval of the board of directors.

## 5. Rules Governing Related Party Transactions

As a general rule, related party transactions include the following:

- a. Credit exposure, that is credit, financial leasing, non-fund based commitments such as documentary credits,

guarantees on behalf of a related party, acquiring a loan made by a third party to a related party, investment in equity or other debt instruments of a related party, and any other commitment to provide funds or substitute of funds to a related party

- b. placements made by Investec with a related party
- c. conditional sales agreements with a related party
- d. consulting or professional service contracts with a related party
- e. deposits placed with Investec by a related party
- f. acquisition, sale or lease of assets of a related party; and
- g. any pecuniary relationship or other transactions or arrangement with a related party (including by way of service arrangements or contracts).

### 5.1 Regulatory Limits on Credit Exposures to Related Parties

For the purpose of determining the regulatory limits on exposures to related parties, the latter are classified into the following three categories:

#### Category 1

This includes credit exposures to:

- a. a person who has significant interest in Investec
- b. a director of Investec
- c. a director of a body corporate that controls Investec
- d. the spouse, child and parent of a natural person covered in (a) or (b) or (c) above
- e. any entity that is controlled by a person described in (a) or (b) or (c) or (d) above; and
- f. any entity in which the financial institution has significant interest, excluding a subsidiary of Investec.

#### Category 2

This includes credit exposures to:

- a. senior officers, which are outside the terms and conditions of employment contracts
- b. the spouse, child and parent of senior officers
- c. senior officers of a body corporate that controls Investec
- d. any entity that is controlled by a person described in (a) or (b) or (c) above; and
- e. a subsidiary of Investec with no shareholder (natural person) holding directly or indirectly more than a significant shareholding in the parent financial institution.

#### Category 3

This includes credit exposures to senior officers, which are within the terms and conditions of employment contracts.

### 5.2 Regulatory Limits

Credit exposure to any single borrower/group of connected counterparties who are related parties to Investec shall be

governed by the Guideline on Credit Concentration Risk, subject to the following conditions:

- a. the aggregate of credit exposures to and investments in equity shares of all related parties in Category 1, other than investments in subsidiaries and associates, should not exceed 60 per cent of Investec's Tier 1 capital; and
- b. the aggregate of credit exposures to and investments in equity shares of all related parties in Category 1 and Category 2, other than investments in subsidiaries and associates, should not exceed 150 per cent of Investec's Tier 1 capital.

The BOM may consider requests for the grant of facilities to related parties, which would cause the credit exposure of Investec to exceed the regulatory limits. Such requests shall be entertained by the Bank on the express condition that the additional credit exposure shall be deducted from Investec's Tier 1 capital. The Bank may also impose other conditions thereto.

The treatment of lending of a capital nature by banks to their subsidiaries and associates shall be in accordance with the Guideline on Scope of Application of Basel III and Eligible Capital. Consequently, such exposures shall be excluded from the regulatory limits.

### 5.3 Exemptions from Regulatory Limits

Investec shall be exempted from the regulatory limits on the following credit exposures:

- a. a credit exposure to the extent to which it is collateralised by deposits with Investec or Government of Mauritius securities or a loan to the extent to which it is guaranteed by the Government of Mauritius
- b. a credit exposure to the extent to which it is collateralised by securities issued by another government or a loan to the extent to which it is guaranteed by another government provided that the exposure is:
  - i. denominated and funded in its national currency, and
  - ii. approved by the BOM under paragraph 6 of the Guideline on Standardised Approach to Credit Risk for a zero per cent risk weight
- c. a credit exposure to parastatal bodies and to an entity in which Government has more than 50 per cent shareholding
- d. inter-bank transactions as part of treasury operations
- e. credit exposures, including aggregate credit exposures to a group of connected counterparties as defined at Annex II to the Guideline on Credit Concentration Risk, representing less than 2 per cent of Investec's Tier 1 capital; and
- f. category 3 type of related party exposures.

## 6. Monitoring of Related Party Transactions

Investec shall have adequate information systems to monitor its related party credit exposures and identify exceptions. Investec should keep a list of related parties, which should be updated regularly.

The control functions shall conduct regular reviews to ascertain whether established policies, limits and procedures in relation to related party transactions are strictly adhered to and remain adequate and effective.

### 6.1 Disclosure of Interest

Investec shall ensure that disclosures of interest are made in accordance with the provisions of section 48 of the Banking Act 2004.

Where Investec is not certain about the status or relationship between its customer/borrower regarding the related party issues (when dealing with related parties other than directors and senior officers), it may request the customer/borrower to submit necessary written information to ascertain the related party status.

## 7. Disclosure and Regulatory Reporting

Investec shall disclose its related party transactions in accordance with the requirements of the Guideline on Public Disclosure of Information.

Investec shall report to the BOM on a quarterly basis, in such form and manner as may be determined by the BoM, all information relating to credit exposures to related parties, including exemptions from the regulatory limits on credit exposures detailed in Section 5.3.

## 8. Policy Updates

This policy is reviewed and approved on an annual basis. Changes may be recommended at any time as and in response to changing circumstances. The policy is approved by the IBM Board and tabled for noting at the Compliance Policy Review Committee whenever there are material changes to the policy.

