



POLARIS
BANK

CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS

February 2021

POLICY

DOCUMENT REVIEW AND APPROVAL




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ABBREVIATIONS AND ACRONYMS

AGM	Annual General Meeting
Bank	Polaris Bank Limited
BARMC	Board Audit and Risk Management Committee
BGNCC	Board Governance, Nominations and Compensation Committee
Board	Board of Directors
CBN	Central Bank of Nigeria
Committee	Board Committee
ED	Executive Director (including the MD/CEO)
INED	Independent Non-Executive Director
MD/CEO	Managing Director/Chief Executive Officer
NED	Non-Executive Director



1. INTRODUCTION

This Conflict of Interest and Related Party Transactions Policy has been developed to provide a guideline for managing potential or actual conflict of interest situations on the

Board. The policy provides guidance on what constitutes a conflict of interest and how it will be managed and monitored by Polaris Bank Limited ("Polaris Bank" or "the Bank").

2. PURPOSE

This Policy aims to:

- a. Assist the Board in understanding, reviewing, approving and ratifying related person transactions.
- b. Ensure that all related party transactions are conducted at arm's length and do not present a conflict of interest for the related party, considering:
 - i. the size of the transaction
 - ii. the overall financial position of the related party
 - iii. the direct or indirect nature of the related party's interest in the transaction
- c. Provide guidance to the Directors to assist them in recognising and dealing with actual or apparent conflicts of interests which may not be a related party transaction.
- d. Ensure that relevant legislation, rules and regulations in respect of conflict of interest are adhered to.
- e. Set forth disclosure requirements for related party transactions in accordance with regulatory requirements and leading corporate governance standards; and
- f. Protect the Bank and its staff from reputational damage, fines and levies that may be imposed by the various regulators as a result of a conflict of interest not having been identified and/or fairly managed.

3. PROCEDURE FOR DEALING WITH CONFLICTS OF INTEREST

3.1 Declaration of Interests

- a. At the beginning of every financial year, or on appointment as a Director of Polaris Bank, each Director shall be expected to review and confirm actual or perceived conflicts of interest and will sign a statement agreeing to refrain from attempting to influence any decisions in which they may have or be perceived to have a conflict of interest. Such disclosures will include:
 - i. Companies where he or she serves as a director, officer, servant, creditor or a holder of substantial shares (more than 5%) or other securities outside the Bank.
 - ii. Details of closed family members and their related companies
 - iii. Declaration on services provided to the Bank or any of its affiliates.
- b. The Company Secretary shall collate the information provided above and maintain a register of Directors' interests which shall be updated regularly. The list shall be kept

with the Company Secretary and available for reference when business transactions (contracts and loans) are considered.

- c. Directors will be expected to promptly notify the Company Secretary of any changes or updates in their interest during the year.

3.2 Reporting Conflict of Interest

- a. During their term of office, Directors must openly disclose all potential, real or perceived conflict of interest as soon as the issue arises. The disclosure should be made to the Board or any of the Board Committees that may be involved in the approval process.
- b. If there is any question or doubt about the existence of a real or perceived conflict, the Board shall seek guidance from the Company Secretary and/or determine by majority vote if a conflict exists. The Director potentially in conflict of interest shall be absent from the discussion and shall not vote on the issue.
- c. If a Director is not certain whether he or she is in a conflict of interest position, the matter may be discussed with the Chairman of the Board for advice and guidance.
- d. Conflicted Directors must abstain from participating in any discussion on the matter unless otherwise decided by the Board.
- e. Where a Director was not present at the meeting at which the transaction was discussed, he shall at the earliest reasonable opportunity, not later than the next Board or Board Committee meeting state his interest in the transaction. Where the Director becomes interested in any transaction after it has been approved, the disclosure shall be made at the next Board or relevant Board Committee's meeting.
- f. The Company Secretary shall ensure documentation of all disclosures by:
 - i. recording in the minutes of the meeting a Directors' disclosure of a conflict of interest relating to a particular agenda item.
 - ii. updating the conflict of interest register with periodic disclosures.
- g. It is the responsibility of other Directors who are aware of a real, potential or perceived conflict of interest on the part of a fellow Director, to raise the issue for clarification, first with the Director in question and, if still unresolved, with the Chairman of the Board.

3.3 Review and Approval

- a. The Board shall review the material facts of all related party transactions that require its approval and either approve, disapprove or ratify such transactions. In assessing a

related party transaction, the Board shall consider such factors as it deems appropriate, including:

- i. the benefits to the Bank of the transaction;
 - ii. if the terms of the related party transaction are fair to the Bank and on the same basis as would apply if the transaction did not involve a related party;
 - iii. the materiality of the related party transaction to the Bank;
 - iv. the extent of the related party's interest in the transaction;
 - v. the impact of the related party transaction on a director's independence; and
 - vi. the actual or apparent conflict of interest of the related party participating in the related party transaction.
- b. Any Director who has an interest in the related transaction being discussed shall excuse himself or herself from any reporting, discussions and vote on the related party transaction and, if necessary, from the Board meeting, or applicable part thereof.
- c. The Board will not approve or ratify a related-party transaction unless convinced that the transaction is in the best interest of the Bank and its shareholders.

4. FAMILY DIRECTORSHIPS

- a. No two members of the same extended family shall occupy the position of Chairman and that of Managing Director/Chief Executive Officer of the Bank at the same time.
- b. To safeguard the independence of the Board, not more than two members of the same family shall sit on the Board at the same time.

5. DIRECTORSHIPS ON OTHER BOARDS

- a. Every Director shall notify the Company Secretary/Board Chairman of potential appointments to the Board of any other Company prior to accepting such appointments.
- b. The Company Secretary upon receipt of the notification above, shall conduct an internal and external due diligence for conflicts or potential conflict situations that may arise with respect to the appointment.
- c. The Company Secretary shall communicate the report of the due diligence conducted to the Board.
- d. The Board, through the BGNCC shall approve or object to the appointment.
- e. Where the proposed appointment is approved by the BGNCC, it shall be presented at the next Board meeting for ratification.
- f. Where the proposed appointment is approved by the Board, the Company Secretariat shall update the Register of Director's interest to reflect the new appointment.

- g. For avoidance of doubts, Directors shall be prohibited from accepting appointment to the Board of a competing organisation.

6. INDEPENDENT DIRECTOR CONFLICT OF INTERESTS

An Independent Director shall be free of any relationship with the Bank or its management that may lead to potential conflicts of interest and thus impair, or appear to impair, the Director's ability to make independent judgments. Specifically, Independent Directors:

- a. Should not provide financial, legal or consulting services to the Bank or its subsidiaries/affiliates or had done so in the past 5 years.
- b. Should not be a current or former employee who had served in the Bank in the past and none of his immediate family members should be an employee or former staff of the Bank at the top management level in the preceding 5 years.
- c. Should not borrow funds from the Bank, its officers, subsidiaries and affiliates.
- d. Should not be part of management, executive committee or board of trustees of an institution, charitable or otherwise, supported by the Bank.
- e. Should not serve on the Board of a subsidiary of the Bank.
- f. Should have sound knowledge of the operations of listed companies and the relevant laws and regulations guiding the banking industry.
- g. Should have a minimum academic qualification of first degree or its equivalent with not less than 10 years of relevant working experience. Candidates should have proven skills and competencies in their fields.
- h. Is not a substantial shareholder of the Bank, that is one whose shareholding, directly or indirectly, does not exceed 0.01% of the Bank's paid up capital.
- i. Is not a representative of a shareholder that has the ability to control or significantly influence management.
- j. Is not a member of the immediate family of an individual who is or has been in any of the past three (3) financial years, employed by the Bank in an executive capacity.
- k. Is not a close family member of any of the Bank's advisers, Directors, senior employees, consultants, auditors, creditors, suppliers, customers or substantial shareholders.
- l. Is not a professional advisor to the Bank, other than in a capacity of a director.
- m. Is not a significant supplier to or customer of the Bank.
- n. Has no significant contractual relationship with the Bank and is free from any business or other relationship which could materially interfere with his/her capacity to act in an independent manner.
- o. Is not a partner or an executive of the Bank's statutory audit firm, internal audit firm, legal or other consulting firm that have material association with the Bank and has not

been a partner or an executive of any such firm for three (3) financial years preceding his/her appointment.

- p. Does not have and has not had within the last five (5) years, a material business relationship with the Bank either directly, or as a partner, shareholder, Director or senior employee of a body that has, or has had, such a relationship with the Company.
- q. Has not served at directorate level or above at the Bank's regulator within the last three (3) years.
- r. Does not receive and has not received additional remuneration from the Bank apart from a Director's fee and allowances.
- s. Does not participate in the Bank's share option or a performance-related pay scheme, and is not a member of the Bank's pension scheme.

7. LIMITS ON RELATED PARTY LOANS

In compliance with regulatory requirements, the following limits shall apply to related party/insider related loans:

- a. A Director or a significant shareholder should not borrow more than 10% of the Bank's paid up capital except with the prior approval of the CBN.
- b. The maximum credit to all insiders should not exceed 60% of the Bank's paid up capital.
- c. Aggregate large exposures in any bank should not exceed eight times the shareholders' funds unimpaired by losses. A large exposure is any credit to a customer or a group of related borrowers that is at least 10% of the bank's shareholders funds unimpaired by losses.
- d. All related party/insider related loans and contracts, irrespective of amounts, must be approved by the Board.

8. BREACH OF POLICY

If a Director fails to make the necessary disclosures about conflicts of interest, the Director may be in breach of the Bank's code of conduct and be liable to disciplinary action. Refusal to take any action directed by the Bank to resolve a conflict of interest may also be in breach of the Bank's policy.

9. DISCLOSURES

- a. All conflicts of interest transactions shall be disclosed in the Bank's Annual Report, regulatory returns and any other required media in accordance with and in the manner required by the relevant laws, rules and regulations necessitating the disclosure. The disclosures shall at a minimum, include the following:

- i. name of the Director;
 - ii. details of the transaction and the Director's interest in the transaction with the Bank; and
 - iii. the value of the amount involved in the transaction and of the related person's interest in the transaction.
- b. The disclosures required to be made for related party transaction shall be made separately for each of the following categories:
- i. the Bank;
 - ii. affiliates;
 - iii. associates;
 - iv. joint ventures in which the entity is a partner;
 - v. key management personnel of the Bank

10. POLICY REVIEW

The policy will be subject to review and update every three (3) years or as may be deemed necessary by the Board.

