



Related Party Transactions Policy

Banco de Fomento Angola

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1. Regulatory framework and environment

Article 9(4)(e) of National Bank of Angola Notice 1/2013 of 19 April 2013 requires the Bank to define, set, implement and regularly review policies and processes concerning related party transactions in order to secure and protect the interests of its shareholders, staff, supervisors, customers and the public in general and to help maintain the stability of the financial system.

The requirement applies to all companies that are subsidiaries of, or are in the group of, the financial institution concerned (article 18(1)(e) of Notice 02/2013).

Article 7(2)(h) of Notice 02/2013 provides that these policies and processes must include at least the identification and assessment of related party transactions and must ensure that the conditions applied are identical to those of unrelated party transactions.

With specific regard to lending, article 20(2)(d) of Notice 01/2013 determines that institutions must formally require lending to partners, shareholders, members of corporate bodies, staff and their related parties to be at arm's length based on risk. Instruction 25/2016 (Governance of credit risk) establishes at 2.9(2) that material transactions with related parties must be approved by the management body, which must exclude members who may potentially have a conflict of interests from the decision. Finally, articles 83 and 84 of Law 12/15 of 17 June 2015 (Bases of Financial Institutions Act) introduces a series of restrictions on loans to members of corporate bodies and the persons connected with them and on loans to all other managers and staff.

2. Related Party transactions policy - scope and purpose

- 2.1. This policy sets out the processes for identifying, assessing, deciding and monitoring related party transactions as defined at 3 and 4 below.
- 2.2. Having regard to legal requirements and current practice, this policy aims to:
 - a) protect the interests of the Bank, its shareholders, staff, customers and supervisors and the stability of the financial system in the event of conflicts of interest;
 - b) ensure that the financial information provided by the Bank offers a true and full picture of its economic and financial position;
 - c) ensure compliance with legal requirements.
- 2.3. Unless otherwise stated herein, the actions and conduct of Bank Managers and Members of Staff during the exercise of their duties are subject to the code of conduct.

3. Definition of Related Party

For the purposes of this policy, Related Parties are:

3.1. Managers:

- a) Members of the Bank's Board of Directors and Supervisory Board;
- b) Directors, including all holders of executive positions;

- c) Investment and business centre managers.
- 3.2. **Persons Connected with Managers:** all persons and entities, whatever their legal status, that have a family, legal or business relationship with a Manager, including:
- a) the spouse or common-law spouse of a Manager;
 - b) Manager relations: blood relations to the second degree and by marriage in the first degree;
 - c) persons who have cohabited with a Manager for more than one year;
 - d) entities controlled by Managers or anyone referred to at a), b) or c) above;
 - e) entities in which Managers or anyone referred to at a), b) or c) above have a Qualified Participation;
 - f) entities in which Managers or anyone referred to at a), b) or c) above hold a seat on a board.
- 3.3. **Qualified Shareholders:** persons who hold an at least 10% direct or indirect share in the capital or voting rights of the Bank, calculated in accordance with article 3 of Law 10/15 of 17 June 2015 (Bases of Financial Institutions Act).
- 3.4. **Persons Connected with Qualified Shareholders:**
- a) Entities that are directly or indirectly controlled by a Qualified Shareholder or that are in a group with a Qualified Shareholder;
 - b) If the Qualified Shareholder is an individual, a Related Party is any person or entity, whatever their legal status, that has a family, legal or business relationship with that shareholder and falls into one of the following categories:
 - i) the spouse or common-law spouse of the shareholder;
 - ii) shareholder relation: blood relations to the 2nd degree/by marriage in the 1st degree;
 - iii) persons who have cohabited with the shareholder for more than one year;
 - iv) entities controlled by the Qualified Shareholder or by anyone at i), ii) or iii) above;
 - v) entities in which the Qualified Shareholder or anyone at i), ii) or iii) above holds a Qualified Participation;
 - vi) entities in which the Qualified Shareholder or anyone at i), ii) or iii) above holds a seat on a board.

- 3.5. **Subsidiary:** any entity registered inside or outside Angola that the Bank directly or indirectly controls or in which it has a direct or indirect equity interest and consolidates for accounting purposes;
- 3.6. **Subsidiary Managers:** members of a Subsidiary's board of directors or supervisory board.

4. Definition of Transaction

- 4.1. For the purposes of this policy, a **Transaction** is any legal relationship between BFA and a Related Party, including the amendment, termination or other decision concerning the contract in question. Transactions may include, for example:
 - a) Credit operations;
 - b) Supplies;
 - c) Employment contracts;
 - d) The placement of investment funds or insurance products, including financial assets issued by a Related Party;
 - e) Transactions involving real estate owned by a Related Party;
 - f) All other contracts in which the counterparty or a connected person is a Related Party.
- 4.2. **Credit operations:** loans and guarantees, including their amendments and renegotiations, between BFA and a Related Party where:
 - a) Credit operations: all legal agreements in which the Bank provides, or undertakes to provide, financial resources to a physical or legal person, as a result of which it becomes the creditor for the repayment of those resources and for remuneration for them;
 - b) Guarantees: all legal agreements in which the Bank, at the request of a physical or legal person, undertakes to pay a monetary liability of that person or to guarantee a non-financial commitment given by that person to a third party whereby, as a result of payment of the guaranteed amount, it becomes the creditor for the repayment of the amount disbursed and for remuneration for that payment;
- 4.3. **Supply agreements:** agreements between BFA or members of the BFA group and a Related Party for the purchase of goods or services;
- 4.4. **Employment contract:** a contract creating an employment relationship between BFA and a Manager or Member of Staff. This does not include contracts with members of the BFA Board of Directors or Supervisory Board, which are subject to separate rules.
- 4.5. For the purposes of this policy, Transactions do not include:
 - a) legal relations with Related Parties that have a social security nature or purpose or are the result of HR policy, to which separate policies refer;

- b) legal relations arising from standard contracts that form part of the Bank's commercial business and to which the counterparty or any other party is a Related Party and whose terms and conditions cannot be negotiated or altered.

5. Other definitions

The following terms have the meanings given below:

- a) **Controlled Entity:** a collective person that is wholly owned or controlled by another individual or collective entity;
- b) **BFA group:** BFA and its Subsidiaries;
- c) **Qualified Participation:** an at least 10% direct or indirect share in the capital or voting rights of the undertaking concerned or a participation that on any grounds permits significant influence over the management of the undertaking;
- d) **Member of Staff:** any individual bound to BFA by an employment contract or service agreement.

6. Terms of Transaction agreement, amendment and execution

6.1. All actions and procedures concerning Transactions with Related Parties are in general subject to the following terms:

- a) Transactions must be identified as such in all related documents;
- b) Transactions must be at arm's length, in accordance with their risk and purpose;
- c) Transactions must be agreed in writing and in full and can have no secret or unwritten conditions;
- d) Transactions must be assessed, decided, executed and managed without the intervention of the Related Party.

6.2. As a result of the general principles established above, all Transactions involving a Related Party must be assessed and decided to ensure that:

- a) **Preparation:** the body promoting or involved in the analysis or approval of a Transaction with a Related Party must identify the Transaction and the reason for its classification in all decision-making documents;
- b) **Transaction structure:** the rules applying to similar transactions that do not involve Related Parties must be applied;
- c) **Proposal documents:** documents on proposals concerning Transactions with Related Parties must include:
 - i) Evidence that Transaction terms and conditions are similar to those applying to similar transactions that do not involve Related Parties;

- ii) If the involvement of the Related Party is a BFA decision: the technical and commercial assessments underlying that decision, with the demonstration of its benefits;
 - iii) Evidence that the Related Party has had no involvement in any assessment or decision concerning the Transaction.
 - d) **Execution and implementation:** Transactions must be executed and implemented in accordance with the rules applying to similar Transactions that do not involve Related Parties.
- 6.3. Execution of any Transaction that does not meet any of the conditions specified in this section 6 must depend on a decision with grounds being issued by the management body.

7. Approval of credit operations in favour of Related Parties

- 7.1. Credit operations in favour of Related Parties must be approved by the Executive Committee of the Board of Directors, which must apply the Bank's internal regulations (lending regulations) and the following procedure:
- a) **Commercial:** issue of an opinion if the Related Party is a customer;
 - b) **Credit Risk/Finance:** assessment of risk and issue of an argued opinion in accordance with current practice and methods;
 - c) **Credit Committee:** issue of an opinion;
 - d) **Executive Committee of the Board of Directors:** decisions on all Transactions that fall within its remit, based on the lending regulations, unless the operation in question falls within the remit of the Board of Directors alone.
 - e) **Board of Directors:** decisions on all Transactions whose value is outside the remit of the Executive Committee and on Transactions at 7.3. whatever their value.
- 7.2. Approval of credit operations in favour of Qualified Shareholders must comply with the legal conditions and limits in force at that time and in particular with the limit set in article 6(2) of Notice 09/2016 of 22 June 2016.
- 7.3. Approval of credit operations in favour of entities in which members of the Board of Directors or Supervisory Board hold a Qualified Participation or management position depends on:
- a) approval by 2/3 of the other members of the Board of Directors. Members who have a conflict of interests may not take part in deliberations;
 - b) approval by the Supervisory Board.
- 7.4. Managers and Members of Staff may not take part in the proposal or assessment of, or decisions on, credit operations in which they, their spouses, blood relations up to the 2nd degree or relations by marriage in the first degree or any entities controlled by them or such persons have a direct or indirect personal interest.

8. Approval of supply agreements

- 8.1. Supply agreements with Related Parties and their extension, renewal, amendment and termination must be approved by the Executive Committee or the Board of Directors in accordance with the Bank's internal regulations and must apply the following procedure:
 - a) **Procurement:** preparation of the proposal, identifying the Related Party and justifying the technical and economic benefits (greater efficiency, lower cost) of the proposal when compared with alternatives;
 - b) **Executive Committee of the Board of Directors:** decisions on all Transactions within its value remit;
 - c) **Board of Directors:** decisions on all Transactions outside the value remit of the Executive Committee.
- 8.2. Managers and Members of Staff may not take part in the proposal or assessment of, or decisions on, supply agreements in which they, their spouses, blood relations up to the 2nd degree or relations by marriage in the first degree or any entities controlled by them or such persons have a direct or indirect personal interest.
- 8.3. By participating in any part of the procurement process, including: (i) the preparation of invitations to tender, specifications, technical specifications and assessment criteria; (ii) the examination and assessment of tenders; and (iii) contract award, Managers and Members of Staff exclude from consideration all tenderers that are Related Parties.

9. Approval of employment contracts

- 9.1. New employment contracts and the amendment of existing employment contracts must comply with the Bank's internal regulations.
- 9.2. Managers and Members of Staff may not take part in the proposal or assessment of, or decisions on, proposals to offer new employment contracts or amend existing employment contracts in which they, their spouse, relatives or relatives by marriage have a direct or indirect personal interest.

10. Identification, classification, registration and monitoring of Related Parties

- 10.1. Bank departments must identify counterparties that this policy classifies as BFA Related Parties and must immediately inform Compliance.
- 10.2. Compliance must promote the production of a list of persons and entities that it identifies as Related Parties or that are reported to it as per 10.1 above.
- 10.3. Bank departments must inform Compliance of all their Transactions with Related Parties.
- 10.4. Compliance is responsible for the regular monitoring of all Transactions with Related Parties and for reporting them to the management body.
- 10.5. The procedures applying to these activities will be described and detailed in internal regulations.

11. Duties of Compliance

11.1. Compliance is responsible for monitoring the application of this policy and may request inspections and audits as it sees fit.

11.2. Compliance must report to the Executive Committee of the Board of Directors and to the Audit and Internal Control Committee all failures to apply this policy.

12. Internal Audit

Without prejudice to the powers of Compliance, Internal Audit will assess compliance with this policy as part of its regular inspections under the approved annual audit plan and will report to the Executive Committee of the Board of Directors and the Audit and Internal Control Committee the results of that assessment, together with any proposals for improving their adequacy and effect.

13. Final provisions

This policy must be reviewed at least once a year and whenever there are changes in the guidelines and procedures it contains. A record must be kept of all versions of the policy for future consultation.

Approved by the Executive Committee of the Board of Directors on 24 October 2018.