



POLICY FOR DEALING WITH RELATED PARTY TRANSACTIONS

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**DOCUMENT HISTORY**

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**1. DEFINITIONS**

- 1.1 “**Approving Authority**” shall mean any one of the Committees, the Board of Directors or the Shareholders as set out in Part 6 of this Policy.
- 1.2 “**Arm’s Length Transaction**” means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest. A transaction with a Related Party will be considered to be on arm’s length basis if the key terms, including pricing of the transaction, taken as a whole, are comparable with those of similar transactions if they would have been undertaken with unrelated parties.
- 1.3 “**Associate**” means:
- (a) in relation to a company or other body corporate means-
    - (i) its holding company or its subsidiary;
    - (ii) a subsidiary of its holding company;
    - (iii) a holding company of its subsidiary;
    - (iv) its non-operating holding company as its subsidiary
    - (v) a subsidiary of a non-operating holding company
    - (vi) any person who controls the company or body corporate whether alone or with his associates or with its associates;
  - (b) In relation to an individual means:
    - (i) Any member of his family;
    - (ii) Any company or other body corporate controlled directly or indirectly, by him whether alone or with his associates;and a person shall be deemed to be a member of a family if he is the parent, spouse, brother, sister, child, uncle, aunt, nephew, niece, stepfather, stepmother, stepchild and adopted child of the person concerned, and in case of an adopted child his adopter or adopters.
  - (c) For this purpose “**control**” includes:-
    - (i) the ability to influence, whether directly or indirectly, the composition of the board of directors of a company or any other body corporate; or
    - (ii) holding, directly or indirectly, whether personally or through a holding company or companies or subsidiaries thereof, or in any other way, an aggregate of twenty per centum or more of the voting power of a company or body corporate, whether alone or with associates or with other associates of the company or body corporate.
    - (iii) as may be determined by the Central Bank of Kenya, where a person has the ability to exercise a dominant influence over the management or policies of a company or body corporate on the basis of an agreement or by any other means, regardless of the amount of formal ownership or voting rights.
- 1.4 “**Bank**” means Diamond Trust Bank Kenya Limited.
- 1.5 “**Board**” or “**Board of Directors**” means the board of directors of the Bank.
- 1.6 “**Chief Executive Officer**” means the chief executive officer of the Bank.
- 1.7 “**Committee**” means a committee of the Board.
- 1.8 “**Director(s)**” means a member(s) of the Board.

- 1.9 “**Employees**” means the employees of the Bank and which expression shall include, where the context so admits, the Senior Officers.
- 1.10 “**Non- Material Related Party Transaction**” means (i) any Related Party Transaction whose value is less than United States Dollars Ten Thousand (US\$10,000) and (ii) with respect to the disposition of any assets owned by the Bank to a Related Party, relates to any transaction for the disposition of an asset that was purchased by the Bank for a sum less than United States Dollars Ten Thousand (US\$10,000);
- 1.11 “**Ordinary Course of Business**” includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. The ordinary course of business covers the usual transactions, customs and practices related to the business. The following factors are indicative of a transaction being in the ordinary course of business:
- (i) The transaction is normal or otherwise unremarkable for the business.
  - (ii) The transaction is frequent/regular
  - (iii) The transaction is a source of income for the business
  - (iv) Transactions that are part of the standard industry practice, even though the Bank may not have done it in the past.
- These are not exhaustive criteria and the Bank will have to assess each transaction considering its specific nature and circumstances.
- 1.12 “**Related Party**” means the Directors, Chief Executive Officer, Senior Officers, Employees, Shareholders owning five percent (5%) or more of the total equity of the Bank, and any Associate of any such person.
- 1.13 “**Related Party Transaction**” shall mean any financial transaction, arrangement or relationship in which (a) the Bank is a participant, and (b) any Related Party has or will have a direct or indirect interest, regardless of whether or not there is a financial consideration.
- 1.14 “**Senior Officer**” means a person who manages or controls the Bank and includes:
- (i) the Chief Executive Officer, secretary to the board of directors and senior management of the Bank comprising the managers and/ or heads of the units or departments, as the case may be, of the Bank;
  - (ii) a person with a similar level of position or responsibilities as a person described in paragraph (i) above.
- 1.15 “**Shareholder**” means a shareholder of the Bank.
- 1.16 In the event of any dispute between the terms of this Policy and any legislation and or regulations governing the affairs of the Bank then the provisions of such legislation and or regulations shall prevail and the provisions of this Policy shall be deemed to have been amended accordingly.

## 2. **PURPOSE**

The objective of this Policy is to ensure that transactions between the Bank and its Related Parties are based on principles of transparency and are undertaken at arm’s length. Likewise, this Policy aims at preventing and providing guidance in situations of potential conflict of interests in the implementation of transactions involving such Related Parties.

## 3. **STATEMENT OF POLICY**

All Related Party Transactions must be referred to the Approving Authority for approval in accordance with this Policy and such other related Bank policy(ies).

**4. NOTIFICATION OF RELATED PARTY TRANSACTIONS**

The Directors, Senior Officers, Employees and Shareholders owning five percent (5%) or more of the total equity of the Bank shall promptly notify the Chief Executive Officer of any interest that they or their Associates have or may have in any transaction. The notice shall be in writing and shall include a description of the transaction.

In addition, the listing of all known Related Parties will be brought to the attention of the Senior Officers and the Board by the Head of Compliance at least once a quarter. The Head of Compliance needs to inform the Senior Officers of any change in the listing of Related Parties to identify the Related Party Transactions.

**5. REVIEW AND APPROVAL OF NON- MATERIAL RELATED PARTY TRANSACTIONS**

If advance notice of a Non- Material Related Party Transaction has been given to the Chairperson of the appropriate Approving Authority and it is not possible to immediately convene a meeting of the Approving Authority, then the Chairperson of the appropriate Approving Authority shall consider whether the Non- Material Related Party Transaction is appropriate and, if so, shall approve the same. The appropriate Approving Authority will thereafter be asked to ratify the Non- Material Related Party Transaction at their next regularly scheduled meeting.

**6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

Save with respect to Non- Material Related Party Transactions, every other Related Party Transaction shall be subject to the prior approval of the appropriate Approving Authority whether at a meeting or by resolution by way of circulation.

Any member of the Approving Authority who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction, except that the member shall provide all material information concerning the Related Party Transaction to the Approving Authority.

The approval policy framework is as given on the next page.

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<p>Board Credit Committee approval</p>	<p>Board Risk Management Committee review and recommendation to the Board for approval</p>	<p>Board Audit and Compliance Committee review and recommendation to the Board for approval</p>	<p>Board Approval</p>	<p>Shareholders Approval</p>
<p>Shall review and recommend to the Board for its consideration and, if appropriate, approval all Arms-length Transactions with Related Parties relating to credit applications.</p>	<p>Shall review and recommend to the Board for its consideration and, if appropriate, approval all Arms-length Transactions with Related Parties relating to procurement.</p>	<p>Shall review and recommend to the Board for its consideration and, if appropriate, approval all other Arms-length Transactions.</p>	<p>Shall review and, if appropriate, approve all Related Party Transactions referred to the Board by the Board Committees or submitted by management for approval.</p>	<p>Shall review and, if appropriate, approve all Related Party Transactions referred by the Board, as required by law, for approval by the Shareholders</p>

**7. GENERAL GUIDELINE FOR APPROVAL OF RELATED PARTY TRANSACTIONS**

The Approving Authority shall be provided with all the relevant information of the proposed Related Party Transactions.

In determining whether to approve or reject a Related Party Transaction, the Approving Authority, shall take into account, among other factors it deems appropriate, whether the Related Party Transaction is entered into on terms no less favorable to the Bank than terms generally available to an unaffiliated third-party under the same or similar circumstances; the results of an appraisal, if any; whether there was a bidding process and the results thereof; review of the valuation methodology used and alternative approaches to valuation of the transaction; and the extent of the Related Party's interest in the transaction. The Approving Authority will review the following information when assessing a Related Party Transaction:

- (i) The terms of such transaction;
- (ii) The Related Party's interest in the transaction;
- (iii) The purpose and timing of the transaction;
- (iv) Whether the Bank is a party to the transaction, and if not, the nature of the Bank's participation in the transaction;
- (v) If the transaction involves the sale of an asset, a description of the asset, including date acquired and costs basis;
- (vi) Information concerning potential counterparties in the transaction;
- (vii) Description of any provisions or limitations imposed as a result of entering into the proposed transaction;
- (viii) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction and
- (ix) Any other relevant information regarding the transaction.

Save in accordance with the Share Trading Policy, Senior Officers and their Associates may not invest in initiatives and other investment opportunities sponsored, or otherwise made available or financed by the Bank unless their participation is approved in accordance with this Policy. Such approval shall not be required if the investment opportunity: (i) is a board approved Employee scheme; or (ii) is offered to Senior Officers on the same terms as those offered to qualified persons who are not employees of the Bank.

Except with the approval of the Board, no Director or Senior Officers or their associates may invest in a third-party entity if the investment opportunity is made available to him or her as a result of such individual's status as, respectively, a Director or a Senior Officer.

**8. DECISION REGARDING TRANSACTION IN ORDINARY COURSE OF BUSINESS AND AT ARM'S LENGTH**

The Approving Authority shall after considering the materials placed before them judge if the transaction is in the Ordinary Course of Business and meets the Arm's Length Transaction requirements.

**9. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Bank becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the appropriate Approving Authority. Such Approving Authority shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, including the items listed in section 7 above, and shall evaluate all options available to the Bank,



including ratification, revision or termination of the Related Party Transaction. Such Approving Authority shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Approving Authority under this Policy, and shall take any such action it deems appropriate.

10. **POLICY REVIEW**

The Board will review this Policy every two (2) years and more frequently, if required, to align the same with the then prevailing legislation and regulations governing the Bank as well as best practice, as part of the Board and the Bank's commitment to good corporate governance.