



CONFLICT OF INTEREST AND RELATED
PARTY TRANSACTIONS POLICY

MCB LEASING LIMITED

1. Introduction

The primary function of this policy is to set out the principles, roles and responsibilities with regard to conflicts of interest and related party transactions of MCB Leasing Limited (hereafter referred to as 'MCBL' or 'company'). It shall be governed by the rules established by the Bank of Mauritius revised Guideline on Related Party Transactions, effective 12 May 2022.

This Policy is posted on the organisation's website.

2. Conflicts of interest

Conflicts of interest can be defined as any situation in which an individual or company is in a position to exploit a professional or official capacity in some way for their personal or corporate benefit. A conflict of interest occurs when an individual or organisation is involved in multiple interests, one of which could possibly create unfavorable influence for an act in the other.

Personal interests of a Director/Senior officer or persons closely associated with the Director/Senior officer must not take precedence over those of the company and the shareholders. Directors and Senior officers should make the best effort to avoid conflicts of interests or situations which others may reasonably perceive to be conflicts of interests.

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

- (a) those that are related to a financial institution 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 the financial institution.

* a natural person shall be deemed to control an entity if he/she owns, directly or indirectly, 10% or more of the capital or voting rights of that entity.

3. Governance

The Board of Directors (hereafter referred to as 'Board') is ultimately responsible for establishing and implementing appropriate policies on conflicts of interests and related party transactions and administering the process for handling the transactions. The Board shall review and approve the policy at intervals not exceeding one year. The Board exercises this responsibility via the Risk Management Committee (hereafter referred to as 'RMC') through:

- Delegation of oversight questions relating to conflict of interest and related party transactions. These issues may also involve discussions with the auditors.
- The formal review and ratification of the Conflicts of interest and Related Party Transactions Policy.
- Monitoring and reporting by management in respect of related party transactions.
- Review of periodic reports, at interval not exceeding three months, which shall, inter alia, cover:
 - (i) new related party transactions;
 - (ii) changes in terms and conditions of existing credit facility;
 - (iii) the performance of MCBL's related party exposures including compliance with policies, procedures, breach of covenants, deterioration in credit quality, impairment of assets and non-perfection of collaterals;
 - (iv) the performance of services provided by related parties and other arrangements/contracts with related parties including compliance with agreed service level arrangement;
 - (v) the findings and status of recommendations of control functions, the Audit Committee and the Risk Management Committee in respect to related party transactions.
- The RMC shall delegate approval for related party transactions to the Credit Committee and shall thereafter review and ratify the approved exposures in the quarterly RMC.

4. Management of Conflicts of interest and Related Party Transactions

4.1 Identification of related parties

- 4.1.1 Information pertaining to Directors will be provided by the Company Secretary to the Risk Manager.
- 4.1.2 It is the responsibility of each Director/Senior officer to ensure that any interests be reported to the Company Secretary.
- 4.1.3 Full and timely disclosure of any conflict or potential conflict must be made to the Board.
- 4.1.4 The updated register will be circulated to and approved by the RMC on a yearly basis. The roles and responsibilities of the RMC are defined in the Charter of the Committee, approved by the Board.
When there are nominations to the Board or new appointments to the Management of MCBL, where such appointees fall within the definition of related party, as determined by the Guidelines of Bank of Mauritius and approved by the RMC, written confirmation from the individuals concerned of all persons and entities related to them, as defined in the guidelines, shall be obtained.

4.2 Types of Related Party Transactions

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

- a. Credit exposure, that is financial leasing 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 the financial institution 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 the financial institution 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).

4.3 Lending and Deposit Rates to Related parties

- 4.3.1 Rates applicable to transactions carried out with related parties will be no more favourable than those applied to other customers of MCBL with similar profiles, characteristics and on similar transactions.
- 4.3.2 In particular:
 - Lending rates to individuals, other than members of the Management of MCBL and Executive Directors, will not be lower than those applicable to individual customers, with similar risk profiles.
 - Lending rates to entities will not be lower than those applicable to comparable corporate customers.
 - Deposits rates will not be higher than those paid on deposits of other customers of MCBL, bearing in mind the level of the deposit, its duration and currency in which it is stated.
 - Fees and commissions charged will not be lower than those applicable to individual or corporate customers, as may be the case.
 - Amounts paid to related parties for consultancy and other professional services rendered will follow the rules and regulations applicable to standard supplies of goods and services, and these amounts will not exceed those dictated by market terms and conditions for such services.

5. Roles and responsibilities of the Risk Manager

The Risk Manager will be responsible for:

- Keeping the Register of related parties updated.
- Liaising with the Company secretary to obtain the updated list of Related parties.
- Ensuring market terms and conditions are applied to all such transactions, as defined above and reported accordingly.
- Reporting the transactions to the RMC and to the Bank of Mauritius, as and when required.
- Monitoring the performance of credit facilities to related parties through scrutinizing monthly debtors reports and triggering appropriate corrective actions, when necessary.

6. Limits on credit facilities

The granting of credit facilities to related parties will be governed by the same risk assessment procedures and processes as those applicable to MCBL customers, individual or corporate, as the case may be. In addition, internal rules on credit applicable to members of MCBL Management as well as to Directors, as approved by the Board, shall be applicable.

7. Approval of Related Party Transactions

- All related party transactions shall be approved by a forum consisting of at least 3 Credit Committee Members. The Risk Executive/Risk Manager shall be responsible to seek for approval for any related party transaction. In case of credit facilities, apart from credit facility to staffs, approval for related party transaction should be obtained prior to issuance of Letter of Offer. Any member with actual or perceived conflict of interest should be excluded from the decision making process.
- Terms and conditions for credit facilities to the staffs of MCB Leasing, and extended to MCB Group, under the terms and conditions of employment contracts shall be approved by the Board. Credit facilities to staff which are not in line with the approved terms and conditions, shall require the approval of the Board.

8. Regulatory compliance

- Related party transactions will be governed by any relevant guidelines issued by the Bank of Mauritius and the Banking Act 2004 which defines 'related party' as a person who has significant interest in the financial institution or the financial institution has significant interest in, or controls, the person.

- “significant interest” means –
 - a) owning, directly or indirectly, alone or together with a related party, or otherwise having a beneficial interest amounting to, 10 per cent or more of the capital or of the voting rights of a financial institution;
 - b) having the ability, directly or indirectly, alone or together with a related party or the power, to appoint 20 per cent or more of the members of the board of a financial institution; or;
 - c) directly or indirectly exercising a significant influence over the management of a financial institution as the central bank may determine.

8.1 Reporting to the Bank of Mauritius

The Committee will ensure that Management of MCBL reports to the Bank of Mauritius on a quarterly basis, information relating to credit exposures to related parties including exemptions from the regulatory limits detailed in the Bank of Mauritius Guideline on Related Party Transactions.

8.2 Regulatory limits

Credit exposure to any single borrower/group of connected counterparties who are related parties to MCBL shall be governed by the Guideline on Credit Concentration Risk be subject to the following conditions:

- The aggregate of credit exposures to and investments in equity shares of all related parties in Category 1, other than investment in subsidiaries and associated, should not exceed 60% of MCBL’s Tier 1 capital
- 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% of MCBL’s Tier 1 capital

Approved by the Board on 26/09/2023.