

NCB FINANCIAL GROUP LIMITED

RELATED PARTY TRANSACTIONS POLICY AND PROCEDURAL FRAMEWORK

1. Introduction & Purpose

NCB Financial Group Limited (NCBFG or Holding Company) is licensed to operate as a financial holding company under the Banking Services Act, 2014 (Jamaica) and has subsidiaries in multiple jurisdictions. During the normal course of business, NCBFG and/or its subsidiaries (the Group) may engage in transactions with related parties.

Related party transactions (as defined below) should be conducted in a manner that will protect the Company from being prejudiced by conflicts of interest which may arise between the Company and its Related Parties. The Group aims to have decisions around engaging in transactions with External Related Parties made on an arm's length basis on terms comparable to those provided to unrelated third parties and in the best interests of the Company.

This policy is designed to ensure that there is reasonable transparency, accountability, and integrity in the conduct of related party transactions by establishing a framework for identification, proper review, approval, ratification, monitoring and disclosure of such transactions with related parties in order to comply with best practices, laws, regulations and regulatory guidance.

2. Scope

This Policy applies to all directors, key management personnel, employees and entities considered related parties of the Group under applicable accounting standards, laws and regulatory guidelines.

The policy should be read in conjunction with the Code of Business Conduct, Code of Conduct for Directors, Procurement Policy and Procedure and Expenditure Approval Policy.

3. Definitions:

A. Definition of related party

In defining "Related Party", the Group will take into account definitions under applicable accounting standards (such as IAS 24), laws and regulatory guidance as updated from time to time.

For purposes of this policy, each of the following is a Related Party:

- (a) A person or an immediate relative of that person who:
- has control or joint control over NCBFG or other members of the Group;
 - has significant influence over NCBFG or other members of the Group; or
 - is a director or member of the key management personnel of the Company or other members of the Group.

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3. Definitions: (continued)

A. Definition of related party (continued)

(b) An entity where any of the following conditions applies:

- The entity and NCBFG are members of the same group (which includes each parent, subsidiary and fellow subsidiary, and affiliated company through common ownership).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- The entity is controlled or jointly controlled by a person identified in (a) above.
- A person identified in (a) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the Company.

An “immediate relative” means the spouse (including spouse by cohabitation of at least five years), children (including stepchildren) and their spouses, parents, stepparents, siblings of the subject person.

Related parties include

- Key management personnel defined as a senior officer of the Group, Assistant Vice Presidents & above
- A director of the NCBFG or any of its subsidiaries
- Substantial¹ shareholders of NCBFG
- Ultimate beneficial owners of any substantial shareholders of NCBFG
- Immediate family members of a substantial shareholder, director or senior officer up to the second degree of affinity and consanguinity; or
- Any entity which a substantial shareholder, director or senior officer owns or controls or has influence in.

“Internal Related Parties” are NCBFG and its subsidiaries. All other Related Parties are, for the purposes of this Policy, “External Related Parties”.

¹ The Banking Services Act, 2014 defines “substantial shareholder” as a person who holds twenty per centum or more of the shares of a licensee (e.g. NCBFG and National Commercial Bank Jamaica Limited)

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3. Definitions: (continued)

B. Definition of related party transaction

A related party transaction is any current or proposed transfer of resources, services, obligations or financial transactions between related parties, whether or not it involves cash or non cash-consideration.

The term related party transaction, as used in this policy, encompasses virtually all transactions or arrangements under which the related parties provide/receive a financial benefit to/from each other, including consultancy agreements.

Consideration should be given to who the related party is and to the nature of the transaction (for example, transactions with Internal versus External Related Parties, and salaries paid to executive directors) in the exercise of any discretion or decision-making power arising under the approval framework contained in this policy.

C. Definition of Arm's Length Transaction

An arm's length transaction is a transaction that is conducted as if the parties were unrelated (that is, independent, on an equal footing and beyond the reach of personal influence or control), ensuring fairness, transparency and on market-based terms. Transactions involving External Related Parties should be viewed as being between parties who are completely independent of each other, acting in their own best interests and without any special relationship or bias that could influence the terms. Transactions involving Internal Related Parties may also take into account the interests of the Group, which may impact the deciding entity, particularly where the transactions involve entities where one is a wholly owned subsidiary of the other.

4. Policy Statement

The Board of Directors of NCBFG is responsible for the oversight of the management and affairs of the Group's operations. It is the policy of NCBFG that related party transactions shall be conducted in a manner that is consistent with applicable laws, regulations or regulatory guidance to ensure the safety and soundness of the Group.

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5. Related party transaction pricing

Subject to paragraph 3C above, and save for reasonably justified deviations, all related party transactions should be conducted at “arm’s length”. It signifies a fair market transaction where the price reflects the true value of the asset or service being exchanged. Any deviation in which a transaction will not be conducted at arm’s length requires special approval by the appropriate authority such as the Board of Directors or Board Committee, based on reasonable justification.

The following are guidelines for determining fees and to ensure Arm’s Length Transactions:

Fee Determination Framework

- a. Transactions should be completed using the appropriate customer fee, commission and rate tables
- b. Where the proposed transaction is not covered by an existing fee or rate schedule or is unique in nature one or more (as appropriate) of the following should apply:
 - i. Benchmarking:
 - Market research or benchmarking studies should be conducted to compare fees with similar services offered by independent third parties.
 - Databases, industry reports or external consultants should be utilised to validate pricing.
 - ii. Cost-Plus Method:
 - Where benchmarking is not feasible, apply a cost-plus approach, adding a reasonable markup to the actual cost incurred by the related party.
 - iii. Comparable Uncontrolled Price Method:
 - This method may be utilised when identical or similar services are available in the market, comparing the price charged in a comparable uncontrolled transaction (this is a transaction that takes place between independent entities or unrelated entities/parties).
 - iv. Transfer Pricing Documentation:
 - Maintain documentation in line with transfer pricing regulations, especially for cross-border transactions.
 - v. Approval Thresholds:
 - Define monetary thresholds for different levels of approval (for example, Audit Committee, Board).

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6. Types of related party transactions

The Group currently engages in the following types of related party transactions (this list will be updated as new products and/or services are introduced):

- Consumer loans and overdrafts
- Customer deposits
- Purchase/sale of foreign currency
- Purchase/sale of investment securities
- Reverse repurchase agreements and obligations under repurchase agreements
- Other borrowed funds
- Investment banking transactions
- Management and strategic oversight and support services

6.1 Unique Services

In certain circumstances, the Company may require services that are:

- Highly specialised or technical in nature,
- Not readily available in the open market, or
- Provided by individuals or entities with unique qualifications or proprietary knowledge.

6.1.1 Approval and Documentation Requirements for Unique Services

To ensure transparency and fairness, such transactions must meet the following criteria:

1. **Justification Report:** A detailed report must be submitted by the requestor, with appropriate approval at the relevant Division Head level, including:
 - a. Description of the service
 - b. Explanation of why the expertise is not available commercially
 - c. Rationale for selecting the related party
 - d. Market research or evidence supporting the claim for uniqueness
 - e. Rationale for proposed pricing and comparison supporting reasonableness of pricing
2. **Independent Review:** Where feasible, an independent expert should validate the uniqueness of the service and provide reasonability assessment of pricing.
3. **Audit Committee Approval:** All such transactions, regardless of value, must be reviewed and recommended for Board approval by the Audit Committee. Consistent with the Expenditure Approval Policy all transactions involving expenditure by the organisation in excess of US\$1 million require Board approval.

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6. Types of related party transactions (continued)

6.1 Unique Services (continued)

6.1.1 Approval and Documentation Requirements for Unique Services (continued)

4. **Board Notification/Approval as Appropriate:** Where Board approval related to unique services is not required, the Board of Directors must be notified of the transaction and the rationale for approval.

6.2 Performance Monitoring and KPI Alignment

6.2.1 Defining Key Performance Indicators (KPIs)

- KPIs, where applicable, should be established at the outset of the engagement which are aligned with the scope of the services, and updated as appropriate.
- KPIs should be:
 - Specific: Clearly define deliverables and timelines.
 - Measurable: Include quantifiable metrics, such as, turnaround time, quality benchmarks, etc.
 - Achievable: Realistic based on the nature of the service.
 - Relevant: tied to the strategic goals of the Company.
 - Time-bound: Include deadlines and review periods.

6.2.2 Performance Review Process

1. Periodic Assessments:

- a. Assessments of performance against KPIs should be conducted semi-annually at a minimum by the unit responsible for the transaction.
- b. Use may be made of scorecards or dashboards to visualise performance.

2. Corrective Action Plans:

- a. If performance deviates adversely from expectations, a corrective action plan should be provided by the related party within three months of the assessment.

3. Renewal and Continuation Criteria:

- a. Performance outcomes should be utilised in the assessment to determine whether to renew, renegotiate or terminate the engagement.

4. Independent Oversight:

- a. Where feasible, involve an independent reviewer (which may be internal audit, if appropriate) to assess performance and compliance.

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6. Types of related party transactions (continued)

6.3 Management Fees

A. Objective

Management fees may be charged by a parent company or central management entity within the Group for providing various services, including strategic guidance, to its subsidiaries or affiliated entities. A methodology should be defined to allocate management fees among Group entities in a fair, transparent and justifiable manner, reflecting the actual value of the services received by each entity.

B. Guiding Principles

- a. Proportionality: Fees should be allocated based on the proportionate benefit derived by each entity, or the cost of provision to each entity.
- b. Transparency: The basis for allocation must be documented and consistently applied.
- c. Compliance: The methodology must comply with local tax laws, transfer pricing regulations and accounting standards.

C. Allocation Methodology

- a. Identify Services Provided
 - i. List all centralised services, such as legal, information technology, human resources, finance, marketing, strategy, compliance or risk.
 - ii. Define the scope and beneficiaries of each service.
- b. Determine Cost Base
 - i. Calculate the total cost of providing the services, including:
 1. Direct costs (for example, salaries, software licenses)
 2. Indirect costs (for example, depreciation)
 3. A reasonable markup, if applicable
- c. Selection Allocation Keys
 - i. Choose appropriate allocation drivers based on the nature of the service.
Examples include:

Service Type	Allocation Bases
HR Services	Number of employees
IT Services	Number of users or devices or projects
Finance/Accounting	Revenue or number of transactions or even distribution if services are provided equally
Legal/Compliance	Time spent, number of legal matters or risk exposure
General Management	Revenues, assets, or headcount

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6. Types of related party transactions (continued)

6.2 Management Fees

C. Allocation Methodology

- d. Apply Allocation Formula
 - i. For each entity:

$$\text{Allocated Fee} = (\text{Entity's Share of Allocation Basis} / \text{Total Group Share}) \times \text{Total Cost Base}$$

- e. Documentation and Review
 - ii. Maintain records of allocation keys, calculations and rationale.
 - iii. Review allocation methodology annually or upon significant business changes.

D. Performance and Value Assessment (see 6.2.2 above)

- a. Evaluate whether the services provided align with the fees charged.
- b. Use KPIs and feedback from recipient entities to assess service quality and value.
- c. Adjust allocations if services are underutilised or over-delivered.

7. Approval

All related party transactions should be approved based on the relevant guidelines that are set internally and by the relevant regulatory/oversight body.

Purchase/ sale of foreign currency – Will be guided by the relevant circular(s) issued by the Group Treasury & Correspondent Banking Division, National Commercial Bank Jamaica Limited (NCBJ) via email to all staff and available on the intranet.

Lending – Loans to connected parties will be guided by Sections 57 and 58 of the Banking Services Act, 2014 (Jamaica) or the equivalent in other relevant jurisdictions. The applicable limits and approval authority are outlined in the NCBJ's Credit Policy and Procedures.

Borrowings will be guided by the Intra Group Exposure Policy.

Employee transactions that are governed by other relevant policies and procedures are excluded from this policy.

No director or employee shall participate in deliberations (save for providing requested information) or voting relating to any recommendation or approval of a Related Party Transaction for which he or she is a Related Person.

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8. Maintenance of Listing of Related Parties

A listing of all related parties is maintained within Group Finance Division (GFD); it is compiled from two sources:

- Group Human Resources Division provides GFD with a listing of all employees on a quarterly basis.
- The Corporate Services Unit of the Group Legal & Corporate Services Division. The Corporate Services Unit maintains a list of all directors and their connected parties; this list is updated on a quarterly basis for NCBFG and National Commercial Bank Jamaica Limited and annually for all other wholly owned subsidiaries of NCBFG. Directors are required to disclose the existence or potential existence of a conflict of interest in accordance with the Board Charter.

9. Reporting, Disclosure and Monitoring

All related party transactions, other than transactions for which approval is not required under this Policy (such as compensation paid to directors and senior managers), should be reported to each Company's Audit Committee on a quarterly basis and to the applicable regulatory body based on their stated frequency. A listing of supplementary information on all such transactions may be provided to the Audit Committee if requested. Reports to the Committee should summarise the outcome of any performance assessments done and corrective actions required.

Each entity must also disclose all related party transactions/balances as required by IAS 24 in its annual audited financial statements. Justification for related party transactions that are material to the Group should also be captured in NCBFG's Annual Report.

10. Roles and Responsibilities

Role	Responsibility
Board of Directors	Oversight and approval of significant (above US\$1 million) related party transactions
Audit Committee	Review, approval and monitoring of related party transactions
Designated Business Units Responsible for Transaction Execution	Coordination, record-keeping and regulatory compliance
Group Finance Division	Valuation and financial analysis of related party transactions. Reporting to the Audit Committee on related party transactions. Maintenance of related party register.
All Employees and Directors	Disclosure of potential related party transaction interests

Also, see Appendix.

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11. Review and update of this policy

This policy shall be reviewed at least every two years (or more frequently as required due to any changes in accounting standards, applicable laws, regulatory guidance or business operations) by the Board of Directors to ensure that:

- The business continues to meet its compliance obligations in respect of this policy.
- The policy maintains its relevance to the current and future business environment.

The Group Finance Division is responsible for undertaking the technical review of this policy and submitting proposed revisions to the Audit Committee for review and recommendation for approval by the Board of Directors.

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APPENDIX:

Procedural Framework

The Company shall:

- Identify all related parties and maintain an updated related party register
- Ensure all related party transactions are conducted at arm's length and in the ordinary course of business
- Obtain necessary approvals before entering into related party transactions
- Disclose all related party transactions in accordance with applicable laws and regulations and accounting standards

1 Identification of Related Parties

- Maintain a comprehensive register of related parties
- Update the register quarterly and upon any change in directorship, shareholding, or control, or key management personnel
- Require directors and key management personnel to declare their interest in other entities annually or upon any change

2 Initiation of Related Party Transactions

- Any unit, division or entity within the Group proposing a related party transaction must declare the proposed transaction as related to the relevant assessing and approval authority.
- The details must include:
 - Nature and purpose of the transaction
 - Parties involved
 - Transaction value
 - Justification for arm's length pricing
 - Supporting documentation based on transaction (such as valuation reports, quotations, etc.)

3 Review and Approval Process

- The relevant officer to the specific transaction reviews the proposal for completeness and compliance
- Audit Committee reviews and approves all material related party transactions and those not in the ordinary course of business or not at arm's length (up to US\$1 million). (Other relevant Committees with appropriate oversight limits, such as the Conduct Review & Corporate Governance Committee of NCB Insurance Agency and Fund Managers Limited may also review and approve related party transactions).

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- Board approval is required for significant related party transactions as defined by law or internal thresholds (above US\$ 1 million). Directors who are connected to the party(ies) involved in the transaction should refrain from discussions or voting on any matter related to the transaction.

4 Monitoring and Reporting

- Maintain a central repository of all approved related party transactions, with relevant documentation and agreements
- Conduct periodic audits to ensure compliance with policy and regulatory requirements
- Report related party transactions to the Audit Committee and Board on a quarterly basis

5 Disclosure Requirements

- Disclose related party transactions in financial statements as per applicable accounting standards
- Include related party transaction disclosures in the Annual Report and to stock exchanges.
- Ensure timely and accurate disclosures in the regulatory filings