



MAA General Assurance Phils., Inc

Subject: Related Party Transaction (RPT) Policy

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1.0 **PREFATORY STATEMENT**

Related parties and business services can take many different forms. Some of the most common types of related parties include business affiliates, shareholder groups, subsidiaries of the company and minority owned companies.

The management of policies and procedures that track related-party transactions and business deals include a number of factors. These factors are regulated by the industry's accounting and audit standards and in many cases, these special transactions must be approved by management consensus or the company's board of directors. Some specific standards and procedures set for related-party transactions include the monitoring of payment competitiveness, payment terms, monetary transactions and authorized expenses. Overall, every related-party transaction must be transparently reported in order to ensure that all actions are legal, ethical and, most importantly, do not harm shareholder value.

2.0 **RELATED PARTY TRANSACTION POLICY**

It is the Company's policy that related party transactions are conducted at arm's-length, in connection with any such transaction being on terms no less favorable to the Company than the terms available to any unconnected third party under the same or similar circumstances. As such, the Company shall adopt the arm's-length principle in pricing the products and/or services it avails and/or provides to its related parties. Furthermore, the Company shall maintain and preserve proper documentation in its adherence to the transfer pricing regulation for audit purposes.

3.0 **DEFINITION OF TERMS**

The following terms shall have the respective meanings hereinafter set forth or indicated:

Related Party, for purpose of this policy covers:

- a) Company's subsidiaries as well as affiliates and special purpose entities that the Company exerts direct/indirect control over or that exerts significant influence over the Company;
- b) Directors, officers, stockholders and related interests and their close family members or relatives as well as corresponding persons in affiliated companies;
- c) Natural person/juridical entity whose interests may pose potential conflict with the interest of the company.

Close family members mean persons related to the Company's directors, officers and stockholders (DOS) within the second degree of consanguinity or affinity, legitimate or common-law. (*This shall include the spouse, parent, child, brother, sister, grandparent, grandchild, parent-in-law, son-/daughter-in-law, brother-/sister-in-law, grandparent-in-law, and grandchild-in-law of the Company's DOS*).

Corresponding persons in affiliated companies are the DOS of the affiliated companies and their close family members.

Related interest shall refer to any of the following:

- (a) Spouse or relative within the fourth degree of consanguinity or affinity, or relative by legal adoption, of a director, officer or stockholder of the Company;

- (b) Partnership of which a director, officer, or stockholder of a Company or his spouse or relative within the fourth degree of consanguinity or affinity, or relative by legal adoption, is a general partner;
- (c) Corporation, association or firm of which any or a group of directors, officers, stockholders of the Company and/or their spouses or relatives within the fourth degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital of such corporation, or of the equity of such association or firm;
- (d) Corporation, association or firm wholly or majority-owned or controlled by any related entity or a group of related entities mentioned in the immediately preceding paragraph;
- (e) Non-governmental organizations (NGOs)/foundations that are engaged in retail microinsurance business which are incorporated by any of the stockholders and/or directors and/or officers or related companies.

4.0 RELATED PARTY TRANSACTIONS

Related party transactions include but ***not limited*** to the following:

- a) CREDIT TRANSACTIONS**
 - On-and off-balance sheet credit exposures and claims and write-offs; and
 - Borrowing, commitments, fund transfers and guarantees;
- b) SERVICES**
 - Consulting, professional, agency and other service arrangements/contract;
 - Construction arrangements/contracts;
- c) GOODS AND MATERIALS**
 - Purchases, sales or supply of any goods or materials
- d) ASSETS**
 - Purchases and sales of assets, including transfer of technology and intangible items (*e.g.*, research and development, trademarks and license agreements);
- e) LEASES**
 - Lease arrangements/contracts;
- f) INVESTMENTS**
 - Establishment of joint venture entities.
 - Investments and/or subscriptions for debt/equity issuances;

**RPTs shall be interpreted broadly to include not only transactions that are entered into within related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

5.0 **MATERIALITY THRESHOLDS AND EXCLUDED TRANSACTIONS**

Type of RPT	Maximum Limit Per Related Party Group ¹				Maximum Aggregate Exposure for All Related Parties
	Related Party	Close Family Member	Corresponding Persons in affiliated companies	Related Interest	
Credit Transaction	10 Million	10 Million	10 Million	10 Million	40 Million
Services	10 Million	10 Million	10 Million	10 Million	40 Million
Leases	10 Million	10 Million	10 Million	10 Million	40 Million
Assets	10 Million	10 Million	10 Million	10 Million	40 Million
Investments	10 Million	10 Million	10 Million	10 Million	40 Million

*RPT shall be considered “**material**” if it exceeded the maximum limit provided under this policy, in which case the matter should be reported to the RPT Committee for review and, if necessary, the Board of Directors.

5.1 EXCLUDED TRANSACTIONS

Those transactions in regular trade or business transactions involving purchase and sale of insurance policy.

6.0 **TERMS OF RELATED PARTY TRANSACTIONS**

To ensure that RPTs are conducted on arm’s length basis and in the ordinary course of business, the terms and conditions of the transaction should not be more favorable than similar transactions with non-related parties. The terms and conditions shall include those relating to contract/selling price, term, collaterals and such other relevant information necessary to ascertain that no preferential treatment was given to a related party. The price discovery mechanisms used and the results obtained should also be disclosed in the proposal.

7.0 **WHISTLE BLOWING MECHANISMS, RESTITUTION OF LOSSES AND REMEDIES FOR ABUSIVE RPTs.**

Reporting and investigation as well as restitution of losses and remedies of abusive RPTs shall be attended to in line with the Company’s existing Code of Conduct and Whistle Blower’s Policy.

8.0 **DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

- a) To observe good governance and approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm’s length basis, and that no stakeholder is unduly disadvantaged. A group-wide

¹ Set at a level where omission or misstatement of the transaction could pose significant risk to the Company and could influence the economic decisions of the board of directors.

RPT policy shall be adopted, encompassing all entries within the group, taking into account their size, structure, risk profile and complexity of operations;

- b) To approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors.

All final decisions of the board on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meeting and duly reflected in the minutes of board and stockholders' meetings;

- c) To delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.

- d) To establish an effective system to:

- d.1 Determine, identify and monitor related parties and RPTs;
- d.2 Continuously review and evaluate existing relationships between and among businesses and counterparties; and
- d.3 Identify, measure, monitor and control risks arising from RPTs.

- e) To maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the CI is well- insulated from any going concern issue of related parties;

- f) To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The board should ensure that senior management addresses legitimate issues on RPT that are raised that are raised. The board should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals;

- g) To constitute an RPT Committee;

9.0 RULE ON CONFLICT OF INTEREST

- The members of the board (stockholders, and management) shall disclose to the Board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting Company.
- Directors (and officers) with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the Company.

10.0 RELATED PARTY TRANSACTION (RPT) COMMITTEE

Composition

The RPT Committee shall be composed of at least three (3) members of the board of directors, two (2) of whom shall be independent directors, including the chairperson. The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members. In case a member has a conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. The Compliance Officer or Internal Auditor may sit as resource persons in this Committee.

Duties and Responsibilities

- Evaluate, on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored and subsequent changes in relationships shall be reflected in the relevant reports to the board and regulators.
- Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions, taking into account the following, among others:
 - The related party's relationship to the Company and interest in the transactions;
 - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - The benefits to the Company of the proposed RPT;
 - The availability of other sources of comparable products or services;
 - An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs. *All RPTs that are considered material based on the Company's internal policies shall be endorsed by the RPT Committee to the board of directors for approval;*

- Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts that could arise as a result of the Company's affiliation or transactions with other related parties;
- Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties. If there is one, to advise its inclusion to the Company's Annual Report;
- Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process;
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

11.0 PROCEDURE OF APPROVAL OF RELATED PARTY TRANSACTION

All RPTs shall require prior approval of the RPT Committee. However, the Company may obtain Omnibus approval from the RPT Committee for such transactions, subject to compliance with the following conditions:

- The RPT Committee shall lay down the criteria for granting omnibus approval in line with the RPT Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;
- The RPT Committee shall satisfy itself the need for such omnibus approval and that such approval is in interest of the Company;
- The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- The indicative base price / current contracted price and the formula for variation in the price, if any; and
- Such other conditions as the RPT Committee may deem fit.

The RPT Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the approval given.

11.1 Approval of the Board of Directors

In case the RPT Committee determines that a particular RPT is required to be brought before the Board, then the Board shall consider and approve the same upon recommendation of the RPT Committee.

The agenda of the Board Meeting at which approval for Related Party Transaction is sought

shall disclose the necessary details as may be required. Any Director having potential interest in any Related Party Transaction shall not participate in the discussions and voting as stated on the Rule on Conflict of Interest of this Policy.

12.0 ROLES AND RESPONSIBILITIES OF OTHER KEY DEPARTMENTS

- A.** Senior Management. Implement appropriate controls to effectively manage and monitor RPTs on a per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with internal policies and existing rules of the regulatory body;
- B.** Internal Audit. Conduct a period formal review of the effectiveness of the Company's system and internal controls governing RPTs to assess consistency with the board-approved policies and procedures. The resulting audit, reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee;
- C.** Legal and Compliance. Ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. It shall aid in the review of the Company's transactions and identify any potential RPT that would require review by the Board or RPT Committee. It shall ensure that the RPT policy is kept updated and is properly implemented throughout the Company.