

1 Title: **AFP GENERAL INSURANCE CORPORATION**
2 **RELATED PARTY TRANSACTION POLICY**

3 =====
4 Approved Date: February 15, 2018
5 Date to be Reviewed: Annually
6 Memorandum Circular Number:
7 =====

8
9 **I. Purpose**

10 This Policy prescribes the guidelines to be followed as Related Party Transactions
11 (RPT) occur to ensure that exposures of AFPGEN are only undertaken on an arm's
12 length basis for its financial, commercial and economic benefit.
13

14 **II. Policy Statement**

15 As a general rule, AFPGEN shall avoid RPTs. Should RPTs cannot be avoided
16 then AFPGEN shall disclose all relevant information on these instances, including
17 information on the related parties and the affiliation of Directors and Executives.
18

19 AFPGEN may enter into any RPTs solely in the ordinary course of business, on
20 ordinary commercial terms and on the basis of arm's length arrangements, and subject
21 to appropriate approvals and actions of AFPGEN or the Related Parties, as the case
22 may be. Any related-party transaction entered into by AFPGEN shall be in accordance
23 with applicable law, rules and regulations and this Policy.
24

25 **III. Objective**

26 This policy has four objectives. These are:

- 27 A. To provide guidance on what constitutes Related Party Transactions;
- 28 B. To avoid conflict of interest and comply with good governance practices;
- 29 C. To ensure that the appropriate process for approval of the transaction has
30 been undertaken; and,
- 31 D. To ensure compliance with the disclosure requirements of Financial
32 Statement Reporting and Regulatory Agencies.
33

34 **IV. Scope and Coverage**

35 This policy applies to all related party transactions entered into by AFPGEN as
36 defined herein.
37

38 **V. Definition of Terms**

39 The following definitions apply throughout this policy:

- 40 A. Arm's length basis – A transaction between two related parties that is
41 conducted as if they were unrelated, so that there is no conflict of interest. A
42 transaction with a related party will be considered to be on arm's length basis
43 if the key terms, including pricing of the transaction, taken as a whole, are
44 comparable with those of similar transactions if they would have been
45 undertaken with unrelated parties.

46 B. Compliance Officer - AFPGEN's Senior Vice President
47

48 C. Related Party - A Related Party means (1) Director of AFPGEN, (2) Senior
49 Officers, Managers and Key Management Personnel having authority and
50 responsibility for planning, directing and controlling the activities of the
51 Company or its Parent, directly or indirectly; including companies they have
52 control or joint control or significant influence, (3) Immediate family members
53 of a Director or Senior Officer up to the second degree of affinity or
54 consanguinity, (4) Entities in the group owned directly or indirectly by parent
55 company and/or its subsidiaries/affiliates including special purpose entities
56 or those that exert control over AFPGEN, (5) Entities in which a Senior
57 Officers, Managers and Key Management Personnel majority owns or controls,
58 (6) Immediate family members of AFPGEN employees up to second degree of
59 affinity or consanguinity.
60

61 **VI. Guiding Principles**

62 **A. Nature of RPT**

63 The following transactions, if with a Related Party, are considered RPTs:

- 64 1. Purchases or sale of goods
- 65 2. Purchases or sale of services
- 66 3. Selling or disposing of, or buying, property and other assets of any kind;
- 67 4. Guarantees and sureties;
- 68 5. Management contracts;
- 69 6. Agency agreements;
- 70 7. Outsourcing arrangements/ Leases
- 71 8. Transfers under Finance Arrangement like Loans in cash or in kind
- 72 9. Loans and other forms of financial assistance
- 73 10. Provisions of Guarantees and collateral
- 74 11. Settlement of Liabilities on behalf of AFPGEN or by AFPGEN on behalf
75 of another party
- 76 12. Such other similar or analogous transactions to the foregoing
77

78 **B. Materiality Threshold**

80 The Materiality Threshold shall not be based solely on the amount in the
81 level of approving authority for each type of transaction but on the nature of
82 transaction that could result in business interruption, has business
83 consequences or causes concern to Management such that it warrants escalation
84 and notification of Management; and other circumstances which would lead to
85 any of the following:

- 86 1. Materially impair the quality of the Company's governance;
- 87 2. Significantly increase the operational risks and
- 88 3. Services provided involve significant customer impact, exchange or
89 transfer of sensitive and confidential data

90 Excluded transactions are those transactions that are frequent,
91 operational in nature, and do not place the Company at risk or liability exposure.
92

93 **C. Circumstance of RPT**

94 AFPGEN is a participant to a RPT in which a Related Party has the ability
95 to control or to exercise significant influence in the outcome of a proposed RPT
96 such as a Senior Officer with discretion and can influence decisions solely.
97

98 **D. Exemptions to the RPT Rule**

99 Any of the two types of transaction even if the aggregate amount exceeds
100 the materiality threshold shall not require review and approval by the Audit/
101 Investment Committee and the Board, respectively:

- 102 1. Ordinary Course of Business. Financial services that AFPGEN renders
103 provided that the transaction has no policy deviations and the services
104 are on substantially the same terms as those prevailing at the time for
105 comparable services provided to unrelated parties.
- 106 2. Employee Benefits. Auxiliary services granted with preferential rates or
107 waivers given to all employees (including senior officers) as part of
108 employee's incentives or benefits.
109

110 **VII. Responsibilities**

- 111 A. **Reporting of RPTs.** Each Director, Senior Officer, Manager, Supervisor, and
112 Rank & File employee is responsible for providing written notice to the
113 Compliance Officer of any potential RPT involving him or her or his or her
114 Immediate Family Member, including any additional information about the
115 transaction that may reasonably be requested by AFPGEN. The RPT must go
116 through a review and approval process as documented in the flow chart. See
117 Annex.
118
- 119 B. **Content of Report.** The following information, to the extent relevant, with
120 respect to the proposed RPT should be disclosed:
 - 121 1. A general description of the transaction/s including the material terms and
122 conditions.
 - 123 2. The name of the Related Party and the basis on which such person or entity
124 is a Related Party.
 - 125 3. The Related Party's interest in the transaction/s including the Related Party's
126 position or relationship with, or ownership of, any entity that is a party to or
127 has an interest in the transaction/s.
 - 128 4. The total value of the proposed transaction and the share of the Related
129 Party's interest in the transaction/s.
 - 130 5. Whether the Company will be a party to the transaction and if not, the nature
131 of its participation in the transaction/s.
 - 132 6. Whether the proposed transaction includes any potential reputational risk
133 issues that may arise as a result or in connection with the proposed
134 transaction

135 7. Any other material information regarding the transaction/s or the Related
136 Party's interest in the transaction/s.
137

138 C. **Disclaimer.** This is required from all approving officer/s signing contracts,
139 agreements, work orders and purchase orders that they are not related to the
140 counterparties of the proposed transaction.
141

142 D. **Compliance.** The Chief Compliance Officer shall prepare a monthly report on
143 RPTs based on the disclosures and/or reports of RPTs submitted to him. He will
144 be assisted by the Chief Legal Counsel as Alternate Compliance Officer. This will
145 be reported to the Corporate Governance Committee for their disposition.
146

147 E. **Committees.** RPTs exceeding the threshold shall be reported to the Audit
148 Committee (for non-investment RPTs) or the Investment Committee (for
149 investment RPTs) before entering into such transaction.

150 1. The Committees shall consider all relevant factors while deliberating the RPTs
151 for its approval.

152 2. Any member of the Committee who has a potential interest in any related
153 party transaction will excuse himself and abstain from discussion and voting
154 on the approval of the RPT.

155 3. The Committees may grant omnibus approval for RPTs which are repetitive in
156 nature and subject to certain conditions as it may consider necessary in line
157 with this policy and in the interest of AFPGEN. Such omnibus approval shall
158 be valid for one (1) financial year.
159

160 F. **Financial Reporting.** The Head of Internal Audit will submit the report of the
161 non-investment RPTs to the Chief Finance Officer who will then compile the
162 report together with the investment related RPTs. The consolidated report will
163 then be furnished by the CFO to the External Auditor for proper disclosure in the
164 Financial Statements of the Corporation, if necessary under applicable financial
165 reporting rules and policies.
166

167 G. **Penalties for violation of RPT policy.** Officers, Directors, and employees who
168 have been remiss in the duties in handling RPTs shall be subject to disciplinary
169 measures in accordance with the Company's Code of Conduct and Discipline and
170 relevant corporate governance policies, without prejudice to the applicable legal
171 remedies which the Company may avail.
172

173 **VIII. Review of the Policy**

174 This Policy shall be reviewed annually or whenever necessary in order to reflect
175 the current requirements of applicable law, rules and regulations.
176
177
178
179

180 **IX. Disclosure**

181

182 RPTs that are required to be disclosed and reported to regulatory agencies shall
183 be appropriately disclosed in accordance with laws, rules, regulations, and Philippine
184 Financial Reporting Standards.

185

186 **X. Effectivity of the Policy**

187 This policy shall take effect upon approval by the Board.

188

189

190

191

192

193

194

195

196

197

198

199

200

201

202

203

204

205

206

207

208

209

210

211

212

213

214

215

216

217

218

219

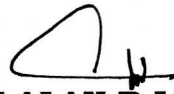
220

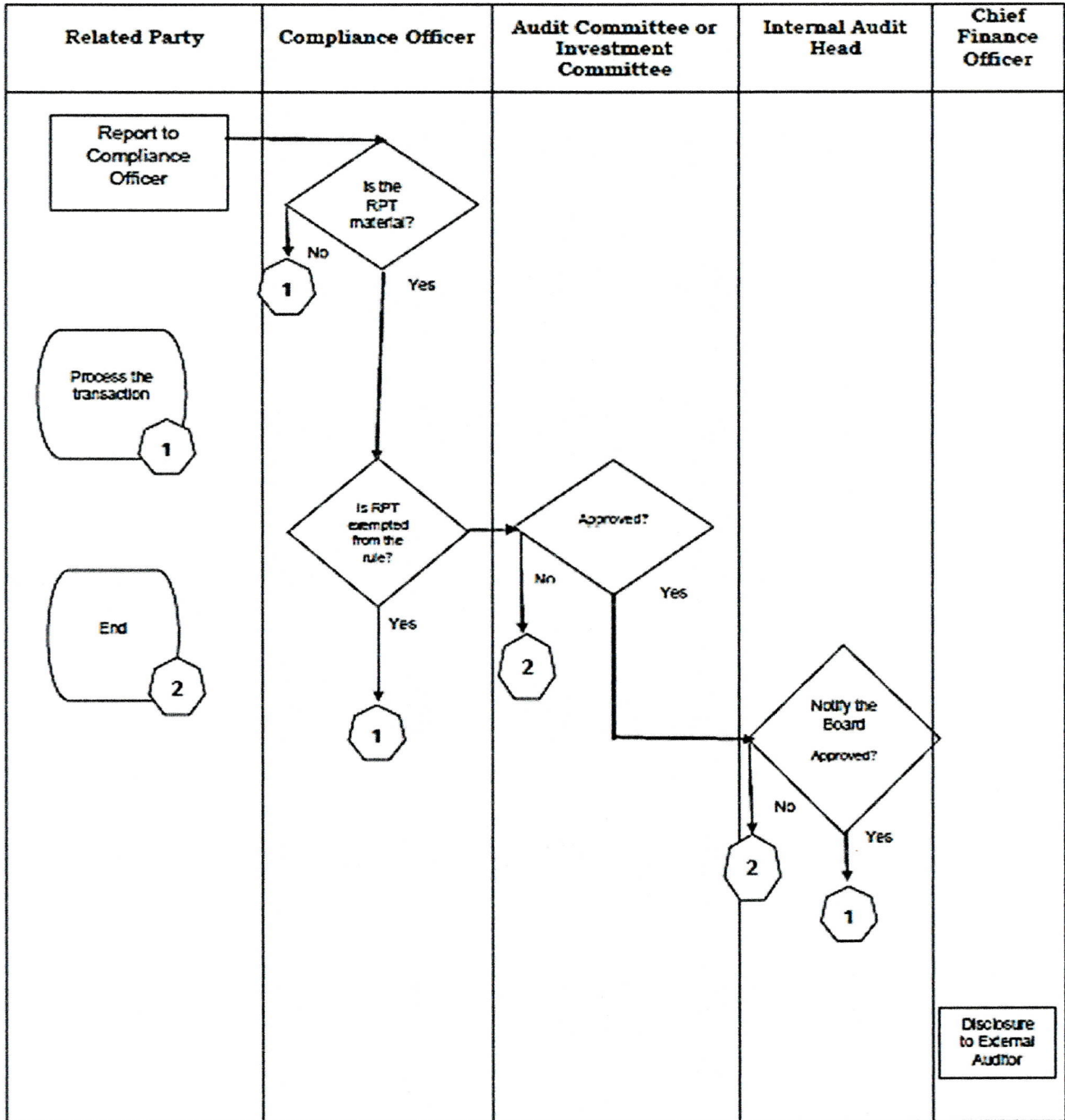
221

222

223

224


LTGEN ALAN R LUGA AFP (Ret)
President and CEO



Annex B



RELATED PARTY TRANSACTION FORM

Name of Related Party: _____

Relationship Type (See Note 1) _____

NATURE OF TRANSACTION	AMOUNT	MATERIAL CONDITIONS	TERMS	AND
Purchases or sale of goods				
Purchases or sale of services				
Selling or disposing of, or buying, property and other assets of any kind				
Guarantees and sureties				
Management contracts				
Agency agreements				
Outsourcing arrangements/ Leases				
Transfers under Finance Arrangement like Loans in cash or in kind				
Loans and other forms of financial assistance				
Provisions of Guarantees and collateral				
Settlement of Liabilities on behalf of AFPGEN or by AFPGEN on behalf of another party				
Such other similar or analogous transactions to the foregoing				

239

240 Potential reputational risk issues that may arise as a result or in connection with the proposed transaction, if any

241

242

243

Any other material information regarding the transaction/s or the Related Party's interest in the transaction/s.

244

245

246 I HEREBY DECLARE THAT THE FOREGOING INFORMATION IS TRUE AND CORRECT.

247

248

249

Signature over Printed Name _____ Designation _____ Date _____

250

251

252

253

254

255

256

257

258

259

260

- Note 1:*
RPT Relationship Types:
 1 - Director of AFPGEN
 2 - Senior Officers, Managers and Key Management Personnel having authority and responsibility for planning, directing and controlling the activities of the Company or its Parent, directly or indirectly; including companies they have control or joint control or significant influence
 3 - Immediate family members of a Director or Senior Officer up to the second degree of affinity and consanguinity
 4 - Entities in the group owned directly or indirectly by parent company and/or its subsidiaries/affiliates including special purpose entities or those that exert control over AFPGEN
 5 - Entities in which a Senior Officers, Managers and Key Management Personnel majority owns or controls.
 6- Immediate family members of AFPGEN employees up to second degree of affinity or consanguinity.

261 **Annex C**

262

263

264 **DISCLAIMER**

265

266

267 The undersigned hereby declares that:

268

269 1. I have no significant control or influence on the other contracting party.

270

271 2. I am not related up to second degree of affinity or consanguinity with officers and
272 employees of the other party.

273

274

275

276

277

278

279 _____
(Signature over printed name)

280

281

282

283

284

285

286

287

288

289

290

291

292

293

294

295

296

297

298

299

300

301

302

303

304

305

306 **Sources of information.**

307

308 Policy on Related Party Transactions of the following firms:

309

310 Prudential Financial as lifted from:

311 http://web.prudential.com/documents/public/Related_Party_Transaction_Approval_Policy.pdf on 9 February 2017

312

313

314 L&T General Insurance Company Limited as lifted from:

315 <http://www.hdfcgi.com/downloads/LTGICLRPTPolicyREVISED.pdf> on 9 February 2017

316

317

318 ICICI Prudential Life Insurance as lifted from:

319 [https://www.iciciprulife.com/content/dam/icicipru/aboutus/corporate_policies/Policy_on_Related_Party_Transactions_\(ICICI_Prulife\)_ver3.pdf](https://www.iciciprulife.com/content/dam/icicipru/aboutus/corporate_policies/Policy_on_Related_Party_Transactions_(ICICI_Prulife)_ver3.pdf) on 9 February 2017

320

321 Manila Water as lifted from:

322 [file:///C:/Users/Bing%20Caparas/Downloads/Policy_on_Related_Party_Transactions%20\(1\).pdf](file:///C:/Users/Bing%20Caparas/Downloads/Policy_on_Related_Party_Transactions%20(1).pdf) on 9 February 2017

323

324 Banko De Oro as lifted from:

325 <https://www.bdo.com.ph/sites/default/files/BDOLF%20RELATED%20PARTY%20TRANSACTIONS%20POLICY.pdf> on 9 February 2017

326

327 AFPMBAI related Party Transaction Policy

328