



AIG PHILIPPINES INSURANCE
Related Party Transactions (RPT) Policy
Issued: August 2018

1. Purpose & Scope

The objective of this policy is to strengthen the internal controls of AIG Philippines Insurance Inc. ("Company") in respect to material transactions with related parties.

Related Parties, as defined under Insurance Commission (IC) Circular No. 2017-29, shall cover the IC's Covered Institution' (CI) subsidiaries as well as affiliates and special purpose entities that the CI exerts direct/indirect control¹ over or that exerts significant influence² over the CI; the directors; officers; stockholders and related interests and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the CI, hence, is identified as a related party.

Close family members are persons related to the CI's directors, officers and stockholders (DOS) within the second degree of consanguinity or affinity, legitimate or common-law. These 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 CI's DOS.

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

2. Policy Statements & Requirements

2.1. **Related party transactions (RPT)** are transactions or dealings with related parties of the CI, including its trust department, regardless of whether or not a price is charged.

2.2. **RPT, shall include, but is not limited to:**

- a. On-and off-balance sheet credit exposures and claims and write-offs;
- b. Investments and/or subscriptions for debt/equity issuances;
- c. Consulting, professional, agency and other service arrangements/contracts ;
- d. Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements);
- e. Construction arrangements/contracts;
- f. Lease arrangements/contracts;
- g. Trading and derivative transactions;
- h. Borrowings, commitments, fund transfers and guarantees;
- i. Sale, purchase or supply of any goods or materials; and

¹ Under Section 290 of the Insurance Code, as amended by R.A.10607: Control is presumed to exist if any person directly or indirectly owns, controls or holds with the power to vote forty percent (40%) or more of the voting securities of any other person. Provided, that no person shall be deemed to control another person solely by reason of his being an officer or director of such other person.

²Under PAS 24 - Significant influence is the power to participate in the operating and financial policy decisions of an entity; it is not control over those policies. It may stem from share ownership, statute or agreement and may be exercised by representation on the board of directors, participation in the policymaking process, material inter-company transactions, interchange of management personnel and dependence on technical information

j. Establishment of joint venture entities

- 2.3 Every RPT to which the Company is a party shall be deemed to include as a condition that it be approved in accordance with this Policy.
- 2.4 A Board-level Related Party Transaction Committee (Committee) shall be constituted, which among others shall³:
- 2.4.1 Evaluate on an ongoing basis existing relations between and among business 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/supervisors.
 - 2.4.2 Evaluate all material RPTs to ensure that these are not undertaken on a more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the CI 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
 - 2.4.3 Ensure that appropriate disclosure is made, and or information is provided to regulating and supervising authorities relating to the CI'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 of interest that are inconsistent with such policies; and conflicts that could arise as a result of CI's affiliation or transactions with other related parties;
 - 2.4.4 Report to the Board 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.
 - 2.4.5 Ensure that transactions with related parties, including write off of exposures, are subject to independent review or audit process.
 - 2.4.6 Oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including the periodic review of RPT policies and procedures.
- 2.5 All RPT must be brought to the attention of Management and the Committee. Pursuant to AIG's Code of Conduct, any employee or director who is aware of a transaction or relationship that could reasonably be expected to give rise to a conflict of interest is instructed to report the matter to the Local Compliance Officer.
- 2.6 During the Annual Stockholders meeting, each of Company's Directors, Officers⁴ and Shareholders shall declare his/her related party information and transactions to the Company, as well as the related party information and transactions of their relatives by consanguinity and affinity within the second degree, to elicit information about any potential Related-Party Transactions.
- 2.6.1 Any potential RPT that is raised will be reviewed and analyzed by Legal and Finance & Accounting (F&A) Departments, in consultation with outside counsel, as appropriate, to determine whether the transaction or relationship does, in fact, constitute a Related-Party Transaction requiring compliance with this Policy.

³ Section 2.2, IC CL No. 2017-29

⁴ As disclosed in the SEC General Information Sheet

- 2.6.2 Legal and F&A Departments shall be responsible in maintaining the approved list of the Company's affiliated companies. Legal Department shall keep the official list of related party information on file.
- 2.6.3 The above shall collectively constitute the information archive of affiliated parties.

2.7 Evaluation

- 2.7.1 Legal and F&A Departments shall evaluate all 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 CI 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.
- 2.7.2 In evaluating RPTs, Legal and F&A Departments shall take into account, among others, the following:
 - a. The related party's relationship to the CI and interest in the transactions;
 - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - c. The benefits to the CI of the proposed RPT;
 - d. The availability of other sources of comparable products or services; and
 - e. 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.
- 2.7.3 The following threshold shall be used in determining if RPT is material:
 - 2.7.3.1 For recurring transactions, annual aggregate must not exceed
 - a. 10% of Average Gross Written Premiums for the last 3 years, for all transactions related to premiums or gross insurance revenue
 - b. 10% of Average Net Earned Premiums for the last 3 years, for all transactions related to underwriting expenses or direct operating expenses
 - c. 5% of Average Net Earned Premiums for the last 3 years, for all transactions related to general & operating expenses and not classified underwriting expenses or direct operating expenses
 - d. 5% of Average Underwriting Margin for the last 3 years, for all transactions related to other income or non-insurance revenue.
 - 2.7.3.2 For one-time and / or non-recurring transactions, total transaction must not exceed **USD100,000.00**

2.8 Approval

- 2.8.1 Transactions below the materiality threshold set in 2.7.3
 - 2.8.1.1 All RPTs below materiality threshold shall be referred to the Management Committee for approval.

2.8.1.2 In addition, all transactions approved by Management Committee shall be subject to confirmation by the Committee and the Board of Directors at the regular board meeting with a majority vote.

2.8.2 Transactions within & above the materiality threshold set in 2.7.3

2.8.2.1 All RPTs within and above the approved threshold (or material RPTs) are prohibited, unless approved or ratified by the RPT Committee

2.8.2.2 A material RPT entered into without pre-approval of the Committee and the Board of Directors (Board) shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee and the Board for ratification as promptly as reasonably practical after it is entered into and such transaction is ratified.

2.8.2.3 The Committee, at each of its meetings, will be provided with the details of each existing or proposed material RPT that it has not previously approved or disapproved, including the terms of the transaction, the business purpose of the transaction, and the benefits to the Company and to the relevant Director, Officer, Shareholder or Employee.

2.8.2.4 In the event the General Counsel (GC) & Chief Financial Officer (CFO) or another member of the Legal and F&A Department, designated by the GC & CFO determines that it is impractical or undesirable to wait until the next Committee meeting to review a RPT, the Chairman of the Committee may act on behalf of the Committee to review and approve the material RPT.

2.8.2.5 In determining whether to approve a material RPT, the Committee will consider the following factors, among others, to the extent relevant to the RPT:

- a. whether the terms of the RPT are fair to the Company and on terms at least as favorable as would apply if the other party was not or did not have an affiliation with a director, executive officer or employee of the Company;
- b. whether there are demonstrable business reasons for the Company to enter into the RPT;
- c. whether the RPT would impair the independence of a director; and
- d. whether the RPT would present an improper conflict of interests for any director, executive officer or employee of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or employee, the direct or indirect nature of the interest of the director, executive officer or employee in the transaction, the ongoing nature of any proposed relationship, and any other factors the Committee or the Chairman of the Committee deems relevant.

2.8.2.6 Once the Committee has determined that the related party transaction is not undertaken on more favorable terms than to a non-related party, among others, it shall approve the transaction.

- 2.8.2.7 The Committee shall present the related party transaction for the approval of the Board of Directors by a majority vote.
 - 2.8.2.8 The related party transaction shall be referred for confirmation by the majority of the shareholders at the Annual Shareholders Meeting.
 - 2.8.3 In the event that the Company becomes aware of a RPT that was not approved under this Policy prior to consummation, such transaction shall be reviewed in accordance with this Policy as promptly as reasonably practicable.
 - 2.8.4 The Committee shall consider all of the relevant facts and circumstances and evaluate all options available to the Company, including ratification, amendment or termination of such RPT and take such course of action as may be deemed appropriate under the circumstances. The Legal & Finance Departments shall also examine the facts and circumstances relating to the failure of such RPT to have been presented in accordance with this Policy and shall take any action as may be appropriate under the circumstances.
 - 2.8.5 Any member of the Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the RPT, but may, if so requested by the Chairman of the Committee, participate in some or all of the Committee's discussions of the RPT.
3. **Code of Conduct** - No approval or ratification of a RPT pursuant to this Policy shall be deemed to supersede the requirements of the Company's Code of Conduct and, to the extent applicable, each Related-Party Transaction subject to this Policy shall also comply with the Company's Codes of Conduct.
 4. **Whistle Blowing and Conflict of Interest** - The AIG Whistle Blowing and Conflict of Interest policies are hereby adopted and made as an integral part of this policy
 5. **Regulatory Reporting** - All regulatory reporting required in accordance with this Policy shall be handled by the F&A Department.
 6. **Audit**
 - 6.1. The Internal Audit Department shall conduct audit over RPT at least once every year and shall report the audit results to the Committee, which will in turn report the matter to the Board of Directors.
 - 6.2. Where the Board of Directors considers it necessary, the Company may appoint an external auditor to conduct audit over affiliated transactions of the Company. No professional firms controlled by an affiliated party can be appointed to provide such audit or actuarial service.
 7. **Disclosure** - Should there be any RPT and related party fund utilization transaction occurring to the Company, the related information shall be disclosed in a timely manner initially to the Legal and F&A Departments, which will make the determination whether the transaction is within the material threshold set.
 8. **Violation** - Where F&A Department finds any affiliated transaction is concluded without going through the required approval process as specified in these Measures, such transaction shall be suspended and the required approval shall be obtained forthwith; Depending upon the specific circumstance, F&A department shall report the matter to the Management Committee, the Committee or Board of Directors, as the case may be;

9. **Mechanism for Restitution of Losses** - In the event where any RPT conducted without authorization results in adverse impact upon or economic loss to the Company, the Company may take the necessary legal action against the relevant responsible person(s).
10. **Miscellaneous** - Relevant documents of affiliated transactions shall all be kept for a period of 5 years from transaction date, or as is required under AIG Internal policy by relevant departments as follows:
 - a) Board resolutions shall be kept by Secretary of the Board and General Counsel;
 - b) Affiliated transaction agreements shall be kept by Finance;