

AXA PHILIPPINES Abridged Guidelines on Related Party Transactions

RATIONALE

The purposes of the guidelines are:

1. To ensure that Related Party transactions are only undertaken on an arm's length basis for the financial, commercial and economic benefit of AXA Philippines and the entire group where AXA Philippines belongs;
2. To identify, manage or avoid conflict of interest and comply with regulatory and best practices; and
3. To ensure that a process for approval or rejection of Related Party transaction has been undertaken.

With the current regulations, it is expected that AXA Philippines including its subsidiaries and affiliates, will exercise appropriate oversight and implement effective control systems for managing exposures as these may potentially lead to abuses that are disadvantageous to AXA Philippines and its policyholders, claimants, fiduciary clients, and other stakeholders.

DEFINITION OF TERMS

RELATED PARTIES shall cover AXA Philippines' subsidiaries as well as affiliates including their subsidiaries, affiliates and special purpose entities that AXA Philippines exerts direct/indirect control over of that exerts significant influence over AXA Philippines; the directors; officers; stockholders and related interests ("DOSRI") and their Close Family Members, as well as Corresponding Persons in Affiliated Companies. This shall also include such other person/juridical entity whose interest may pose potential conflict with the interest of AXA Philippines, hence is identified as a Related Party.

CLOSE FAMILY MEMBERS are persons related to AXA Philippines' directors, officers and stockholders ("DOS") within the second degree of consanguinity or affinity, legitimate or common-law. These shall include the following AXA Philippines' DOS:

1. Spouse;
2. Parent;
3. Child;
4. Brother;
5. Sister;
6. Grandparent;
7. Grandchild;
8. Parent-in-law;
9. Son/Daughter-in-law;
10. Brother/Sister-in-law;
11. Grandparent-in-law; and
12. Grandchild-in-law.

CONFLICT OF INTEREST – is a breach of an obligation to AXA Philippines that has an effect or intention of advancing one's own interest or the interest of others that is grossly disadvantageous to the interest or potentially harmful to AXA Philippines.

CORRESPONDING PERSONS IN AFFILIATED COMPANIES are the DOS of the affiliated companies and their close family members.

RELATED PARTY TRANSACTIONS are transactions or dealings with related parties of AXA Philippines, regardless of whether or not a price is charged. These shall include, but not limited to the following:

1. On-and off-balance sheet credit exposures and claims and write-offs;
2. Investments and/or subscriptions for debt/equity issuances;



3. Consulting, professional, agency and other service arrangements/contracts;
4. Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements);
5. Construction arrangements/contracts;
6. Lease arrangements/contracts;
7. Trading and derivative transactions;
8. Borrowings, commitments, fund transfers and guarantees;
9. Sale, purchase or supply of any goods or materials; and
10. Establishment of joint venture entities

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

SIGNIFICANT TRANSACTIONS – refer to dealings that could pose potential impact and material risk on the operations of AXA Philippines that would require board approval based on AXA Philippines' internal policies or as provided under the existing regulations. These significant transactions shall be disclosed in the audited financial statements, the annual report and in the disclosure reports submitted to the regulators.

TRANSACTIONS COVERED

- A. The RPT policy guidelines cover and capture a broader spectrum of transactions not only those that give rise to credit and/or counterparty risks but also those that could pose material risk or potential abuse to the AXA Philippines, and its stakeholders. It should capture transactions of AXA Philippines where RPT can arise given its business lines. It also covers transactions with unrelated parties that subsequently become related parties.

The following transactions are covered:

1. Sale, purchase or supply of any goods or materials;
2. Selling or otherwise disposing of, or buying, property of any kind;
3. Leasing of property of any kind;
4. Availing or rendering of any services;
5. Appointment of any agent for purchase or sale of goods, materials, services or property etc.
6. Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
7. Underwriting the subscription of any securities or derivatives thereof, of the company;
8. Transactions involving transfer of resources or obligations between related parties, regardless of whether or not a price is charged shall be covered, including but not limited to:
 - a. Purchases or sales of goods;
 - b. Purchases or sales of fixed assets;
 - c. Rendering or receiving of services;
 - d. Agency arrangements;
 - e. Leasing or hire purchase arrangements;
 - f. Transfer of research and development;
 - g. License agreements;
 - h. Finance (including loans and equity contributions in cash or in kind);
 - i. Guarantees and collaterals; or
 - j. Management contracts including for deputation of employees

- B. Covered Related Parties:

1. DOSRI, (RI limited to 1st degree relatives). For officers of AXA Philippines and its related parties, it is limited to the rank of at least Vice President;
2. Close family members of DOS (up to 2nd degree relatives);
3. AXA Philippines' subsidiaries and affiliates;
4. Other related parties/entities linked directly or indirectly to AXA Philippines;
5. Any party that AXA Philippines exerts direct/indirect control over (downstream relationship); or that exerts direct/indirect control over AXA Philippines (upstream relationship).
6. Subsidiaries, affiliates and special purpose entities of B.5;

7. DOS and their 2nd degree relatives of the affiliated companies (Nos. B.1, B.5, B.6 and corporate related interests) or as follows:

Affiliated companies are: (i) AXA Philippines' subsidiaries and affiliates (ii) any party that AXA Philippines exerts direct/indirect control over; or that exerts direct/indirect control over AXA Philippines; (iii) subsidiaries, affiliates and special purpose entities of B.5; and (iv) corporate related interests (RI).

8. Any person/juridical entity that has interest which may pose potential conflict with the interest of AXA Philippines. This pertains to Board-identified related parties which do not fall among those enumerated but whose transactions with AXA Philippines also pose conflict of interest situations, such as exposures with significant economic dependence.

C. Materiality threshold and Excluded Transactions

Materiality threshold shall be set for each type of transaction and for each related party group. Materiality is not solely based on the amount of the RPTs but also on the nature of transaction and risks involved which could lead to any of the following:

1. Omission or misstatement of the transaction could pose significant risk to AXA Philippines and could influence economic decision of the Board;
2. Business consequence or cause of concern to Management that warrants escalation and notification of Management;
3. Transaction that will materially impair the quality of AXA Philippines' governance;
4. Transaction that will significantly impair operational risks;
5. Services provided will involve significant customer impact, exchange or transfer of sensitive and confidential data.

In any of the following cases mentioned above, approval and endorsement by the appropriate Board Committee ("Committee"; see Item #3 below) shall be required. Transactions that are frequent, operational and do not place AXA Philippines at risk or liability exposure are considered Excluded Transactions.

Materiality shall also be in accordance with the Delegated Authority document of AXA Philippines. Otherwise, for transactions beyond the delegated authority designations, the BORC approval shall be secured.

D. Conflict of Interest arising from RPTs

Committed to ensuring that all related parties operate at the highest level of integrity, the members of the board, stockholders, and management shall disclose to the Committee whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting AXA Philippines. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting AXA Philippines.

E. Review and Approval

Committee Approval. - All related party transactions proposed to be entered into by AXA Philippines shall require approval of the Board Risk Management Audit and Compliance Committee ("Committee") and shall be subject to their prescribed conditions. Any decision approving RPT shall be shared with the Corporate Secretary for information within 2 weeks from the date of approval. The following information shall be given the Corporate Secretary:

- a. General description of the transaction/s, including material terms and conditions;
- b. Name of the related party and basis why such person is a related party;
- c. The interest of the related party to the transaction;
- d. Approximate value of the transaction;
- e. If the transaction involves lease or that which provides periodic payments or installments, the aggregate amount of all periodic payments or installments expected to be made;



- f. If the transaction involves indebtedness, the aggregate amount of principal outstanding and the rate or amount of interest to be payable on such indebtedness;
- g. Any other material information regarding the transaction.

The Committee may approve or disapprove the transaction or give modifications to approved transactions with related parties. Should the Committee determine that the transaction should be disapproved, it may require management to take all reasonable efforts to terminate, cancel or annul the transaction.

The Committee shall also:

1. 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;
2. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process; and
3. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

Stockholders' Approval - All material RPTs, those that cross the materiality threshold or write-off material exposures to related parties shall require confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of the RPTs shall also be approved by the board of directors.

Guidelines in Ensuring Arm's Length Terms - Any Related Party Transaction shall be dealt with and conducted in the regular course of business. There shall be no favorable terms, economic or otherwise, given to any Related Party.

Board and Senior Management Oversight - In the ordinary course of business, AXA Philippines has dealings with its DOSRI, subsidiaries/affiliates, and related parties. These dealings and other related party transactions are made substantially on the same terms granted to other individuals and businesses of comparable risk. Further, the company may enter into business relationships with related parties based on terms in the agreements that are same as those entered into with unrelated parties and terms that are considered not less favorable to the interest of AXA Philippines.

BOARD OF DIRECTORS (BOD)

The BOD shall have the overall responsibility for ensuring that transactions with related parties are handled in a sound and prudent manner with a high degree of integrity; for exercising sound and objective judgment; and for compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders of the company.

BOARD RISK MANAGEMENT AUDIT AND COMPLIANCE COMMITTEE (BRMACC)

The Committee oversees the evaluation of RPT that present the risk of potential abuse; processes and approvals are conducted at arm's length basis; exercise sound and objective judgment for the best interest of AXA Philippines; and review/endorse RPT to the board for approval/notation.

For the purpose of the Committee, it 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 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 the said Committee.

SENIOR MANAGEMENT

The duties and responsibilities of the Senior Management are as follows:



1. Implementation of appropriate controls to effectively manage and monitor RPTs on per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with the Board approved policy, as well as regulatory requirements.
2. Periodic review and update of the inventory of related parties covered by RPT policy to capture organizational and structural changes in AXA Philippines and its related parties.
3. Adoption and proper implementation of RPT policies and procedures and compliance with regulatory reporting requirements.
4. Ensuring that dealings of related party transactions are conducted on arm's length basis at all times.

INTERNAL AUDIT AND COMPLIANCE

The internal audit function shall conduct a period formal review of the effectiveness of AXA Philippines' 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.

The compliance function shall ensure that AXA complies with relevant rules and regulations and is informed of regulatory development in areas affecting related parties. It shall aid in the review of AXA'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 AXA Philippines.

ASSESSMENT AND MONITORING

Assessment and monitoring of reporting and internal controls on transparency of RPTs shall be conducted by independent groups composed of the Internal Audit which directly reports to the BOD through the Committee.

DISCLOSURES/REPORTS

AXA Philippines shall submit all necessary reports/disclosure that may be prescribed by the regulatory bodies/agencies in accordance with existing regulations covering related party transactions.

WHISTLEBLOWING MECHANISM

The mechanisms of AXA Philippines Whistleblower Policy shall be available. Thus, any member of the staff is encouraged to directly raise the issue to the Designated Complaints Recipient ("DCR"). Employee may report any concern by speaking directly to the DCR or sending an email to whistleblower@axa.com.ph.

PERIODIC REVIEW

This Policy shall be reviewed on a periodic basis by Compliance. Should changes, amendments or revisions be necessary, the same shall be presented for approval to the Board of Directors.

