

## **A Model Policy on Related-Party Transactions**

### **A. Introduction**

It is \_\_\_\_\_'s [enter company name] (hereinafter "the Company") policy that related party transactions are conducted at arm's length with any consideration paid or received by the Company or any of its subsidiaries in connection with any such transaction being on terms no less favourable than terms available to any unconnected third party under the same or similar circumstances.

The purpose of this policy is to set out the procedures by which the Company or any of its subsidiaries may enter into a related party transaction.

### **B. Application of this Policy**

This policy applies to the Company's directors and senior managers. Related party transactions constitute a conflict of interest within the meaning of the Company's code of corporate governance. This policy is not intended to conflict with any applicable laws or regulations and if any such conflict occurs the requirements of the law or regulation shall prevail.

### **C. Review and Approval Procedures**

Directors shall disclose to the board, through the company secretary, details of all their other directorships and any shareholdings owned by them or members of their family. Any changes to these notifications must be communicated promptly to the board of directors through the company secretary.

It is the responsibility of each director and senior manager to promptly notify the board, through the company secretary, of any proposed related-party transaction as soon as they become aware of it. It is the responsibility of a director or senior manager who is involved in a proposed related-party transaction to inform the board, through the company secretary, and obtain approval prior to entering into the transaction.

Conflicted board members shall not participate in discussions on transactions in which they are a conflicted party and abstain from voting on such issues.

The board shall decide whether or not to approve the related party transaction involving a director in the absence of that director.

### **D. Identification of Related Party Transactions**

For purposes of this policy, a "related party transaction" is a transaction between the Company or any of its subsidiaries and any "related party".

"Related Party" includes the following: ( Note 1):

- a. The board members of the Company, its parent company, affiliated or sister companies and associates.
- b. A parent company and any subsidiary or affiliated company that is not wholly owned.
- c. The CEO or General Manager, and key officers, including anyone who directly reports to the board or the CEO.

- d. Any significant (Note 2) shareholder having the ability to control, or exercise a significant influence on, the outcome of resolutions voted on by shareholders or directors of the Company, its parent company, affiliated or associated companies.
- e. The father, mother, sons, daughters, husband, or wife of any of the natural persons listed in Clauses (a, b and c).
- f. Any business, and the directors, CEO and key officers of any business, in which the natural persons listed in paragraphs (a) to (e) own jointly or severally at least 20% of the voting rights (Note 1).
- g. Any person whose judgment or decisions could be influenced as a consequence of an arrangement or relationship between or involving themselves and any of the persons in paragraphs (a) to (f).

A “significant shareholder” of the Company is one who owns, or controls, or has the ability to exercise or influence the voting rights of, 5% or more of the shares of that company. “Immediate family” includes a person’s parent, grandparent, child, brother, sister, aunt, uncle, cousin, nephew, niece, spouse, widow or in-law.”

Note 1: This definition of related parties is intended to be consistent with the definition in IAS 24.

Note 2: In paragraph (d) the Company will generally interpret a significant influence as meaning owning or controlling more than 10% of the voting rights. Ownership or control of more than 20% of the voting rights is definitely a significant influence.

Note 3: In paragraph (f) “business” includes joint ventures.

### **E. Disclosure**

The Company shall report to its shareholders in its annual report and accounts on all related party transactions to the extent required by applicable laws or regulations. If the law so requires, the prior approval of shareholders will be sought for any proposed related-party transaction.

### **F. Policy Review**

The audit committee shall review and assess the adequacy of this policy at least annually and recommend for approval by the board any changes it considers are needed.

Source: IFC.