

A close-up photograph of a financial document, likely a balance sheet or income statement, with various numerical data points. A magnifying glass is positioned over the document, focusing on a specific section. The text 'POLICY ON TRANSACTIONS BETWEEN RELATED PARTIES' is overlaid in white, 'CORPORATE GOVERNANCE' in orange, and 'IMPLEMENTATION GUIDE' in white on a dark background.

POLICY ON TRANSACTIONS BETWEEN RELATED PARTIES CORPORATE GOVERNANCE IMPLEMENTATION GUIDE



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About the Authors | Cefeidas Group

Cefeidas Group is an international advisory firm that helps clients achieve their goals in Latin America. Cefeidas has worked with the IDB and IDB Invest for over a decade. Cefeidas provides professional services in public policy, risk and strategy; corporate governance, stewardship and sustainability; and strategic intelligence and research. www.cefeidas.com



1. FUNDAMENTALS OF THE POLICY ON RELATED-PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

A Related-Party Transactions (RPT) Policy is a fundamental document in the corporate governance framework that establishes the principles, procedures, and safeguards for managing business transactions between the company and its related parties. RPTs **represent any transfer of resources, services, or obligations between parties that maintain a direct or indirect relationship with the company**, including controlling shareholders, members of the Board of Directors, senior management, and entities that these parties control or significantly influence.

It is crucial to understand that related-party transactions are not inherently detrimental to the business. In fact, **when carried out transparently and under competitive market conditions, these types of transactions can generate operational efficiency, cooperation, and legitimate business opportunities** that benefit all parties involved. However, **when these transactions lack transparency or are executed without adequate controls, they can lead to situations in which the interests of certain groups prevail over the general interest of the company**, resulting in losses in value, reputational deterioration, and potential legal conflicts.

The difference between a positive and a negative outcome lies in the existence and effective implementation of a robust policy that ensures fairness, transparency, and alignment with the company's best interests.

Why is this essential to the company's success?

The implementation of an RPT policy goes beyond mere regulatory compliance; it is a strategic pillar of sustainable business success. These policies are even more relevant in the business context of Latin America and the Caribbean, where concentrated ownership structures and family businesses are common. The absence of a clear and effective policy can lead to decisions that compromise the company's independence, erode value for minority shareholders, and undermine market trust.

Companies operating without a formal RPT policy face significant risks that can materialize in multiple ways. Lack of transparency in related-party transactions **can generate negative perceptions among potential investors**, increasing the cost of capital and



RPTs and Conflicts of Interest

RPTs are transactions carried out between a company and persons or entities with relationships of control, significant influence, or economic proximity, such as shareholders, directors, or subsidiaries. These transactions are usually legitimate; however, they require transparency and proper approval to avoid harm to the company or minority shareholders. Meanwhile, **conflicts of interest arise when a decision maker's personal or external interests may interfere with their duty to act in the company's best interests**. Therefore, RPTs constitute a specific situation in which a conflict of interest can arise if these transactions are not properly managed.

RPT policies can—and often should—also address conflicts of interest, given that both topics focus on ensuring objectivity and loyalty in corporate decision-making. Integrating both approaches into a single regulatory framework enables the establishment of coherent risk identification, evaluation, and management mechanisms, thereby strengthening confidence in corporate governance processes and ensuring that related-party transactions are always conducted under conditions of equity and for the benefit of the company.

limiting access to financing. In addition, the absence of clear procedures for identifying, evaluating, and approving these transactions can lead to **suboptimal decisions that destroy business value and expose the company to legal and reputational risks.**

An RPT policy also serves as a protection mechanism for the company's managers and executives. **By establishing clear and documented procedures for handling these transactions, directors and managers can demonstrate that they have exercised due diligence and complied with their fiduciary duties.** This is particularly relevant in situations where decisions made may subsequently be challenged by shareholders, regulators, or judicial authorities.

Scope and Application

The scope of an RPT policy must be comprehensive, covering all levels of the organization where potential conflicts of interest may arise. This includes, but is not limited to, the Board of Directors, Board committees, and senior management. In many cases, it should be extended to key employees who have the ability to influence significant business decisions.

Effective application of the policy requires that all subjects involved understand their formal obligations, as well as the spirit and purpose of the established regulations. This implies that **the Board of Directors must lead by example, ensuring that its own transactions with the company are scrutinised with the utmost rigour and transparency.** Independent Advisors play a particularly critical role in this process, as their objective perspective is essential to assessing whether a proposed transaction is aligned with the company's best interests.

The policy **should also apply to subsidiaries and entities controlled by the company, creating a coherent governance framework at the corporate group level.** This is especially important in complex corporate structures, where intercompany transactions can transfer value among group entities, potentially to the detriment of minority shareholders of some of those entities.

Objective: What is the purpose of this tool?

The fundamental objective of an RPT Policy is to establish a robust framework that ensures all transactions between the company and its related parties **are conducted under market conditions, with full transparency and in the best interests of the company and all its shareholders**. This tool seeks to strike a balance between the flexibility needed to capitalize on legitimate business opportunities and protection against potential abuses or conflicts of interest.

The policy should achieve several interrelated specific objectives:

- First, it must provide clear definitions and objective criteria to identify **what constitutes a related party and what types of transactions require special oversight**.
- Second, it must establish **robust procedures for the evaluation, approval, and monitoring of these transactions**, including the determination of materiality thresholds and required approval levels.
- Third, it must create effective **disclosure and transparency** mechanisms that allow all *stakeholders* to understand the nature and terms of the transactions carried out.

Advantages by Type of Company

Family Businesses

For family businesses, a well-designed RPT Policy offers particularly significant advantages. These organizations face unique challenges stemming from the overlap between family and business relationships, where business decisions can be influenced by personal considerations or family dynamics. The RPT Policy provides an objective framework that helps to separate these areas, establishing professional criteria for business decision-making.

The implementation of formal procedures to manage RPTs in family businesses facilitates the professionalization of management and can be instrumental in preparing the company for succession processes or the eventual incorporation of outside investors. By demonstrating that transactions with family members are conducted under market conditions and with appropriate oversight, the company builds credibility and reduces perceptions of risk associated with family governance.

RPTs and Ethical Culture

The RPT Policy seeks to strengthen the culture of integrity and business ethics by setting clear expectations about the expected behavior of directors, executives, and employees when faced with situations that may present conflicts of interest.

The relationship between the RPT Policy and the Code of Ethics and Integrity functions

as an integrated, complementary system in which both instruments reinforce one another. The Code of Ethics establishes the fundamental principles and values that guide organizational behavior, while the RPT Policy operationalizes these principles through specific, tangible procedures to manage concrete situations of potential conflict.

By institutionalizing these procedures, the company demonstrates its commitment to corporate governance best practices and builds trust with stakeholders.

Public Limited Companies

Public limited companies, especially those with dispersed capital, face high expectations of transparency and accountability from the market and regulators. For these organizations, a robust RPT Policy is essential to maintain investor confidence and comply with regulatory obligations. The policy must go beyond minimum legal compliance to set standards that reflect international best practices and the expectations of sophisticated institutional investors.

The competitive advantage of having an exemplary policy in this type of company manifests across multiple dimensions. First, it reduces the governance discount that investors can apply when valuing the company. Second, it facilitates access to international capital markets where governance standards are a determining factor. Third, it minimizes the risk of litigation or regulatory sanctions that can result in significant financial and reputational costs.

Growing Midsize Businesses

For medium-sized companies experiencing growth, the early implementation of an RPT Policy represents a strategic investment in their future development. These companies frequently find themselves at tipping points that require accessing new sources of financing, establishing strategic alliances, or preparing for a potential initial public offering. A well-structured policy sends positive signals to potential partners and investors about the maturity and professionalism of business management.

In addition, at this stage of business development, the complexity of business operations and relationships tends to increase significantly. The RPT Policy provides a framework for handling this increasing complexity in an orderly manner, preventing rapid growth from resulting in loss of control over related party transactions or the emergence of unmanaged conflicts of interest.

RPTs in Conglomerates



Where a company has **vertically integrated subsidiaries** into a group, the RPT Policy should give special consideration to the frequency and operational nature of intra-group interactions. In these cases, RPTs are part of the business model and do not necessarily indicate a risk in themselves, but require clear mechanisms to distinguish routine operations from those that may generate conflicts of interest or inequitable transfers of value. The policy must establish materiality criteria, proportional approval procedures and safeguards that ensure market conditions and transparency in all internal transactions.



When **integration within the group is horizontal, covering different industries**, the RPT Policy faces challenges that differ from those of vertical integration. In this case, operations between group companies do not necessarily respond to the same production chain, but **may involve activities without direct operational synergies, which increases the risk of inappropriate value transfers or decisions influenced by control interests**. Therefore, the RPT Policy should focus more on transparency, economic justification, and the evaluation of market conditions, ensuring that transactions are objective and beneficial for each entity.

Alignment with the Pillars of Good Corporate Governance

1. Accountability

The RPT Policy embodies accountability by requiring the Board and senior management to document, justify, and report decisions regarding related-party transactions. In addition, it must define clear responsibilities and consequences for non-compliance, ensuring that those involved in these decisions are held accountable for their management and results.

2. Transparency

Transparency is essential in the management of RPTs. The RPT Policy should set disclosure standards that exceed regulatory minimums, providing clear information about the terms and process of approving transactions. It must also ensure that information is understandable, accessible, and presented in a timely manner through uniform formats.

3. Responsibility

Responsibility involves assessing how RPTs affect the company's value, reputation, and sustainability. Directors and executives have a fiduciary responsibility to act in the best interests of the corporation, supported by effective internal control systems that prevent and correct deviations. The RPT Policy should define these obligations and how to meet them.

4. Fairness

The principle of fairness protects the rights of all shareholders, especially minority shareholders, by ensuring that no party makes undue profits. The RPT Policy should ensure that market conditions are met in all such transactions and apply uniform scrutiny, regardless of who proposes the transaction, thus promoting fair and balanced treatment.



G20/OECD Principles of Corporate Governance (2023)

The G20/OECD Principles of Corporate Governance state that the corporate governance framework should ensure equal treatment for all shareholders, including minority and foreign shareholders. In the context of RPTs, these principles emphasize the need for such transactions to be approved and executed in a manner that takes into account the interests of the company and all its shareholders. The Principles specifically highlight that **Board members and key executives should report to the Board any material interest** they may have in transactions or matters affecting the company.

The 2023 update of these Principles has strengthened recommendations related to RPTs, recognizing their critical importance in the context of concentrated ownership structures prevalent in many jurisdictions. The Principles now emphasize the need for robust procedures for the identification, evaluation, and approval of these transactions, as well as the importance of the role of Independent Directors in this process.



International Accounting Standard (IAS) 24

Although primarily focused on accounting disclosure, IAS 24 provides important definitions and criteria to consider when developing an RPT Policy. The Standard establishes comprehensive definitions of related parties and related-party transactions that have been widely adopted as reference standards. The alignment of corporate policy with these definitions facilitates consistency between the internal management of RPTs and their external financial reporting.

2. KEY COMPONENTS AND STRUCTURE

The following is a detailed template for drafting a Related-Party Transaction Policy. Companies are invited to adapt this model according to their specific needs, size, and operational context:

Cover Page

POLICY ON RELATED-PARTY TRANSACTIONS [AND CONFLICTS OF INTEREST]

[Business name]

Board Approval Date: [XX/XX/XXXX]

Contents:

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2. DEFINITIONS
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8. MONITORING AND COMPLIANCE
9. DISCLOSURE AND TRANSPARENCY
10. FINAL PROVISIONS

CHAPTER I: PURPOSE AND SCOPE

Article 1. Purpose and objective

1.1 This document constitutes the Related-Party Transactions [and Conflicts of Interest] Policy of [Company Name], establishing the fundamental principles, procedures, and controls necessary to ensure that all related-party transactions are carried out under market conditions, in a transparent manner, and in the best interest of the Company and its shareholders. The adoption of this Policy reflects the Company's commitment to best corporate governance practices and to creating sustainable value for all its stakeholders.

1.2 This Policy specifically seeks to establish robust mechanisms for the early and timely identification of related parties [and potential conflicts of interest]; define clear and transparent procedures for the evaluation, approval, and ongoing monitoring of these transactions; and ensure

Implementation Notes

Critical elements to customize:

- Adjust monetary thresholds to the size and reality of your company.
- Verify alignment with the legal requirements of your jurisdiction.
- Adapt approval levels to your organizational structure.
- Consider the particularities of your industry or sector.
- Review with local legal counsel before approving.

For successful implementation:

- Obtain visible and active engagement from senior management.
- Allocate sufficient resources for administration and monitoring.
- Clearly communicate to the entire organization.
- Establish credible consequences for non-compliance.
- Maintain orderly and accessible documentation.

comprehensive compliance with applicable regulations and the highest international standards of corporate governance. Additionally, it seeks to effectively protect the interests of all shareholders, with special emphasis on the rights of minority shareholders, and promote a culture of transparency through the full and timely disclosure of relevant information about these transactions.

Article 2. Scope of application

2.1 This Policy is mandatory and binding for all members of the Board of Directors, both regular and alternate; members of Senior Management and all personnel with decision-making power or significant influence in the operations of the Company; employees who participate directly or indirectly in purchasing, sales, contracting or commercial negotiation processes; shareholders with a significant participation greater than [X%] of the share capital; and external advisors, consultants and attorneys-in-fact when acting on behalf of or representing the Company.

2.2 This Policy complements, but does not replace or derogate from, the laws, regulations, and bylaws applicable to the Company. In the event of any conflict between the provisions of this Policy and the regulations in force, the latter shall always prevail. The Company is committed to keeping this Policy up-to-date and aligned with regulatory changes and market best practices.

CHAPTER II: DEFINITIONS

Article 3. Definition of related parties

3.1 For the purposes of this Policy, "Related Parties" are all those natural or legal persons who have or may have significant influence on the decisions of the Company or who may benefit from their special relationship with it. This definition covers, but is not limited to:

(a) Natural persons

- Members of the Board of Directors, including both regular and alternate members.*
- The Company's directors, managers, and key executives.*
- Relatives up to the [second] degree of consanguinity and [first] degree of affinity of the previous persons.*
- Persons with significant influence over the Company.*

(b) Corporate entities:

- Companies controlled by or under significant influence of the aforementioned persons.*
- Subsidiaries, affiliates, and companies within the same economic group.*
- Entities where the persons referred to in paragraph (a) hold more than [X%] of participation in capital or [X%] in voting power.*
- Entities where the persons referred to in paragraph (a) occupy managerial positions or positions of control.*

3.2 The identification of related parties is a dynamic process that requires constant updating. The *[Compliance/Corporate Secretariat] department* will be responsible for maintaining an up-to-date record that accurately reflects all relevant relationships at all times.

Article 4. Definition of transactions

4.1 “Transaction” means any transaction, agreement, or arrangement involving the transfer of resources, services, obligations, or risks between the Company and a related party, regardless of whether there is an agreed price or direct economic consideration.

4.2 The concept of transaction includes, but is not limited to:

- the purchase or sale of goods, products, and services of any nature;
- the purchase, sale, exchange, or lease of tangible and intangible assets;
- loans, guarantees, sureties, and other financial commitments;
- the transfer or licensing of intellectual property rights, technology, or know-how;
- agreements for the management, administration, or provision of professional services;
- the assumption or settlement of liabilities in the name of or on behalf of the related party; and
- contingent, future, or conditional commitments of any kind.

4.3 It is essential to recognize that transactions also include those situations where the Company deliberately fails to charge for goods or services provided, grants more favorable conditions than it would grant to an independent third party, or waives rights or benefits in favor of a related party. These “unapparent” transactions require special attention as they can represent significant transfers of value.

4.4 Small “salami-slice transactions” or fractional transactions, understood as those operations that could be below the established materiality thresholds when considered individually, but which, over time or as a whole, constitute a significant transfer of value, are considered especially subject to this Policy. This includes:

(a) *Deliberate fractionation:* The intentional division of a major transaction into multiple minor transactions to avoid the required controls and approval levels.

(b) *Aggregate recurring transactions:* Periodic transactions with the same related party that, although individually minor, in their annual or semi-annual accumulation, exceed the established thresholds. The Company shall evaluate these transactions considering their aggregate amount over periods of *[12 months]*.

(c) *Systematic patterns:* Series of transactions that appear independent but follow an identifiable pattern and consistently benefit a related party, such as the repetitive contracting of consulting services for amounts just below the review threshold.

This broad definition seeks to capture the main ways in which a potential conflict of interest can materialize.



Warning about small transactions

Small transactions are among the most common ways to circumvent controls in Latin America and the Caribbean. Typical examples include:

- Automatic renewals of contracts just below the limit.
- Multiple invoices on the same day for small amounts.
- Rotation among related companies of the same family group.
- Recurring services without bidding because they are “minor amounts”.

Practical Rule: If the annual sum with a related party exceeds the minimum threshold, all future transactions with that party must be pre-approved, regardless of the individual amount.

The identification and oversight of these transactions requires:

- Continuous monitoring
- Periodic review.
- Presumption of connection.

CHAPTER III: CLASSIFICATION OF TRANSACTIONS

Article 5. Levels of materiality

5.1 Transactions with related parties shall be classified into *[three]* tiers according to their materiality and potential impact on the Company. This classification allows for the application of controls proportional to the risk posed by each operation, optimizing supervision resources and maintaining the operational agility necessary for the efficient operation of the business.

Tier 1 - Ordinary transactions: Transactions whose individual amount is less than *[USD \$10,000 or 0.1% of annual revenue, whichever is less]*, carried out in the ordinary and usual course of business, under standard market conditions comparable to those offered to unrelated third parties, and of a recurring and operational nature. These transactions, although with related parties, are part of the normal course of business and present limited risk.

Tier 2 - Significant transactions: Transactions whose amount is between *[USD \$10,000 and USD \$100,000]* or between *[0.1% and 5%]* of consolidated annual revenues. Also classified at this level are those transactions that, regardless of their amount, are carried out outside the ordinary course of business, involve special or preferential conditions, or affect the Company's non-critical strategic assets. These transactions require further scrutiny due to their potential impact or special nature.

Tier 3 - Material transactions: Transactions exceeding *[\$100,000 USD or 5% of consolidated annual revenues]*, as well as those that, regardless of monetary value, involve corporate restructurings, changes of control, mergers or acquisitions with related parties, involve critical or strategic assets for business continuity, or may have a significant impact on the Company's competitive position or reputation. These transactions require the highest level of supervision and control.

Article 6. Updating of thresholds

6.1 The monetary thresholds established in the previous article will be reviewed annually by the Audit Committee *[or Board of Directors if the Committee does not exist]* during the first quarter of each year. This review will consider the growth or contraction of the Company's revenues, significant changes in market conditions or the economic environment, changes in the corporate structure or business model, and the recommendations of external auditors, regulators, or corporate governance advisors.

[The Audit Committee shall submit its recommendations to the Board of Directors, which shall approve any adjustments it deems appropriate].

CHAPTER IV: IDENTIFICATION AND DISCLOSURE PROCEDURES



Methodologies for classifying RPTs

There are different approaches to classifying related-party transactions:

- **By materiality** (used in this model): Based on monetary thresholds or percentages. Simple and objective.
- **By type:** Distinguishes between routine, financial, strategic, and extraordinary operating transactions.
- **By risk:** Evaluates factors such as market deviation, valuation complexity, and reputational impact.
- **Matrix:** Combines materiality and qualitative risk in a matrix to determine the level of control.
- **By type of related party:** Differentiates scrutiny according to whether it is a controlling shareholder, director, family member, or affiliated company.

Selection depends on the size, complexity, and corporate governance maturity of each company. The three-tier model by materiality is the most practical to start with and can evolve into more sophisticated methodologies as the business's specific needs evolve.

Article 7. Registry of related parties

7.1 The Company shall maintain a comprehensive and up-to-date Registry of all Related Parties, which shall be managed by [\[Corporate Secretariat/Compliance Department\]](#) and shall contain complete and verifiable information on each related party. This Registry is critical to the effectiveness of the entire related-party transaction control system and must be maintained to the highest standards of accuracy and timeliness.

7.2 The Registry shall include at least:

- Full identification (full name or entity name, identity document).
- Specific nature of the relationship with the Company.
- Date of initiation of the relationship and, where applicable, termination.
- Percentage of direct and indirect participation.
- Positions or functions held.
- Related companies or entities.
- Updated contact details.

7.3 The Registry will be updated through a continuous process that includes mandatory annual declarations of all subjects reached, routine quarterly reviews to identify changes, immediate updates when significant changes occur in existing relationships or new relationships arise, and cross-validations with information from public sources and corporate databases.

Article 8. Annual statement of interest

8.1 Within the first [\[30\]](#) days of each fiscal year, all persons subject to this Policy shall file an Affidavit of Interest using the standardized format provided by the Company. This statement is mandatory, and its late or incomplete submission constitutes a violation of this Policy. The Declaration is an affidavit. Including false information or deliberately omitting relevant information may result in legal sanctions in addition to appropriate disciplinary measures.

8.2 The Statement shall include detailed information on all corporate interests greater than [\[X%\]](#) in any company or entity, specifying the exact percentage of interest and whether it exercises significant influence or control. All managerial, executive, or advisory positions held in other organizations, whether for-profit or not-for-profit, must be disclosed. It is mandatory to declare any commercial, contractual, or business relationship.

existing or planned with the Company, including those where it acts as an intermediary or representative. Family ties with other related persons must be detailed, specifying the degree of kinship and the nature of the relationship of said person with the Company. Finally, any other economic, professional, or personal interest that can reasonably be perceived as generating a potential conflict of interest must be disclosed.



Template:

[Annex I](#) of this document contains a sworn affidavit of RPTs. [Click here.](#)

Article 9. Obligation of immediate disclosure

9.1 Every person subject to this Policy has an undisputable obligation to immediately disclose any situation that constitutes or may constitute a related-party transaction or a conflict of interest. This disclosure must be made as soon as the person becomes aware of the situation and, in any case, before participating in any discussion, negotiation, or decision related to the transaction. Late disclosure, even if unintentional, will be considered a violation of this Policy and may result in appropriate penalties.

9.2 Disclosure must be made in writing through the established formal channels, simultaneously addressing the immediate superior with a copy to the Compliance or Internal Audit department. For Level 2 and 3 transactions, or when involving Board members or Senior Management, disclosure should also be directed to the Chairman of the Audit Committee and the Secretary of the Board. The communication must include a detailed description of the nature of the relationship with the counterpart, the type, characteristics, and estimated amount of the transaction, the proposed or discussed business conditions, the business justification for carrying out the transaction, and any other information that may be relevant to properly assess the potential conflict of interest and associated risks.

CHAPTER V: THE EVALUATION AND APPROVAL PROCESS

Article 10. Assessment of market conditions

10.1 Every transaction with a related party must be subjected to a rigorous evaluation process to determine whether it complies with the fundamental principle of "market conditions."

10.2 **For Tier 1 transactions**, evaluation will consist of direct comparison with the standard price list that the Company applies to unrelated third parties for similar products or services, and verification that the commercial conditions (payment terms, guarantees, penalties) are consistent with the Company's general policies.

10.3 **Tier 2 transactions** require a more thorough analysis, including obtaining at least three quotes from unrelated alternative suppliers or customers for comparable transactions, preparing a documented comparative analysis justifying the related party's selection over available alternatives, and a clear business justification that explains the benefits to the Company of transacting with the related party rather than an independent third party.

10.4 **For Level 3 transactions**, given their potential impact on the Company, the highest standard of evaluation is required. This necessitates engaging a recognized independent expert to provide an objective valuation of the assets, goods, or services involved in the transaction. When the transaction involves complex financial instruments, corporate restructurings, or M&A transactions, a fairness opinion must be obtained from an investment bank or a specialized firm of recognized standing. Additionally, an exhaustive analysis of



The False Objectivity of "Market Price"

A subtle but dangerous trap is to assume that getting "three quotes" automatically guarantees market conditions. In small or specialty markets, related suppliers can informally coordinate pricing with competitors, creating an illusion of competitiveness. Moreover, when the related party is aware of the available budget or terms offered by competitors, they can adjust their proposal to appear marginally superior while maintaining excessive margins. True validation of market conditions requires more sophisticated analyses: benchmarking with similar transactions in the sector, analysis of typical industry margins, and, where possible, opinions of independent valuers.

The principle of "Market conditions" seeks to justify the transaction on strictly commercial grounds. The level of depth and assessment methods will vary depending on the transaction classification, but in all cases, there must be documented evidence that an objective and professional assessment was carried out. For example, at Level 1, the assessment can be carried out by the corresponding operational department, but must be duly documented.

market alternatives must be conducted, considering not only price but also terms, conditions, risks, and strategic benefits for the Company.

Article 11. Staged approval matrix

11.1 Transactions with related parties will follow a staggered approval process that reflects the principle that the greater the risk or materiality of the transaction, the greater the level of independence and scrutiny in its approval.

11.2 For Level 1 transactions, approval may be granted by the Manager of the corresponding operational department, provided that said manager has no relationship with the counterpart in the transaction. These approvals will subsequently be reviewed by Internal Audit through a statistical sampling process, and a consolidated quarterly report will be prepared for the Audit Committee.

11.3 Level 2 transactions must be approved by the CEO or CFO of the Company and require the signature of an executive unrelated to the transaction, if any. These transactions must be reported individually to the **[Audit Committee or Board of Directors]** at its next ordinary session, including all supporting documentation that supports the assessment of market conditions. The Audit Committee shall have the power to review, challenge, and, if deemed necessary, reverse or require the modification of the terms of these transactions.

11.4 Level 3 transactions require **[prior review by a Special Committee of Independent Directors, who will evaluate the transaction and issue a recommendation to the full Board]**. Final approval must be granted by the Board of Directors with the favourable vote of the majority of the Directors present, excluding those who have an interest in the transaction, who must refrain from participating in the deliberation and voting. For transactions involving significant shareholders or that may be perceived as potentially prejudicial to the interests of minority shareholders, the Board shall seriously consider submitting the matter for approval to the General Shareholders' Meeting, in which case the approval of a majority of the shares not related to the transaction shall be required.

This record must be available in digital format with adequate access and backup controls, and must allow for the generation of reports and trend analysis.

[CHAPTER VI: CONFLICT OF INTEREST MANAGEMENT]

Article 12. Identification and types of conflicts

12.1 A conflict of interest arises when a person subject to this Policy has a personal, family, financial, or any other interest that could compromise or appear to compromise their objective and independent judgment in the exercise of their functions and responsibilities towards the Company. The mere appearance of a conflict of interest, even if there is no actual conflict, can be equally damaging to the Company's reputation and integrity and must be addressed with the same rigor.

12.2 This Policy recognises three categories of conflicts of interest that must be managed appropriately:

- **Real conflicts of interest** are situations in which the individual's personal interests are in direct conflict with the Company's interests.

Although some organizations choose to maintain a general Conflict of Interest Policy separate from their RPT Policy, the best practice is to integrate both frameworks into a single document or into closely linked, complementary policies. RPTs are the most common and tangible manifestation of potential conflicts of interest in the business environment. Hence, their joint treatment allows the establishment of coherent procedures for identifying, evaluating, and managing risks, thus strengthening the culture of organizational integrity without creating redundant or contradictory regulatory frameworks.

- **Potential conflicts of interest** are situations in which, although no conflict currently exists, it can reasonably be expected to arise in the near future, given the circumstances.
- **Perceived conflicts of interest** occur when, even though no actual conflict exists, reasonable and informed third parties could perceive one, which could damage the Company's credibility and reputation.

Article 13. Disclosure and management procedure

13.1 When any type of conflict of interest is identified, the person involved must follow a strict protocol that begins with the immediate and complete disclosure of the conflict through a written statement that describes its nature and scope in detail. This disclosure should be made to the direct superior, the Audit Committee if it involves senior executives, or the Board of Directors if it involves Directors.

13.2 Once the conflict of interest is disclosed, the person involved must completely refrain from participating in any aspect of the affected transaction or decision. This abstention includes refraining from participating in any deliberation, discussion, or analysis of the matter; physically withdrawing from any meeting when the matter is discussed; refraining from exerting direct or indirect influence over other decision-makers; refraining from having access to confidential information related to the transaction beyond what is necessary to comply with this Policy; and not participating in voting or approval of the matter. The abstention and its reasons must be clearly documented in the corresponding minutes or records.

13.3 In exceptional situations where the conflict involves the CEO, the majority of the executive team, or a significant portion of the Board of Directors, special procedures will be activated. These may include the formation of a Special Committee composed exclusively of non-conflict Independent Directors, the hiring of independent external advisors to evaluate the

transaction, or the elevation of the decision to the General Shareholders' Meeting with a differentiated vote of unrelated shareholders].

CHAPTER VII: DOCUMENTATION AND REGISTRATION

Article 14. Complete transaction history

14.1 Each related-party transaction must generate a complete file that allows full traceability of the identification, evaluation, approval, and execution process.

14.2 The basic file for all transactions must contain the duly completed standardized transaction identification form, documentary evidence of the timely disclosure of the related party's interest, the market conditions analysis with all supporting documentation, documents evidencing the approval process at the appropriate level, and the final contract or document formalizing the agreed terms of the transaction.

This file is not only a compliance requirement but also a fundamental tool for protecting the Directors and executives who participated in the approval, demonstrating that they acted with due diligence and in the best interests of the Company.

14.3 For Level 2 and 3 transactions, the file must also include the formal opinion of the [Audit Committee or Board] with its observations and recommendations, the minutes of the Board meeting where the transaction was approved, including a breakdown of each director's vote, the opinions of independent experts or external appraisers where applicable, the reasonableness opinion where applicable, and all relevant correspondence and communications with regulators, shareholders, or other stakeholders regarding the transaction.

Article 15. Centralised and systematised records

15.1 The [Corporate Secretariat/Compliance] department shall maintain a Centralized Record of all related-party transactions that allows for effective monitoring, facilitates internal and external audits, and provides timely information for the preparation of regulatory disclosures.

15.2 The record must be kept updated and include for each transaction:

- A unique ID number
- Relevant dates (identification, approval, execution, termination),
- Identification of all parties involved and the specific nature of the relationship,
- A detailed description of the transaction and its business terms, amounts involved, and method of payment,
- The assigned classification level and rationale,
- Detail on the approval process and people who participated,
- Cross-references to all supporting documentation,
- The current status of the transaction, and
- Valuations by third parties, audit observations, or control areas, where applicable.

This authorization matrix seeks to balance the need for robust controls with the operational efficiency required for normal business operation.

CHAPTER VIII: MONITORING AND COMPLIANCE

Article 16. Continuous monitoring

16.1 The Internal Audit function shall implement and execute a robust and systematic program to monitor compliance with this Policy, designed to provide reasonable assurance that all related-party transactions are identified, evaluated, and approved in accordance with established procedures, and that the controls in place are effective in preventing abuse and protecting the Company's interests.

16.2 The monitoring program will include [quarterly] reviews by statistical sampling of Level 1 transactions to verify compliance with procedures and adequate documentation. A [semiannual] comprehensive analysis of all Level 2 and 3 transactions will be conducted, assessing not only formal compliance but also the economic substance of the transactions and their impact on the Company. A complete annual audit of the RPT control system will be carried out, evaluating the effectiveness of the design and operation of the controls, identifying areas for improvement, and issuing specific recommendations.

16.3 Internal Audit will prepare periodic reports of its findings that will be presented to the [Audit Committee/Board of Directors] and shared with Senior Management. These reports will include statistics on transaction volume and types, identified trends and concentrations, detected non-compliances, implemented corrective actions, and recommendations to strengthen the control system.

Article 17. Non-compliance and penalties

17.1 Failure to comply with any provision of this Policy is considered a serious misconduct that may compromise the integrity of the Company's corporate governance system and expose it to significant legal, financial, and reputational risks. Therefore, all instances of non-compliance will be thoroughly investigated and, if confirmed, will result in penalties proportional to the seriousness of the offense and the offender's level of responsibility.

17.2 For employees and executives, penalties may range from a written warning to remain on the employee's record, for minor misdemeanors or a first offense without material consequences, to temporary suspension without pay for offenses of moderate severity or repeat offenses, up to immediate dismissal for serious infractions with just cause, deliberate concealment of conflicts of interest, or unauthorized transactions that could harm the Company. For Directors, in addition to the above measures where applicable, consideration will be given to submitting a formal report to the Shareholders' Meeting, requesting their removal from office, and initiating legal action for damages when applicable.

17.3 Notwithstanding any personal sanctions, transactions made in violation of this Policy may be subject to immediate review by the Board of Directors, which may order their reversal when legally possible, the renegotiation of terms to align them with market conditions, or early termination if the continuation of the transaction is detrimental to the Company. Additionally, the Company reserves the right to report serious violations to the competent regulators and to initiate the corresponding legal actions.

CHAPTER IX: DISCLOSURE AND TRANSPARENCY

Article 18. Disclosures in financial statements.

18.1 The Company undertakes to disclose in its financial statements all relevant information about transactions with related parties in accordance with International Financial Reporting Standards (specifically IAS 24 - Related Party Disclosures) and any additional requirements established by local regulators.

Article 19. Annual Report

19.1 As part of its commitment to corporate governance best practices, the Company will include in its Annual Report a specific and detailed section on the management of related-party transactions during the



Template:

Annex II of this document presents a model report on RPTs for the Board of Directors. [Click here.](#)

These disclosures are not merely a compliance requirement, but a fundamental tool for maintaining the confidence of investors and other stakeholders in the integrity and transparency of the

year. This report will be approved by the Board of Directors prior to publication and will be available on the Company's corporate website.

19.2 The report shall include an executive summary of the RPT Policy and any updates made during the period; consolidated statistics on the number, type and amount of transactions by classification level; descriptions of all material transactions (Level 3) and their business justification; Board evaluation of the effectiveness of the RPT control system; main audit findings and corrective actions implemented; and improvement plans or changes planned for the following year.

CHAPTER X: FINAL PROVISIONS

Article 20. Validity, review and updating

20.1 This Policy shall become fully effective upon its formal approval by the Board of Directors. As of that date, it repeals and supersedes any previous policies, procedures, or practices relating to the handling of related-party transactions and conflicts of interest.

20.2 To ensure that the Policy remains relevant and effective, it shall be subject to a structured review process including an ordinary annual review by the Audit Committee during the

first quarter of each fiscal year; immediate extraordinary reviews when significant changes occur in the applicable regulation, corporate structure, or business environment; and a comprehensive review by external consultants specializing in corporate governance every [X] years. [Any proposed modifications will be evaluated by the Audit Committee, which will issue its recommendation to the Board of Directors for final approval].

Article 21. Training and communication program

21.1 The Company acknowledges that the effectiveness of this Policy depends primarily on the knowledge and commitment of all persons subject to it. Therefore, a comprehensive training program will be implemented to ensure that everyone understands their responsibilities and the consequences of non-compliance.

Article 22. Temporary Provisions

22.1 Recognizing that on the date of approval of this Policy, there may be related-party transactions underway that do not comply with all the requirements established herein, an orderly transition period is established for their regularization. Within [60] days of coming into effect, all areas of the Company shall conduct a comprehensive inventory of current related-party transactions. Each transaction identified will be evaluated according to the criteria established in this Policy and classified according to its level of materiality. For those transactions that do not meet the required standards, a regularization plan will be established that may include the renegotiation of terms, obtaining retroactive approvals where possible and appropriate, or

This program should include mandatory induction sessions for new Directors, executives, and key employees within the first 30 days of their incorporation; an annual refresher training for all staff with comprehension assessment; special sessions when significant changes to the Policy occur; and permanent reference material available on the corporate intranet.

the orderly termination of the transaction within a maximum period of [6] months.

22.2 During the transition period, existing transactions may continue to operate under their current terms; however, any renewal, extension, or modification shall be in full compliance with this Policy. The Audit Committee will monitor the transition process and report monthly to the Board on progress towards completion.

Approval by Board of Directors

Date: [XX/XX/XXXX] - [Signature of Chairman of the Board]

3. STEP-BY-STEP IMPLEMENTATION GUIDE

Successful implementation of a Related-Party Transaction Policy requires a systematic and structured approach that ensures both regulatory compliance and practical operation. This process typically takes 4 to 6 months from initial decision to full operation, although it can vary depending on the size, complexity, and corporate governance maturity of each company. The process presented here must be adapted (not all Companies need to apply each step).

Preparation and diagnosis phase

1**Weeks 1 to 4****Action 1: Formation of the work team**

The first critical action is to designate a project leader and form a multidisciplinary team. The leader, ideally the Corporate Secretary or Chief Compliance Officer, will coordinate all activities, manage resources, and serve as a single point of contact. The team should include representatives from the following departments: legal (to ensure regulatory compliance), finance (to assess materiality and market conditions), internal audit (to design controls), and, where relevant, a member of the Audit Committee or Independent Director to ensure the corporate governance perspective.

Action 2: Comprehensive diagnosis of current RPTs

The diagnosis must comprehensively identify all current and potential transactions with related parties. This requires analyzing the complete shareholding structure, including final beneficiaries; mapping all the companies of the group and affiliates; documenting family relationships up to the second degree of consanguinity and affinity of Directors, Senior Management, and significant shareholders; and reviewing current contracts with any potentially related party. It is essential to use visual tools such as corporate organization charts and relationship matrices to avoid omitting relevant connections.

Action 3: Evaluation of the regulatory framework

The team should conduct a detailed analysis of the applicable regulatory framework, including local corporate legislation, securities market regulations (if the company issues securities), transfer pricing tax regulations, and relevant international standards (OECD, IDB Invest, IFC). For companies operating in multiple jurisdictions or with international investors, it is crucial to identify the most stringent requirements to adopt.

Preparation and diagnosis

Weeks 1-4

Design

Weeks 5-10

Validation and approval

Weeks 11-14

Implementation and training

Weeks 15-20

Monitoring and adjustment

Weeks 20-24



Note: Many companies underestimate the complexity of the initial mapping. It is advisable to use visual tools (such as structure diagrams and relationship matrices) to identify connections. Consider hiring outside consultants if the structure is complex.

Design phase

2

Weeks 5 to 10

Action 4: Development of policy document

The design of the policy must define its scope (company, subsidiaries, and joint ventures) and guiding principles: transparency in the identification and reporting of RPTs, equity among shareholders, market conditions in operations, and priority of corporate interest over particular interests.

The drafting of the document requires balancing comprehensiveness with operational clarity. It must include precise and operational definitions of what constitutes a "related party" in the local context; clear materiality criteria (monetary and qualitative thresholds); classification of transactions by risk level (routine, non-routine, material); differentiated approval procedures according to classification, identification, and reporting mechanisms; and documentation and archiving protocols.

Action 5: Design of support tools

In parallel with the document, the operational tools that will facilitate implementation must be developed. These include annual declaration of interest forms for Directors and Senior Management, templates to document the assessment of market conditions, specific risk assessment matrices for TPRs, approval process flowcharts by transaction type, and ERP alert systems to automatically identify transactions with related parties.

Preparation and diagnosis

Weeks 1-4

Design

Weeks 5-10

Validation and approval

Weeks 11-14

Implementation and training

Weeks 15-20

Monitoring and adjustment

Weeks 20-24

Validation and approval phase

3

Weeks 11-14

Action 6: Sharing with key *stakeholders* and incorporating feedback

The draft policy should be shared in a cascade format, starting with individual sessions with each Director to ensure understanding and commitment, followed by workshops with Senior Management to explain operational implications, meetings with the most affected areas (purchases, sales, treasury, legal), and finally briefings with internal and external auditors to align control and reporting expectations.

The feedback received must be carefully evaluated and incorporated to improve operability without compromising the fundamental principles. It is common to encounter resistance to the administrative burden; this should be addressed through technological solutions and simplified procedures for low-risk routine transactions.

Action 7: Formal approval

Approval by the Board of Directors must be duly documented by means of a specific resolution that establishes the effective date, designates those responsible for implementation, and allocates the necessary resources. It is recommended that the Council also approve the detailed implementation plan.

Implementation and training phase

4

Weeks 15 to 20**Action 8: Differentiated training programme**

The training program should be tailored to each audience:

- Counselors need to understand their fiduciary responsibilities and criteria for evaluating RPTs (1-hour session).
- Senior Management requires training in identifying and evaluating potential RPTs (2-hour workshop).
- Operational staff need to know the practical procedures and the use of tools (1-hour training per area).
- Internal auditors should prepare to audit compliance with the policy (3-hour specialized session).

Action 9: Implementation of controls and systems

Technological implementation includes configuring automatic alerts in transactional systems, establishing mandatory fields in purchase/sale orders to identify related parties, creating centralized repositories for RPT documentation, and implementing electronic approval and workflows in line with the levels defined in the policy.

During this period, the policy operates in test mode, allowing operational issues to be identified and resolved without disciplinary consequences. It is critical to document all challenges encountered, adjust procedures based on practical experience, and refine support tools based on user feedback.

Preparation and diagnosis

Weeks 1-4

Design

Weeks 5-10

Validation and approval

Weeks 11-14

Implementation and training

Weeks 15-20

Monitoring and adjustment

Weeks 20-24

**Post-Implementation Complacency:**

After the initial effort to create and implement the policy, many companies fall into complacency. Annual declarations of interest often become a bureaucratic procedure in which the information from the previous year is copied without updating. Audit Committees may cease to question recurring transactions because “they have always been done this way.” This gradual erosion of rigor is especially dangerous because it happens slowly, going unnoticed until a scandal emerges or an external audit reveals serious deficiencies.

Monitoring and adjustment phase

5**Weeks 20 to 24**

Action 10: Establishment of the monitoring, evaluation and adjustment system

The monitoring system must include monthly reports to the Audit Committee on executed RPTs, quarterly reviews of compliance by internal audit, continuous updates to the register of related parties, and periodic evaluations of the effectiveness of the controls implemented.

The first formal evaluation should analyze the volume and types of transactions processed, average approval time by category, reported operational difficulties, and the level of compliance observed. Based on these results, minor adjustments to the procedures should be made, training updated where necessary, and the first formal report to the Council on the policy's functioning prepared.



Implementation note:

The credibility of the system depends on its uniform application, regardless of the position in the hierarchy or the importance of the related party involved. **The Chairman of the Board and the CEO must be the primary promoters**, demonstrating their commitment to transparency and equity through their actions. Organizational culture must evolve to see RPTs not as problematic transactions to avoid, but as legitimate operations that, when properly managed, can generate value for the company.



Neutral perspective:

Finally, it is crucial **to maintain a pragmatic approach**. The policy must be robust enough to protect the company's and its *stakeholders'* interests, but also flexible enough not to paralyze legitimate operations that generate value.

Preparation and diagnosis

Weeks 1-4

Design

Weeks 5-10

Validation and approval

Weeks 11-14

Implementation and training

Weeks 15-20

Monitoring and adjustment

Weeks 20-24

4. TIME CONSIDERATIONS

Identifying the optimal time to establish or revise the Policy

Not all times are equally conducive to implementing or updating the RPT Policy. There are specific events that create windows of opportunity when the organization is more receptive to change, facilitating the adoption of an efficient system. While there is never a perfectly opportune time to begin formalizing RPTs, the process must be undertaken without delay, capitalizing on those critical moments to maximize the chances of successful implementation.

**Changes in the ownership and financing structure:**

When a company receives investment from institutional funds, development banks such as **IDB Invest**, or prepares to be publicly traded, there is an immediate demand for transparency and control over related-party transactions. These sophisticated investors not only require a formal policy but also evidence of its effective implementation and compliance history.



Organizational evolution and growth: When a company establishes subsidiaries, forms *joint ventures*, or expands its operations to new jurisdictions, the complexity of potential transactions with related parties multiplies exponentially. Each new entity in the corporate group creates new transaction opportunities that, without an adequate control framework, can lead to conflicts of interest or inappropriate transfers of value.



Regulatory and regulatory changes: Changes in accounting regulations, updates to securities market regulations, or new requirements from supervisory bodies often impose specific deadlines for adopting best practices. In many Latin American countries, convergence towards International Financial Reporting Standards (IFRS) has substantially raised the disclosure and control requirements for related-party transactions.



Corporate governance crisis: When a company faces disputes among shareholders, questions about specific transactions, or observes scandals among comparable companies in the sector, a window of opportunity opens to strengthen controls. Paradoxically, these moments of tension can facilitate the adoption of measures that would otherwise encounter greater resistance.

**Progressive implementation:**

It is essential to recognize that perfection is the enemy of progress. It is preferable to start with a simple but effectively implemented policy, rather than aiming for a perfect document that is never applied. Continuous improvement, based on lessons learned and evolving best practices, must be an integral part of the process.



Mergers or Acquisitions: Companies undergoing M&A processes should consider harmonizing their TPR policies as a key part of the integration process. Differences in control standards can lead to significant vulnerabilities in the new corporate structure.

The paradox of total control

In business groups with **a single owner who controls 100% of the capital, why worry about transactions among group companies?** The answer lies in the fact that each company maintains its own legal personhood and may have other *stakeholders* whose interests must be protected.

Specific Risks that Persist

- **Creditors and financial lenders:** The creditors of each individual company have the right to ensure that the assets of “their” debtor are not arbitrarily transferred to other entities within the group. An RPT Policy protects intercompany transactions from impairing the solvency of any individual company.
- **Differentiated tax obligations:** Each group entity has independent tax obligations. Tax authorities closely monitor RPTs within economic groups to prevent erosion of the tax base through the manipulation of transfer prices.
- **Employees and compensation plans:** If any group company has results-based compensation schemes, performance bonuses, or profit sharing, poorly managed RPTs can artificially distort results.
- **Future minority or subsidiary partners:** Although sole proprietorship exists today, the situation may change. A robust RPT policy facilitates the eventual entry of minority shareholders, the sale of shares, or the opening of capital.

Special Policy Considerations: The policy may recognize that certain controls may be simplified when 100% ownership exists (e.g., materiality thresholds for approval may be higher, documentation may be less thorough for routine transactions, and approval processes may be consolidated at the parent/holding level).

Maintaining critical safeguards: All transactions must document that they are carried out at market values, especially for tax purposes, with a consolidated record of all group RPTs to facilitate audits and regulatory compliance, and clear criteria for the distribution of shared expenses and centralized services.

5. IMPLEMENTATION CHALLENGES AND CRITICAL SCENARIOS

The successful implementation of an RPT Policy is one of the most sensitive challenges in corporate governance, precisely because it **touches on direct personal interests and established business relationships**. The difference between a policy that effectively protects corporate assets and one that remains a dead letter lies in anticipating the specific challenges in this area and being prepared for the most complex scenarios.

Warning signs of poor implementation of the RPT Policy

Deficiencies in the implementation of related-party transaction policies are rarely evident. Instead, they are revealed through subtle patterns that require continuous vigilance.



Documentary and Procedural Indicators

The first warning sign arises when **transactions with related companies continue to be processed as ordinary operations**, without triggering policy filters. This problem is exacerbated when the purchasing or sales department is unclear about what constitutes a related party, leading to transactions executed without proper scrutiny. It is particularly worrying when recurrent transactions are detected with companies belonging to relatives of managers that were never reported to the Board of Directors, thereby evidencing fundamental failures in the identification mechanisms.

What to do In this situation, the company must immediately implement a mandatory training program for all purchasing and sales personnel on related-party identification, complemented by an automatic cross-checking system that compares each new supplier or customer against the updated database of declarations of interest for directors and shareholders.

Poor documentation represents another critical red flag. When Directors' declarations of interest arrive incomplete, with generic information such as "miscellaneous shares" that does not specify companies or percentages, or when more than 30% are delivered outside the established deadline, a lack of commitment to the process is evident. Even more serious is the absence of documented economic justifications for approved transactions, in which the minutes of the Board simply state "unanimously approved" without recording an analysis of market conditions or a comparison with alternatives.

What to do The solution requires establishing a mandatory standardized reporting format with specific non-modifiable fields, implementing automatic sanctions for late delivery (such as suspension of voting rights until regularization for failure to fulfill fiduciary duty), and requiring that any approval of transactions with related parties include an annex with the comparative analysis of at least three documented market alternatives



Patterns of Organizational Behavior

A particularly telling symptom is the existence of undeclared “gray zones,” where certain **transactions are informally regarded as “business tradition” or “historical agreements” that do not require review**. This situation worsens when key employees fear reporting suspicious transactions, fearing they will confront shareholders or managers, creating a culture of silence that undermines the policy's effectiveness.

What to do To break this pattern, the company must conduct a unique special audit of all historical business relationships, grant amnesty for voluntary regularization of past situations, and establish an anonymous whistleblowing channel managed by an independent third party, guaranteeing total protection to whistleblowers through an anti-retaliation policy endorsed by the Board of Directors.

The excessive concentration of **related suppliers in critical areas of the business**, especially when they account for more than 20% of spending in strategic categories, signals a dangerous dependency that can compromise business objectivity. This problem is magnified when these business relationships are never questioned or reviewed, becoming perpetuated year after year without competitiveness analysis.

What to do Correction requires establishing maximum concentration limits with related parties by expenditure category (typically no more than 15% in critical areas), implementing mandatory annual competitive reviews of all contracts with related parties over one year, and actively developing independent alternative suppliers to gradually reduce dependence in the medium term.



“Permanent conflict” syndrome

Some organizations, in their zeal to avoid conflict, end up hampering legitimate operations. If directors consistently refrain from participating in any decision remotely related to their interests, the Board may lack a quorum or the expertise necessary to make informed decisions. For example, if the only Director with logistics experience must abstain from all transport decisions because she holds a minority stake in a company in the sector, the company loses access to valuable *expertise*. The key is to distinguish between actual conflicts that require abstention and situations in which transparency and proper documentation enable informed participation.

Common issues in policy design and execution



The materiality dilemma

One of the most frequent mistakes in related-party policy design is setting inadequate materiality thresholds. When **minimum amounts are too low, the Board is inundated with trivial transactions** that consume valuable time and lead to administrative fatigue. For example, it is counterproductive to seek Board approval for every purchase over USD 1,000 when the company bills millions each year. Conversely, **excessively high thresholds allow significant transactions to go unnoticed**. For example, a mid-size company setting a threshold of USD 500,000 could allow multiple transactions of 450,000 to be executed unsupervised, accumulating significant exposure.



Ambiguous or overly broad definitions

Imprecision in the definition of “related party” generates significant operational confusion. Policies that include “any person or entity that can exert influence” without objective criteria leave interpretation open to subjectivity. It is equally problematic to extend the definition to include second or third cousins of managers, creating a network so broad that it is impractical to manage. The solution requires a careful balance: include immediate family members (spouses, children, parents, siblings) and companies where these individuals have significant participation (typically greater than 10%), without extending to more distant relationships that rarely present real conflicts.



The selective compliance trap

A particularly damaging pattern emerges when **the policy is rigorously applied to middle managers and employees, while transactions by controlling shareholders or influential directors receive preferential treatment**. This inconsistency not only violates principles of fairness but also erodes the credibility of the entire corporate governance system. It manifests when minor employee transactions require multiple approvals, while contracts

for millions with companies owned by relatives of the Chairman of the Board are approved "fast-track" with superficial justifications.

What-if scenarios



"What if an exceptional business opportunity arises, with conditions demonstrably superior to the market, but the ideal supplier is a company owned by a related party?"

This scenario illustrates the fact that not all related-party transactions are detrimental. The correct protocol involves: exhaustive documentation of the conditions offered, obtaining independent opinion on the superiority of the terms, complete abstention of the executive or related director (his person, his family member, or a company he owns) throughout the decision-making process, approval by qualified majority of the Board (ideally unanimity of independent members), and establishment of mechanisms for continuous monitoring of contractual compliance. It is essential to ensure absolute transparency, including public disclosure if the company has outside investors.



"What if during a liquidity crisis, the only funding available comes from a major shareholder, but at rates above the market?"

The real robustness of corporate governance policies is revealed during crises. In this scenario, business survival may justify exceptions, but never opacity. The process must include: documentation of all efforts made to obtain financing from independent sources, opinion of financial advisors on the absence of viable alternatives, approval by supermajority of the Board with abstention of the shareholder involved, establishment of clear terms to regularize the situation as soon as possible, and full disclosure to all *stakeholders*. Crucially, a time-bound plan must be put in place to eliminate this dependency.



"What if the majority shareholder pushes for their consulting firm to receive a meaningful contract and makes veiled threats to remove Directors who object?"

This scenario represents the ultimate test of the Board's independence. Independent Directors should document any



Technology can be a powerful ally. Systems that automatically flag transactions with entities included in declarations of interest reduce the risk of omissions. In addition, it lends an objective character to the analysis of transactions, avoiding exposing a particular person in processes of identifying RPTs. It is also important to create secure channels for employees to report suspicious transactions without fear of retaliation.

undue pressure, seek legal advice on their fiduciary responsibilities, and if necessary, record their well-founded opposition. In extreme cases, they may require the intervention of regulators or resort to minority protection mechanisms. In extreme cases, the Director must resign. Capitulation to undue pressure not only violates fiduciary duties but could also result in personal liability for Directors.



“We have already disclosed the RPTs in our financial statements. What happens if we are asked for a policy on this?”

Many companies diligently comply with the requirements of international accounting standards (IAS 24/IAS 24 or local equivalents) when recognizing related-party transactions in their audited financial statements, but lack a formal policy of TPRs and conflicts of interest. The underlying problem is that accounting disclosure is retrospective and compliance-oriented, while an RPT policy is preventive and governance-oriented. Without a formal policy, the company lacks a structured framework for early identification of conflicts, approval criteria, abstention of related parties in voting, verification of market terms, continuous monitoring, and documentary archiving that demonstrates diligence. This absence exposes the Board to negligence allegations, compromises the directors' independence, and erodes investor trust. A common example occurs when companies in capital-raising processes disclose RPTs in their financial statements (such as leases to related entities) but cannot demonstrate during due diligence that they followed an appropriate approval process, which negatively affects their valuation. The key message is this: accounting disclosure records what has already occurred; an RPT policy protects the company's interests before the transaction occurs. They are not alternatives; they are complementary, and both are necessary, so a policy should be approved even if it is already reported.

8. ANNEXES AND RESOURCES

Glossary of Terms

Below, we present a comprehensive glossary of terms used in this document, including the terminological variations across major Latin American and Caribbean countries.

Term used	Meaning	Variations by country/region
Controlling/Significant Shareholder	Natural or legal person who owns a share of capital sufficient to exercise significant influence or control over company decisions.	Mexico: Accionista de Control. Chile/Argentina: Accionista Mayoritario, Controlador. Also used: Accionista Principal.
Senior Management	A group of top-level executives who report directly to the General Manager or CEO, including vice presidents and executives in key areas.	Argentina: Gerencia Superior, Gerencia. Chile: Plana Ejecutiva. Brazil: Alta Administração, Diretoria Ejecutiva. Anglicism: Management.
Annual General Meeting of Shareholders	A company's highest governing body, where shareholders exercise their rights and make key decisions.	Brazil: Assembleia Geral de Accionistas. Peru, Ecuador: Junta General de Accionistas.
C-Level/C-Suite	Senior executives whose titles begin with "Chief" (CEO, CFO, COO, etc.).	English-language term adopted with increasing frequency in Spanish. Local alternatives: Primer nivel ejecutivo, Plana gerencial.
CEO (Chief Executive Officer)	A company's highest executive authority, responsible for day-to-day management.	This Anglicism is widely accepted. Mexico: Director General. Argentina: Gerente General. Colombia: Presidente Ejecutivo, Presidente (en empresas grandes). Brazil: Diretor Geral, Diretor Presidente.
Market Conditions	Terms and conditions that two independent and unrelated parties would agree to in an equivalent business transaction. This implies that the transaction is justified solely on strictly commercial grounds, without special benefits.	Mexico: Valor de Mercado, Precio de Mercado. Argentina: Condiciones de Libre Competencia. English (widely used): Arm's Length. Tax technician: Principle of Full Competition.
Conflict of Interest	Situation in which personal interests may interfere with the interests of the company. This includes actual, potential, and perceived conflicts of interest.	Used consistently in all countries.
Independent Director	Board member with no material relationship to the company, management, or controlling shareholders.	Used widely in the region. Chile: Director Externo Independiente.
Board of Directors	Collegiate body chosen by the shareholders to oversee company management.	Argentina, Chile: Directorio, Junta Directiva. Colombia, Venezuela: Junta Directiva. Perú: Directorio. Brasil: Conselho de Administração.
Internal Control	Process designed and implemented by the Board of Directors, management, and other personnel to provide reasonable assurance about the achievement of objectives related to operations, financial reporting, and compliance with laws and regulations.	Technical variant: Internal Control System.
Fiduciary Duty	Legal and ethical obligation of Directors and executives to act in the best interests of the company and all its shareholders, with loyalty,	Brazil: Dever Fiduciário. Also: Deber de Lealtad, Deber de Cuidado (Duty of Care). Mexico/Argentina: Deber de Lealtad y Diligencia.

Term used	Meaning	Variations by country/region
	diligence and good faith, putting corporate interests before personal ones.	
Financial Statements	Structured accounting reports that present an entity's financial position, performance, and cash flows over a given period, typically including the balance sheet, income statement, cash flow statement, and explanatory notes.	Argentina/Chile: Estados Contables, Estados Financieros. Brazil: Demonstrações Financeiras. Anglicism: Financial Statements.
Corporate Governance	Framework used to direct and control a company.	Brazil: Governança Corporativa. Academic variant: Gobernanza Empresarial, Gobernanza Corporativa.
Audit Findings	Deficiencies, weaknesses, or areas for improvement identified by auditors (internal or external) during their reviews that require the attention of the administration and follow-up by the Audit Committee.	Argentina/Chile: Observaciones de Auditoría, Hallazgos. Brazil: Achados de Auditoria. Also: Recomendaciones de auditoría.
Materiality	Magnitude of an omission or inaccuracy of financial information that, individually or in the aggregate, could influence the economic decisions that users make based on the financial statements.	Mexico: Importancia Relativa, Materialidad. Argentina/Chile: Significación, Importancia Relativa. Brazil: Materialidade, Relevância. Anglicism: Materiality
IFRS	International Financial Reporting Standards: A set of accounting standards issued by the International Accounting Standards Board (IASB) that specify how financial statements should be prepared and presented, adopted in most Latin American and Caribbean countries.	English: IFRS (International Financial Reporting Standards). Brazil: IFRS (pronounced in English), although Normas Internacionais is also used. Also: Normas contables internacionales.
Fairness Opinion	Report issued by an independent expert (typically an investment bank or certified valuer) who analyzes and gives an opinion on whether the financial terms of a significant transaction are reasonable from the point of view of shareholder value.	English (widely used): Fairness Opinion. Mexico: Opinión de Razonabilidad Financiera. Argentina/Chile: Informe de Imparcialidad. Also: Opinión de Equidad Financiera.
Related Parties	Natural or legal persons who have or may have significant influence on the decisions of the company or who may benefit from its special relationship with it. This includes significant shareholders, members of the Board, Senior Management, immediate family members, and entities they control.	Mexico/Colombia: Partes vinculadas. Also: Personas Vinculadas.
Board Chair	The person who presides over and leads Board meetings.	Argentina, Chile: Presidente del Directorio. Colombia: Presidente de la Junta. Brazil: Presidente do Conselho.
Corporate Secretariat	Role of the specialized professional responsible for ensuring the proper functioning of corporate governance, serving as a liaison between the Board, management, and shareholders.	Brazil: Secretário do Conselho/Secretário de Governança. Mexico: Secretario del Consejo. Chile/Argentina: Secretario del Directorio. Colombia: Secretario de la Junta
Stakeholders	All parties affected by the company.	This Anglicism is widely accepted. Alternatives: Grupos de interés, Partes interesadas
Related-Party Transactions (RPTs)	Any transfer of resources, services, or obligations between the company and parties that maintain a direct or indirect relationship, including purchase/sale of goods, loans, guarantees, leases, and professional services.	English (widely used): RPTs (Related-Party Transactions). Also used: Transactions with related parties. Mexico: Operaciones con Personas Vinculadas.

Annex I: Model Affidavit of Interest

[Company Name]

Policy on Related-Party Transactions [and Conflicts of Interest]

Instructions for completing this form: This Affidavit is intended to identify situations that may generate conflicts of interest or related-party transactions requiring special oversight pursuant to [Company Name]'s Policy on Related-Party Transactions and Conflicts of Interest. This statement must be completed annually by all members of the Board of Directors, Senior Management, and key personnel with decision-making capacity in significant business operations. Additionally, it must be updated immediately upon any material change in the information declared herein.

IMPORTANT: A conflict of interest does not necessarily imply inappropriate conduct. Many conflicts are unavoidable and can be properly managed through transparency and proper procedures. Failure to fully and in a timely manner disclose information constitutes a serious violation of the Policy.

For the purposes of this declaration:

- “Direct Relative” includes: spouse or domestic partner, children, parents, siblings, and any other person with whom you share domicile.
- “Significant Participation” means direct or indirect ownership in excess of [X]% of the capital or voting rights.
- “Significant influence” includes management, administrative, or advisory positions with the ability to affect business decisions.

SECTION I: DECLARANT INFORMATION

Full name: [X]

Identification Document: [X]

Position at [Company Name]:

Date of incorporation into the position: [X]

Department or Management (if applicable): [X]

Date of this declaration: [X]

SECTION II: SHAREHOLDINGS

Please list all companies or entities (including partnerships, associations, cooperatives, trusts, or other legal forms) in which you or your immediate family hold shares exceeding [X]% of the capital or voting rights:

Business Name of the Company	Country	Holder (myself/family member)	% interest	Nature of Business	Current or potential customer/supplier of [Company Name]?
					☐ Yes ☐ No ☐ Don't know
					☐ Yes ☐ No ☐ Don't know

☐ Not applicable - Neither my immediate family members nor I own significant interests in other companies.

[Add lines needed to report all ties]

SECTION III: POSITIONS IN OTHER ORGANIZATIONS

Indicate all managerial, executive, advisory, or representative positions that you or your immediate family currently hold in other organizations (companies, associations, foundations, NGOs, etc.):

Organization name	Holder (myself/family member)	Office(s) Held	Is it a paid position?	Nature of Business	Current or potential business relationship with [Company Name]?
			☐ Yes ☐ No		☐ Yes ☐ No ☐ Don't know
			☐ Yes ☐ No		☐ Yes ☐ No ☐ Don't know

☐ Not applicable - Neither I nor my immediate family members hold positions in other organizations.

[Add lines needed to report all links]

SECTION IV: CURRENT OR PREVIOUS BUSINESS RELATIONSHIPS

A. Have you or your immediate family had in the last [3] years any business relationship with [Company Name] as a supplier, customer, consultant, distributor, or intermediary?

☐ Yes Details: [Relationship Description, Period (from/to), Approximate Annual Amount, Current or Terminated Status]

☐ No

B. To your knowledge, are any immediate family members or businesses in which you or your family members have a significant interest currently conducting or planning to conduct business with [Company Name]?

☐ Yes Details: [Explain]

☐ No

☐ Not to my knowledge

SECTION V: FAMILY RELATIONSHIPS WITHIN THE ORGANIZATION

Do you have immediate family members (as defined in the instructions) working at [Company Name] or any of its subsidiaries?

☐ Yes Details: [Name of Family Member, Relationship, Position/Department, Is there a direct or indirect subordinate relationship?]

☐ No

SECTION VI: OTHER RELEVANT INTERESTS OR SITUATIONS

A. Do you or your immediate family engage in any competitive or potentially competitive activities with the activities of [Company Name]?

☐ Yes Details: [Explain]

☐ No

B. Are you aware of any situations not covered in the previous sections that could create an actual, potential, or perceived conflict of interest with your responsibilities to [Company Name]?

☐ Yes Details: [Explain]

☐ No

C. During the past year, have you or your immediate family received gifts, benefits, loans, or hospitality of significant value from current or potential customers, suppliers, or counterparts of [Company Name]?

☐ Yes Details: [Explain]

☐ No

SECTION VII: DECLARATION AND SIGNATURE

I DECLARE that:

1. I have completed this statement truthfully, completely, and in good faith, without omitting relevant information to my knowledge.
2. I understand that the information provided will be used by [Company Name] to identify and manage potential conflicts of interest and to comply with the Related-Party Transactions Policy.
3. I agree to promptly update this statement in the event of any material changes to the information provided herein.
4. I understand that failure to comply with my full and timely disclosure obligation constitutes a violation of the Policy and may result in disciplinary action, including termination of my relationship with [Company Name].
5. I authorize [Company Name] to verify the information stated herein and to seek further clarification as it deems necessary.

[Name of declarant]

[Signature]

[Date]

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FOR THE EXCLUSIVE USE OF [CORPORATE SECRETARIAT/COMPLIANCE]

Date Received: [XX/XX/XXXX]

Received by: [Full Name]

Observations or follow-up required: [X]

Review Completed By: [Full Name] Date: [XX/XX/XXXX]

☐ Approved without comment

☐ Requires follow-up/clarification

☐ Identified a conflict that requires addressing

Annex II: Model Report to the Board of Directors on RPTs

Related-Party Transaction Reporting

Field	Information
Reporting Term	[Quarter/Semester] [Year]
Date Filed	[DD/MM/YYYY]
Person responsible for reporting	[Name, Title]
Board Meeting	[Session number]

A. SUMMARY IN NUMBERS

Indicator	Current Period	Previous Period	Variation
Total number of RPTs	[#]	[#]	[+/- %]
Total value (USD)	[\$]	[\$]	[+/- %]
RPTs as % of revenue	[%]	[%]	[+/- pp]
Approved RPTs	[#]	[#]	[+/- %]
Conflicts declared	[#]	[#]	[+/- %]

Status of the Period

[Short justification text]

B. BREAKDOWN OF MAIN TRANSACTIONS

Materiality criterion: [Applied threshold, ex: >USD 50,000]

Related Party	Type	Description	Amount (USD)	Conditions	Status
[Name]	[Shareholder/Family/Entity]	[Brief description]	[\$]	[Market/Other]	[Approved/Pending]
[Name]	[Shareholder/Family/Entity]	[Brief description]	[\$]	[Market/Other]	[Approved/Pending]
[Name]	[Shareholder/Family/Entity]	[Brief description]	[\$]	[Market/Other]	[Approved/Pending]

[Add lines as needed to report all major RPTs]

C. COMPARISON WITH PREVIOUS PERIOD

- Main changes:

Category	Previous Period	Current Period	Variation	Explanation
[Type of RPT]	[\$]	[\$]	[+/- %]	[Brief justification]

- Concentration by Related Party (Top 3)

Related Party	Value (USD)	% of total
[Name 1]	[\$]	[%]
[Name 2]	[\$]	[%]
[Name 3]	[\$]	[%]

D. ALERTS**Red Alerts requiring immediate action:**

Situation	Description	Amount (USD)	Action Suggested	Responsible party	Period
[Type of alert]	[Details]	[\$]	[Corrective action]	[Name]	[Date]

**Yellow Alerts, require follow-up:**

Location	Description	Recommendation
[Type of alert]	[Details]	[Suggested Action]

E. COMPLIANCE WITH THE POLICY

Requirement	Compliance	Observations
Prior identification of related parties	[✓/X]	[Comment]
Statement of conflicts	[✓/X]	[Comment]
Assessment of market conditions	[✓/X]	[Comment]
Pre-Approval	[✓/X]	[Comment]
Full documentation	[✓/X]	[Comment]

F. RECOMMENDATIONS

- [Recommendation 1]:** [Brief description]
 - Responsible party: [Name]
 - Period: [Date]
- [Recommendation 2]:** [Brief description]
 - Responsible party: [Name]
 - Period: [Date]

Responsible for the Report:

Name: [X]

Position: [X]

Signature: [X]

Date: [XX/XX/XXXX]

Board Approval:

Session: [Number] | Date: [XX/XX/XXXX]

Result: [Pass/Remarks]

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