



CARITAS LIFE
INSURANCE CORPORATION

Caritas Life Insurance Corporation

Related Party Transactions Policy

Approved by the Board on 22 Jun 2016



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I. Purpose

1. To provide guidance on what constitutes Related Party Transactions;
2. To avoid conflict of interest and comply with regulatory and good governance practices;
3. To ensure that the appropriate process for approval of the transaction has been undertaken; and
4. To ensure compliance with the Disclosure Policy of the Caritas Life Insurance Corporation (CLIC) and disclosure requirements of Financial Statement Reporting.

II. Scope

All Related Parties as defined herein.

III. Definition of Terms

Affiliate

Person which is directly or indirectly controlling, controlled by or under common control with such party. For the purpose of this definition, the term "control" shall mean ownership of at least fifty percent (50%) of the total issued and outstanding capital stock of, or the right to elect at least fifty percent (50%) of the number of directors in such Person, or the right to cause the direction of the management and policies of such Person whether through the ownership of shares, directorships, management, community of interest, or contract.

RPT Committee

All of the independent directors of the Audit Committee, provided that there are at least three (3) independent directors in the Committee

Conflict of Interest

A situation when a Related Party appears to have a direct or indirect personal or financial interest in any transaction, which may deter or influence him from acting in the best interest of CLIC. It is not required that there be an actual conflict, it is sufficient that conflict be seen to exist by an impartial observer

External Auditor

The auditor of CLIC for the ensuing year appointed during the latest Annual Stockholders' Meeting of CLIC

Executive Officer

Person occupying an executive position in CLIC as defined in the By-Laws of CLIC or appointed as such by the Board of Directors



Key Management

Persons having authority and responsibility for planning, directing, controlling or implementing the activities or transactions of CLIC, directly or indirectly

Manual

Manual of Corporate Governance of CLIC

Material RPT

any RPT with a stated value of at least one-half of one percent (½%) of CLIC's admitted assets as of the thirty-first day of December next preceding

Person

An individual, corporation, partnership, joint venture, unincorporated association, trust or other juridical entity or any Governmental Authority

Related Party

With respect to CLIC:

- 🌿 Person/s that has or have control or joint control over CLIC;
- 🌿 Person/s that has or have significant influence over CLIC;
- 🌿 Person/s that is or are controlled by or under common control with CLIC; and
- 🌿 The directors and executive officers or members of the Key Management of CLIC; and
- 🌿 Any relative up to the second degree of consanguinity or affinity of a director or executive officer or Key Management of CLIC
- 🌿 Entities that belong to the Caritas Group (i.e., owned directly or indirectly by Caritas and/or its subsidiaries and affiliates, including other entities that Caritas exerts control over or those that exert control over Caritas or those related to Caritas and/or its subsidiaries and affiliated either through common ownership, directorship, or officership); and
- 🌿 Directors, Officers, members of the Key Management of CLIC or any of their immediate family members with beneficial ownership or significant influence/control in the entity that Caritas has or will have dealings with.

Reporting Entity

Person or corporation preparing the financial statements. For purposes of this Policy, the Reporting Entity shall be CLIC



Related Party Transaction (RPT)

Transaction, whether commercial or otherwise, by and between or among Related Parties, and may or may not involve a transfer of resources, services or obligations

IV. Disclosure Requirements

1. CLIC must comply with all disclosure requirements of RPT mandated under applicable law, rules and regulations.

For transactions between CHSI (“Holding Company”) and CLIC (“Controlled Insurer”), the following rules shall apply:¹

- 1.1. The books, accounts and records of each party to all such transactions shall be maintained as to clearly and accurately disclose the nature and details of the transactions including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties
- 1.2. The prior written approval of the Insurance Commissioner shall be required for the following transactions between a controlled insurer and any person in its holding company system: sales, purchases, exchanges, loans or extensions of credit, or investments, involving five percent (5%) or more of the insurer’s admitted assets as of the thirty-first day of December next preceding.
- 1.3. The following transactions between a controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the Commissioner in writing of its intention to enter into any such transaction at least thirty (30) days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period:
 - a. Sales, purchases, exchanges, loans or extensions of credit, or investments, involving more than one-half of one percent (½%) but less than five percent (5%) of the insurer’s admitted assets as of the thirty-first day of December next preceding;
 - b. Reinsurance treaties or agreements;
 - c. Rendering of services on a regular or systematic basis; or
 - d. Any material transaction, specified by regulation, which the Commissioner determines may adversely affect the interest of the insurer’s policyholders or stockholders or of the public.
2. The Related Parties must comply with all the disclosure requirements of RPTs required under applicable law, rules and regulations of the SEC and the BIR, and other relevant government agencies.
3. Each director, executive officer and member of the Key Management is responsible for providing written notice to the Office of the Compliance Officer of any potential RPT involving him or her

¹ Chapter III, Title 20, Sec. 298-300, RA No. 10607 (The Insurance Code)



or his or her Immediate Family Member, including any additional information about the transaction that may reasonably be requested by CLIC.

4. The Office of the Compliance Officer, by himself, or in consultation with the Management Committee and with the Chief Legal Counsel or external counsel, as appropriate, will determine whether the notified transaction does, in fact, constitute a RPT requiring compliance with this Policy.
5. Disclosure of a RPT shall include information about the price of the transaction, outstanding balances, if any, major terms and conditions and guarantees, if any. The Office of the Compliance Officer may require additional and other relevant information sufficient to enable the Office of the Compliance Officer to determine any Conflict of Interest and the potential effect of the relationship.
6. In addition, each director, executive officer and member of the Key Management may be required to complete a questionnaire on their RPTs and those of their Immediate Family Members.

V. Guidelines prior to entering into a RPT

1. All RPTs shall have terms and conditions that are fair and equitable to CLIC.
2. The approval, award, processing and payment of RPTs shall follow the same procedures as the other transactions and contracts of CLIC. No unusual privilege or special treatment shall be afforded a Related Party.
3. Proposed transactions of related parties shall be endorsed by proponent units to the appropriate transaction approving authority following existing policies and processes.
4. Upon approval, the proponent unit shall endorse the proposal to the Compliance Officer for review. The Compliance Officer shall verify if the transaction falls under the definition of a 'Related Party Transaction' and the same is compliant with existing regulations.'

If the transaction is a 'Related Party Transaction', Compliance Division shall endorse this to the Related Party Transactions Committee (RPTC).

In case of doubt on the nature of a transaction subject of investigation or review pursuant to this Policy, the Compliance Officer, in consultation with the RPT Committee, shall determine whether the transaction or relationship constitutes a RPT, and whether the same shall be pursued taking into consideration the cost and benefit to CLIC.

5. Review and approval of RPTs
 - 5.1. Prior to the award of any Material RPT, CLIC shall submit the same for the review of the RPT Committee to confirm that it has undergone the same process as an ordinary transaction. The RPTC shall review the proposed related party transactions endorsed to it by considering the following, to the extent relevant to the Related Party Transaction:



- a. Whether the terms of the Related Party transaction are fair to Caritas and on terms at least as favorable as would apply if the other party was not or did not have an affiliation with a director, executive officer or employee of Caritas;
- b. Approximate monetary value of the transaction and the approximate monetary value of the Related Party's interest in the transaction;
- c. Valuation methodology used and alternative approaches to valuation of the transaction;
- d. Whether the proposed transaction includes any potential reputational Concern issues that may arise as a result or in connection with the transaction;
- e. Whether there are demonstrable business reasons for Caritas to enter into the Related Party transaction
- f. Whether the Related Party Transaction would impair the independence of a director, and
- g. Extent that such transaction or relationship would present an improper conflict of interest.

When a Material RPT is submitted to the RPT Committee for review, the presence of at least two (2) independent directors shall be necessary to constitute a quorum of the Committee.

- 5.2. Non-Material RPTs shall be subject to the review and/or approval of the Compliance Officer.
6. Upon review of the RPTC, the proponent unit shall prepare the Memo to the Board and for this to the BOD for approval thorough the Corporate Secretary. The proposals may be sent to the Corporate Secretary at any time but this should be at least three (3) working days before the board meeting.

VI. Internal Reporting of RPTs

1. The following transactions, if with a Related Party, are considered RPTs:
 - 1.1. Purchases or sales of goods
 - 1.2. Purchases or sale of property and other assets
 - 1.3. Purchases and sales of services
 - 1.4. Leases
 - 1.5. Transfer of Research and Development
 - 1.6. Transfers under License Agreements
 - 1.7. Transfers under Finance Arrangement like Loans and Equity contribution in cash or in kind
 - 1.8. Loans and other forms of financial assistance
 - 1.9. Provisions of Guarantees and collateral



- 1.10. Settlement of Liabilities on behalf of CLIC or by Corporation on behalf of another party
 - 1.11. Commitments to do something if a particular event occurs or does not occur in the future
 - 1.12. Such other similar or analogous transactions to the foregoing
2. The Compliance Officer, with the assistance of the Chief Legal Counsel, shall prepare a monthly report on RPTs based on the disclosures and/or reports of RPTs submitted to the Compliance Officer.

The Report shall be submitted to the Accounting Department to be furnished the External Auditor for proper disclosure in the Financial Statements of CLIC, if necessary under applicable financial reporting rules and policies.

VII. Prohibited RPTs

Notwithstanding any provision of this Policy to the contrary, the following RPTs shall not be allowed:

1. Loans and/or financial assistance to a Director;
2. Loans and/or financial assistance to the Key Management, except when allowed pursuant to an established company benefit or plan.

VIII. Sanctions

1. For non-compliance with Chapter III, Title 20 (“Holding Companies”) of the Insurance Code, the Insurance Commissioner may:²
 - 1.1. Proceed under Title 14 (“Appointment of Conservator”) or Title 15 (“Proceedings upon Insolvency”), Chapter III of the Insurance Code with respect to the insurer with the holding company system; or
 - 1.2. Revoke or refuse to renew the authority to do business in this Country of an insurer within the holding company system or refuse to issue such authority to any other insurer in the system; or
 - 1.3. Direct that, in addition to any other penalty provided by law, such person forfeit to the people of this country a sum not less than five thousand pesos (Php 5,000.00) for a first violation and twenty-five thousand pesos (Php 25,000.00) for any subsequent violation. An additional sum not less than twenty-five thousand pesos (Php 25,000.00) shall be imposed for each month during which any such violation shall continue.
2. Non-compliance with any provision of this Policy, in particular, the reporting, and disclosure requirements, the guidelines prior to entering into RPT and the prohibited RPTs, shall result in the invalidation of the Contract involved in the RPT.

² Chapter III, Title 20, Sec. 306, RA No. 10607 (The Insurance Code)



3. Any officer or employee of CLIC who has knowledge of any violation of this Policy shall report the same to the Office of the Compliance Officer. The Chief Legal Counsel, in coordination with the Office of the Compliance Officer, shall report to the RPT Committee all violations of this Policy.
4. The RPT Committee shall have the authority to recommend to the Board of Directors the invalidation of the Contract.
5. This Policy shall be without prejudice to the provisions of the Manual of Corporate Governance, the Code of Conduct and Ethics and all related and relevant policies of CLIC which shall be observed and shall apply to the fullest extent possible. In particular, RPTs shall not be allowed if it would present a conflict of interest for any Related Party as defined in the Code of Conduct and Ethics.