

Policy No. 2018 – LEGCOM - 03	Effectivity Date:	3 April 2018	Version No.:	1
	Prepared By:	Legal and Compliance Department	Approved By:	Board of Directors

RELATED PARTY TRANSACTIONS POLICY

A. COVERAGE

This Related Party Transactions policy applies to Paramount Life & General Insurance Corp. (the "Company"), its subsidiaries and affiliates.

B. STATEMENT OF POLICY

In compliance with Insurance Commission (IC) Circular Letter (CL) No. 2017-29, this policy is intended to ensure that every Related Party Transaction (RPT) is conducted on an arm's length basis for the financial, commercial and economic benefit of the Company, its subsidiaries and affiliates.

This policy is also intended to provide appropriate oversight for transactions between the Company and any of its Related Party/ies in compliance with legal and regulatory requirements.

C. DEFINITION OF TERMS

1. **Related Parties** shall cover the Company's subsidiaries as well as affiliates that the Company exerts direct/indirect control over or that exerts significant influence over the Company; the directors, officers, stockholders and related interests and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the Company.
2. **Close Family Members** are persons related to the Company's directors, officers, and stockholders ("DOS") within the second degree of consanguinity or affinity, legitimate or common-law. These shall include spouse, parent, child, brother, sister, grandparent, grandchild, parent-in-law, son-/daughter-in-law, brother-/sister-in law, grandparent-in-law, and grandchild-in-law of the Company's DOS.
3. **Corresponding Persons in Affiliated Companies** are the DOS of the affiliated companies and their Close Family Members
4. **Subsidiary** shall refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlledⁱⁱ or held with power to vote by its parent corporation.
5. **Affiliates** shall refer to an entity linked directly or indirectly to the Company by means of:
 - a. Ownership, controlⁱⁱⁱ as defined under IC CL No. 2017-29, or power to vote of at least forty percent (40%) of the outstanding voting stock of the borrowing entity/counterparty, or vice versa;
 - b. Interlocking directorship or officership, where the concerned director or officer owns; controls,^{iv} as defined under IC CL No. 2017-29; or has the power to vote of at least forty percent (40%) of the outstanding voting stock of the borrowing entity/counterparty;
 - c. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and at least forty percent (40%) of the outstanding voting stock of the borrowing entity/counterparty;
 - d. Management contract or any arrangement granting power to the Company to direct or cause the direction of management and policies of the borrowing entity/counterparty; or
 - e. Permanent proxy or voting trusts in favor of the Company constituting at least forty percent (40%) of the outstanding voting stock of the borrowing entity/counterparty, or vice versa;
6. **Related Party Transactions** are transactions or dealings with Related Parties of the Company, including its trust department, if any, regardless of whether or not a price is charged. These shall include, but not limited to the following:
 - a. On-and-off balance sheet credit exposures and claims and write-offs;
 - b. Investments and/or subscriptions for debt/equity issuances;

- c. Consulting, professional agency and other service arrangements/contract
- d. Purchases and sale of assets, including transfer of technology and intangible items;
- e. Construction arrangements/contracts;
- f. Lease agreement/contracts;
- g. Trading and derivative transactions;
- h. Borrowing, commitments, fund transfers and guarantees;
- i. Sale, purchase, or supply of any goods or materials; and
- j. Establishment of joint venture entities.

Related party transactions shall include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

The Company's existing systems shall be utilized and enhanced to facilitate identification of related party transactions.

D. GUIDELINES TO ENSURE ARM'S LENGTH TERMS

To ensure that Related Party Transactions are conducted at arm's length basis and in the ordinary course of business, the terms and conditions of the transaction should not be more favorable than similar transactions with non-related parties. The terms and conditions shall include those relating to term, interest rates, fees, collaterals, contract/selling price and other relevant information that will allow a clear determination that no preferential treatment was given to a Related Party.

The price discovery mechanisms used and the results obtained should also be disclosed in the proposal. The price discovery mechanism may include, but not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.

E. CONFLICTS OF INTEREST

Conflict of Interest may arise where the personal interests of the Related Party is placed before the interests of the Company and where such personal interests unduly influence that Related Party's business judgments, decisions, or actions, whether or not he or she will receive any personal benefit. All potential or actual conflicts of interests relating to Related Party Transactions shall be reported, identified, prevented and managed. The members of the board, stockholders, and management shall disclose to the board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Company. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the Company.

The Conflict of Interest Disclosure Form is attached as **Annex "A"**.

F. MATERIALITY THRESHOLDS AND EXPOSURE LIMITS

1. Transactions directly or indirectly involving a Related Party, where the amount involved is more than **2% of the Company's total assets based on audited FS** as of the 31st day of December next preceding is a reportable Related Party Transaction except as may be indicated in this policy.
2. The following transactions are excluded from the materiality threshold requirement:
 - a. Deposits in banks;
 - b. Regular trade transactions involving purchase and sales of debt securities traded in an active market;
 - c. Investments and/or subscriptions for debt/equity issuances traded in an active market; and
 - d. Insurance policies.

The Company shall exclude other transactions that do not give rise to credit and/or counterparty risks and those that do not pose material/special risk or potential abuse to the Company and its stakeholders.

3. The following RPTs shall be deemed to be **pre-approved** by the Board:
 - a. Compensation and employment of executive officers and directors approved by the Compensation Committee;
 - b. Transactions with similar terms available to all employees generally;
 - c. Charitable contributions by the Company where the Related Party is an employee or director, if the aggregate amount involved does not exceed PhP5M;
 - d. Share transactions such as dividends, repurchase, rights offerings, available to all shareholders on a pro-rata ownership basis.

- f. Any transaction with Related Party involving the rendering of services by common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.
4. The following requires approval of the Board and confirmation by majority vote of the Stockholders:
- all material credit and non-credit Related Party Transactions endorsed by the Chief Financial Officer for approval;
 - any renewal or material changes in the terms and conditions of Related Party Transactions;
 - all Related Party Transactions approved by the ExCom and other authorized management committees that are over the materiality threshold;
 - all write-offs of material exposures to Related Parties; and
 - breaches in internal limits for individual and aggregate exposures to Related Parties.
5. Internal Limits for Individual and Aggregate Exposures – For internal limits for individual and aggregate exposures, materiality shall not only be based on the amount but on **nature of transaction and risks involved** which would lead to any of the following:
- Materially impair the quality of the Company's governance;
 - Significantly increase the operational risks; and
 - Services provided involve significant customer impact, exchange or transfer of sensitive and confidential data.

Breaches in internal limits shall be reported by the Chief Financial Officer to the Board of Directors. Decision of the Board to accept the exposure or to take steps to address the breaches, as may be necessary, shall be duly documented in the minutes of the meetings.

G. DUTIES AND RESPONSIBILITIES/ROLES AND FUNCTIONS OF THE BOARD OF DIRECTORS

The Board of Directors shall have the overall responsibility in ensuring that Related Party Transactions are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of policyholders, claimants, creditors and other stakeholders. Towards this end, the Board of Directors shall carry out the following duties and responsibilities:

- To observe good governance and approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. A group-wide RPT policy shall be adopted, encompassing all entries within the group, taking into account their size, structure, risk profile and complexity of operations;
- To approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to Related Parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the Board of Directors.

All final decisions of the Board on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, shall be clearly disclosed during stockholders meetings and duly reflected in the minutes of board and stockholders' meetings.

Any member of the Board who has an interest in the transaction must abstain from the deliberation and approval of any related party transaction.

- To delegate to appropriate management committee the approval of RPTs which are below the materiality threshold, subject to confirmation by the Board of Directors. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.
- To establish an effective system to:
 - Determine, identify and monitor related parties and RPTs;
 - Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - Identify, measure, monitor and control risks arising from RPTs.

The system shall be able to define Related Parties' extent of relationship with the Company; assess situations in which a non-related party (with whom the Company has entered into a transaction) subsequently becomes a Related Party and vice versa; and generate information on the type and amount of exposures to a particular Related Party. The said system

will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the IC and audit functions for review. Any changes in the policies and procedures shall be approved by the Board of Directors.

5. To maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/ stress tests under the capital planning process shall also capture RPTs in order to determine whether the Company is well insulated from any going concern issue of Related Parties.
6. To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The Board should ensure that senior management addresses legitimate issues on RPT that are raised. The Board should take responsibility for ensuring that employees who raise concerns are protected from detrimental treatment or reprisals.
7. To constitute a Related Party Transactions Committee if the Company is part of an insurance group, financial conglomerates or even mixed conglomerates (group that include non-financial entities) and if directed by the IC to constitute said committee. The RPT Committee shall be composed of at least three (3) members of the board of directors, two (2) of whom shall be independent directors, including the chairperson. The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. The Chief Compliance Officer or Head of Internal Audit may sit as a resource person in the said Committee.

H. RESPONSIBILITIES OF THE RPT COMMITTEE

Responsibilities of the RPT Committee. The RPT Committee shall:

1. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships shall be reflected in the relevant reports to the board and regulators/ supervisors.
2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such Related Parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee shall take into account, among others, the following:
 - a. The related party's relationship to the Company and interest in the transactions;
 - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - c. The benefits to the CI of the proposed RPT;
 - d. The availability of other sources of comparable products or services; and
 - e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs.

All RPTs that are considered material based on CI's internal policies shall be endorsed by the RPT Committee to the board of directors for approval.

3. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of Company's affiliation or transactions with other related parties.
4. Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
5. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.

6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

I. ROLES OF SENIOR MANAGEMENT AND SELF-ASSESSMENT FUNCTIONS

1. Senior Management

Senior Management shall implement appropriate controls to effectively manage and monitor RPTs on a per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with the Company policy and IC regulations.

2. Chief Financial Officer

In coordination with the Chief Compliance Officer, the CFO shall oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

Unless a Related Party Transactions Committee has been constituted, the Chief Financial Officer shall also have the following responsibilities:

- a. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all Related Parties are continuously identified, RPTs are monitored, and subsequent changes in relationships shall be reflected in the relevant reports to the Board and regulators/ supervisors;
- b. To review any credit and non-credit transaction with a Related Party that is within the specified materiality threshold prior to the approval of the Board. To fulfill its mandate, the CFO shall conduct a comprehensive review of the transactions focusing on the terms and conditions, the business purpose, the justifications in entering into these transactions and compliance with the rules and regulations on Related Party Transactions.
- c. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties;
- d. Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties; and
- e. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.

3. Internal Audit

The internal audit function shall conduct a period formal review of the effectiveness of the Company's system and internal controls governing RPTs to assess consistency with the Board-approved policies and procedures. The resulting audit, reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee.

4. Compliance

- a. The compliance function shall ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. It shall aid in the review of the Company's transactions and identify any potential RPT that would require review by the Board or RPT Committee. It shall ensure that the RPT policy is kept updated and is properly implemented throughout the Company.
- b. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's policies on conflicts of interest or potential conflicts of interest.

J. REPORTING OF RELATED PARTY TRANSACTIONS

1. A quarterly report by the Finance Department shall be submitted to the Board for the individual and aggregate exposures to each related party including the status thereof.
2. If part of a group and conglomerate, the Company shall report to the IC all entities in the conglomerate structure where it belongs (**Annex "B"**). The said structure shall likewise disclose beneficial owners of shareholdings that are in the name of PCD Nominee Corporation. The said report shall be submitted to the IC within 30 calendar days after the end of every calendar year.
3. The Company shall submit a report to the IC on material exposures to related parties, which shall include the material RPTs of its non-financial subsidiaries and affiliates (**Annex "C"**), within 20 calendar days after the end of the reference quarter. Supervised non-financial subsidiaries and affiliates are therefore expected to report their material RPTs to the

parent company, which it shall report the same to IC. The Company shall furnish a copy of the said report to its parent company, if applicable.

K. WHISTLE BLOWING MECHANISMS, RESTITUTION OF LOSSES AND REMEDIES FOR ABUSIVE RPTs

Reporting and investigation of abusive RPTs shall be handled following the Company's existing code of conduct and relevant corporate governance policies, without prejudice to the applicable legal remedies which the Company may avail of.

L. DISCLOSURE OF RELATED PARTY TRANSACTIONS

1. The salient points of the policy will be published in the Company's website.
2. The Company shall adequately disclose in its Annual Report, if applicable, the overarching policies and procedures for managing RPTs, including managing of conflicts of interest or potential conflicts of interest; responsibility of RPT Committee; nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments, of material RPTs.
3. The material Related Party Transactions including write-off of material exposures to Related Parties shall be submitted for confirmation by majority vote of the stockholders in the Annual Stockholders' Meeting.

M. POLICY REVIEW AND IMPLEMENTATION

This policy shall be reviewed by the Compliance Officer as and when any changes are to be incorporated in the policy due to changes in regulation and/or amendments to existing laws. It shall ensure also the proper implementation of the policy across the Company's subsidiaries and affiliates.

N. EFFECTIVITY OF THE POLICY

This Related Party Transactions Policy approved by the Board of Directors on 3 April 2018, shall take effect immediately.

ⁱ Under PAS 24 - Related parties include the parents, entities with joint control or significant influence over the entity, subsidiaries, associates, joint ventures in which the entity is a venture, key management personnel of the entity or its parent; and other related parties. (IC CL No. 2017-29)

ⁱⁱ Id.

ⁱⁱⁱ Id.

^{iv} Id.

DISCLOSURE FORM – CONFLICT OF INTEREST - RPT

All information will be held in confidence.

It is the policy of the Company to address how issues of actual, potential and perceived conflicts of interest involving officers, employees, consultants and directors should be identified, disclosed and managed. This form is designed to identify and disclose known conflicts in an effort to properly manage them. Please add additional pages, as needed.

INFORMATION ON THE PERSON OF INTEREST

Name: _____ Department: _____ Designation/Position: _____

1. Are you an officer, director, consultant, partner (general or limited), employee or retained consultant of any company, firm or organisation that presently has business dealings with the Company or which might reasonably be expected to have business dealings with the Company in the coming year? ☐ Yes ☐ No

If yes, please list the details below:

Name of Company: _____ Position held: _____
Nature of Business: _____ No. of years connected to the Company: _____

2. Are any of your Relatives an officer, director, consultant, partner (general or limited), employee or regularly retained consultant of any company, firm or organisation that presently has business dealings with the Company or which might reasonably be expected to have business dealings with the Company in the coming year? ☐ Yes ☐ No

If yes, please list the details below:

Name of Relative and Relationship: _____
Name of Company: _____ Position held: _____
Nature of Business: _____ No. of years connected to the Company: _____

3. Do you have a financial interest, direct or indirect, in a company, firm or organisation which currently has business dealings with the Company or which may reasonably be expected to have such business dealings with the Company in the coming year? ☐ Yes ☐ No

If yes, please list the details below:

Name of Company: _____ Position held: _____
Nature of Business: _____ No. of years connected to the Company: _____

4. Do any of your Relatives have a financial interest, direct or indirect, in a company, firm or organisation which currently has business dealings with the Company or which may reasonably be expected to have such business dealings with the Company in the coming year? ☐ Yes ☐ No

If yes, please list the details below:

Name of Company: _____ Position held: _____
Nature of Business: _____ No. of years connected to the Company: _____

5. Are you involved in any organization, charitable institution/activity, or in any political process, aside from being an official representative of the Company? ☐ Yes ☐ No

If yes, kindly list down the names of the organization, charitable institution/activity, or describe the political process below:

- a.) _____
- b.) _____
- c.) _____
- d.) _____

GROW EXPONENTIALLY.

 Please consider the environment before printing this form. We encourage the submission of this form by email.

My answers to this disclosure form are correctly stated to the best of my knowledge and belief. Should a possible conflict of interest arise in my responsibilities to the Company, I recognise that I have the obligation to notify, based on my position, the appropriate designated individual and to abstain from any participation in the matter until the Company can determine whether a conflict exists and how that conflict shall be resolved. If any relevant changes occur in my affiliations, duties, or financial circumstances, I recognise that I have a continuing obligation to file an amended "Conflict of Interest Disclosure Form".

Signature over printed Name

Remedial Action(s) to be taken:

Form received and reviewed by: _____ Date: _____

Deadline: 30 calendar days after
The end of the calendar
Year

Name of Covered Institutions

Address

Report of Conglomerate Structures

As of _____
(Year-End)

REPUBLIC OF THE PHILIPPINES)
_____) S. S.

I solemnly swear that all matters set forth in this report are true and correct,
to the best of my knowledge and belief.

(Signature of Officer/Alternate)

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of _____, affiant
exhibiting to me his Community Tax Certificate No. _____ A on _____.

Notary Public
Until December 31, 200_____
PTR No. _____
Place _____

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

CONGLOMERATE MAP/ORGANIZATIONAL STRUCTURE¹

Name of Covered Institutions

Date

¹ Organizational structure/diagram of the conglomerate.

Ownership Details/Board of Directors/Senior Officers ^{1/}

Name of Covered Institutions

Date _____

[illegible]

^{1/} Senior Officer shall refer to Senior Vice President positions and up

^{2/} indicate those holding 10% or more of the voting stock

Name of Covered Institutions

Address

Report On Material Related Party Transactions

As of _____
(Quarter-End)

1
11/22
REPUBLIC OF THE PHILIPPINES)
_____) S. S.

I solemnly swear that all matters set forth in this report are true and correct,
to the best of my knowledge and belief.

(Signature of Officer/Alternate)

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of _____, affiant
exhibiting to me his Community Tax Certificate No. _____ A on _____.

Notary Public
Until December 31, 200_____
PTR No. _____
Place _____

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

Material Related Party Transactions

Name of Covered Institutions

Date

Parent/Subsidiary/Affiliate	Related Counterparty	Relationship between the parties	Transaction date	Type of Transaction	Amount	Terms	Rationale for entering into the Transaction
A.Parent							
a. Subsidiaries/Affiliates							
b. DOSRI							
c. Others							
B.Subsidiary 1							
a. Subsidiaries/Affiliates							
b. DOSRI							
c. Others							
C.Subsidiary 2							
a. Subsidiaries/Affiliates							
b. DOSRI							
c. Others							
D.Affiliate 1							
a. Subsidiaries/Affiliates							
b. DOSRI							
c. Others							
E.Affiliate 2							
a. Subsidiaries/Affiliate							
b. DOSRI							
c. Others							

Please indicate in the last column (rationale for entering into the transaction) if the counterparty was a non-related party at the time when the transaction was entered into.