

RELATED PARTY TRANSACTION POLICY **(Revised October 1, 2021)**

1. GOVERNING FRAMEWORKS

This Related Party Transaction Policy (“Policy”) has been prepared in consideration with the minimum requirements of the following:

- SEC Memorandum Circular No. 10, Series of 2019
- BIR Revenue Regulation 2-2013
- Revenue Audit Memorandum Order (RAMO) 1-2019
- IC Circular 2017-29, Guidelines on Related Party Transactions for Insurance Commission’s (IC) Covered Institutions
- IC Circular Letter 2015-23, Adopting the ASEAN Corporate Governance Scorecard (ACGS) replacing the Corporate Governance Scorecard (CGS) required under Circular Letter 21-2009 dated 12 August 2009, and its amendments
- RA No. 11232, Revised Corporation Code of the Philippines

While only listed companies are covered by SEC Memorandum Circular No. 10, Series of 2019, the Corporate Governance Principles for Listed Companies are also adopted to prepare **Philippine Life Financial Assurance Corp.** (the “Company”) and its subsidiaries for the future. Hence, the following regulations were also considered in drafting the Policy:

- Code of Corporate Governance for Publicly Listed Companies (per SEC Memorandum Circular No. 19, Series of 2016).

2. PURPOSE

- Ensure that all related party transaction (RPT) is conducted on arm’s length basis or for the financial, commercial or economic benefit of the Company and will protect the Company from prejudice arising from conflict of interest, which may arise between the Company and Related Parties.
- Ensure proper review, approval, ratification and disclosure of transactions between the Company and any of its Related Parties as required to comply with legal and regulatory requirements.

3. SCOPE/COVERED PERSONS

This policy covers transactions between the Company and related parties enumerated below:

- Director or Officer including spouses and relatives within the fourth degree of consanguinity or affinity, legitimate or common law
- Parent company, subsidiaries, entities under common control and/or significant influence

- Entities with interlocking directors and officers

Control is exercised at least 40% ownership or more, while significant influence is manifested by at least 20% ownership.

4. THRESHOLDS

Material RPT- transaction/s with a related party totaling at least 10% of the assets of the Company of the immediately preceding year. This is in accordance with the threshold set by the SEC for listed companies. The RPT Committee may revise threshold as deemed warranted.

Non-Material RPT - transaction/s with a related party below the threshold set above.

Exempt Transactions - (1) non-material transactions with directors and officers under the normal course of business (e.g. salaries and benefits, directors' fees, cash advance subject to liquidation, reimbursements in relation to performance of duties); (2) non-material intercompany billings of shared service costs.

5. RPT COMMITTEE

The RPT Committee shall be composed of at least three (3) members of the board of directors, of whom majority should be independent directors including the chairperson. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. The Chairman of the Board may sit as a resource person in the said RPT Committee.

The RPT Committee has the overall responsibility and approval on RPTs but is likewise authorized to delegate the review and approval to the Management Committee over non- material RPTs.

6. MANAGEMENT COMMITTEE

The Management Committee shall assist the RPT Committee in its function and is composed of the following:

- President
- COO
- CFO
- Head of Admin (Alternate in case the covered person is one of the three members)

Unless revoked by the BOD, the Management Committee is authorized to approve non-material RPTs.

7. PROCEDURES

- Directors and officers are required to declare and disclose any RPT and material interest that they or a relative may have on such transaction.

- RPT transactions, other than those categorized as “Exempt”, must be supported by a term sheet for consideration and approval of the relevant Committee.
- The term sheet shall be accomplished by the requesting department and submitted to the CFO, in consultation with the Corporate Secretary, for initial screening before submission/circulation to the Management Committee, and RPT Committee when necessary.
- The term sheet shall include the following information: (1) description of transaction, material terms and conditions; (2) name of related party; and (3) amount of the transaction; and (4) comparable market data for the price.

8. REVIEWS/APPROVALS

- Unless delegated authority is revoked by the BOD, non-material RPT shall be approved by the Management Committee while Material RPT shall be approved by the RPT Committee and the BOD. The submission for consideration and approval may be done through an actual meeting of the relevant Committees or through a memo circulated to the members thereof.
- The relevant Committee shall evaluate compliance with the arm’s length principle and consider any reputational risks associated with the transaction. The Company may adhere to Revenue Regulation 2-2013, RAMO 1-2019, or any other price discovery mechanism that the RPT Committee may deem appropriate.
- Majority vote is required for RPTs to move forward.

9. SELF ASSESSMENT/POST VERIFICATION

9.1 Periodic Assessment. The ASEAN Corporate Governance Scorecard (ACGS), as adopted by the Insurance Commission, will serve as the fundamental framework in the objective assessment of RPTs. The Management Committee shall endeavor to recommend to the RPT Committee improvements over the ACGS that are necessary for an effective Methodology and Scoring System.

The Internal Audit of the Company shall conduct a periodic review of the effectiveness of its system and internal controls governing Material 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 RPT Committee.

The CFO shall ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. He/she shall ensure that this Policy is kept updated and is properly implemented throughout the Company. The Management and RPT Committees shall periodically review this Policy and may recommend amendments to this Policy as deemed appropriate.

9.2 Transactional Assessment. The CFO shall evaluate the Company's transactions and identify any potential RPT that would require further review by the RPT Committee. He/she shall draft the corporate-level procedure that will ensure that reasonable monitoring and controls are in place.

10. DISCLOSURE/REPORTING

- An email requesting confirmation will be circulated by the CFO to the Directors and Officers for material transactions. The Directors and Officers will be given two (2) working days from receipt of email to confirm any related party relationship with the prospective business partner. Non-response after the said period would mean no reportable conflict.
- Official email addresses consist of those emails designated by the CFO and the Directors and Officers, as shown in Annex "A-Official Contact Emails".
- Material RPT transactions during the year shall be disclosed in the Audited Financial Statements.
- Material and nonmaterial RPT transactions will be summarized and reported to the RPT Committee semi-annually.

11. TRANSFER PRICING DOCUMENTATION

- A formal Transfer Pricing (TP) Study shall be conducted by either the Management or a third party professional for all new RPTs not covered by prior period TP studies.
- The TP study shall be prepared in compliance with the minimum requirements of Revenue Regulation 2-2013 and RAMO 1-2019.
- The TP Study shall be presented to the RPT Committee for approval.
- The TP study shall be kept on file for ten (10) years.

12. SANCTIONS

Responsible persons found to be in willful violation of this Policy shall be subject to the corresponding procedures and penalties under the Corporation's Code of Conduct and Ethics and relevant laws and regulations, as may be applicable; provided that any penalty to be imposed herein shall be subject to consultations with the RPT Committee. The penalty may include any applicable restitution of actual losses suffered by the Company directly arising from violation of policies relating to Abusive Material RPTs.

13. WHISTLE BLOWING MECHANISM

Stakeholders are encouraged to communicate confidentially and without risk of reprisal, legitimate concerns about illegal, questionable or unethical RPT. Reporting channels include:

- Email
- Face to face meetings
- Telephone

The report shall be directed to both the HR Manager and the Head of Admin. The HR Manager shall log the complaint and report to the Management Committee for investigation.

14. EFFECTIVITY

This policy shall take effect starting October 1, 2021.