

Related Party Transactions Policy
PRU LIFE INSURANCE CORPORATION OF U.K. (PPL)

Version History

Ver No	Date	Approved By	Updated By	Change Description
1	Nov, 2017	BOD	Dante Marasigan	
2	Aug 30, 2018	BOD	Dante Marasigan	<p>In Section 5, the term "management" is further clarified as pertaining to Company Officers.</p> <p>Section 10.2 Roles of Senior Management and Self-Assessment Functions is revised to include CFO / Finance role in compiling and cross-checking all Conflict of Interest Declarations to ensure completeness of all reportable RPTs</p>

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1. **Objectives**

This Related Party Transactions (“RPTs”) Policy is made to ensure that RPT transactions are only undertaken on an arm’s length basis for the financial, commercial, and economic benefit of Pru Life Insurance Corporation of U.K. (the “Company”) and the entire group where the Company belongs. This Policy is also made to ensure that there are appropriate oversight and effective control systems for managing RPT exposures as these may potentially lead to abuses that are disadvantageous to the Company, its policyholders, claimants, creditors, and other stakeholders.

2. **Coverage**

This RPT Policy shall:

- a. capture a broader spectrum of transactions, covering not only those that give rise to credit and/or counterparty risks but also those that could pose material/special risk or potential abuse to the Company and its stakeholders; and
- b. cover the identification and prevention or management of potential or actual conflicts of interest which may arise.

3. **Definition of Terms**

- 3.1 “**Related Party**” or “**Related Parties**” shall cover the Company’s subsidiaries as well as affiliates and special purpose entities that the Company exerts direct/indirect control over or that exerts significant influence over the Company; its Board members; 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, hence, is identified as a Related Party.
- 3.2 “**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 the 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.
- 3.3 “**Corresponding Persons in Affiliated Companies**” are the DOS of the affiliated companies and their Close Family Members.
- 3.4 “**RPTs**” are transactions or dealing 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/contracts;
- d. purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements);
- e. construction arrangements/contracts;
- f. lease arrangements/contracts;
- g. trading and derivative transactions;
- h. borrowings, commitments, fund transfers, and guarantees;
- i. sale, purchase, or supply of any goods or materials; and
- j. establishment of joint venture entities.

RPTs shall be interpreted broadly to 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.

4. Guidelines in Ensuring Arm's Length Terms

RPTs shall be conducted in the regular course of business and not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, and collateral requirement) to such Related Parties than similar transactions with non-related parties under similar circumstances.

The Company adopts the PCA Inter-Company Invoicing and Settlement Policy on general provision of inter-company balances and settlement. The inter-company balances cover all receivables/payables that arise during operations when services/products are rendered by other entities within the Prudential Group. Issuance of the invoices should be supported by sufficient documents that are able to show the agreement and rationale of the inter-company charges. This agreement shall be in the form of a written and signed agreement between the parties establishing the agreement. Any agreement reached should be fully documented.

A mutual consensus shall be established between the creditor (the Local Business Unit who provides services to the others) and the debtor (the Local Business Unit who receives the services). Both debtor and creditor shall agree on the terms and conditions of the services before they are provided. In addition, establishing a mutual consensus is critical for the transfer pricing process (intercompany pricing arrangements between related business entities) to determine the factual nature of the transaction(s) between parties, which can be required by local tax authorities when reviewing the Company's transfer pricing strategy.

An effective price discovery mechanism shall be put in place to ensure that transactions are engaged into at terms that promote the best interest of the Company and its stakeholders. The price discovery mechanism may include, but not limited to, the validation procedures to determine the nature, components, and price of the services to be provided, acquiring the services of an external expert, and where applicable: opening the transaction to a bidding process, canvassing, or benchmarking, or any other applicable due diligence procedures.

5. Conflicts of Interest

Conflict of interest is "a situation in which a relevant employee, member of the Board, or a stockholder has a private or personal interest sufficient to influence, or appear to influence, the objective exercise of his or her official duties" in connection with the Company's business.

The Company adopts the PCA Conflict of Interest Policy. It is committed to ensuring that all related parties operate to the highest level of integrity in all their dealings and business relationships, either within or outside the Company.

The members of the Board, stockholders, and management, specifically Company Officers, shall disclose to the Board, at least once a year, 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.

6. Materiality Thresholds and Excluded Transactions

Materiality threshold shall be set for each type of transaction and for each related party group, depending on the nature of business transaction or value impact that could result in business interruption, has business consequences or causes concern to Management such that it warrants escalation and notification to Management.

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:

- a. Material impairment of the quality of the Company's governance;
- b. Significant increase in the Company's operational risks.

Excluded transactions are those transactions that are operational in nature which do not place the Company at risk or create any liability.

Considering the above, the following are considered material RPT transactions :

- a. Transactions or arrangements that are considered critical based on the existing Vendor Management Framework, OR

- b. If the transaction is non-critical, but amount of transactions exceeds 1% of prior year's admitted assets as submitted to the Insurance Commission. Amount of transaction here shall apply to contract amounts, OR year-to-date transactions OR amount balance, whichever is higher.

All material RPTs, those that cross the materiality threshold, and write offs of material exposures to related parties shall be subject to the approval of the Board of Directors and confirmation by majority vote of stockholders in the annual stockholders' meeting.

7. Internal Limits for Individual and Aggregate Exposures

In addition to existing prudential limits which shall be complied with at all times, the Company shall include internal limits or sub-limits for individual and aggregate exposures to a Related Party and for aggregate exposures to all Related Parties that are consistent with the Company's risk appetite, risk profile, and capital strength. The internally set limits shall be tied in with the Company's internal definition of capital.

Breaches in limits shall be reported to the Board with the decision of the Board to accept exposure or to take steps to address the breaches as may be necessary, duly documented in the minutes of meetings.

Considering the above, the total contracts OR transactions in any given year OR the total balance of the account, with any one Related Party, whichever is higher, shall not exceed the following Company's internal limits:

For Each Related Party:

- (a) For bond and equity investments, this shall be 20% of prior year's admitted asset
- (b) For other items, this shall be 1% of prior year's admitted asset; this category shall include, among other things, transactions arising from fund management services, advances, etc.

In the aggregate, the limit to all Related Parties shall be 25% of prior year's admitted asset. The prior year's admitted asset shall be based on what was reported to the Insurance Commission.

8. Whistleblowing Mechanisms

Employees are encouraged to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs. For concerns and complaints, employees may report on the contact details below.

Head Office Address: 9/F Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634 Taguig City, Metro Manila, Philippines

Telephone numbers: Dial direct access number (depending on your telecommunications provider):

1010-5511-00 (PLDT-Tagalog Operator)

At English prompt, dial:

855-860-2158

105-11 (Globe, Philcom, Digitel, Smart)

At English prompt, dial:

855-860-2158

105-12 (Globe, Philcom, Digitel, Smart-Tagalog Operator)

At English prompt, dial:

855-860-2158

E-mail address: pcahelpline@prudential.com.hk

Website: www.prudentialspeakout.ethicspoint.com

9. Restitution of Losses and Other Remedies for Abusive RPTs

This policy shall comply with the applicable regulatory requirements and the Group Code of Business Conduct. These standards must be applied, in all dealings with employees, customers, shareholders, suppliers, competitors, the wider community and the environment. It is also mandatory to adhere to local regulatory requirements however, where the Group Code imposes more onerous standards than local requirements, then the Group Code must be applied and complied with.

Officers, directors, and employees who have been remiss in their duties in handling RPTs shall be subject to disciplinary measures in accordance with the Company's Code of Discipline and relevant corporate governance policies, without prejudice to the applicable legal remedies which the Company may avail.

10. Roles of Senior Management and Self-Assessment Functions

Board of Directors and RPT Committee

The roles of the BOD and RPT Committee are detailed out in the Board Charter and RPT Committee Charter. Please refer to the Annexes D and E.

Senior Management, Internal Audit, and Compliance

1. The Executive Committee, through the Chief Financial Officer (CFO), 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's policy and IC's regulations. Please refer to Annex G for details on the functional roles.

2. The CFO shall ensure completeness and accuracy of information and disclosure so that the RPT Committee, and eventually, the Board of Directors, shall have sufficient information in carrying out their functions over the RPTs. For reports to be submitted to regulating and supervising authorities, the CFO may submit these directly to the said authorities, subject to review and ratification by the RPT Committee. The CFO shall ensure, via the Finance function, that all reportable RPTs are completely identified. All updated Conflict of Interest (COI) Disclosures (from BOD, Officers, Shareholders, Employees, Distribution Partners and Third Parties) shall be compiled and must be cross-checked to ensure completeness. All reportable RPTs must be tracked on a quarterly basis. An analysis of vendor expenses, at least once a year, shall be reported to the RPT Committee, to highlight any unusual concentration of vendor utilization. This analysis shall further ensure completeness of the reportable RPTs.
3. The Executive Committee shall approve all RPTs that are below the materiality threshold, subject to confirmation by the Board of Directors. All decisions by the Executive Committee must be properly recorded in the minutes of the meetings.
4. 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.
5. 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.

11. Disclosure and Regulatory Reporting

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.

Also, the company shall report all entities in the conglomerate structure where it belongs (Annex A). 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.

Likewise, the company shall submit a report on material exposures to related parties, which shall include the material RPTs of their non-financial subsidiaries and affiliates, (Annex B) 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 CI, which in turn shall report the same to IC.

A summary of reporting requirements and approval process are detailed out in Annex C for ease of reference.

12. ANNEXES

For ready reference, the following documents are attached:

Annex A: IC Template: Report to IC on Conglomerate Structure



Pru Life UK -
Conglomerate Structu

Annex B: IC Template: Report to IC on Material RPTs



Pru Life UK - Material
Party Transactions Te

Annex C: High-Level Roles and Reporting Requirements



Pru Life UK - Roles
and Reporting Reqts.

Annex D: BOD Charter



Pru Life UK - Board
Charter 17-0622 FIN/

Annex E: RPT Committee Charter



Pru Life UK - RPT
Committee Charter A)

Annex F: IC Circular on RPT



Pru Life UK -
CL2017_29 Ins Com C

Annex G: Details on Functional Roles



Pru Life
UK_Functional Roles_

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

Name of Entities in the Conglomerate Structure	Shareholders ^{2/}	Members of the Board of Directors	Senior Officers

^{1/}Senior Officer shall refer to Senior Vice President positions and up
^{2/}Indicate those holding 10% or more of the voting stock

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

Name of Covered Institutions

Address

Report On Material Related Party Transactions

As of _____
(Quarter-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 _____

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.

Pru Life UK
Reporting and Approval Process

RPT Policy
ANNEX C

Item(s)	Senior Management (Excom)	RPT Committee	BOD	Stockholders
RPT Policy / Changes	Endorsement to RPT Com	Endorsement to BOD for Approval	Approval	
Material RPTs, renewals, and changes in terms & conditions and Write-Off of RPT Exposures	Endorsement to RPT Com	Endorsement to BOD for Approval	Approval	Confirmation by majority vote (with clear disclosure on final BOD decisions on RPTs including important RPT facts)
Non Material RPTs	Endorsement to RPT Com	Evaluation only (for continuous identification and monitoring)	Confirmation of the NonMaterial RPTs	
Breach Over Internal Limits	Endorsement to RPT Com	Report to BOD for Acceptance of Exposure	Acceptance of Exposure or advise steps to address risk	For disclosure during meeting
Reports to regulating and supervising authorities	Initial approval (by CFO only)	Ratification and Final Approval		
IC Reports: (1) Conglomerate Map / Org Structure (2) Report on Material RPT	Initial approval (by CFO only)	Ratification and Final Approval		
Disclosure of the ff in the Annual Report: (1) RPT policy, (2) responsibility of RPT Committee; (3) nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments, of material RPT	Initial approval (by CFO only)	Ratification and Final Approval		

Pru Life Insurance Corporation of U.K.

Charter : Board of Directors

This Charter has been adopted by the Board of Directors of Pru Life Insurance Corporation of U.K. (“Pru Life UK” or the “Company”) to assist the Board and its committees in the exercise of their responsibilities. These principles and policies are complementary to the requirements contained in Philippine legislation and regulations and the Articles of Incorporation and By-Laws of Pru Life UK.

1. Composition of the Board

The Board shall be composed of at least five (5) but not more than fifteen (15) members. At present, Pru Life UK’s Articles of Incorporation provide that the number of directors which shall constitute the Board shall be seven (7).

2. Selection of Directors

Nominees for directorship shall be recommended to the Board by the Nomination Committee in accordance with the policies and procedures set forth in its charter. The invitation to join the Board shall be extended by the Board itself, the Chairman of the Nomination Committee and the Chairman of the Board. The Board shall be responsible for nominating members to the Board and filling vacancies on the Board that may occur between annual shareholders’ meetings, in each case based on the recommendation of the Nomination Committee.

The Board shall exert best efforts to ensure that

- A. its members can act critically and independently of each other;
- B. each member has sufficient expertise to perform his or her own role as board member;
- C. the Board matches the desired composition taking into account the nature of Pru Life UK’s business;
- D. at least two (2) members of the Board have extensive experience in the insurance business;
- E. no less than fifty percent (50%) of its members are independent; and
- F. there is a balance of executives and non-executive directors such that no individual or small group of individuals can dominate the Board’s decision making.

3. Qualifications of Directors

Every director sitting on the Board of Pru Life UK shall

- A. possess necessary skills, competence and experience in the field of insurance or insurance-related disciplines, law and/or finance;
- B. have high ethical standards, integrity and credibility;
- C. have skills and capacity to provide strategic insight and encourage innovation;
- D. be willing to commit the time and energy necessary to satisfy the requirements of the Board and any Board Committee membership;
- E. possess or be willing to develop an in-depth knowledge of the critical issues affecting Pru Life UK and the insurance industry; and

- F. demonstrate intelligence and thoughtfulness in decision making.

In addition

- A. Every director shall own at least one (1) share of the capital stock of the corporation, which share should be in his or her name and recorded in the books of the corporation.
- B. Each director shall be at least twenty-five (25) years of age at the time of his appointment.
- C. Each director must have attended a special seminar on corporate governance conducted by a training provider accredited by the Insurance Commission and director orientation program of the Company for new directors as referred to in Section 15 below.

4. Qualifications and Roles and Responsibilities of the Chairman of the Board

The Board shall elect a Chairman from among its members. Considering that the insurance business is imbued with public interest, the role of the Chairman and Chief Executive Officer shall be separate, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman of the Board shall be a non-executive director.

The Chairman of the Board shall ensure that

- A. Board members receive the information necessary for them to perform their duties;
- B. the Board has sufficient time for consultation and decision making;
- C. the committees of the Board function properly;
- D. the performance of the Board and the committees are evaluated at least once a year; and
- E. the Board has proper contact with the Company's Senior Management Team or Executive Committee.

The Chairman of the Board shall likewise be primarily responsible for

- A. ensuring that the Board satisfies its duties;
- B. determining the agenda of the Board meetings, chairing such meetings, and ensuring that minutes are kept of such meetings;
- C. addressing problems related to the performance of an individual board member; and
- D. addressing internal disputes and conflicts of interest concerning individual board members.

5. Meetings

Regular meetings of the Board of Directors shall be held once every quarter of the year on such date and at such time as the Chairman of the Board, or in his absence, the President, may determine or upon the request of a majority of the directors and shall be held at such place as may be designated in the notice.

Notice of the regular or special meetings of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, telex, telegram, or by written or oral message. A director may waive this requirement, either expressly or impliedly.

A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, the President, or if none of the foregoing are present and acting, by any other director chosen by the Board. The Corporate Secretary shall act as secretary of every meeting, but if not present, the Chairman of the meeting shall appoint a secretary of the meeting.

Any director may attend meetings of the Board of Directors through teleconferencing or videoconferencing.

6. Agenda Items for Board and Committee Meetings

At any time before the beginning of each year, the Chairman shall present to the Board the agenda items to be discussed for the coming year. Each director shall be free to suggest agenda items for inclusion. A detailed agenda and, to the extent feasible, supporting documents and proposed resolutions shall be provided to the Board of Directors at least one (1) week prior to each Board meeting. Directors shall review the materials in advance of the scheduled meeting.

7. Reporting Procedures

The Corporate Secretary will minute the proceedings and retain copies of the papers for each Board meeting. The minutes of the Board meeting shall reflect its deliberation on key issues and decision it takes.

The Corporate Secretary shall submit the draft minutes of meetings to the Chairman of the Board for comment within a reasonable time after each Board meeting. Once the Chairman of the Board is satisfied that the minutes accurately reflect the meeting proceedings and decisions reached at the meeting, the draft minutes should be sent to all the other directors who were at the meeting for their reviews and comments no later than fifteen (15) business days from each Board meeting. The minutes of the Board meeting shall be finalized no later than twenty eight (28) business days after each Board meeting and the final minutes of the last Board meeting to be included in the agenda papers of the next Board meeting.

The minutes are evidence of the proceedings of a meeting once they have been signed by the Chairman of the Board or meeting, as applicable.

8. Roles and Responsibilities of the Board

The Board shall

- A. review, monitor and implement Pru Life UK's corporate strategic plan;
- B. oversee the conduct of Pru Life UK's business to ensure that the business is being properly managed and dealings with policyholders, claimants and creditors are fair and equitable;
- C. identify principal business risks and ensure the implementation of appropriate risk management systems to specifically manage the underwriting, reinsurance, investment, financial, and operational risks of Pru Life UK;
- D. approve corporate policies in core areas of operations, specifically underwriting, investments, reinsurance and claims management;
- E. review plans for succession, including the policies for appointing, training, fixing the compensation of, and where appropriate, replacing senior management;
- F. develop and implement an investor relations program or adopt a shareholder communications policy for Pru Life UK;

- G. review the adequacy and the integrity of Pru Life UK's internal control systems and management information systems including systems for compliance with the Insurance Code and other applicable laws, regulations, rules, directives and guidelines;
- H. select and appoint officers who are qualified to administer insurance affairs soundly and effectively and to establish an adequate selection process for all personnel;
- I. apply fit and proper standards on personnel ensuring that integrity, relevant technical expertise and experience in the institution's business are key considerations in the selection process;
- J. establish an appropriate compensation policy for senior management;
- K. review and approve material transactions not in the company's ordinary course of business;
- L. establish a system of checks and balances which applies to the Board and its members;
- M. have an appropriate reporting system so that it can monitor, assess and control the performance of Management;
- N. present to all its members and Pru Life UK's shareholders a balanced and understandable assessment of Pru Life UK's performance and financial condition;
- O. appoint a Compliance Officer who shall be responsible for coordinating, monitoring, and facilitating compliance with existing laws, rules and regulations;
- P. approve all material related party transactions as defined under PAS 24, 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 stockholders in the annual stockholders' meeting;
- Q. delegate to the appropriate management committee the approval of related party transactions that are below the materiality threshold, subject to the confirmation by the Board;
- R. establish an effective system to determine, identify, monitor and evaluate related party transactions and identify, measure, monitor and control risks arising from the same;
- S. ensure maintenance of adequate capital against risks associated with exposures to related parties; and
- T. oversee the integrity, independence and effectiveness of the policies and procedures for whistleblowing.

9. Decisions Requiring Board Approval

The following decisions must be referred to the Board for Approval

- A. acquiring or selling shares of Pru Life UK;
- B. acquiring, selling or otherwise disposing of property material to the business of Pru Life UK;
- C. acquiring or selling intellectual property rights of Pru Life UK;
- D. initiating major changes to the field of Pru Life UK's business activities;
- E. amendment of Articles of Incorporation and By-Laws of Pru Life UK;
- F. increase or decrease of capital stock of Pru Life UK;
- G. incurring, creating or increasing bonded indebtedness;
- H. selling, leasing, exchanging, mortgaging, pledging or otherwise disposing of all or substantially all of the corporate assets of Pru Life UK;
- I. investment of corporate funds in another corporation or business or for any purpose other than the primary purpose of Pru Life UK (including founding, acquiring or selling subsidiaries of Pru Life UK);
- J. merger or consolidation involving Pru Life UK; and
- K. material transactions not in the ordinary course of business of Pru Life UK.

10. Performance Evaluation of the Board

The Board of Directors shall conduct an annual self-evaluation to determine whether it and its committees are functioning effectively.

11. Board Committees

The Board shall have the following committees:

A. Nomination Committee

The Nomination Committee shall be composed of at least three (3) members of the board of directors, all of whom must be independent. The Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. It should prepare a description of the roles and capabilities required of a particular appointment.

B. Remuneration Committee

The Remuneration Committee shall be composed of at least three (3) members, majority of whom must be independent directors. The Remuneration Committee shall recommend and monitor the level and structure of salaries including remunerations for senior management. The definition of senior management for this purpose shall be determined by the Board but would normally include first level management below Board level. The Chairman of the Remuneration Committee must be an independent director.

C. Audit and Related Party Transaction Committee

The Audit and Related Party Transactions Committee shall be composed of at least three (3) members, all of whom must be non-executives and a majority shall be independent. The Chairman of the Committee shall be an independent director. The Audit and Related Party Transactions Committee shall oversee and monitor financial reporting, internal control and risk management, external audit, internal audit, compliance, and financial crime and whistleblowing. It shall also review the effectiveness of Pru Life UK's governance framework.

D. Risk Committee

The Risk Committee shall be composed of at least three (3) members, all of whom must be non-executives and a majority shall be independent. The Risk Committee shall ensure a culture of effective risk management within Pru Life UK and review risk limits, monitor material risk exposures against risk appetite and associated risk limits, monitor breaches of risk appetite and risk limits, and oversee the management of new and emerging risks.

E. Special Committees

The Board may create such other special committees as may be deemed necessary.

12. Corporate Secretary

The Board shall be entitled to the services of a Corporate Secretary who must ensure that all appointments are properly made, that all necessary information are obtained from directors, both for Pru Life UK's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the requirements of the Insurance Commission and other regulatory agencies.

The Corporate Secretary shall see to it that the board follows correct procedures during meetings and shall assist the Chairman of the Board in organizing the Board's activities including the preparation of the agenda and minutes of the meetings and reporting of meetings, evaluations and training programs.

13. Conflicts of Interest

As soon as practicable after a Director becomes aware of any matter that gives rise or is likely to give rise to a conflict of interest in the discharge of such Director's duties, the Director must disclose the matter by giving written notice of the matter to each of the other Directors of the Company. Under such circumstances, the Director should abstain himself/herself from participating in further discussion or voting on such matters where there exist conflicts of interest.

14. Diversity Policy

It is in the best interest of Pru Life UK that its Board be composed of highly qualified directors with diverse backgrounds and whose experience and technical expertise are in line with and/or complement the business and operations of Pru Life UK. The Nomination Committee shall identify and recommend potential candidates to the Board:

- A. who are highly qualified and possess the necessary experience and technical expertise; and
- B. whose qualifications can further diversity in gender, age, ethnic background, geographic origin, and cultural and religious background.

When necessary or desirable, the Nomination Committee shall engage third party professionals to conduct a search for candidates who meet the required qualifications and diversity criteria.

15. Orientation Programme

All new members of the Board of Directors shall be provided with an orientation program which addresses the Board's role and Company's governance structure and the nature and scope of its operations. The orientation program is aimed at increasing the new director's familiarity with the Company, its industry, the responsibilities of the Company's Board of Directors, as well as equipping the director with sufficient information and resources that facilitate fully-informed decisions.

The orientation program shall consist of:

A. Initial Orientation

- i. Introduction on Prudential group;
- ii. Introduction on Pru Life UK (including strategic direction, corporate vision and performance goals);
- iii. Briefing on the Insurance Industry; and
- iv. Briefing on Board and Committee organization and processes and duties and responsibilities of the directors of the Company.

B. Introductory Meetings with the following of the Company:

- i. Board Chairman and other directors;
- ii. President/Chief Executive Officer; and

iii. Corporate Secretary.

C. Special Briefing Sessions by Senior Management Team on issues selected by the President/Chief Executive Officer of the Company.

16. Director Development

Directors will be provided with ongoing development opportunities that educate and inform them on issues that are of strategic importance to the Company. These sessions will be scheduled separately from regular Board and Committee meetings.

17. Review of the Charter

The Board shall review the Charter at least once annually and make necessary amendments, where the Board deems necessary.

Pru Life Insurance Corporation of U.K.

Charter : Related Party Transactions Committee

1. Purpose

The Related Party Transactions Committee (“Committee”) is a committee of the Board of Directors (“Board”) of Pru Life Insurance Corporation of U.K. (“Pru Life UK” or “Company”) whose primary function is to evaluate material related party transactions (“RPTs”) and ensure that these are undertaken by the Company on an arm’s length basis.

2. Membership

The Committee shall be composed of three (3) members of the Board, all of whom must be independent directors. The Chairman and the members of the Committee shall be appointed by the Board and shall have a term of one (1) year or until their successors are appointed by the Board.

3. Meetings

The Committee shall meet at least twice every year. The Committee shall meet at such other times as determined by a majority of its members or by the Board. The Committee shall report to the Board on its activities following each meeting.

The quorum for a meeting of the Committee is two (2) members. When the Chairman of the Committee is not available to attend a meeting, the remaining two (2) members should agree for one of them to act as the chairperson for the meeting and document such in the minutes.

The Committee may invite any individual, whether external or internal, to attend all or part of any meeting(s) of the Committee in whatever capacity as the Committee deems appropriate to assist the Committee in the fulfilment of its duties.

4. Duties and Responsibilities

For purposes of this Section:

“Related Parties” shall cover the Company’s subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Company exerts direct/indirect control

over or that exerts direct/indirect control over the Company; its Board members and 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.

“Close Family Members” are persons related to the Company’s directors, officers and stockholders (“DOS”) within the second degree of consanguinity or affinity. These shall include the 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.

“Corresponding Persons in Affiliated Companies” are the DOS of the affiliated companies and their Close Family Members.

The duties of the Committee shall be as follows:

- a. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that 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;
- b. Review material/significant RPTs to determine whether they are in the best interests of the Company and shareholders;
- c. Evaluate all material/significant RPTs to ensure that these are not undertaken on more favorable economic terms 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:
 - i. The Related Party’s relationship to the Company and interest in the transactions;
 - ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - iii. The benefits to the Company of the proposed RPT;
 - iv. The availability of other sources of comparable products or services; and
 - v. 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 shall have exercised due diligence in determining a fair price for RPTs.

All RPTs that are considered material/significant shall be endorsed by the Committee to the Board for approval;

- d. 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 the Company's affiliation or transactions with other Related Parties;
- e. Require the members of the Board to disclose their interest in RPTs and any other conflict of interest and mandate that they abstain from participating in the Board's evaluation, discussion, approval, and management of a particular agenda/transaction when they are conflicted;
- f. Report to the Board 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;
- g. Ensure that transactions with Related Parties, including write-off of exposures, are subject to periodic independent review or audit process;
- h. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures;
- i. Review and approve annual public disclosures in accordance with the requirements of the regulator which include, among others, the following:
 - i. whether there are any RPTs that can be classified as financial assistance to entities other than wholly-owned subsidiaries;
 - ii. whether the RPTs are conducted in such a way to ensure that they are fair and at arms' length;
 - iii. the name of the Related Party and relationship for each material/significant RPT;
 - iv. the nature and value of each material/significant RPT;
 - v. any cases of non-compliance with the laws, rules, and regulations pertaining to significant or material RPTs in the past three years; and
 - vi. all or relevant portion of this terms of reference as evidence that the Company has a policy/process covering the review and approval of material/significant RPTs.

5. Agenda Items for Committee Meetings

At any time before the beginning of each year, the Chairman shall present to the Committee the agenda items to be discussed for the coming year. Each Committee member shall be free to suggest agenda items for inclusion. A detailed agenda and, to the extent feasible, supporting documents and proposed resolutions shall be provided to the Committee members at least one (1) week prior to each Committee meeting. Committee members shall review the materials in advance of the scheduled meeting.

6. Reporting Procedures

The Corporate Secretary will minute the proceedings and retain copies of the papers for each Committee meeting. The minutes of the Committee meeting shall reflect its deliberation on key issues and decision it takes.

The Corporate Secretary shall submit the draft minutes of meetings to the Chairman of the meeting for comment within a reasonable time after each Committee meeting. Once the Chairman of the meeting is satisfied that the minutes accurately reflect the meeting proceedings and decisions reached at the meeting, the draft minutes should be sent to all the other members who were at the meeting for their reviews and comments no later than fifteen (15) business days from each Committee meeting. The minutes of the Committee meeting shall be finalized no later than twenty eight (28) business days after each Committee meeting and the final minutes of the last Committee meeting to be included in the agenda papers of the next Committee meeting.

The minutes are evidence of the proceedings of a meeting once they have been signed by the Chairman of the Committee or meeting, as applicable.

7. Corporate Secretary

The Committee shall be entitled to the services of a Corporate Secretary who must ensure that all appointments are properly made, that all necessary information are obtained from directors, both for Pru Life UK's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the requirements of the Insurance Commission and other regulatory agencies.

The Corporate Secretary shall see to it that the Committee follows correct procedures during meetings and shall assist the Chairman in organizing the Committee's activities including the preparation of the agenda and minutes of the meetings and reporting of meetings, evaluations and training programs.

8. Conflicts of Interest

As soon as practicable after a Committee member becomes aware of any matter that gives rise or is likely to give rise to a conflict of interest in the discharge of such Committee's duties, the Committee member must disclose the matter by giving written notice of the matter to each of the other Committee members of the Company. Under such circumstances, the Committee member should abstain himself/herself from participating in further discussion or voting on such matters where there exist conflicts of interest.

9. Review of the Charter

The Committee shall review its Charter at least once annually, recommending any changes it considers necessary to the Board for approval.



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



Circular Letter (CL) No.:	2017-29
Date:	02 May 2017
Supersedes:	None

CIRCULAR LETTER

TO : ALL INSURANCE/REINSURANCE COMPANIES, MUTUAL BENEFIT ASSOCIATIONS (MBAs), PRE-NEED (PN) COMPANIES AND HEALTH MAINTENANCE ORGANIZATIONS (HMOs) AUTHORIZED TO TRANSACT BUSINESS IN THE PHILIPPINES

SUBJECT : Guidelines on Related Party Transactions for Insurance Commission's (IC) Covered Institutions (CIs)¹

The Insurance Commission recognizes the importance of establishing and maintaining policies and procedures for transactions between related parties. These policies shall be made to ensure that such transactions are only undertaken on an arm's length basis for the financial, commercial and economic benefit of the given CI and the entire group where the said institution belongs. The IC expects every single CI including its subsidiaries and affiliates, to exercise appropriate oversight and implement effective control systems for managing said exposures as these may potentially lead to abuses that are disadvantageous to the CI and its policyholders, members, planholders, card holders, claimants, creditors, fiduciary clients, and other stakeholders.

1. For purposes of this Circular, the following definitions shall apply:

1.1 **Related parties²** shall cover the IC-CIs' subsidiaries as well as affiliates and special purpose entities that the CI exerts direct/indirect control over or that exerts significant influence³ over the CI; 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 CI, hence, is identified as a related party.

1 Covered institutions (CI) shall include insurance and reinsurance companies, Mutual Benefit Associations (MBAs), Pre-Need (PN) companies and Health Maintenance Organizations (HMOs) and their intermediaries

2 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.

3 Under PAS 24 – Significant influence is the power to participate in the operating and financial policy decisions of an entity; it is not control over those policies. It may stem from share ownership, statute or agreement and may be exercised by representation on the board of directors, participation in the policy-making process, material inter-company transactions, interchange of management personnel and dependence on technical information

- 1.2 **Close family members** are persons related to the CI's directors, officers and stockholders (DOS) within the second degree of consanguinity or affinity, legitimate or common-law. These shall include the 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 CI's DOS.
- 1.3 **Corresponding persons in affiliated companies** are the DOS of the affiliated companies and their close family members.
- 1.4 **Under Section 290 of the Insurance Code**, as amended by R.A. 10607: Control is presumed to exist if any person directly or indirectly owns, controls or holds with the power to vote forty percent (40%) or more of the voting securities of any other person. Provided, That no person shall be deemed to control another person solely by reason of his being an officer or director of such other person.
- 1.5 **Control of an enterprise** exists when there is:
 - 1.5.1 Under Section 4 (i) of the Pre-Need Code: Affiliate of, or affiliated with, a specified person refers to a person that directly or indirectly, through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. Exercising control over a legal entity shall mean any one of the following: (1) owning either solely or together with affiliated persons more than twenty-five percent (25%) of the outstanding capital stock of a legal entity; and (2) being an officer or director of such legal entity.
 - 1.5.2 Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
 - 1.5.3 Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
 - 1.5.4 Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
 - 1.5.5 Any other arrangement similar to any of the above.

Should the CI choose to disclaim or rebut the presumption, it should provide facts sufficient to show that there is indeed no control. Further, the CI shall submit a written commitment that : (1) shares owned or held are exclusively for investment purposes; (2) the CI-stockholder will not serve on the board of directors and will not nominate any candidate to serve on

the board or otherwise seek board representation; (3) the CI-stockholder will have only limited contacts with the management that are customary for interested shareholders; (4) the CI-stockholder will engage only in normal and customary transactions with the enterprise; and (5) the CI will not pledge the shares acquired to secure a loan with any institution.

1.6 Related party transactions are transactions or dealings with related parties of the CI, including its trust department, regardless of whether or not a price is charged. These shall include, but not limited to the following:

- 1.6.1 On-and off-balance sheet credit exposures and claims and write-offs;
- 1.6.2 Investments and/or subscriptions for debt/equity issuances;
- 1.6.3 Consulting, professional, agency and other service arrangements/contracts;
- 1.6.4 Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements);
- 1.6.5 Construction arrangements/contracts;
- 1.6.6 Lease arrangements/contracts;
- 1.6.7 Trading and derivative transactions;
- 1.6.8 Borrowings, commitments, fund transfers and guarantees;
- 1.6.9 Sale, purchase or supply of any goods or materials; and
- 1.6.10 Establishment of joint venture entities

RPTs shall be interpreted broadly to 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.

1.7 Insurance group⁴ refers to a group structure which contains two or more insurers

2. Duties and Responsibilities/Roles and Functions of the CI's Board of Directors

2.1 The board of directors shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of policyholders, members, planholders, card holders, claimants, creditors and other stakeholders. Towards this end, the Board of Directors shall carry out the following duties and responsibilities:

⁴ Principles Applicable to the Supervision of International Insurers and Insurance Groups and their Cross Border Business Operations issued by IAIS Technical Committee approved on December 8, 1999.

- 2.1.1 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.

The RPT policies shall include, but not limited to the following:

- a. *Definition of related parties.* The policy shall clearly define "related parties". It shall identify persons and companies that are considered the CI's related parties. The policy shall require management to periodically review and update the inventory of related parties to capture organizational and structural changes in the CI and its related parties.
- b. *Coverage of RPT policy.* The coverage of the RPT policy shall capture a broader spectrum of transactions, covering not only those that give rise to credit and/or counterparty risks but also those that could pose material/special risk or potential abuse to the CI and its stakeholders.
- c. *Guidelines in ensuring arm's length terms.* The policy shall have clear guidelines in ensuring that RPTs are conducted in the regular course of business and 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. This shall include guidance for an effective price discovery mechanism to ensure that transactions are engaged into at terms that promote the best interest of the CI and its stakeholders. 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.
- d. *Conflicts of interest.* The policy shall cover the identification and prevention or management of potential or actual conflicts of interest which may arise. 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 CI. Directors and officers with personal interest in the transaction shall abstain from the discussion,

approval and management of such transaction or matter affecting the CI.

- e. *Materiality thresholds and excluded transactions.* The policy shall include materiality thresholds for RPTs, which shall be set at a level where omission or misstatement of the transaction could pose significant risk to the CI and could influence the economic decisions of its board of directors. Materiality threshold may be set for each type of transaction and for each related party group, depending on the nature of the transaction and risks involved. The RPT policy may also identify transactions excluded from the materiality threshold requirement, such as regular trade transactions involving purchase and sales of debt securities traded in an active market.

Materiality threshold levels will vary from one CI to another depending on the nature, scope, frequency, value of, and risks associated with the RPT. The CI shall document the justifications for the materiality thresholds and exclusion set.

The IC may direct every CI to reduce its materiality threshold or amend excluded transactions if the IC deems that the threshold or exclusion is inappropriate considering the CI's size, risk profile, and risk management systems.

- f. *Internal limits for individual and aggregate exposures.* To ensure that RPTs are within prudent levels, the policy shall, in addition to existing prudential limits which shall be complied at all times, include internal limits or sub-limits for individual and aggregate exposures to a related party and for aggregate exposures to all related parties that are consistent with the CI's risk appetite, risk profile and capital strength.

The internally set limits shall be tied in with the CI's internal definition of capital. Breaches in limits shall be reported to the board of directors with the decision of the board to accept the exposure or to take steps to address the breaches, as may be necessary, duly documented in the minutes of meetings.

- g. *Whistle blowing mechanisms.* The policy shall include effective whistleblowing mechanisms consistent with the corporate values and codes of conduct set by the board of directors. The policy shall encourage employees to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs. It shall include guidance on how and by whom

legitimate material concerns should be reported, investigated and addressed by an objective independent internal or external body, senior management and/or the board itself.

- h. *Restitution of losses and other remedies for abusive RPTs.* The policy shall include measures that would cut losses and allow recovery of losses or opportunity costs incurred by the CI arising from RPTs that are not engaged or arm's length terms. The policy shall also include the manner of handling personnel. Officers or directors, who have been remiss in their duties in handling RPTs.

The overarching policy will consolidate all existing policies that address the above requirements or may make reference to already existing policies.

- 2.1.2 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, must be clearly disclosed during stockholders meetings and duly reflected in the minutes of board and stockholders' meetings.

- 2.1.3 To delegate to appropriate management committee the approval of RPTs that 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.

- 2.1.4 To establish an effective system to:

- a. Determine, identify and monitor related parties and RPTs;
- b. Continuously review and evaluate existing relationships between and among businesses and counterparties; and
- c. Identify, measure, monitor and control risks arising from RPTs.

The system shall be able to define related parties' extent of relationship with the CI; assess situations in which a non-related party (with whom a given CI 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.

2.1.5 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 CI is well-insulated from any going concern issue of related parties.

2.1.6 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 staff who raise concerns are protected from detrimental treatment or reprisals.

2.1.7 To constitute an RPT Committee

There shall be constituted an RPT Committee for CIs that are part of an insurance group, financial conglomerates or even mixed conglomerates (group that include non-financial entities) and CIs directed by IC to constitute the 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 Compliance Officer or Internal Auditor may sit as resource persons in the said Committee.

2.2 Responsibilities of the RPT Committee. The RPT Committee shall:

2.2.1 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.

2.2.2 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 CI 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 CI 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 CI 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.

2.2.3 Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the CI'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 CI's affiliation or transactions with other related parties.

2.2.4 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.

2.2.5 Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.

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

2.3 Roles of Senior Management and Self-Assessment Functions

2.3.1 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 CI's policy and IC's regulations.

2.3.2. The internal audit function shall conduct a period formal review of the effectiveness of the CI'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.

2.3.3 The compliance function shall ensure that the CI 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 CI'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 CI.

3. Disclosure and Regulatory Reporting

Every CI shall adequately disclose in their 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.

In addition to the required reports on transactions with subsidiaries and affiliates under existing regulations:

3.1 Insurance/Reinsurance companies, MBAs, Pre-Need and HMOs that are part of a group and conglomerates shall report all entities in the conglomerate structure where it belongs (Annex A). 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.

3.2 Insurance/Reinsurance companies, MBAs, Pre-Need companies and HMOs shall submit a report on material exposures to related parties, which shall include the material RPTs of their non-financial subsidiaries and affiliates, (Annex B) 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 CI, which in turn shall report the same to IC.

4. Applicability to Branches of Foreign Insurance Companies

The governance principles and requirements embodied in this Circular shall be complied with by branches of foreign insurance companies to the extent possible, given their distinct organizational set-up. The General Manager or Country Manager is the principal officer that will oversee the implementation of the governance principles embodied in this Circular. Branches of foreign insurance companies are not covered by the reportorial requirement on conglomerate structure.

5. Supervisory Enforcement Actions

The IC reserves the right to deploy its range of supervisory tools to promote adherence to the requirements set forth in these guidelines and bring about timely corrective actions and compliance with IC directives. In this regard, the IC may, among others, issue directives or sanctions on the CI concerned and responsible persons which may include restrictions or prohibitions from certain authorities/activities; and warning, reprimand, suspension, removal and disqualification of concerned CI's directors, officers and employees.

6. Transitory Provision

Every CI, including their financial subsidiaries and affiliates, shall be given six (6) months from effectivity of this Circular to comply with the RPT requirements.

This Circular shall take effect immediately.

For strict compliance.


DENNIS B. FUNA
Insurance Commissioner



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

Name of Entities in the Conglomerate Structure	Shareholders ^{2/}	Members of the Board of Directors	Senior Officers

^{1/} Senior Officer shall refer to Senior Vice President positions and up
^{2/} Indicate those holding 10% or more of the voting stock

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

Name of Covered Institutions

Address

Report On Material Related Party Transactions

As of _____
(Quarter-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 _____

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.

Item(s)	Finance (Note 3)	Actuarial	Concerned Excom / Process Owner	Compliance	Excom
RPT Policy / Changes	<p>Acts as Gatekeeper of the RPT Policy; ensures policy is updated and being implemented (thru the RPT reports)</p> <p>Recommends materiality thresholds and limits</p>	Determines impact of set limits to RBC 2 and Solvency 2		Has oversight responsibility to ensure that RPT policy is updated and is being implemented;	Does endorsement to RPT Com
<p>Material RPTs, renewals, and changes in terms & conditions and Write-Off of RPT Exposures</p> <p>(Since RPT Com convenes in March and August, assessment will have to be done twice a year)</p>	<p>Compiles all relevant information / data about RPT</p> <p>Ensures completeness of RPT listing, both existing and potential</p> <p>Compiles all COIs information from all sources like: a) HR for employees; b) Agency Support for agents; c) Legal for BOD and Shareholders; d) TPD for other distribution partners; and e) CAM & GDDA for lessors and vendors. This is for centralized management and monitoring.</p> <p>Quarterly runs the compiled COI info and track all transactions that include cross checking, to ensure completeness.</p> <p>Utilizes vendor analyses to be provided for by GDDA.</p>		<p>Ensures that all RPTs , existing and potential, are reported to Finance</p> <p>Provides and ensures completeness of the the required RPT info / data (NOTE 1)</p> <p>Makes an assessment on whether the RPT is on an "arms-length" basis (NOTE 2)</p> <p>Performs Yearly Criticality Assessment subject to the approval of the Outsourcing Committee</p>	Reviews RPT materials / deck and agrees / disagrees with materiality assessment made, prior to submission to Excom / RPT Com / BOD	Does endorsement to RPT Com
<p>Non Material RPTs</p> <p>(Since RPT Com convenes in March and August, assessment will have to be done twice a year)</p>	<p>Compiles all relevant information / data about RPT</p> <p>Ensures completeness of RPT listing, both existing and</p>		<p>Ensures that all RPTs, existing and potential, are reported to Finance</p> <p>Provides and ensures completeness of the the RPT info</p>	Reviews RPT materials / deck and agrees / disagrees with materiality assessment made, prior to submission to Excom / RPT	Does endorsement to RPT Com

	potential		/ data (NOTE 1) Makes an assessment on whether the RPT is on an “arms-length” basis (NOTE 2)	Com / BOD	
Breach Over Internal Limits	Prepares report for endorsement to Excom / RPT Com for BOD approval	Determines impact of set limits to RBC 2 and Solvency 2	Acceptance of Exposure or advise steps to address risk		Does endorsement to RPT Com
Reports to regulating and supervising authorities	Submits reports , as approved by CFO, for subsequent ratification by RPT Com				Does endorsement to RPT Com
IC Reports: (1)Conglomerate Map / Org Structure (2)Report on Material RPT	Submits reports, as approved by CFO, for subsequent ratification by RPT Com				Does endorsement to RPT Com
Disclosure of the ff in the Annual Report: (1) RPT policy, (2) responsibility of RPT Committee; (3) nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments, of material RPT	Publishes report, as approved by CFO, for subsequent ratification by RPT Com				Does endorsement to RPT Com
Regulatory developments in areas affecting related parties	Performs monitoring of regulatory developments in relation to RPT (shared responsibility with Compliance)			Performs monitoring of regulatory developments in relation to RPT (shared responsibility with Finance)	

NOTE 1. The concerned Excom / Process Owner shall ensure completeness of the RPT info / data. These shall be forwarded to the Financial Controller within seven (7) working days after the end of each quarter. The RPT info / data shall include, among other things, the ff: nature and material facts regarding the related party transaction, terms, conditions, proposed aggregate value of the transaction (eg original), outstanding amount, transaction for the year, availability of other sources of comparable products or services, benchmarking or canvassing done, where applicable.

NOTE 2: An assessment shall be made on whether the RPT is on an arms-length basis, that is, it is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.

NOTE 3: This will be spearheaded by the VP – Financial Controller & by the Senior Manager for Statutory Reporting