

DISHONEST AND UNLAWFUL ACTS (DUA)

1. OBJECTIVE

To define guidelines in handling dishonest or unlawful acts, from initial reporting until the closure of the incident.

(These Guidelines should be read together with MSIJ Compliance Manual for International Operations "Chapter VII Section 1 – Guidelines on Handling of Dishonest or Unlawful Acts and Suspected Cases of DUA." If there is any conflict between the 2 guidelines, MSIJ Compliance Manual guidelines will take precedence).

2. SCOPE

All dishonest and unlawful acts committed by officers and staff and intermediaries.

3. GUIDELINES

3.1 PREVENTION OF DISHONEST AND UNLAWFUL ACTS

1. In order to prevent unlawful acts, BPI/MS employees shall:

- Enforce checker-maker control procedures in all required transactions.
- Implement the five-day straight mandatory leave for all employees
- Strictly enforce Unibank Systems and Control-Operating Risk Management (USC-ORM)-approved procedures and signing/approval authorities approved by the Board in all transactions.
- Employ personnel job-rotation on a regular basis.
- Implement proper management of complaints being received.
- Establish a clear and open communication process within the company

2. BPI Internal Audit will conduct regular audit of BPI/MS operations.

3.2 INVESTIGATION AND REPORTING OF DISHONEST AND UNLAWFUL ACTS

1. Anyone who discovers or learns of an employee's dishonest and unlawful acts, including mere suspicion of such occurrence, must immediately report the incident to the Head of the Unit involved or the supervisor of the employee concerned or the Compliance Office.
2. The Head of the Unit or supervisor so informed shall immediately report the incident to the Compliance Officer who, in turn, depending on materiality and substance, shall report the incident to the Compliance Working Committee and table the issue for evaluation in the succeeding meeting.
3. Dishonest or Unlawful Acts, including suspected cases, shall be reported by the Compliance Officer, directly to the Compliance Office of MSI and the Chief Risk Officer of BPI using the Dishonest or Unlawful Act Incident Reporting & Closure (F-HR-09). The following items and matters shall be reported:

Outline of the case

Necessity for notification to local authorities and the reason

Career of persons concerned

Background to discovery

Method of investigation

Confirmation of amount of embezzlement and supporting evidence

Amount of recovery

Disciplinary action (including supervisors and related persons)

Preventive measures

4. The Head of the Unit or supervisor shall conduct an investigation, in coordination with HR and the Compliance Officer, to determine the necessary measures to be taken. The assistance of

Audit, Legal, and/or Security may be secured, as warranted. Care and discretion shall be required in conducting the investigation. Due process should be observed and coordinated with HR throughout the investigation. Documents pertinent to the case, including written statements of the witnesses and the employee concerned shall be secured. Problems and complaints shall not be directly fed back to the person or persons concerned, and investigation shall begin by examining the background of the situation.

5. If the investigation of the Head of the Unit indicates that there is substantial evidence showing the guilt of the employee, the Head should inform the employee in writing of the findings and ask him to explain in writing why no disciplinary action, which may include termination of his employment, should be taken against him.
6. If the nature of the wrongdoing warrants the preventive suspension of the employee, the Head of the Unit shall obtain the clearance/approval of his Division Head and coordinate all aspects of the measure, including duration and implementation, with HR.
7. The Head of the unit concerned shall, as soon as possible, submit a report to his superiors and to the Compliance Working Committee of the results of his investigation. If the investigation extends beyond a month, the progress of his investigation should be reported, at least monthly, until the conclusion of the investigation.
8. Misappropriated funds should be collected immediately from concerned employee/s. BPI-Legal may be consulted if deemed necessary.
9. Causes of every occurrence of dishonest or unlawful acts shall be analyzed by the investigation team and concrete preventive measures shall be established and reported to the Compliance Working Committee.
10. The Compliance Officer and Internal Auditors shall check the status of implementation of the preventive measures as it will be part of the standard procedures of the concerned department/s.
11. Any dishonest or unlawful act that is required to be reported to local authorities under the laws/ordinances in the area shall be reported to the relevant local authority without delay.
12. If a dishonest or unlawful act results in loss to a policyholder (or is liable to result in such loss), prompt countermeasures shall be taken to determine the actual loss for the purpose of protecting the policyholder(s) concerned.

3.3. REPORTING TO REGULATORY AUTHORITIES AND POLICE

1. In addition to making reports to MSIHO and RHC, BUs must ensure that any requirements to report DUAs to the local regulatory authority and police are completely complied with.
2. MSIHO will consider whether additional reporting to the JFSA is required following the reports from the BU.
3. (For Information Only) – JFSA DUA Reporting Rules:

In Japan, "Dishonest or Unlawful Acts" ("Fusho-jiken"), as defined in Article 85 Section 5 of the Japanese Insurance Business Law, must be reported to Japanese FSA.

Article 85 Section 5 of the Japanese Insurance Business Law

(In respect of any officer or employee of an insurance company or any officer or employee of a life or non-life insurance sales agency);

- a. Fraud, embezzlement, malfeasance or other criminal act committed in the course of conduct of insurance company business
- b. Violation of any law regarding supervision of acceptance of capital, deposits or interest rates
- c. Violation of Article 300 Section 1 of the Insurance Business Law or any act as specified in Article 307 Section 1 (3) of the Insurance Business Law

- d. Loss (including loss due to theft or any excess or deficiency in funds) of cash, bills, checks, securities or any other valuable item which are deemed to be a serious loss in management of insurance business to take in account the characteristics, scale and other circumstances of the insurance company
- e. Any act or similar act as provided above that occurs in an overseas country and is reported to the regulatory authority of the relevant country
- f. Any other act similar to those described above that imposes or may impose an obstacle to honest and proper conduct of insurance business

General Manager of MSI's International Supervisory Department shall report to General Manager of MSI's Compliance Department all cases constituting the "Dishonest or Unlawful Acts" and the "Suspected Cases of DUA" reported by overseas entities. General Manager of MSI'S Compliance Department shall then, based on opinions from within and outside of the company, decide on the need to notify the Japanese FSA (if the case is likely to constitute any such act) and shall report to the FSA within 30 days from the date on which MSI learned of an incident.

3.4 REPORTING TO MSIJ AND RHC GENERAL MANAGER

1. The recommended procedural workflows are:
 - National CC shall prepare the 1st draft in English.
 - Japanese CC to check and edit completeness and accuracy (English version).
 - Japanese CC prepares Japanese version based on English final version.
 - Final draft submits to local CEO/Japanese ED/Deputy CEO by Japanese CC for review.
 - Final English/Japanese version sends by Japanese CC to MSIJ and RHC.
2. These simple reports can be sent in email format or as an attachment. The suggested templates are attached below:

3.5. DISCIPLINARY ACTION

Disciplinary Action for the employee/s concerned is a Line Management responsibility. The head of the department (where the employee concerned is assigned) will be directly in charge of each disciplinary case, in coordination with HR, from beginning to end.

Procedures in handling unlawful and dishonest acts and their corresponding sanctions shall follow what is prescribed in the BPI-Employees Manual.

3.6 CLOSURE PROCEDURES

1. Reporting template (F-HR-09) will include sections on closure request, recommendation and instructions. This is shown in page 3 sections 4, 5 and 6.
2. Compliance Officer shall submit each closure request to RHC Compliance Officer in charge of fraud/dishonest act by completing Section 4.
3. The closure request must also include the latest updated information on investigations, disciplinary, recovery and legal actions taken. If no action is taken please indicate the reason(s), proposed and confirmed remedial as well as preventive actions taken should also be described.
4. RHC Compliance Officer will review each request received and make recommendations to MSIHO ISD to close or keep the file open.
5. MSIHO ISD will revert to RHC with their instructions/decision.

6. RHC Compliance Officer will communicate to local Compliance Officer with MISHO ISD instructions/decision.
7. UIU will be advised when incident is closed.

3.7 DUA PREVENTION

BUs can take steps to reduce the opportunity for DUA, e.g.:

1. Look out for changes in behaviour of staff
2. Effective complaints management
3. Enhance communication with employees
4. Have clear disciplinary measures for staff involved in DUA and ensure they are used, and known to be used
5. Have transparent tendering processes and do not use only limited numbers of suppliers / garages / travel agents etc.
6. Clear segregation of duties and staff rotation
7. Encourage proper leave taking to include at least one 'long' vacation per year
8. Ensure procedures have robust internal controls - this links into the ICP Project - which are followed at all times

SANCTION

1. Prevention of Sanction

In order to prevent the sanctions, RHC and BU shall constantly make best efforts. Examples of preventive measures are as follows:

1.1. Early Discovery

- 1.1.1. Be constantly alert for signs or signals
- 1.1.2. Have a clear understanding of establishment or revision of laws and regulations
- 1.1.3. Compliance training for reporting of Regulatory Sanctions including indications

1.2. Prevention

- 1.2.1 Take actions based on reference to the similar cases (including such case as occurred at group entities or competitors in the local market)
- 1.2.2 Establishment of good relationship and mutual understanding with the local supervisory authority
- 1.2.3 Maintenance of framework to prevent omission of submission or report to the local supervisory authority.
- 1.2.4 Appropriate management of licenses, etc.

2. Maintenance of Register

Compliance Controller shall maintain the sanction register which includes;

1. Date of discovery (date of occurrence);
2. Name of detector
3. Source(s) of the detected incident (origin of detection)
4. Details of Sanctions
5. Outlines and the result of the investigation as to the qualification as DUA
6. Judgment as low possibility to be Regulatory Sanctions, if the case is closed because of the low possibility of the actual imposition

7. Preventive and remedial measures

3. Preventive measures

3.1.RHC/BU shall analyse the cause of any Sanctions and establish and publish details of preventive measures. Said preventive measures shall be disseminated to all officers and employees and implemented.

3.2.Follow-up checks shall be conducted by the Compliance Controller for preventive measures.

3.3.The company shall establish its own disciplinary guideline in accordance with O-2 Staff Disciplinary Guidelines and make disciplinary decision on any sanction.