



INTERNAL

BPI/MS

Related Party Transaction (RPT) Policy

Version 4.0
Effective June 2, 2022

CONTENTS

1. INTRODUCTION 3
2. SCOPE 3
3. OBJECTIVES 3
4. POLICY STATEMENT 4
5. GOVERNANCE STRUCTURE 4
6. Related Parties 5
7. Related Party Transactions (RPTs) 5
8. RPT Vetting 7
9. Roles and Responsibilities 8
10. Disclosure and Regulatory Reporting 9
11. Restitution of Losses 9
12. Whistle Blowing Policy 10
13. Revision 10

1. INTRODUCTION

The Insurance Commission (IC) 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 Covered Institution (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, plan holders, card holders, claimants, creditors, fiduciary clients, and other stakeholders.

With the above, the IC issued Circular Letter (CL) No. 2017-29 in May 2, 2017 detailing the guidelines on related party transactions for IC's covered institutions.

The following are the highlights of the above issuance:

- a) Providing definition of Related Party and Related Party Transactions (RPTs);
- b) Defining the duties and responsibilities, roles and functions of the CI's Board of Directors;
- c) Requiring the constitution of an RPT Committee;
- d) Defining the responsibilities of the RPT Committee;
- e) Defining the roles of Senior Management and Self-Assessment functions;
- f) Requiring sets of disclosures in the Annual Report concerning related parties and related party transactions;
- g) Requiring the Board to approve all material RPTs as well as write off of material exposures to related parties and giving the Board the power to delegate to appropriate management committee the approval of RPTs that are below the materiality threshold.

2. SCOPE

This policy covers the handling of transactions of BPI/MS with related parties as defined herein.

3. OBJECTIVES

To strengthen BPI/MS' governance over related party transactions by establishing a framework that will address the following, among others:

- 3.1 Define related party and related party transactions (RPTs);
- 3.2 To set materiality threshold for RPTs to avoid occurrence of abusive RPTs;
- 3.3 Put in place an organizational structure for the proper handling of RPTs;
- 3.4 To prescribe processes and procedures in the preparation of the reports required to be submitted to various stakeholders.

4. POLICY STATEMENT

BPI/MS shall ensure strict and consistent compliance with laws and regulations involving transactions with its Directors, Officers and Stockholders (DOS), Affiliates and Other Related Parties as defined in Section 6 of this policy. For this purpose, BPI/MS shall submit to the IC, as required under Circular Letter (CL) No. 2017-29 (a) disclosure report of all entities in the conglomerate structure where it belongs, (the “Conglomerate Map/Organizational Structure”) and (b) a report on material exposures to related parties (the “Report on Material Related Party Transaction”).

5. GOVERNANCE STRUCTURE

- 5.1 Related Party Transaction Committee (RPTC) is a Board level committee tasked by the Board of Directors to review and endorse RPTs that are classified as Material Transactions.
- 5.2 The RPTC shall be composed of at least three (3) Independent and/ or Non-Executive members of the BPI/MS Board, the majority of whom shall be Independent Directors. The Chairperson must be an Independent Non-Executive Director of the Board. Majority of the members, regardless of position, shall constitute a quorum.
- 5.3 The Chief Compliance Officer (CCO) / Chief Risk Officer (CRO) / BPI Internal Auditor (Chief Audit Executive or delegated representative) will sit as resource persons in the RPT Committee.
- 5.4 The authority, responsibility, membership and operation of RPTC are provided in detail in the RPTC Charter.
- 5.5 The Board, through the RPTC, shall establish an effective system to determine/ identify Related Parties, monitor Related Party exposure and implement RPTs.
- 5.6 To ensure that RPTs are within prudent levels, the BPI/MS board shall prescribe, from time to time, internal limits or sub-limits for individual and

aggregate credit exposures to a related party and for aggregate credit exposures to all related parties that are consistent with the BPI/MS' risk appetite, risk profile and capital strength.

- 5.7 The Related Party Transaction Committee (RPTC) shall report to the Board, on a semi - annual basis, the transactions of BPI/MS to each related party.
- 5.8 Conflict of Interest and handling of personnel, officers or directors who have been remiss in their duties are governed by the Manual on Corporate Governance, Employee Code of Conduct and specific HR policies. Persons who refuse to fully disclose the extent of their business interests shall be subject to temporary disqualification from their office.

6. RELATED PARTIES

- 6.1 A related party to BPI/MS can be BPI/MS' subsidiaries as well as affiliates and special purpose entities that BPI/MS exerts direct/indirect control over or that exerts significant influence over BPI/MS; 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 BPI/MS, hence, is identified as a related party.
- 6.2 Close family members. These are persons related to BPI/MS' 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 BPI/MS' Board of Directors, Officers of BPI/MS with rank of Business Director or higher, and Stockholders.
- 6.3 Corresponding persons in affiliated companies. These are the DOS of the affiliated companies and their close family members.
- 6.4 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.
- 6.5 Control of an enterprise exists when there is:

- 6.5.1 Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
- 6.5.2 Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
- 6.5.3 Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
- 6.5.4 Any other arrangement similar to any of the above.

7. RELATED PARTY TRANSACTIONS (RPTs)

7.1.1 The following is a list of RPTs, the transaction amount required to consider the RPT a Material Transaction, and the corresponding vetting committee for each materiality threshold.

Transaction Type		Materiality Threshold	
		Management Committee (ManCom)	RPT Committee (RPTC)
a.	On- and off-balance sheet credit exposures and claims and write-offs	Up to P5M per transaction	Over P5M per transaction
b.	Investments and/or subscriptions for debt/equity issuances	n/a	In excess of the limits indicated in the Investment Policy Statement
c.	Consulting, professional, agency and other service arrangements/contracts/agreements	Up to P5M per contract	Over P5M per contract
d.	Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements)	Up to P5M per contract	Over P5M per contract
e.	Construction arrangements/contracts	Up to P5M per contract	Over P5M per contract
f.	Lease arrangements/contracts	Up to P5M per contract	Over P5M per contract

g.	Trading and derivative transactions	n/a	In excess of the limits indicated in the Investment Policy Statement
h.	Borrowings, commitments, fund transfers and guarantees	Up to P5M per transaction	Over P5M per transaction
i.	Sale, purchase or supply of any goods or materials	Up to P5M per contract	Over P5M per contract
j.	Establishment of joint venture entities	n/a	Regardless of contribution

7.2 Insurance coverage / transactions are not subject to vetting as these transactions are processed and accepted through the appropriate Committees/approving authorities, as indicated in the following Regulations/Guidelines approved by the Board of Directors -

- a) R-UW-06 Underwriting Acceptance Limit
- b) G-S&U-08 Underwriting Manual

This notwithstanding, material RPTs₁, i.e. P1M premium and above per policy, need to be reported to the RPT Committee, for information.

7.3 This RPT Policy excludes regular trade transactions involving purchase and sales of debt securities traded in an active market.

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

7.5 Any clarification on whether or not a transaction should be classified as "Related Party Transaction" shall be referred to Risk Management Department of BPI/MS and Compliance and Legal Department.

8. RPT Vetting

8.1 Vetting is a process wherein a specific body (Management Committee or RPTC) reviews and ensures that RPT terms are arm's length.

8.2 All RPTs shall be submitted to the ManCom if below threshold, or the RPTC if above threshold, for vetting, prior to approval and/or implementation.

8.3 RPTs shall be signed off by the Division / Department Head of the Proponent and BPI MS President prior vetting by the RPTC.

8.4 Prior submission to the Mancom and RPTC, Risk Management Department shall conduct proper review of the RPT proposal by checking the

completeness of the required information as well as reasonableness of the data indicated therein.

- 8.5 An RPT is deemed conducted at arm's length terms when it is done in the regular course of business and are not undertaken on more favorable economic terms (e.g., interest rates, price, fees, commissions, tenor, collateral requirements, etc.) than similar transactions with unrelated parties under similar circumstances. Further, the RPT should be engaged into at terms that promote the best interest of BPI/MS and its stakeholders. Vetting may thus include comparison of RPT terms with the terms granted to non-related parties under comparable circumstances and conditions.
- 8.6 Vetting is not itself the approval of the transaction.
- 8.7 In case a member of the Management or RPT committee has conflict of interest in a particular RPT, he/ she should inhibit from the evaluation, endorsement and/or approval process of the particular RPT. In the event a member of the committee directly supervises the recommending unit of the RPT, he shall abstain from vetting the same.
- 8.8 RPTs are not prohibited provided that the RPTs are approved by the appropriate authority, conducted at arm's length basis and disclosed and reported as required under this policy.
- 8.9 If RPT is deemed urgent, the vetting by the corresponding approving authority could be coursed through via email/Kissflow. This will just then be formalized during the monthly / quarterly meeting.
- 1.10 Once the RPT has been vetted, the approval to proceed with the transaction follows the R-CA-032 which defines the Company's Operating Expense and Disbursement Authority Limits.

9. Roles and Responsibilities

9.1 Proponent

- 9.1.1 Completion of the required Template for presentation to the ManCom and/or RPTC
- 9.1.2 Establishment of the Related Party's relationship to BPI/MS and interest in the transaction;
- 9.1.3 Disclosure of material facts as regards the proposed RPT, including the aggregate value of the transaction;
- 9.1.4 Proper evaluation of the benefits to BPI/MS of the proposed RPT;
- 9.1.5 Identification of the availability of sources of comparable products and / or services;
- 9.1.6 Assessment of whether the transactions involving Related Party/ies are conducted at arm's length basis which means that the terms and

conditions of the transaction must be no less favorable to BPI/MS than the terms generally available to a non-related party under the same or similar circumstances’.

9.2 Risk Management Department

- 9.2.1 Ensure the completeness and reasonableness of the information needed in the RPT Vetting Form;
- 9.2.2 Validation of the information declared in the RPT Vetting form;
- 9.2.3 If to be vetted by the RPTC, coordinate and submit the necessary documents to the Office of the Corporate Secretary
- 9.2.4 Preparation and updating of RPT inventory list
- 9.2.5 Sharing of the vetted transactions with the Compliance Officer and BPI IA

9.3 Compliance and Legal, BPI IA

- 9.3.1 The BPI/MS’ Compliance & Legal Department as well as the BPI IA shall perform periodic post verification of RPTs within the materiality threshold required to be endorsed by the RPTC and approved by the appropriate body, to ensure that the terms and conditions as endorsed and approved are properly and correctly implemented.
- 9.3.2 Quarterly post verification of RPTs shall be performed, as follows, to ensure that the terms and conditions as endorsed and approved by the appropriate body are properly and correctly implemented.
 - 9.3.2.1 Below material transactions - BPI/MS’ Compliance & Legal Department and
 - 9.3.2.2 Material transactions - BPI Internal Audit

10 Disclosure and Regulatory Reporting

BPI/MS 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.

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

- a) BPI/MS 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.

- b) BPI/MS shall submit a report on material exposures to related parties, which shall include the material RPTs of its non-financial subsidiaries and affiliates, (Annex B) within 20 calendar days after the end of the reference quarter.
- c) The consolidated Report on Material RPT shall be jointly endorsed / signed by the BPI/MS' Compliance & Legal and Risk Officer prior to submission to the President or his representative for signature.
- d) The BPI/MS Finance Department shall be responsible for the transmission of all required RPT reports to the IC.
- e) Any contract with recurring payment transactions such as lease contracts, should only be reported once, upon approval of said transaction by the applicable approving authority.
- f) In case the parties involved in a RPT are both IC-regulated entities, only the lessor, in case of a lease contract, shall submit the individual Report on Material RPT.

11 Restitution of Losses

The Company shall adhere to its Code of Conduct, without prejudice to applicable legal remedies it may avail, in dealing with transactions that may result/have resulted in losses from transactions with related parties.

The RPTC may also recommend actions to be taken in case of transactions noted to have breached the policies and guidelines on RPTs such as:

- a) Amendment, as allowed, or cancellation of the contract
- b) Cessation of services or activities
- c) Subjecting the concerned transaction to an audit investigation
- d) Payment of damages suffered by the Company, by those involved in abusive material RPTs

The BPI/MS' Whistle Blowing Policy found in the Quality Management System (QMS) shall also apply to RPTs.

12 Whistle Blowing Policy

The BPI/MS' Whistle Blowing Policy found in the Quality Management System (QMS) shall also apply to RPTs.

13 Revision

Any revision and supplement to this RPT Policy shall be upon the RPTC recommendation and approval of the BPI/MS ExCom/Board.