

UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION  
**RELATED PARTY TRANSACTIONS POLICY**

The Board of Directors of United Coconut Planters Life Assurance Corporation / Cocolife (the "*Company*"), has adopted the following policies and procedures with regard to Related Party Transactions (RPT), as defined below:

**1. Definition of Terms**

- 1.1. Related Party Transactions – Any significant transaction directly or indirectly involving any Related Party that would need to be disclosed or any currently proposed transaction, involving the Company wherein which any related person had or will have a direct or indirect material interest. It also includes any material amendment or modification to an existing Related Party Transaction.

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

- 1.2. Related parties – These shall include the directors; officers; stockholders and related interests (DOSRI) and their immediate or close family members. It shall also include subsidiaries, affiliates and special purpose entities that the Company exerts direct or indirect control over or significant influence:

1.2.1. Subsidiaries refer to corporations that are owned by 50% or more by the Company

1.2.2. Affiliates are corporations owned by at least 20% and may have common directors, officers and stockholders

- 1.3. Immediate or close family members – These are persons related to director, executive officer and stockholder within the second degree of consanguinity or affinity, whether legitimate or common law. These shall include the spouse, parent, child, sibling, grandparent, grandchild, stepchild, stepparent, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, grandchild-in-law, and any person sharing the household of such director, executive officer, or stockholder.

- 1.4. Corresponding persons in subsidiaries and affiliates - The DOSRI of subsidiaries and affiliated companies and their close family members.
- 1.5. Control of a company - This exists when there is:
  - 1.5.1. More than one-half of the total voting rights, by virtue of an agreement with other stockholders;
  - 1.5.2. Power to govern the financial and operating policies of the enterprise under a statute or agreement;
  - 1.5.3. Power to appoint or remove the majority of the members of the board of directors or equivalent governing body;
  - 1.5.4. Power to cast the majority votes at meetings of the board or equivalent governing body; or,
  - 1.5.5. Any arrangement similar to any of the above.
- 1.6. Material interest or significant transaction – This refers to dealings that pose significant risk to the Company. This shall refer to transactions of value amounting to at least PhP5.0 million, regardless of the type of transaction or whether it is a one-time transaction or a series of transactions.
- 1.7. Price discovery mechanism - the process of determining the price of an asset in the marketplace through the interactions of buyers and sellers

## **2. Duties and Responsibilities of the Board of Directors (BOD)**

The Board of Directors of Cocolife shall make sure that RPTs are treated in a sound and prudent manner, in compliance with applicable laws and regulations, in order to protect the interests of policyholders, claimants, creditors and other stakeholders of the Company:

- 2.1. To observe good governance and approve a comprehensive RPT policy that shall be adopted within the Cocolife group of companies. It shall ensure that there is compliance with existing laws as well as Company rules and guidelines and that these are conducted on arm's length basis.

- 2.2. Upon the recommendation of the RPT Board Committee, to approve all material RPTs that cross the materiality threshold, including transactions of directors and officers, and the write-off of material exposures to related parties. Any material changes in the terms and conditions of RPTs will also be subject to the review and approval of the BOD.
- 2.3. To delegate to a designated RPT Management Committee the review and approval of RPTs below the materiality threshold, excluding DOSRI transactions. These shall still be subject to the confirmation by the BOD, and must be properly documented in the minutes of the committee meeting.
- 2.4. To establish an effective system to determine, identify and monitor related parties and RPTs that shall include the review and evaluation of existing relationships between and among business and counterparties, as well as the identification, measurement, monitoring and control of the risks arising from RPTs.

The said system shall:

- 2.4.1. Define the related parties' extent of relation with Cocolife;
  - 2.4.2. Assess situations in which non-related parties subsequently become related parties and vice-versa;
  - 2.4.3. Generate information on the type and amount of exposures to related parties;
  - 2.4.4. Facilitate submission of reports to regulators;
  - 2.4.5. Be made available to the IC for review;
  - 2.4.6. Be assessed periodically by Internal Audit and Compliance function; and,
  - 2.4.7. Updated regularly to assure sound implementation
- 2.5. To maintain adequate capital against risks associated with exposures to RPTs. In this regard, materials risks arising from RPTs shall be considered in the capital planning process.
  - 2.6. To oversee the integrity, independence and effectiveness of policies and procedures for whistleblowing.

## 2.7. To constitute an RPT Board Committee

The Board shall designate a Related Party Transaction Committee (the “*Committee*”) as a standing Board committee, to specifically undertake the crafting and implementation of policies and procedures related to the protection the rectitude of the company’s entry into RPTs, subject to the final review and approval of the Board.

2.7.1. The Committee shall be composed of at least three (3) members of the board of the BOD, two (2) of whom shall be independent directors.

2.7.2. In case a Committee member has conflict of interest in an RPT, he shall inhibit himself from evaluating the particular transaction.

2.7.3. The Chief Compliance Officer, Head of Internal Audit and the Chairperson/selected members of the Management RPT Committee may sit as resource persons.

## 3. Responsibilities of the RPT Board Committee

3.1. The Committee shall evaluate on a continuing basis, the relationship between and among businesses and counterparties to ensure identification, monitoring of RPTs including changes (from non-related to related, and vice versa). Any changes in relationships shall be reflected in the relevant reports to the board/regulators.

3.2. It shall determine the materiality threshold or the amount of significant transactions that could pose material risk to the Company. For this purpose, the amount generally considered within the materiality threshold is PhP5 Million and above, or its foreign currency equivalent. The materiality threshold amount may however be changed from time to time depending on the judgment of the Board of Directors on the level of transactions that could pose significant risk to the Company, or as may be directed by the IC. Justification for the threshold and exclusion shall be documented in the minutes of the meeting.

Regular trade transactions involving purchase and sales of debt securities traded in an active market are excluded from the materiality threshold requirement.

- 3.3. To ensure that RPTs are within prudent levels, the internal limits for individual and aggregate exposures to a related party will be set by the Committee, consistent with the Company's risk appetite, risk profile and capital strength. For this purpose, the amount generally considered as the internal limit for single or aggregate RPT is PhP5 million or its foreign currency equivalent.

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. This shall be documented in the minutes of the meeting.

- 3.4. Upon the recommendation of the Committee, the Board may disapprove a previously entered into RPT and may require that Management take all reasonable efforts to terminate, unwind, cancel or annul the said RPT.
- 3.5. The Committee shall take into account whether the Related Party Transaction is on terms no less favorable than terms generally given to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Party's interest in the Related Party Transaction.
- 3.6. Where advance Committee review of a Related Party Transaction is not possible or has not been obtained, the RPTs shall be reviewed subsequently by the Committee and the said transactions may be subsequently ratified or rescinded by the Committee.
- 3.7. The Committee is empowered to seek restitution and other remedies that would cut losses and allow recovery of losses or opportunity costs incurred by the Company arising from abusive RPTs or those that are not at arm's length terms.
- 3.8. Directors, officers and staff personnel who have been grossly remiss in their duties in handling RPTs will be penalized as may be provided in existing company guidelines. These policies are intended to augment, supplement and work in conjunction with other Company policies and guidelines that have code of conduct and code of ethics provisions.

- 3.9. The RPT Committee shall periodically review these policies and may recommend amendments from time to time as it deems appropriate. In addition to guidelines for ongoing RPTs, the Committee may also establish guidelines regarding the review of other RPTs such as those that involve amounts below the materiality threshold, those that do not require public disclosure and those that have charitable or social responsibility purposes.

#### **4. Procedures**

- 4.1. Regardless of whether the amount crosses the materiality threshold or not, the Senior Officer-in-Charge of RPT shall submit a quarterly report to the President / CEO for his notation and comments, the following relevant information:
  - a. A general description of the transaction(s), including the material terms and conditions.
  - b. The name of the Related Party and the basis on which such person or entity is a Related Party.
  - c. The Related Party's interest in the transaction(s), including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s).
  - d. The approximate peso value of the transaction and the approximate Peso value of the Related Party's interest in the transaction(s).
  - e. In the case of a lease or other transaction requiring periodic payments or installments, the aggregate amount of all periodic payments or installments expected to be made.
  - f. In the case of indebtedness, the aggregate amount of principal to be outstanding and the rate or amount of interest to be payable on such indebtedness.
- 4.2. The report, with the President's notations, shall then be forwarded either to the RPT Management Committee or Board Committee, as warranted.
- 4.3. It is critical that RPTs should be conducted on an arm's length basis, and not be undertaken on more favorable economic terms (i.e., in terms of price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than for similar transactions with non-related parties, under similar circumstances.

This process includes guidance for an effective price discovery mechanism to make sure that transactions are engaged into in terms that promote the best interest of the Company 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,
- publication of the products and/or services required, the property for sale, etc. and other material information regarding the transaction(s)

- 4.4. The Committee shall be authorized to review in advance and provide pre-approval for certain Related Party Transactions.
- 4.5. A Board of Director who is a Related Party with respect to a particular Related Party Transaction shall disclose all material information to the Committee concerning such Related Party Transaction and his or her interest in such transaction
- 4.6. The Committee shall periodically review ongoing relationships with specific Related Parties. Any material amendment, renewal or extension of a transaction, arrangement or relationship previously agreed upon shall be reassessed.
- 4.7. In instances where cases of RPTs are reported by employees and other stakeholders to the Committee or other persons in authority and subsequently elevated to the Committee or the Board, the Company's Whistleblower Policy and Guidelines shall be implemented if deemed necessary, in ensuring the protection and safety of the source.
- 4.8. Reports on the status and aggregate exposures to each related party as well as the total amount of exposures of all RPTs shall be made to the Board of Directors on a regular basis.
- 4.9. Required disclosures shall be forwarded to the Insurance Commission regarding the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest, as provided for in IC CL No. 2017 – 29 (Guidelines on Related Party Transactions for Insurance Commission's Covered Institutions).