

**RELATED
PARTY
TRANSACTIONS
MANUAL**

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I. Purpose

1. To provide guidance on what constitutes Related Party Transactions;
2. To avoid conflict of interest and comply with regulatory and good governance practices;
3. To ensure that the appropriate process for approval of the transaction has been undertaken; and
4. To ensure compliance with the Disclosure Policy of Caritas Health Shield, Inc. (CHSI) and disclosure requirements of Financial Statement Reporting.

II. Scope

All Related Parties as defined herein.

III. Definition of Terms

Affiliate

A Person who is directly or indirectly controlling, controlled by or under common control with such party.

For the purpose of this definition, the term “control” shall mean ownership of at least fifty percent (50%) of the total issued and outstanding capital stock of, or the right to elect at least fifty percent (50%) of the number of directors in such Person, or the right to cause the direction of the management and policies of such Person whether through the ownership of shares, directorships, management, community of interest, or contract.

RPT Committee

All of the independent directors of the Audit Committee, provided that there are at least three (3) independent directors in the Committee.

Conflict of Interest

A situation when a Related Party appears to have a direct or indirect personal or financial interest in any transaction, which may deter or influence him from acting in the best interest of CHSI. It is not required that there be an actual conflict. It is sufficient that conflict be seen to exist by an impartial observer.

External Auditor

The auditor of CHSI for the ensuing year appointed during the latest Annual Stockholders’ Meeting of CHSI.

Executive Officer

A Person occupying an executive position in CHSI as defined in the By-Laws of CHSI or appointed as such by the Board of Directors.

<i>Key Management</i>	Persons having authority and responsibility for planning, directing, controlling, or implementing the activities or transactions of CHSI, directly or indirectly.
<i>Manual</i>	Refers to the Corporate Governance Manual of CHSI
<i>Material RPT</i>	Any RPT with a stated value of at least one-half of one-half of one percent (1/2%) of CHSI's admitted assets as of the thirty-first day of December next preceding
<i>Person</i>	An individual, corporation, partnership, joint venture, unincorporated association, trust or other judicial entity or any Governmental Authority.
<i>Related Party</i>	<p>With respect to CHSI:</p> <ul style="list-style-type: none"> • Person(s) that has or have control or joint control over CHSI; • Person(s) that has or have significant influence over CHSI; • Person(s) that is or are controlled by or under common control with CHSI; • The directors and executive officers or members of the Key Management of CHSI; • Any relative up to the second degree of consanguinity or affinity of a director or executive officer or Key Management of CHSI; • Entities that belong to the Caritas Group (i.e., owned directly or indirectly by Caritas and/or its subsidiaries and affiliates, including other entities that Caritas exerts control over of those that exert control over Caritas and those related to Caritas and/or its subsidiaries and affiliates either through common ownership, directorship, or officership); and • Directors, Officers, members of the Key Management of CHSI or any of their immediate family members with beneficial ownership or significant influence/control in the entity that Caritas has or will have dealings with.
<i>Reporting Entity</i>	A Person or corporation preparing the financial statements. For purposes of this Policy, the Reporting Entity shall be CHSI.
<i>Related Party Transaction</i>	Transaction, whether commercial or otherwise, by and between or among Related Parties, and may or may not involve a transfer of resources, services or obligations.

IV. Disclosure Requirements

1. CHSI must comply with all disclosure requirements of RPT mandated under applicable law, rules and regulations.

For transactions between CHSI (“Holding Company”) and Caritas Life Insurance Corporation¹ (“CLIC” or “controlled insurer”), the following rules shall apply:

- 1.1. The books, accounts, and records of each party to all such transactions shall be maintained as to clearly and accurately disclose the nature and details of the transactions including such accounting information as is necessary to support the reasonableness of the charges of fees to the respective parties.
- 1.2. The prior written approval of the Insurance Commissioner shall be required for the following transactions between CLIC and any person in its holding company system: sales, purchases, exchanges, loans or extensions of credit, or investments, involving five percent (5%) or more of the insurer’s admitted assets as of the thirty-first of December next preceding.
- 1.3. The following transactions between CLIC and any person in its holding system may not be entered into unless the controlled insurer has notified the Commissioner in writing of its intention to enter into such transaction at least thirty (30) days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period:
 - 1.3.1. Sales, purchases, exchanges, loans, or extensions of credit, or investments, involving more than one-half of one percent ($\frac{1}{2}$ %) but less than five percent (5%) of the insurer’s (CLIC) admitted assets as of the thirty-first day of December next preceding;
 - 1.3.2. Reinsurance treaties or agreements;
 - 1.3.3. Rendering of services on a regular or systemic basis; or
 - 1.3.4. Any material transaction, specified by regulation, which the Commissioner determines may adversely affect the interest of the insurer’s policyholders or stockholders or of the public.
2. The related Parties must comply with all the disclosure requirements of RPTs required under applicable law, rules and regulations of the SEC and the BIR, and other relevant government agencies.
3. Each director, executive officer and member of the Key Management is responsible for providing written notice to the Office of the Compliance Officer of any potential RPT

¹ Chapter III, Title 20, Sec. 298-300, RA No. 10607 (The Insurance Code)

involving him or her or his or her immediate Family Member, including any additional information about the transaction that may reasonably requested by CLIC.

4. The Office of the Compliance Officer, by himself, or in consultation with the Management Committee and with the Chief legal Counsel or external counsel as appropriate, will determine whether the notified transaction does, in fact constitute a RPT requiring compliance with this Policy.
5. Disclosure of a RPT shall include information about the price of the transaction, outstanding balances, if any, major terms and conditions and guarantees, if any. The Office of the Compliance Officer to determine any conflict of Interest and the potential effect of the relationship.
6. In addition, each director, executive officer and member of the Key Management may be required to complete a questionnaire on their RPTs and those of their immediate Family Members.

V. Guidelines prior to entering into a RPT

1. All RPTs shall have terms and conditions that are fair and equitable to CHSI.
2. The approval, award, processing and payment of RPTs shall follow the same procedures as the other transactions and contracts of CHSI. No usual privilege or special treatment shall be afforded a Related Party.
3. Proposed transactions of related parties shall be endorsed by proponent units to the appropriate transaction approving authority following existing company policies and processes.
4. Upon approval, the proponent unit shall endorse the proposal to the Compliance Officer for review. The Compliance Officer shall verify if the transaction falls under the definition of a “Related Party Transaction” and the same is compliant with existing regulations.

If the transaction is a “Related Party Transaction,” Compliance Division shall endorse this to the Related Party Transactions Committee (RPTC).

In case of doubt on the nature of a transaction subject of investigation or review pursuant to this Policy, the Compliance Officer, in consultation with the RPT Committee, shall determine whether the transaction or relationship constitutes a RPT, and whether the same shall be pursued taking into consideration the cost and benefit to CHSI.

5. Review and Approval of RPTs
 - 5.1. Prior to the award of any Material RPT, CHSI shall submit the same for the review of the RPT Committee to confirm that it has undergone the same process as an ordinary transaction. The RPTC shall review the proposed related party

transactions endorsed to it by considering the following to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are fair to CHSI and on terms at least as favorable as would apply if the other party was not or did not have an affiliation with a director, executive officer or employee of CHSI;
- ii. Approximate monetary value of the transaction and the approximate monetary value of the Related Party's interest in the transaction;
- iii. Valuation methodology used and alternative approaches to valuation of the transaction;
- iv. Whether the proposed transaction includes any potential reputational concern issues that may arise as a result or in connection with the transaction;
- v. Whether there are demonstrable business reasons for CHSI to enter into the Related Party Transaction;
- vi. Whether the Related Party Transaction would impair the independence of a director, and
- vii. Extent that such transaction or relationship would present a improper conflict of interest.

When a Material RPT is submitted to the RPT Committee for review, the presence of at least two (2) independent directors shall be necessary to constitute a quorum of the Committee.

- 5.2. Non-material RPTs shall be subject to the review and/or approval of the Compliance Officer.
6. Upon review of the RPTC, the proponent unit shall prepare the Memo to the Board and for this to the BOD for approval through the Corporate Secretary. The proposals may be sent to the Corporate Secretary at any time but this should be at least three(3) working days before the board meeting.

VI. Internal reporting of RPTs

1. The following transactions, if with a Related Party, are considered RPTs:
 - 1.1. Purchases or sales of goods
 - 1.2. Purchases or sale of property and other assets
 - 1.3. Purchases and sales of services
 - 1.4. Leases

- 1.5. Transfer of Research and Development
 - 1.6. Transfers under License Agreements
 - 1.7. Transfers under Finance Arrangement like Loans and Equity contribution in cash or in kind
 - 1.8. Loans and other forms of financial assistance
 - 1.9. Provisions of Guarantees and collateral
 - 1.10. Settlement of Liabilities on behalf of CHSI or by Corporation on behalf of another party
 - 1.11. Commitments to do something if a particular event occurs or does not occur in the future
 - 1.12. Such other similar or analogous transactions to the foregoing
2. The Compliance Officer, with the assistance of the Chief legal Counsel, shall prepare a monthly report on RPTs based on the disclosures and/or reports of RPTs submitted to the Compliance Officer.

The Report shall be submitted to the Accounting Department to be furnished the External Auditor for proper disclosure in the Financial Statements of CHSI, if necessary under applicable financial reporting rules and policies.

VII. Prohibited RPTs

Notwithstanding any provision of this Policy to the contrary, the following RPTs shall not be allowed:

1. Loans and/or financial assistance to a Director;
2. Loans and/or financial assistance to the Key Management, except when allowed pursuant to an established company benefit or plan.

VII. Sanctions

1. For non-compliance with Chapter III, Title 20 (“Holding Companies”) of the Insurance Code, the Insurance Commissioner may²:
 - 1.1. Proceed under Title 14 (“Appointment of Conservator”) or Title 15 (“Proceedings upon Insolvency”), Chapter III of the Insurance Code with respect to the insurer with the holding company system; or
 - 1.2. Revoke or refuse to renew the authority to do business in this Country of an insurer within the holding company system or refuse to issue such authority to any other insurer in the system; or

² Chapter III, Title 20, Sec. 306, RA No. 10607 (The Insurance Code)

- 1.3. Direct that, in addition to any other penalty provided by law, such person forfeit to the people in this country a sum not less than five thousand pesos (Php5,000.00) for a first violation and twenty-five thousand pesos (Php25,000.00) for any subsequent violation. An additional sum not less than twenty-five thousand pesos (Php25,000.00) shall be imposed for each month during which any violation shall continue.
2. Non-compliance with any provision of this Policy, in particular, the reporting, and disclosure requirements, the guidelines prior to entering into RPT and the prohibited RPTs, shall result in the invalidation of the Contract involved in the RPT.
3. Any officer or employee of CHSI who has knowledge of any violation of this Policy shall report the same to the Office of the Compliance Officer. The Chief legal Counsel, in coordination with the Office of the Compliance Officer, shall report to the RPT all violations of this Policy.
4. The RPT Committee shall have the authority to recommend to the Board of Directors the invalidation of the Contract.
5. This policy shall be without prejudice to the provisions of the Manual of Corporate Governance, the Code of Conduct and Ethics and all related policies of CHSI which shall be observed and shall apply to the fullest extent possible. In particular, RPTs shall not be allowed if it would present a conflict of interest for any Related Party as defined in the Code of Conduct and Ethics.

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