

RELATED PARTY TRANSACTIONS POLICY

I. POLICY STATEMENT

As part of the Company's commitment to Integrity as one of its Core Values and Beliefs, The Company ensures the fairness and transparency of related party transactions between and among the Company and the companies under common control, its major shareholders, officers and directors, including their immediate family members.

The Company shall enter into any related party transactions solely in the ordinary course of business, on ordinary commercial terms and on the basis of arm's length arrangements, and subject to appropriate Company approvals. Any related party transaction entered into by the Company shall be in accordance with applicable laws, rules and regulations and this Policy.

II. OBJECTIVE

- a) To formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions
- b) To ensure that every related party transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its related parties
- c) To ensure compliance with good governance practices and disclosure requirement for financial and regulatory reporting purposes

III. SCOPE

This policy applies to all related parties of the Company.

IV. RELATED PARTY AND RELATED PARTY TRANSACTIONS

- a) "The Company" is used throughout this policy to refer to FPG Insurance Co., Inc.
- b) Related Party, with respect to the Company, is a person or an entity who:
 - i. Has a control over the Company;
 - ii. Has significant influence over the Company;
 - iii. Is controlled by or under common control with the Company;
 - iv. Are Directors and Executive Officers or Members of the Key Management of the Company;

- v. Is an Immediate Family Member of a Director, Executive Officer or Key Management of the Company up to the second degree of affinity and consanguinity; and
 - vi. Entities in which a Director, Executive Officer or Key Management of the Company majority owns or controls
- c) Related Party Transaction (RPT) is a transfer of resources, services or obligations between the Company and a related party regardless of whether a price is charged which includes:
- i. Purchases or sale of services
 - ii. Purchases or sale of property and other assets
 - iii. Leases
 - iv. Assumption of financial/operating obligations
 - v. Such other similar or analogous transactions
- d) Material RPT is any transaction, arrangement or relationship in which the aggregate amount or exposure involved exceeds Php3.5 million (1% of the Contributed Capital Stock of the Company) in any year where a Related Party has a direct or indirect material interest.
- e) “At arm’s length” is a term referring to transactions in an open and unrestricted market and between willing parties who are knowledgeable, informed, and who act independently of and without regard to any relationship with each other.
- f) “Ordinary course of business” includes, but not limited to, activities that are necessary, normal and incidental to the business.
- g) Board of Directors or “Board”, in relation to a Company, means the collective body of the Directors of the Company.
- h) Key Management shall mean the members of the Company’s Management Committee.

V. IDENTIFICATION AND REQUIREMENTS OF RELATED PARTY TRANSACTIONS

- a) Each director, executive officer and members of the key management is responsible for providing written notice to the Management of any potential RPT involving him/her or his/her Immediate Family Member, including any additional information about the transaction that may reasonably be requested by the Company.
- b) The Management, by itself, or in consultation with the RPT Committee, as appropriate, will determine whether the notified transaction does, in fact, constitute a RPT requiring compliance with this Policy.

- c) Disclosure of RPT shall include information about the price of the transaction, outstanding balances, if any, major terms, and conditions and guarantees, if any. Management may require additional and other relevant information sufficient to enable them to determine any conflict of interest and the potential of the relationship.
- d) All RPTs shall have terms and conditions that are fair and equitable to the Company.
- e) The approval, awards, processing and payment of RPTs shall follow the same procedures as the transactions with non-related parties.

VI. APPROVAL OF RELATED PARTY TRANSACTIONS

a) Management Committee

Management, through its authority given by the Board of Directors, shall approve the RPTs that are in the ordinary course of business and within the materiality threshold, subject to confirmation by the RPT Committee. All decisions under the delegated authority shall be recorded in the minutes of the committee meetings. A summary of all RPTs shall be prepared quarterly and presented to the RPT Committee for ratification. It shall contain the following information, to the extent relevant, with respect to actual or potential RPTs:

- i. A general description of the transaction/s, including the material terms and conditions
- ii. The name of the Related Party and the basis on which such person or entity is a Related Party
- iii. 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 interest on the transaction/s
- iv. The approximate Peso value and/or the risk associated to the transaction/s
- v. Any other material information regarding the transaction/s of the Related Party's interest in the transaction/s

Any member of the Management who has a potential interest in any related party transaction will recuse himself and abstain from discussion and voting on the approval of the RPT. A RPT which is (a) not in the ordinary course of business, (b) not at arm's length price, or (c) in the ordinary course of business but above the materiality threshold would be placed to the RPT Committee or Board of Directors for approval.

b) Related Party Transaction Committee

All transactions which are identified as RPTs should be pre-approved by the RPT Committee before entering into such transaction. The Committee shall consider all relevant factors while deliberating the RPTs for its approval and/or ratification.

A summary of RPTs approved by Management shall be placed before the RPT Committee for ratification to confirm that it has undergone the same process as an ordinary transaction and to determine that the RPT under review is in the best interest of the Company.

To review and approve a RPT, the Committee will be provided with all relevant material information of the RPT, including term and business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a RPT, the Committee will consider the following factors, among others, to the extent relevant to the RPT:

- i. Whether the terms of the RPT are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- iii. Whether the RPT would affect the independence of an independent director;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Whether the Committee was notified about the RPT before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would not be detrimental to the Company; and
- vi. Whether the RPT would present an improper conflict of interest for any Director or Key Management of the Company, taking into account the size of the transaction, the overall financial position of the Director, Managing Director or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee/Board deems relevant.

The Committee may grant omnibus approval for RPTs which are repetitive in nature and subject to other conditions such as but not limited to (i) the maximum value/exposure of transactions, in aggregate, which can be allowed in a year and (ii) the maximum value/exposure per transaction which can be allowed and other conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for one financial year.

A RPT entered into by the Company, which is under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

The Committee shall review, on a quarterly basis, the details of RPTs entered into by the Company pursuant to the omnibus approval. In connection with any review of a RPT, the Committee has authority to modify or waive any procedural requirements of this policy, subject to applicable laws and regulations.

Any member of the Committee who has a potential interest in any RPT will recuse himself and abstain from discussion and voting on the approval of the RPT. A material RPT which is (a) not in the ordinary course of business, or (b) not at arm's length price, would require approval of the Board of Directors or Shareholders as discussed subsequently.

c) **Board of Directors**

In case any RPT is referred by the RPT Committee to the Board for its approval due to the transaction being (a) not in the ordinary course of business, (b) not at arm's length price, or (c) in the ordinary course of business but above the materiality threshold, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.

Any member of the Board who has any interest in any RPT will recuse himself and abstain from discussion and voting on the approval of the RPT. The Management and/or RPT Committee shall further disclose any conflict of interests to the Board for their management and control.

d) **Shareholders**

If a related party transaction is not in the ordinary course of business, not at arm's length price and exceeds the threshold, it shall require shareholders' approval by a resolution. In such a case, any member who is a related party having interest in the transaction for which a resolution being proposed, shall not vote on such resolution passed for approving RPT.

VII. UNAPPROVED RPTs, RESTITUTION OF LOSSES AND OTHER REMEDIES FOR ABUSIVE RPTs

In the event the Company becomes aware of a RPT with a Related Party that has not been approved under this Policy prior to its consummation, the RPT Committee shall consider all relevant fact and circumstances regarding the RPT and shall evaluate all options available to the Company, including ratification, revision or termination of the RPT. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Committee, and shall take any such action it deems appropriate under this Policy.

In any case, where the RPT Committee or the Board determines not to ratify a RPT that has commenced without approval, the Committee or the Board, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

Where any contract or arrangement is entered into by a director or other employee, without obtaining the consent of the Board or approval by a special resolution of stockholders in a general meeting or if it is not ratified by the Board or by the shareholders, as the case may be, such contract or arrangement shall be voidable at the option of the Board. If the contract or arrangement is with a related party to any director, or is authorized by any other director, the

director concerned shall indemnify the Company against any loss incurred from such transaction.

VIII. RELATED PARTY TRANSACTION COMMITTEE

The RPT Committee is comprised of three (3) members of the Board of Directors. When a RPT is submitted to the Committee for review, the presence of at least two (2) members shall be necessary to constitute a quorum of the Committee. The RPT Committee shall have the following duties and responsibilities:

- a) To review and ascertain whether a transaction is a RPT or not and to report and confirm the same to the Board for approval as necessary.
- b) To review and recommend to the Board of Directors whether a transaction proposed to be approved by the Board is at “Arm’s Length” and is “in Ordinary Course” of the Company’s business.
- c) To review, from time to time, the processes governing Sale of Insurance Policies, Settlement of Claims in favor of Related Parties and Payment of Insurance Commissions to Related Parties to align with compliance requirements of the IC Circular. These transactions shall be reported to the Board of Directors on a quarterly basis.
- d) To review this Policy and to modify or waive any procedural requirements of this Policy and may also recommend amendments to this Policy from time to time as it deems appropriate.

IX. MANAGEMENT AND SELF-ASSESSMENT FUNCTIONS

- a) The Management shall implement appropriate controls to effectively manage and monitor RPTs on a per transaction and aggregate basis. Quarterly reports, which include cumulative information, for RPTs will be made and presented to the RPT Committee to monitor exposures and ensure compliance with this Policy and with the IC requirement.
- b) The Internal Audit shall conduct a periodic review of the effectiveness of the Company’s system and internal controls governing RPTs to assess consistency with this Policy. The results of the audit shall be communicated to the Audit Committee.

X. WHISTLE BLOWING POLICY

Employees who have knowledge about illegal, unethical or questionable RPTs shall report the concern to the Management. If the disclosure is extremely serious or if notifying Management is not possible, inappropriate, or would serve no purpose, employees shall notify the RPT Committee.

An employee who makes an allegation in good faith, but is not confirmed by investigation, no action will be taken against said employee. If, however, the employee makes allegations that are malicious or simply to cause anger, irritation or distress, disciplinary action may be taken against the employee.

Management will endeavor to handle investigations as fully, promptly and fairly as possible. As far as reasonably practicable, the confidentiality of the person reporting the questionable RPT will be maintained. An investigation will be conducted as speedily and sensitively as possible in accordance with all relevant laws and regulations. Based on the result of investigation, Management/RPT Committee will take appropriate actions in accordance with this policy.

XI. REPORTING AND DISCLOSURE OF RELATED PARTY TRANSACTIONS

The Company shall disclose in its website the Policy on Related Party Transactions in compliance with the requirements of ASEAN Corporate Governance.

Necessary disclosures shall be made available in the Annual Financial Statements as required under Philippine Accounting Standards 24 – Related Party Disclosures.

Every contract or arrangement, which is required to be approved by the Board/Shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement. The details of material transactions with related parties will be submitted on a quarterly basis as required under the IC Circular.

XII. REVIEW OF THE POLICY

The RPT Committee shall review this Policy periodically and shall have authority to modify or waive any procedural requirements of this Policy and may also recommend amendments to this Policy from time to time as it deems appropriate. In addition to guidelines for ongoing RPT, the Committee may, as it deems appropriate and reasonable, establish from time to time guidelines regarding the review of other RPTs.