

RELATED PARTY TRANSACTION

1. STATEMENT OF POLICY

It is the policy of Insular Health Care, Inc. (“the Company”) to ensure that all transactions with a Related Party, as herein defined, are conducted pursuant to the “arm’s length rule” and in the best interest of the Company and its stakeholders.

2. PURPOSE

This Related Party Transactions Policy sets out to achieve the following:

- 2.1. To formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions.
- 2.2. To set out the general requirements, responsibilities, and the specific policies, procedures and disclosures to be followed as Related Party Transactions occur.

3. DEFINITION OF TERMS

- 3.1. **Affiliate** – A juridical person, the voting stock of which, to the extent of fifty percent (50%) or less, that is controlled by, or is under common control with the corporation or its affiliates.
- 3.2. **“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.
- 3.3. **Approving Officer** – person who is authorized by the Company to approve the transaction.
- 3.4. **Close Family Member** – Includes the spouse and those within two degrees of consanguinity and affinity (child, parent, parent in-law, brother, sister, brother or sister in-law, daughter or son in-law, grandparent, grandchild, grandparent-in-law or grandchild-in-law). It also includes a person’s Domestic Partner and the latter’s family members within two degrees of consanguinity and affinity.
- 3.5. **Control** – The ownership of majority of shares of a Corporation.
- 3.6. **Domestic Partner** - A common-law spouse or unmarried partner.

- 3.7. **Material Related Party Transaction** – An RPT is considered material if the amount involved in any single or aggregate transaction amounts to PHP 20 Million Pesos.
- 3.8. **Officer** – refers to an employee of the Company or its subsidiaries or affiliates with the rank of Assistant Vice President and higher.
- 3.9. **Project Owner**- The employee(s) or work unit transacting or negotiating with the Third Party.
- 3.10. **Related Party** – Any party, individual, group or entity, as defined below:
- a. A trustee of the Company and/or its subsidiaries and affiliates;
 - b. An Officer of the Company and/or its subsidiaries and affiliates;
 - c. A close family member of a trustee or Officer of the Company and/or its subsidiaries and affiliates;
 - d. An entity which is a subsidiary or affiliate of the Company;
 - e. An entity which has an existing contractual relations with the Company;
 - f. An entity which, together with the Company, has a joint venture/strategic interest with the same third party;
 - g. An entity which provides a post-employment benefit plan for the employees of either the Company and/or its subsidiaries and affiliates;
 - h. An entity which is controlled, jointly-controlled or is significantly influenced by a person identified in **a, b** and **c.**; and
 - i. Such other parties, individuals, groups etc. as may be determined by the Company as a Related Party.
- 3.11. **Related Party Transactions (RPTs)** – Other than insurance contracts, RPTs include any transactions referring to transfer of resources, services or goods between the Company and a Related Party, regardless of whether a price is charged. RPTs do not include the purchase of a life insurance contract which is sold by the Company in the ordinary course of its business.
- RPTs shall be interpreted broadly to 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.
- 3.12. **Significant Influence** – The power to participate in the financial and operating policy decisions of an entity but is not in control over those policies. Significant influence may be gained by share ownership, statute or agreement.

- 3.13. **Subsidiary**¹ – A juridical entity, the voting stock of which, to the extent of more than fifty percent (50%), is owned or controlled directly or indirectly through one or more intermediaries.
- 3.14. **RPT Board Committee** – Shall refer to the Board’s Related Party Transactions Committee.
- 3.15. **RPT Management Committee** – Refer to the members of the Management Committee (MANCOM) designated as such.

4. GENERAL PRINCIPLES

- 4.1. The Company shall at all times comply with the requirements of the Philippine Corporation Code, Articles of Incorporation and By-Laws, regulations and circulars of the Insurance Commission and other government regulators, in approving RPTs.
- 4.2. All RPTs entered into by the Company shall meet the minimum requirement of the “arms-length rule” and must be within the market rates, with sufficient documentation and must be coursed thru appropriate levels of approval as set forth hereunder.
- 4.3. The Company’s approving authority, as set forth hereunder, shall be provided all the necessary assistance from across the business units/lines of the Company in ensuring that significant and material RPTs are thoroughly reviewed and in accordance with this Policy.

5. REVIEWING AND APPROVING COMMITTEES

- 5.1. All Related Party Transactions (RPTs) require disclosure and shall be subject to approval as follows:

Amount	Approving Authority
Up to less than 500 K	Approving Officer
500 K to less than 5M	OP&COO
5M to less than 20M	RPT Management Committee
20M to less than 50M	RPT Board Committee
50M and above	Board

¹ In accordance with the definition of Philippine Accounting Standards (PAS) 24.

5.2. The RPT Management Committee's roles and responsibilities are:

A. Structure and Composition:

The Committee shall be composed of the Medical Director and the CFO as members, and the President and Chief Operating Officer (COO), as the Chairman of the Committee.

B. Roles and Responsibilities:

- 5.2.1. Evaluates and reviews RPT with a single or accumulated transaction amount from over PHP 5 Million up to less than PHP 20 Million.
- 5.2.2. Convenes as often as required.
- 5.2.3. Evaluates if all RPTs within its authority level are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances.
 - In case the proposed RPT involves a transaction amounting to PHP 20 Million or over, the RPT Management Committee shall endorse the RPT to the RPT Board Committee for proper action.
- 5.2.4. Determines if, despite the existence of RPT, the transaction is still in the best interest of the Company. It has the authority to require production of additional documents if deemed necessary, and to disallow the transaction if it is/will be undertaken to the prejudice, damage or unfavorable economic terms to the Company.
- 5.2.5. Notifies the RPT Board Committee of the result of their evaluation.
- 5.2.6. Submits every quarter a summary report of handled RPTs to the Board through the RPT Board Committee. If no RPT has been discussed for the said period, submit a certification report documenting the same.

5.3. All approved Material RPTs shall be disclosed in the Financial Statements of the Company in accordance with relevant laws, rules and regulations.

6. DISCLOSURE AND APPROVAL REQUIREMENT

All parties to a transaction must disclose the existence or non-existence of RPT through the Project Owner/s Disclosure Form (**Annex A**) or Third Party Disclosure form (**Annex B**) as part of pre- contract execution documents. RPT Disclosure and review is separate and distinct from regular transaction approval.

6.1. The Project Owner shall ensure the Third Party's accomplishment and submission of the required disclosure form.

- 6.2. The accomplished forms shall be submitted to the Project Owner's Division Head for review and endorsement to the RPT Management Committee.
- 6.3. The Project Owner shall ensure that the following information are submitted along with the disclosure form:
 - Name of the Related Party, the nature and extent of interest in the transaction, relationship with the Company;
 - Nature, purpose and duration of the contract/transaction and particulars thereof, and the nature of alternative transactions, if any;
 - Copy of the draft transaction document, if any;
 - Material terms of the contract or arrangement or transaction including the value and pricing and commercial terms and the manner of determining them;
 - In case of existing or approved contracts, the details of proposed variations or change;
 - All previously approved transactions with the same Third Party, if any; and
 - Any other information or document relevant or important for the RPT Approving Authority to take a decision on the proposed transaction
- 6.4. The Project Owner shall disclose any outstanding transaction which subsequently becomes a Related Party Transaction.
- 6.5. Any change or amendment in a previously approved RPT contract shall be disclosed by the Project Owner to the relevant Approving Authority for consideration or appropriate action.

7. CONFLICT OF INTEREST

Anyone among the Approving Authorities (Approving Officer, President & COO, CEO, RPT Management Committee, RPT Board Committee or Board of Trustees) who has an actual or potential conflict of interest arising from a RPT shall disclose the same to the appropriate Approving Authority and, should they have any personal interest with the transaction, shall also abstain from any discussion or approval of the said RPT in accordance with the Company's By-Laws, Manual on Corporate Governance and the Code of Conduct.

8. WHISTLEBLOWING PLATFORMS

In accordance with the company's Whistleblowing Policy, a Report may be communicated through any of the following platforms:

- 8.1. Face-to-Face meetings with the Compliance Officer or Head of Audit Staff.
- 8.2. Hard copy or soft copy submission addressed to the Compliance Officer or Head of Internal Audit. An acknowledgment of the receipt of such report must be made immediately.

Adequate details of the Wrongdoing should be provided in the Report to facilitate its review and evaluation. A Whistleblower may keep his identity anonymous.

9. PENALTY

Any violation of this Corporate Directive shall be dealt with in accordance with the Manual on Corporate Governance and Code of Conduct without prejudice to possible recovery of losses or opportunity costs incurred by the Company. Continuation or cancellation of the transaction shall be subject to the decision of Management as may be allowed by law.

10. APPROVAL and EFFECTIVITY

This Policy shall be recommended by the Company's Management Committee (MANCOM) to the Board and shall take effect immediately upon approval.

11. ACCESSIBILITY

Access to this Policy shall at all time be available in soft copy at the Company's intranet, while a hard copy is available with the Human Resources Department for easy access of all directors, officers and employees.