



STERLING INSURANCE COMPANY, INC.

RELATED PARTY TRANSACTIONS POLICY

I. PURPOSE

This Policy stipulates the guidelines to be followed regarding the occurrence of Related Party Transaction (RPT) to ensure that exposures of STERLING INSURANCE COMPANY, INC. (SICI) are only carried out at an arm's length basis for its financial, commercial and economic benefit.

II. POLICY STATEMENT

As a general rule, SICI shall not accommodate RPT. If on certain instances RPTs cannot be avoided, the Company shall disclose all relevant information affecting these instances including other data on the related parties as well as the relationship of Directors and Executives.

III. OBJECTIVES OF THE POLICY

1. To serve as guide as to what constitutes Related Party Transaction;
2. To preclude conflict of interest to conform with good governance practices;
3. To ensure that the processes necessary for approval of the transaction shall be undertaken;
4. To warrant compliance with the disclosure requirements of Financial Statement Reporting and Regulatory Agencies.

IV. SCOPE AND COVERAGE

This policy applies to all related party transactions entered into by SICI as defined herein.

V. DEFINITION OF TERMS

1. Arm's Length Basis – A transaction between two (2) related parties that is conducted as if they were unrelated. This is to ensure that there is no conflict of interest. A transaction with a related party can be considered to be at arm's length basis if the key terms including pricing of the transaction, if taken as a whole, is similar with those of similar or analogous transaction as they would have been undertaken with unrelated parties.
2. Compliance Officer – Vice President or its equivalent position.
3. Related Party – It shall mean (1) a Director of SICI; (2) Senior Officers, Managers and key Management Personnel having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including companies that they have control or joint control or significant influence; (3)

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the immediate family member of a Director or Senior Officer up to the second degree of affinity or consanguinity; (4) Entities within the group owned directly or indirectly by parent company and/or its subsidiaries/affiliates including special purpose entities or those that exert control over SICI; (5) Entities in which a Senior Officer, Manager and Key Management Personnel has majority ownership or controls (6) Immediate family Members of SICI employees up to second degree of affinity or consanguinity.

VI. GUIDING PRINCIPLES

A. As to Nature of RPT

The following transactions, if with a Related Party, shall be deemed to be RPT:

1. Purchase or sale of goods and/or services;
2. Selling or disposing of, or buying, property and other assets of any kind;
3. Guaranties and sureties;
4. Management Contracts;
5. Agency Agreements;
6. Outsourcing arrangements/Leases;
7. Transfers under Finance Arrangements such as Loans in cash or in kind;
8. Loans and other forms of financial assistance;
9. Provisions of Guarantees and collateral;
10. Settlement of Liabilities on behalf of SICI or by SICI on behalf of another party;
11. Such other similar or analogous transactions to the foregoing.

B. As to Materiality Threshold

The Materiality Threshold shall not be based only on the amount in the level of approving authority as to each type of transaction but as to the nature of transaction that may result in business disruption, business consequences or causes concern to Management such that it warrants escalation and notification of Management and other circumstances that can lead to any of the following:

1. Materially prejudice the quality of the Company's governance;
2. Substantially increases the operational risks; and
3. Services being provided involve a major customer impact, exchange or transfer of sensitive and confidential data.

Transactions excluded are those dealings that are frequently operational in nature and does not put the Company at risk or liability exposure.

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C. As to Occurrence of RPT

SICI is a participant to a RPT if a Related Party has the capacity to control or to exercise significant influence on the outcome of a proposed RPT such as a Senior Officer exercising discretion and can influence decisions solely.

D. As to Exemption to the RPT Rule

Any of the two (2) types of transaction indicated below, even if the aggregate amount exceeds the materiality threshold, shall not require the review and approval of the Audit Committee and the Board, respectively:

1. Ordinary course of business – Financial services that SICI renders provided that the Transactions has no policy deviations and the services are on substantially the same terms as those prevailing at the time for comparable services provided to unrelated parties.
2. Employee Benefits – Auxiliary services granted with preferential rates or waivers given to all employees (including senior officers) as part of employee's incentives or benefits.

VII. RESPONSIBILITIES

A. Reporting of RPTs – Every Director, Senior Officer, Manager, Supervisor and Rank and File shall be responsible for providing written notice to the Compliance Officer of any potential RPT involving him or her or his or her immediate Family Member, including any additional information about the deal that may reasonably be requested by SICI. The RPT shall undergo a thorough review and approval process.

B. Information to be incorporated in the Report. The following information, to the extent applicable, with respect to the proposed RPT should be disclosed:

1. A general description of the transaction/s including the pertinent terms and conditions;
2. The name of the Related Party and the basis for such a person or entity is considered a Related Party;
3. The Related Party's involvement 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.

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4. The total value of the proposed transaction and the corresponding share of the Related Party's interest in the transaction/s;
5. Will the Company be a party to the transaction/s. If not, the nature of its participation in the transaction/s;
6. Whether the proposed transaction will pose any potential reputational risk issues that may surface as a result or connection with the proposed transaction;
7. Other relevant information that is material to the transaction/s or the Related Party's interest on the matter.

C. Disclaimer

This is a requirement for all approving officer/s who are authorized to sign contracts, Agreements, work orders and purchase orders that they should not be related to the counterparties of the proposed transaction.

D. Compliance

The Compliance Officer is responsible for the preparation of monthly report on RPT's based on the disclosures and/or reports of RPT case/s submitted to him. This shall be reported to the Corporate Governance Committee for their disposition.

E. Committee Involved

RPT's exceeding the threshold shall be reported to the Audit Committee before participating in such transaction for determination of the following:

1. The Committee shall consider all relevant factors while deliberating on the RPT for Its approval;
2. Any member of the Committee who has potential interest in any related party transaction shall inhibit himself and abstain from participating in the discussions and voting on the approval of the RPT;
3. The Committee may grant an across-the-board approval for RPTs which are repetitive in nature which shall be subject to certain conditions as it may deem necessary in line with this policy and in the best interest of SICI. Such across-the-board approval shall be valid for one (1) fiscal year.

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F. Financial Reporting

The Head of the Internal Audit will submit the report to the Chief Finance Officer who will then compile the report together with the investment related RPTs. The consolidated report will then be furnished by the CFO to the External Auditor for proper disclosure in the Financial Statements of the Corporation, if necessary, under applicable financial reporting rules and policies.

G. Penalties for violation of RPT policy

The Officers, Directors, and employees who have been found to be remiss in their duties and responsibilities in handling RPTs shall be subject to disciplinary action in accordance with the Company's Employee Code of Conduct and relevant corporate governance policies, without prejudice to the applicable legal actions which the Company may avail in the proper court of law.

VIII. REVIEW OF THE POLICY

This Policy shall be reviewed whenever necessary in order to reflect the prevailing requirements of applicable law, rules and regulations.

IX. DISCLOSURE

RPTs that are required to be disclosed and reported to the Regulatory agencies shall be disclosed appropriately in accordance with applicable laws, rules, regulations and Philippine Financial Reporting Standards.

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