

POLICY ON RELATED PARTY TRANSACTIONS

Objective

This KMBA's policy on Related Party Transaction ensures that it is consistent with the arm's length principle. Related Party Transaction or RPT are those which refers to any business deal, agreement, or arrangement involving the association as participant, and in which related parties have a financial interest.

The transactions involved in this subject shall be material, direct or indirect, and may potentially affect the nature and interests of the association.

Related Parties shall refer to the associations subsidiaries, its affiliates and other entities which exert direct/indirect control or exert significant influence; the Trustees, Officers and Stakeholders; their related interest and their family members up to fourth degree of consanguinity or affinity; as well as the corresponding persons in affiliated organizations and companies, including those person, whether natural or juridical entity, which may pose potential conflict to the interest of the association.

To implement this policy, it seeks the assistance of KMBA's Independent Trustees and Audit Committee to review the materials that are significant to RPT in determining whether they are in the best interest of KMBA and their members. Members of the Board of Trustees and Management Team shall be required to disclose to KMBA any material pecuniary or personal interest to the organization which may give rise to conflict of interest in accordance to its functions in the association. The adherence therein is in compliance with the Revenue Regulations No. 2-2013 of the Philippine Transfer Pricing (TP) Guidelines.

KMBA's Audit Committee assures that the organization's transactions are conducted annually within arm's length. It approve and review related party transactions which involves the following;

- a. Name of related party/ies and description of her/their relationship with party/ies within the association;
- b. Value of transaction as recorded in KMBA's financial statements;
- c. Nature of transaction including significant contractual obligations.

In the event that the association or related parties enter into or participated in any transaction which may give rise to conflict of interest or other impending transactions which requires prior review and approval of the Audit Committee, the said transaction upon discovery, shall be immediately referred to the committee for review.

In addition to the aforementioned, the BoT may require the Audit Committee to conduct similar reviews of any impending future transactions between KMBA and its partner organizations.

To analyze the circumstances or conditions prevalent to its operations, an audit report on RPT shall be formulated by the Audit Committee. The report shall define the industry within which KMBA operates and therefore facilitates the identification of information on comparable transactions which could affect its operating results.

Review and Approval of Related Party Transactions

The Audit Committee shall conduct an annual review on RPTs and identify whether it is in the best interest of the association and its stakeholders. Its review shall be guided in accordance to the Insurance Commission Circular Letter No. 2017-29 or the “Guidelines on Related Party Transactions for Insurance Commission’s Covered Institutions”. Similar reviews may be required by the Board of Trustees for any impending future transactions between the association and its partner organizations. Members of the Board of Trustees, upon being elected, and Management Team, upon appointment or being hired, shall be required to disclose to KMBA any material personal interest and/or connection to the organization which may give rise to conflict of interest in accordance to its functions in the association. In the event that the association or related parties enter into, or participated in any transaction, which may give rise to conflict of interest or other impending transactions which requires prior review and approval of the Audit Committee, the said transaction, upon discovery, shall be immediately referred to the committee for review. To analyze the circumstances or conditions prevalent to the nature of its business, the Audit Committee shall formulate a report recommending whether or not the RPT shall be approved by the Board of Trustees with due consideration with IC regulations and applicable laws. The report shall identify comparable transactions within which the association’s interests were affected. Afterwards, the same shall be endorsed to the Board of Trustees for approval. Any member of the Board or the Audit Committee who has interest in the transaction must abstain participation in the review and approval of any RPT. In doing any transaction review, the Audit Committee shall properly take into account the following factors or considerations:

- a. KMBA’s mission and resources;
- b. Terms of the proposed transaction compared with possible alternative arrangements that could be secured with other potential parties;
- c. Whether the proposed transaction or identified conflict may result in any direct/indirect excessive, undue, impermissible benefit to RPTs.