

## **POLICY ON MATERIAL RELATED PARTY TRANSACTIONS**

- I. This Material Party Transaction Policy of the Company shall cover the following related parties:
  - a. The Company's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-in law, if these persons have control, joint control or significant influence over the company.
  - b. All Substantial Shareholders who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the Company's equity security.
  - c. Any business entity that is controlled, jointly controlled or significantly influenced or managed by (a) or (b).
  - d. Any entity owning, having control or power to vote, whether by permanent or temporary or voting trust, or other similar contracts, of at least ten percent (10%) or more of the outstanding voting stock of the Company.
  - e. All common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and the entity (d).
  - f. Any entity with management contract or any arrangement granting power to the Company to direct or cause the direction of the entity's management and policies.
  - g. Any entity with interlocking directorship or officership with the Company, except in cases involving independent directors.
- II. The Board of Directors of the Company shall have the over-all responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interest of the Company's shareholders and other stakeholders. Towards this end, the Board of Directors shall carry out the following duties and responsibilities:
  - a. To institutionalize an overarching policy on the management of material related party transactions to ensure effective compliance with existing laws, rules and regulations at all times and that material related party transactions are conducted on an arm's length basis and that no shareholder or stakeholder is unduly disadvantaged.
  - b. To approve all material related party transactions that cross the materiality threshold and write-off of material exposures to related parties, as well as any renewal or material changes in the terms and conditions of material related party transactions previously approved, including but not limited to changes in price.

- c. To establish an effective audit, risk and compliance system to determine, identify and monitor related parties and material related party transactions, to continuously review, evaluate existing relationships between and among businesses and counterparties and to identify, measure, monitor and control risks arising from material related party transactions.
  - d. To oversee the integrity, independence and effectiveness of the policies and procedures for whistleblowing. The Board of Directors should ensure that senior management addresses legitimate issues on material related party transactions that are raised. The Board should also take responsibility for ensuring that stakeholders who raise concerns are protected from detrimental treatment or reprisals.
- III. Coverage of Material Related Parties Transaction – All transactions amounting to ten percent (10%) of the company's total assets based on its latest audited financial statement. If the Company is a parent company, the total assets shall pertain to its total consolidated assets.
- IV. Dependent on the risk of damage caused by the related party transaction to the Company and its shareholders, the Board of Directors may set a threshold lower than the materiality threshold provided under these rules.
- V. Identification and prevention or management of potential or actual conflict of interest.

Directors and officers with personal interest in any related party transaction shall fully and timely disclose any and all material facts, including their respective interests in the related party transaction and abstain from the discussion, approval and management of such transaction or matter affecting the Company. In case of refusal to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining majority approval.
- VI. Approval of Material Related Party Transaction

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the independent directors voting to approve the transaction. In case a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by a vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock. For aggregate related party transactions within a twelve month period that breaches the materiality threshold of ten percent (10%) of the Company's total assets, the same board approval would be required for the transaction that meets and exceeds the materiality threshold covering the same related party.
- VII. Self -assessment and periodic review of Related Party Transaction Policy

The Internal Audit shall conduct a periodic review of the effectiveness of the Company's system and internal controls governing material related party transactions to assess consistency with the board- approved policies and procedures. The findings shall be communicated directly to the Audit Committee. The Compliance Officer of the Company shall ensure that the Company complies with relevant rules and regulations and that the Company's material related party transaction policy is kept updated and is properly implemented throughout the Company.

VIII. Disclosure Requirement of Material Related Party Transaction

The members of the Board of Directors, the substantial shareholders and officers shall fully disclose to the Board of Directors at the board meeting where material related party transactions is presented for approval and before the completion and execution of the material related party transaction, all material facts related to material related party transactions as well as their direct and indirect financial interest in any transaction or matter that may affect the Company.

IX. Whistleblowing Mechanism

The Board of Directors shall formulate an effective whistleblowing mechanism consistent with the corporate values and codes of conduct set by the board of directors to encourage all stakeholders to communicate, confidentially and without the risk of reprisal, all legitimate concerns about illegal, unethical or questionable related party transactions. This shall provide guidance on how legitimate material concerns should be reported , investigated and addressed by an objective independent internal or external body, senior management or by the board itself.

X. Remedies for abusive Material Party Transaction

- a. The Company shall formulate a policy to include measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Company arising out or in connection with abusive related party transactions.
- b. An interested director or officer of the company shall be disqualified from being a director, trustee or officer of the corporation upon final judgment rendered by a court of competent jurisdiction against the interested director or officer for abusive material related party transaction that are not entered at arm's length and unduly favor a related party.

XI. Disclosure and Regulatory Reporting

- a. The Company shall disclose a summary of material related party transactions entered during the reporting year in the Company's Integrated Annual Corporate Governance Report (I-ACGR) which is to be submitted every May 30 of the year.

- b. An Advisement Report of any material related party transaction signed by the Company's Corporate Secretary or authorized representative shall be filed with the Security and Exchange Commission within three (3) calendar days from the execution date of the transaction.

The foregoing represents the Company's Policy on Material Related Party Transactions.

SIGNED:

ERNESTO O. ANG  
Chairman of the Board of Directors

ERICSON O. ANG  
Compliance Officer