

Section : FINANCE /LEGAL AND COMPLIANCE

Title : POLICY ON RELATED PARTY TRANSACTION

RELATED PARTY TRANSACTIONS POLICY

1. Policies and Procedures

The company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board are:

- a. **Parent Company**
Major investments and substantial operational transactions require approval from the Executive Committee subject to confirmation by the Board. Disclosures are always provided in the audited financial statements for transparency.
- b. **Joint Ventures**
Major investments and substantial operational transactions require approval from the Executive Committee subject to confirmation by the Board. Disclosures are always provided in the audited financial statements for transparency.
- c. **Subsidiaries**
Major investments and substantial operational transactions require approval from the Executive Committee subject to confirmation by the Board. Disclosures are always provided in the audited financial statements for transparency.
- d. **Entities Under Common Control**
Major investments and substantial operational transactions require approval from the Executive Committee subject to confirmation by the Board. Disclosures are always provided in the audited financial statements for transparency.
- e. **Substantial Stockholders**
Major investments and substantial operational transactions require approval from the Executive Committee subject to confirmation by the Board. Disclosures are always provided in the audited financial statements for transparency.
- f. **Officers including spouse/children/siblings/parents and relatives within the fourth civil degree**
Major investments and substantial operational transactions require approval from the Executive Committee subject to confirmation by the Board. Disclosures are always provided in the audited financial statements for transparency.
- g. **Directors including spouse/children/siblings/parents and relatives within the fourth civil degree**

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Major investments and substantial operational transactions require approval from the Executive Committee subject to confirmation by the Board. Disclosures are always provided in the audited financial statements for transparency.

h. Interlocking director relationship of Board of Directors

Major investments and substantial operational transactions require approval from the Executive Committee subject to confirmation by the Board. Disclosures are always provided in the audited financial statements for transparency.

Moreover, the Company adopts by law, the rules pertaining to interlocking directors, as follows:

a. if the interests of the interlocking director in the corporations are both substantial (stockholdings exceed 20% of capital stock)

- General Rule: A contract between two or more corporations having interlocking directors shall not be invalidated on that ground alone.
- Exception: If the contract is fraudulent or not fair and reasonable.

b. if the interest of the interlocking director in one of the corporations is nominal while substantial in the other (stockholdings at 20% or more), the contract shall be valid provided the following conditions are present:

1. the presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
2. That the vote of such director was not necessary for the approval of the contract;
3. That the contract is fair and reasonable under the circumstances.

Where (1) and (2) are absent, the contract can be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock or by the vote of the stockholders representing at least 2/3 of the members in the meeting called for the purpose. Provided that: (i) Full disclosure of the adverse interest of the directors/trustees involved is made on such meeting, and; (ii) The contract is fair and reasonable under the circumstances.

In addition to the above, the SEC Rules on Material Related Party Transactions (MRPT) are herein adopted:

SECTION 1. Definition of Terms. —

For purposes of this Material RPT Rules, the following definitions shall apply:

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Related parties — covers the reporting Publicly-Listed Company (PLC) directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control, joint control or significant influence over the reporting PLC. It also covers the reporting PLC's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

Substantial Shareholder — any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

Affiliate — refers to an entity linked directly or indirectly to the reporting PLC through any one or a combination of any of the following:

- Ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by a company of at least ten percent (10%) or more of the outstanding voting stock of the PLC, or vice-versa;
- Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
- Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the reporting PLC and the entity; or
- Management contract or any arrangement granting power to the reporting PLC to direct or cause the direction of management and policies of the entity, or vice-versa.

Associate — An entity over which the reporting PLC holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the reporting PLC has significant influence.

Significant Influence — The power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

Control — A person or an entity controls a reporting PLC if and only if the person or entity has all of the following:

- Power over the reporting PLC;
- Exposure, or rights, to variable returns from its involvement with the reporting PLC; and
- The ability to use its power over the reporting PLC to affect the amount of the reporting PLC's returns.

Related party transactions — a transfer of resources, services or obligations between a reporting PLC and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

Material Related Party Transactions — Any related party transaction/s, either individually, or in

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aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of a company's total assets based on its latest audited financial statement.

Materiality Threshold — Ten percent (10%) of the company's total assets based on its latest audited financial statement. If the reporting PLC is a parent company, the total assets shall pertain to its total consolidated assets.

Related Party Registry — A record of the organizational and structural composition, including any change thereon, of the company and its related parties.

SECTION 2. Duties and Responsibilities. —

A. Board of Directors

The Board shall have the overall 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 shall carry out the following duties and responsibilities:

1. To institutionalize an overarching policy on the management of material RPTs to ensure effective compliance with existing laws, rules and regulations at all times and that material RPTs are conducted on an arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged.
2. To approve all material RPTs 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 RPTs previously approved in accordance with Section 3 (f) of these Rules.

Material changes in the terms and conditions of the material RPT include, but are not limited to, changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirement of the material RPT.

3. To establish an effective audit, risk and compliance system to:

- Determine, identify and monitor related parties and material RPTs;
- Continuously review and evaluate existing relationships between and among businesses and counterparties; and
- Identify, measure, monitor and control risks arising from material RPTs.

The system shall be able to define the related parties' extent of relationship with the company; assess situations in which a non-related party (with whom a company has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the nature and amount of exposures of the company to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance officers and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made

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available to the SEC and audit functions for review. Any change in the policy and procedure shall be approved by majority of the board of directors and approved by majority of the stockholders constituting a quorum.

4. To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The board should ensure that senior management addresses legitimate issues on material RPTs that are raised. The board should take responsibility for ensuring that stakeholders who raise concerns are protected from detrimental treatment or reprisals.

B. Senior Management

Senior management shall implement appropriate controls to effectively manage and monitor material RPTs on a per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with the company's policy and SEC's regulations.

SECTION 3. Material Related Party Transactions Policy. —

The Board shall adopt a group-wide material RPT policy encompassing all entities within the conglomerate, taking into account its size, structure, risk profile and complexity of operations.

At a minimum, material RPT policies shall include, but not be limited to the following:

a. Identification of related parties. The policy shall clearly identify persons and companies that are considered as the company's related parties. The policy shall require Management/Board of Directors to quarterly review and update the Related Party Registry to capture organizational and structural changes in the company and its related parties.

b. Coverage of Material RPT policy. The material RPT policy shall cover all transactions meeting the materiality threshold.

Transactions amounting to ten percent (10%) or more of the total assets that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in the policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the material RPT to the requirements of this Material RPT Rules. The prospective treatment should, however, be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

c. Adjusted Thresholds. The company shall be allowed to set a threshold lower than the materiality threshold provided under these Rules upon determination by the board of directors of the risk of the RPT to cause damage to the company and its shareholders. The adjusted threshold, when applicable, shall be contained in the company's material RPT policy.

d. Identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with material RPTs. The policy shall cover the identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with the material RPTs. Directors and officers with personal interest in the transaction shall

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fully and timely disclose any and all material facts, including their respective interests in the material RPT and abstain from the discussion, approval and management of such transaction or matter affecting the company. In case they refuse 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.

e. Guidelines in ensuring arm's length terms.

No preferential treatment shall be given to related parties that are not extended to non-related parties under similar circumstances.

Before the execution of the material RPT, the Board of Directors should appoint an external independent party to evaluate the fairness of the terms of the material RPTs. An external independent party may include, but is not limited to, auditing/accounting firms and third party consultants and appraisers. The independent evaluation of the fairness of the transparent price ensures the protection of the rights of shareholders and other stakeholders.

The policy shall also include guidance for an effective price discovery mechanism to ensure that transactions are engaged into at terms that promote the best interest of the company and its shareholders. The price discovery mechanism may include, but is not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.

f. Approval of material RPTs. All individual material RPTs 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 material RPT. In case that a majority of the independent directors' vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock. For aggregate RPT transactions within a twelve (12)-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/s that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

The best interest of the Company shall be taken into consideration in evaluating each individual material RPT. Moreover, in evaluating each RPT, all the relevant facts and circumstances available shall be considered, including but not limited to the following:

1. The related party's relationship to the Company and interest in the transaction;
2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
3. The purpose and timing of the proposed RPT;
4. The benefits to the Company of the proposed RPT;

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5. The availability of other sources of comparable products or services; and
6. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. An effective price discovery system shall be put in place and exercise due diligence in determining a fair price for RPTs. The price discovery mechanism may include, but is not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.

g. Self-assessment and periodic review of policy — The internal audit shall conduct a periodic review of the effectiveness of the company's system and internal controls governing material RPTs to assess consistency with the board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee.

The company's Compliance Officer shall ensure that the company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. He/she shall aid in the review of the company's transactions and identify any potential material RPT that would require review by the Board. He/she shall ensure that the company's material RPT policy is kept updated and is properly implemented throughout the company.

h. Disclosure requirement of material RPTs. The members of the board, substantial shareholders, and officers shall fully disclose to the Board of Directors all material facts related to material RPTs as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the company. Such disclosure shall be made at the board meeting where the material RPT will be presented for approval and before the completion or execution of the material RPT.

i. Whistle blowing mechanisms. Any officer or employee of the Company who has knowledge of any violation of this Policy shall report the same to the Office of the Compliance officer, through the Corporate Governance office. The reporting and resolution of the violations of this Policy shall be subject to the provisions of the Public Interest Disclosure Policy of the Company and the whistleblower shall be provided adequate protection from retaliation.

The Compliance Officer shall take note of all violations of this Policy and sanctions shall be imposed in accordance with the Manual of the Company's Rules and Regulations.

j. Remedies for Abusive Material RPTs. Abusive material RPTs refer to material RPTs that are not entered at arm's length and unduly favor a related party.

In case an RPT should later be declared to be an Abusive Material RPT, the Office of the Compliance Officer shall recommend to the Board measures to cut losses and allow recovery of losses or opportunity costs incurred by the Company arising out of, or in connection with such RPT. The Board has the authority to invalidate transactions which are considered as Abusive Material RPT. Any recommendation to address the Abusive Material RPT shall be subjected to the approval of the Board.

SECTION 4. Exempt RPTs. —

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The following are considered Exempt Related Party Transactions ("Exempt RPTs") which shall not require review and approval, but may require regular reporting to the Board of Directors:

1. *De minimis* transactions which are not usual and are non-recurring;
2. Compensation of directors and employment of executive officers approved or endorsed by the Compensation Committee or the Board;
3. Transfer of resources or transactions between the Company and its wholly-owned subsidiaries in connection with the funding of operations of the Company's business units and projects, or other transactions with the objective of providing shared services or for other services for operational efficiency of a common parent company;
4. Transaction between (2) or more wholly owned subsidiaries or affiliates of the Company with the objective of providing shared services or for other services for operational efficiency of the Company;
5. Share transactions such as dividends, repurchase, rights, offerings, available to all shareholders on a pro-rata ownership basis;
6. Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority;
7. Transactions with similar terms available to all employees generally.

SECTION 5. Disclosure and Regulatory Reporting. —

The reporting PLC shall submit the following to the SEC:

1. A summary of material related party transactions entered into during the reporting year which shall be disclosed in the company's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every May 30;
2. Advisement Report as prescribed by the SEC of any material RPT filed within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by the reporting PLC's Corporate Secretary or authorized representative.

At a minimum, the disclosures in both (1) and (2) above shall include the following information:


- i. complete name of the related party;
- ii. relationship of the parties;
- iii. execution date of the material RPT;
- iv. financial or non-financial interest of the related parties;
- v. type and nature of transaction as well as a description of the assets involved;

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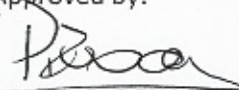

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- vi. total assets (consolidated assets, if reporting PLC is a parent company);
- vii. amount or contract price;
- viii. percentage of the contract price to the total assets of the reporting PLC;
- ix. carrying amount of collateral, if any;
- x. terms and conditions;
- xi. rationale for entering into the transaction; and
- xii. the approval obtained (i.e., names of directors present, name of directors who approved the material RPT and the corresponding voting percentage obtained).

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