

POLICY STATEMENT

The Company shall conduct all Related Party Transactions (RPT) on an arm's length basis with consideration paid or received and on terms no less favorable than any such terms available to unrelated third parties under the same or similar circumstances.

OBJECTIVES

The purpose of this policy is to institute the proper review, approval and reporting of transactions which may be entered in to between or among the Company or any of its subsidiaries, affiliates, directors and officers.

SCOPE AND COVERAGE

This policy shall cover the review, approval and reporting of transactions which may be entered in to between or among the Company or any of its subsidiaries, affiliates, directors and officers and the general guidelines to be observed in relation to RPTs.

DEFINITION OF TERMS

1. Arm's Length Principle – refers to the principle that requires the transaction with a Related Party be made under comparable conditions and circumstances as a transaction with an independent party. It is founded on the premise that if market forces drive the terms and conditions agreed upon in an independent party transaction, the pricing of the transaction would reflect the true economic value of the contributions made by each entity in that transaction.
2. Independent Director – refers to any of the Company's Independent Director.
3. Material RPT – pertains to a transaction among Related Parties with a total contractual value that qualified to the materiality threshold amount approved by the Board, regardless of how the payment terms of the contract is structured.
4. Related Interests – refers to:
 - 4.1. any person related to a party within the third degree of consanguinity or affinity, whether legitimate or common law;
 - 4.2. any corporation, partnership, trust or other entity which a party controls, whether directly or indirectly
5. Related Party or Related Parties – refers to and includes any of:
 - 5.1. the Company's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Company exerts direct control over, or that exerts direct or indirect control over the Company;
 - 5.2. the Company's directors, officers, and stockholders who together with their Related Interests, collectively own at least two percent (2%) of the outstanding capital stock of the Company, and the respective Relative Interests of all of the foregoing.
6. Related Party Transaction – refers to a transfer of resources, services, or obligations between a reporting entity and among Related Parties, regardless of whether a price is charged. It should be interpreted broadly to include not only transaction entered into with Related Parties, but also outstanding transactions entered into with an unrelated

**GENERAL
POLICIES**

Exempt RPTs

***Actual or
Potential
Conflict of
Interest***

party that subsequently becomes a Related Party.

7. Audit Committee – refers to the Company’s Board Audit Committee.
 8. Significant RPT – refers to transaction among Related Parties with a total contractual value that qualified to the significance threshold amount approved by the Board, regardless of how the payment terms of the contract is structured.
1. The Company shall ensure compliance with the requirements of the Corporation Code, its Articles of Incorporation and By Laws, regulations and circulars released by the Securities and Exchanges Commission (SEC), and other related laws, rules and regulations in approving RPTs.
 2. The Audit Committee shall ensure that all transactions with, or for the benefit of, any Related Party are on terms and conditions that are arm’s length and within market rates, with sufficient documentation, that is coursed through all appropriate levels of approval as provided in this Policy.
 3. All Significant and Material RPT shall be subject to review and endorsement by all the members of the Audit Committee.
- Exempt RPTs***
4. Exempt Related Party Transactions (“Exempt RPTs”) shall not require RPT review and approval, but may require regular reporting to the Board of Directors. The following types of transactions are considered Exempt RPTs:
 - 4.1. Transactions in the ordinary course of business or recurring transactions (e.g. Intercompany Sales) that do not exceed the threshold amount for significance and materiality per contract or transaction;
 - 4.2. Compensation arrangements approved by the Board Corporate Governance Committee acting in its capacity as Nomination and Remuneration Committee;
 - 4.3. Transactions in which the Related Party’s interest is derived solely from the fact that he or she serves as Director of another company or business unit that is a party to the transactions;
 - 4.4. Transactions between the Company and its wholly owned subsidiaries in connection with the funding of operation of the Company’s business units and projects, or other transactions with the objective of providing shared services or other services or for other services for operational efficiency;
 - 4.5. Transactions between the Company and joint ventures company where both the Company and its joint venture partner have approved the transaction; and
 - 4.6. Transactions available to all employees generally.
 5. A Director, Executive or Officer with an actual or potential conflict shall fully and immediately disclose the same and shall not participate in the discussion and decision-making process. A Director with actual or potential conflict shall abstain from voting on the approval of the transaction.
 - 5.1. Directors shall disclose to the Board of Directors, through the Company’s

***Review,
Approval and
Disclosure of
RPTs***

- Corporate Secretary, details of all their other directorships and shareholdings owned by them or members or their family. Any changes to these disclosures must be communicated promptly to the Board of Directors through the Company's Corporate Secretary.
- 5.2. Regardless of the amount of the transaction or contract, it is the responsibility of each Director and Corporate Officer to:
- 5.2.1. Promptly notify the Corporate Secretary as soon as he becomes aware of any transaction with the Company or other Related Parties where such a director or corporate officer or their respective related interests are a party to or stands to benefit from such transaction, and
- 5.2.2. Obtain approval from the Board of Directors prior to entering into the transaction. For the avoidance of doubt, RPTs involving a Director or Corporate Officer shall be approved by the Board of Directors regardless of amount.
6. Contracts of transactions involving Directors or Corporate Officers referred to in Item 5 above shall be voidable at the option of the Company, or the relevant business unit, unless the following conditions are present:
- 6.1. The presence of the Director in the board meeting in which the contract or transaction was approved was not necessary to constitute a quorum for such meeting;
- 6.2. The vote of such Director was not necessary the approval of the contract;
- 6.3. The contract is fair and reasonable under the circumstances; and
- 6.4. In case of Corporate Officer, the contract has been previously authorized by the Board of Directors.
7. The Chief Financial Officer (CFO) shall ensure that Significant and Material RPTs are reviewed and approved in accordance with this Policy and are reported to the Audit Committee. Moreover, the CFO shall ensure full and timely disclosure of Significant and Material RPTs in the quarterly and annual reports of the Company to the SEC, the Philippine Stock Exchange (PSE) and other regulatory bodies, and in the Company's Financial Statements in compliance with relevant accounting standards.
- 7.1. The CFO shall set up Group protocols and practices to ensure that the finance officers or controllers of the business units and employees who are responsible for the identification and monitoring of existing and potential RPTs are reporting the RPTs to the CFO. The CFO shall be responsible for reporting these RPTs to Audit Committee, or Board of Directors, when deemed necessary.
- 7.2. The CFO shall ensure that all relevant RPTs are identified and submitted to the Audit Committee for review and approval in accordance with this Policy.
- 7.3. A summary of all approved RPTs and RPTs requiring approval must be submitted by the CFO to the Audit Committee during its first meeting for the year. The summary may include the following details:
- The identification of the Related Party and the affiliation to the Company.

- The related person's interest in the transaction with the Company, including the related person's position(s) or relationship(s) with, or ownership in the firm, corporation, or other entity that is a party to or has an interest in, the transaction;
 - The nature and amount of the transaction;
 - Supporting evidence to support the arm's length nature of the proposed transaction including the terms and manner if settlement had the parties not been related;
 - The anticipated impact on the Company's financial statements disclosure.
- 7.4. The CFO shall be responsible for obtaining the final approval and decision from the Audit Committee and the Board of Directors of all RPTs.
- 7.5. The CFO is responsible for disclosing all RPTs in accordance with the applicable accounting standards.
- 7.6. The CFO shall ensure that all material or significant RPTs reviewed and approved during the year are disclosed by the Company in the Annual Reports submitted to the regulatory agencies.
8. The Audit Committee shall apply the materiality threshold approved by the Board in determining the approvals required for RPTs (*please refer to Appendix 1*):
- 8.1. Significant RPTs Shall be reviewed and approved by the Audit Committee and reported to the Board of Directors.
- 8.2. Material RPTs shall be reviewed and vetted by the Audit Committee and approved by the Board of Directors. In its discretion, the Board of Directors may require Material RPTs to be reported to the stockholders for ratification.
- 8.3. All significant and Material RPTs may only be approved if the Audit Committee determined that the transactions are fair, and on terms comparable to those that could be obtain at arm's length dealings with an unrelated third party, or can be justified on a legitimate business case basis.
- 8.4. All Significant and Material RPT must be reviewed by the Audit Committee, with the assistance of the CFO and the Corporate Internal Audit Head, whenever necessary, to ensure the following:
- A Conflict of interest does not exist;
 - No improper valuation of such transaction has been made; and
 - Information necessary to disclose the RPT is fully documented.
- 8.5. All recurring RPTs that have an agreement term that exceeds one (1) year must be reviewed and approved on an annual basis to determine whether to continue/renew the agreement.
- 8.6. Notwithstanding that certain RPTs do not meet the threshold for review if it can be shown that the relevant RPT was deliberately split up for the sole purpose of avoiding review by the Audit Committee, the CFO may submit the RPT to the Audit Committee for review. Splitting of an RPT to avoid coverage of this Policy is

strictly prohibited.

8.7. The Audit Committee, in consultation with the CFO, may also set clearly defined internal limits for disclosure of the aggregate exposure to RPTs of the business units across the Gokongwei Group.

8.8. The approval of an RPT may be continued upon the Company and the related person taking any or all of the following additional actions, or any other actions that the Audit Committee deems appropriate such as but not limited to:

- Requiring the related person to resign from, or change position within an entity that is involved in the RPT with the Company;
- Requiring the related person to recuse himself from any discussion or deliberations for the approval of the RPT in relevant meetings of the Company or business units, the Audit Committee, the Board Audit Committee; the Board Corporate Governance Committee, or the Board of Directors;
- Assuring that the related persons will not be directly involved in negotiating the terms of the RPT, or in the ongoing relationship between the Company and the other persons or entities involved in the RPT;
- Limiting the duration or magnitude of the RPT;
- Requiring that information about the RPT be documented, and that reports reflecting the nature and amount of the RPT be delivered to the Committee on a regular basis;
- Requiring that either the Company or Related Party has the right to terminate the RPT by giving a specified period of advance notice; or
- Appointing a Company representative to monitor various aspects of the RPT.

8.9. The Audit Committee or the Board of Directors shall review and assess the adequacy if this policy at least annually and recommend for approval by the Board any changes it considers are needed.

9. Corporate Internal Audit shall perform periodic audits to ensure compliance to this policy.

APPENDIX

APP 1 Related Party Transactions Materiality Threshold

POLICY VIOLATION

Any violation of this policy shall be dealt with in accordance with the appropriate provision of Offenses Subject to Disciplinary Action (OSDA).

EFFECTIVITY CLAUSE

This policy shall take effect upon approval and shall continue to be in full force unless superseded by new polices and guidelines.

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