



02 May 2019

REVISED POLICY ON RELATED PARTY TRANSACTIONS (RPT)

A. POLICY AND OBJECTIVE:

This policy sets out the guidelines and procedures that would ensure the integrity, fairness and transparency for related party transactions of Roxas & Company, Inc. (RCI).

Every related party transaction shall be conducted in a manner that will protect the company from conflict of interest. A process of review, approval or authorization and disclosure of transactions covered by this policy shall be followed in compliance with legal and regulatory requirements.

B. DEFINITIONS:

1. RELATED PARTIES

Parties are considered related if one party has control, joint control or the ability to exercise significant influence over the other party in making financial and operating decisions.

These include:

- a. All Entities in the RCI Group, including the parent company, subsidiaries, joint ventures, special purpose entities, associates or affiliates;
- b. Substantial Stockholders, Directors, Senior Officers, Managers and key Management Personnel having authority, responsibility and significant control of the activities of any entity within the RCI Group including interlocking director relationships;

- c. Family members, spouses and relatives up to the fourth degree of consanguinity or affinity of Par. b above and individuals who directly or indirectly through intermediaries may be expected to have significant influence in their dealings with the RCI Group.

2. SUBSTANTIAL SHAREHOLDER

Any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of equity of RCI or any entities within the RCI group.

3. RELATED PARTY TRANSACTION (RPT)

Any transfer of financial or non-financial resources, services or obligations between the RCI Group and its related parties, regardless of whether a price is charged, in which any one of the related party has the ability to control the outcome of a proposed transaction. It shall likewise include outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

These include but are not limited to the following transactions:

- a. Purchase, sale or supply of properties, goods or services;
- b. Agency agreements;
- c. Leasing of properties or any kind of assets;
- d. License agreements;
- e. Issuance of Guarantees and Sureties
- f. Management contracts.
- g. Loans or any form of credit accommodation
- h. Assumption of financial and/or operating obligations
- i. Subscription for debt or equity issuances
- j. Establishment of joint venture entities
- k. Settlement of liabilities of a related party

4. MATERIAL RELATED PARTY TRANSACTION

Any related party transaction, either individually, or in 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.

5. RELATED PARTY REGISTRY

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

C. REVIEW AND APPROVAL

1. REQUIREMENTS

- a. The Board of Directors shall appoint the members of the Related Party Transaction Committee to include at least two (2) independent directors which shall have overall responsibility in ensuring that transactions with related parties are done in compliance with the policies set.
- b. Related Party Transactions shall be conducted in an “arms-length” or in an open and unrestricted manner between the willing related parties, who are informed and knowledgeable of the transactions;
- c. Pricing and terms are based on prevailing market rates and practices and documented to include all relevant and material information;
- d. The Management shall be responsible to declare and report to the Related Party Transaction Committee all outstanding RPTs for review.
- e. RPTs exceeding P25 Million per transaction shall be subject to prior approval by the RPT Committee.

2. PRE-APPROVED RELATED PARTY TRANSACTIONS

- a. Related Party Transactions done in the ordinary course of business and not exceeding P25 Million per transaction:
 - 1) Financial services and transactions with a related party provided the terms are generally the same or similar to prevailing offers by banks and other financial institutions;
 - 2) Sale of Products and Services done at arm’s-length terms provided the contract’s annual consideration does not exceed P25 Million.

- 3) Transactions where the rates or charges involved are determined by competitive bids or fixed by law or regulated by a government authority.
- b. Compensation and employee benefits as approved within the authority of management or by the compensation committee.
- c. Share transactions such as dividends and rights offering which are available to all shareholders

3. **APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS**

Before the execution of the Material Related Party Transaction (RPT), the Board shall appoint an external independent party to evaluate the fairness of terms of the Material RPT.

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 Material RPT.

If the majority vote of the independent directors 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 Related Party Transactions within a twelve-month period that breaches the materiality threshold of ten percent (10%) of the company's total assets, it 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.

Any member of the RPT Committee who has interest in the transaction must abstain from participation in the approval of any Related Party Transaction. In case they refuse to abstain, their attendance shall not be counted for the purpose of determining quorum and their votes shall not be counted for purposes of approval.

4. **DISCLOSURE AND REPORTING**

- a. Material Related Party Transactions shall be disclosed and reported in the Company's filings with the Securities and Exchange Commission (SEC) in

accordance with laws, rules, regulations and in compliance to Philippine Financial Reporting Standards

- b. A summary of the Material RPT entered into during a reporting year shall be disclosed in the Company's Integrated Annual Corporate Governance Report to be submitted every May 30.

An Advisement Report of any Material RPT shall be filed within three (3) calendar days from the execution of the transaction. This shall be signed by the Corporate Secretary or authorized representative.

5. **PERIODIC REVIEW**

The Related Party Policy may be amended at any time subject to further guidance from the SEC and/or actions taken by the Parent Company's Board of Directors or Shareholders.

The Internal Auditor shall conduct a periodic review on the compliance to the policies governing Related Party Transactions. The resulting audit report shall be communicated directly to the RPT Committee and Audit Committee.

D. IMPLEMENTING PROCEDURES – INTERCOMPANY ADVANCES & MANAGEMENT FEES

The following rules shall govern transactions involving intercompany advances and management fees:

I. Intercompany Loans and Advances:

1. RCI shall be the group's Central Treasury responsible to maximize the yields on available funds and minimize financing cost. It shall be the financing hub where all transactions will be coursed to channel excess funds from surplus companies for re-lending to deficit companies.
2. In order to maintain an arms-length transaction, all intercompany advances shall be covered by a promissory note signed by the authorized officers of the borrowing and lending companies stating the amount, term and interest rate of

the loan. Any single intercompany loan transaction exceeding P25 Million shall be subject to prior RPT Committee approval.

3. The interest rate on intercompany advances shall be based on the latest borrowing rate had the funds been sourced from banks or financing institutions plus 0.25% spread to cover the cost of documentary stamps.

Interest rate repricing for renewal or extension of intercompany advances shall follow the same process.

4. All outstanding Intercompany Loans and advances are subject to regular review by the related party transaction committee

II. Management Fees:

Management Contracts where the total fees exceed P25 Million annually are subject to prior approval by the RPT Committee.

1. Management fees charged by the parent company to its subsidiaries and affiliates for common services, for cost-sharing purposes or to take advantage of the inherent economies of scale that will benefit itself and the rest of the companies in the group shall be supported by a schedule of charges justifying the fees.

The shared services covered by a management agreement shall include but not be limited to human resource and administrative services, technical & information systems, finance and accounting, planning and management services.

2. Management fees arising from an RPT commercial agreement where the charge for services will result in a profit for the servicing company is subject to justification on the arm's length basis for such services.

The arm's length price shall be determined either in reference to the price offered by 3rd party providers, the profit earned from comparable transactions or the cost if performed in-house.

For your guidance and compliance.

