

ANGLO PHILIPPINE HOLDINGS CORPORATION POLICY ON MATERIAL RELATED PARTY TRANSACTIONS

BACKGROUND

This Policy focuses on Material Related Party Transactions and shall be applied in compliance with the Securities and Exchange Commission (SEC) Memorandum Circular No. 10 of 2019, Rules on Material Related Party Transactions for Publicly-Listed Companies (PLCs) pursuant to the Revised Corporation Code of the Philippines.

The Rules on Material Related Party Transactions recognize that transactions between and among related parties may create financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong. As such, related party transactions (RPTs) are generally allowed, *provided that*, when RPTs amount to 10% or higher of the company's total consolidated assets, it shall be considered material RPTs subject to certain procedural and disclosure requirements.

POLICY

It is the policy of Anglo Philippine Holdings Corporation (APO) that any transaction with a Related Party be conducted at arms' length and on terms generally available to an unaffiliated third party under at least the same or similar circumstances. There must be sound business reason(s) to enter into such a related party transaction, taking into account such factors as cost efficiency, time, and such other terms advantageous to APO, among others. The Audit Committee is tasked to oversee and review the propriety of RPTs and the required reporting disclosures.

APO's Material RPT Policy covers all transactions meeting the materiality threshold of transactions, i.e., 10% or more of the total consolidated assets as of the latest audited financial statements.

I. DEFINITION OF TERMS

Related Parties – covers APO's 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 company. It also covers APO's parent company, 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 to APO 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 company, 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 company and the entity; or,
- Management contract or any arrangement granting power to the company to direct or cause the direction of management and policies of the entity, or vice-versa.

Associate – an entity over which the company holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the company 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 the company if and only if the person or entity has all of the following:

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

Related Party Transactions (RPT) - a transfer of resources, services or obligations between:

- APO and a related party, regardless of whether or not a price is charged; or,
- 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 aggregate over a twelve (12) month period with the same related party, amounting to ten percent (10%) or higher of a company's total consolidated assets based on its latest audited financial statement.

Materiality Threshold – ten percent (10%) of the company's total consolidated assets based on its latest audited financial statements.

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

II. DUTIES AND RESPONSIBILITIES

A. Board of Directors

The board of directors 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 interests of the company's shareholders and other stakeholders. Towards this end, the board of directors shall carry out the following duties and responsibilities:

1. To institutionalize a comprehensive 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.

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 the 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 policies shall be subject to periodic assessment by the internal audit and compliance officers and shall be updated regularly for their sound implementation. The policy and the system shall be made available to the SEC and audit functions for review. Any change in the policies and procedures shall be approved by majority of the board of directors and ratified by the majority of 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.
- Measures to monitor exposures to Related Parties on an ongoing basis to ensure compliance with the company's policy and SEC's regulations.

C. Finance

The Finance Department shall carry out the following functions:

- Report quarterly all RPTs to the Audit Committee;
- Monitor aggregate RPTs on an ongoing basis in case transactions meet and exceed the materiality threshold covering the same Related Party, to ensure compliance with this policy and SEC regulations;
- Provide annually a summary of Material RPTs during the year for inclusion in the SEC Integrated Annual Corporate Governance Report (I-ACGR).

D. Corporate Secretary

The Corporate Secretary shall:

- Ensure Material RPT contracts are included in the Board meeting agenda and maintain minutes of the Board's proper disposition.
- File and disclose Material RPTs in a SEC Advisement Report on Material RPTs to be filed within three (3) calendar days after the execution date of the transaction.

III. MATERIAL RELATED PARTY TRANSACTIONS POLICY

Coverage of Material RPT Policy

Transactions amounting to ten percent (10%) or more of the total consolidated assets based on the latest audited financial statements that were entered into with Related Party/ies, within a twelve (12) month period.

Transactions amounting to ten percent (10%) or more of the total consolidated assets based on the latest audited financial statements that were entered into with an unrelated party may be excluded from the limits and approval process required in the policy.

However, should such unrelated party subsequently become a Related Party, the transaction shall be subject to the requirements of this Material RPT Rules.

Identification and prevention or management of potential or actual conflicts of interest, which may arise out of or in connection with Material RPTs

All proposed Material RPTs will be disclosed to the Audit Committee of the Board and all transactions will be reviewed by the Committee to ensure that a conflict of interest does not exist, or that an improper assessment of such transaction is not made, and that all information necessary is properly documented.

The Audit Committee will be provided with the details of each new, existing, or proposed Material RPT, including the terms of the transaction, the business purpose of the transaction, and the benefits to the Company and to the relevant Related Party. In determining whether or not to recommend a Material RPT for board approval, the Audit Committee will consider the following factors to the extent relevant to the Material Related Party Transaction:

- whether the terms of the Material RPT are fair, on “arm’s length” terms, and in the best interests of the Corporation and its shareholders, as a whole;
- whether there are business reasons for the Company to enter into the Material RPT;
- whether the Material RPT would impair the independence of an outside director; and,
- whether the Material RPT would present an improper conflict of interests for any director or executive officer of the company, taking into account the size of the transaction, the overall financial position of the director, executive officer or Related Party, the direct or indirect nature of the director's, executive officer's, or Related Party's interest in the transaction, [~~and~~] the ongoing nature of any proposed relationship, and any other factors the Committee deems relevant.

Any member of the Audit Committee who has an interest in the transaction under discussion shall abstain from voting, but may, if so requested by the Chairperson of the Committee, participate in some or all of the Committee's discussions of the Material RPT. Upon completion of its review of the transaction, the Audit Committee may determine to permit or to prohibit the Material RPT.

A Material RPT entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into, or after it becomes reasonably apparent that the transaction is covered by this policy, provided that, the Board shall ratify the transaction.

Guidelines in Ensuring Arm's Length Terms

The company ensures that 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 shall appoint an external independent party to evaluate the fairness of the terms of the Material RPT.

An external independent party may include, but is not limited to, auditing/accounting firms and third party consultants and appraisers.

- Effective price discovery mechanism may also be employed 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.

Approval of Material RPTs

- All individual Material RPTs shall be approved by 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 RPTs.
- In case 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.
- For aggregate RPT transactions within a twelve (12) month period that breaches the materiality threshold of ten percent (10%) of the company's total consolidated assets based the latest audited financial statements, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same Related Party.
- Director/s 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 purposes of assessing the quorum, and their votes shall not be counted for purposes of determining approval.

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.

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.
- Material RPTs are required to be disclosed and reported in the company's filings with the Securities and Exchange Commission (SEC) in accordance with laws, rules, regulations, the Philippine Financial Reporting & Accounting Standards, and SEC Memorandum Circular No. 10, series of 2019, Rules on Material Related Party Transactions for Publicly-Listed Companies (PLCs) pursuant to the Revised Corporation Code of the Philippines.

Whistleblowing Mechanisms

APO encourages directors, officers, employees and outsiders to report suspected or actual occurrence(s) of illegal, unethical or questionable Material RPTs.

The Whistleblower may promptly report to his/her supervisor or, if the Whistleblower is an outsider, to the company's Legal Counsel. If the Whistleblower would be uncomfortable or otherwise reluctant to report to his/her supervisor, then the Whistleblower may report the event to the next highest level of management, including to an appropriate Board committee or member thereof and/or board director. The Whistleblower can report the event with his/her identity disclosed or anonymously.

Remedies for abusive Material RPTs

Abusive Material RPTs refer to the Material RPTs that are not entered at arm's length and unduly favor a Related Party.



The Board shall implement policies and measures that would cut losses and allow recovery of losses or opportunity costs incurred by the company arising out of or in connection with abusive Material RPTs.


Directors, officers, or personnel who have been remiss in their duties in handling Material RPTs in accordance with company policies will be subject to disciplinary action up to and including termination of employment or directorship and possible legal action, including referral to law enforcement and regulators.

Alleged negligence and breach of conduct will be investigated. In all cases and at all times, APO shall observe due process and procedures.

Amendment

Any change in this Policy shall be approved by majority of the Board of Directors and ratified by majority of the Stockholders constituting a quorum, except amendment/s made in order to conform to and/or adopt new and/or revised rules and regulations issued by the government or any regulatory agency that the company is mandated by law to obey. In such cases, only a majority vote of the Board of Directors shall be required.

APPROVAL FOR AND ON BEHALF OF THE BOARD:



ALFREDO C. RAMOS
Chairman of the Board



IRIS MARIE CARPIO-DUQUE
Compliance Officer