



**REVISED  
RELATED PARTY TRANSACTION  
POLICY**

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## Document Information

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## RELATED PARTY TRANSACTION POLICY

### I. Overview and Rationale

A healthy capital market is the heart of a vibrant economy. It efficiently pumps capital funds from the investing public to business enterprises which have the most productive uses for the said funds. It thrives in an environment of transparency and trust, where adherence to good corporate governance practices ensures that the interests of the various stakeholders are protected.

One key policy area of corporate governance is related party transaction ("RPT"). RPTs per se are not prohibited, and for some entities belonging to diversified or integrated business groups, have become an indispensable part of their day-to-day operations. However, by their very nature, RPTs are susceptible to conflict of interest; and if not properly monitored, reviewed and/or disclosed, may give rise to abusive and unfair trade practices. Good corporate governance practice requires that safeguards be established to prevent RPTs from favoring counterparties to the detriment of companies and their respective shareholders.

Macay Holdings, Inc. ("Macay" or "the Company") strives for honesty, fairness and integrity in all its dealings. Consistent with this mission, this Related Party Transaction Policy ("the RPT Policy") sets out the principles and guidelines by which the RPTs of the Company should be identified, reviewed, approved or ratified, disclosed, executed and monitored in accordance with existing laws, regulations and best practices on corporate governance. This RPT Policy covers both (i) Material Related Party Transactions or Material RPTs and (ii) other Related Party Transactions. It is understood that Annex A makes specific reference to and apply to Material RPTs.

### II. Scope

#### A. Covered Entities or Persons

This Policy applies to all covered entities or persons, which include the Company and all its related parties. The term "related parties" refers to the following entities and/or individuals, consistent with the definition set forth in International Accounting Standards ("IAS") number 24 *Related Party Disclosures*:

1. A person or a close member of that person's family (is related to the Company) if that person:
  - a) has control or joint control over the Company;
  - b) has significant influence over the Company; or
  - c) is a member of the key management personnel of the Company or of the parent of the Company.

2. An entity (is related to the Company) if any of the following conditions applies:
  - a) The entity and the Company are members of the same group (i.e., the parent, subsidiary and fellow subsidiary of the Company);
  - b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - c) Both entities are joint ventures of the same third party;
  - d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - e) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  - f) The entity is controlled or jointly controlled by a person identified in II.A.1.
  - g) A person identified in II.A.1.a. has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

For purposes of this Policy, the Company adopts the following definition:

**Close members of the family of a person** are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- a) that person's children and spouse or domestic partner;
- b) children of that person's spouse or domestic partner; and
- c) dependants of that person or that person's spouse or domestic partner.

**Control** is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The entity over which control is exercised is referred to as a **subsidiary**.

**Joint control** is the contractually agreed sharing of control over an economic activity. The entity over which joint control is exercised is referred to as a **joint venture**.

**Key management personnel** are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

**Significant influence** is the power to participate in, and not to control, the financial and operating policy decisions of an entity. Significant influence may be gained by share ownership, statute or agreement..

## **B. Covered Transactions**

This Policy shall apply to all RPTs between the Company and its related parties. Consistent with IAS 24, an RPT refers to the transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

**Material RPT**, for purposes of this Policy, shall refer to an RPT that meets the materiality threshold amount and other parameters to be set by the Audit Committee. (See Annex A)

### **III. Policies and Procedures**

- A.** RPTs per se are not prohibited so long as they are reviewed, approved, disclosed and monitored in accordance with the principles and guidelines set forth in this Policy and other pertinent laws, codes, regulations and standards.
- B.** RPTs shall be allowed provided that these are negotiated and conducted at arm's length basis. The business terms and conditions of RPTs shall be at par with those of non-RPTs with comparable risks and rewards. The approval, award, processing and payment of RPTs shall follow the same procedures as the other transactions and contracts of the Company.
- C.** All Material RPTs shall be reviewed and approved by Macay's governance bodies in the following order:
  - 1. Senior Management
  - 2. Audit Committee
  - 3. Board of Directors

Such material RPTs shall be disclosed in the Company's audited financial statements and other regulatory filings in accordance with the rules and mechanisms provided for by the Securities and Exchange Commission, the Philippine Stock Exchange and other relevant regulatory agencies.

The threshold value and other materiality parameters shall be established (and be subject to regular review) by the Audit Committee; and ratification by the Board. (See Annex A)

- D.** Any member of the Senior Management who has a direct or indirect material interest in the material RPT under review shall refrain from participating in the related decision and negotiation processes.

Likewise, any member of the Audit Committee and the Board who has a direct or indirect material interest in the material RPT under review is prohibited from participating in the discussion of and voting on the said material RPT. However, the presence of such member may be counted in determining the presence of a quorum at the meeting of the Committee and the Board.

### **IV. Policy Violation, Due Process and Penalties**

All company directors and officers who have knowledge of any violation of this Policy are obliged to report the same to the Audit Committee or any authorized personnel or body.

The Audit Committee is empowered to recommend to the Board the invalidation or modification of existing RPT contracts in relation to which the requirements of this Policy are grossly violated. Moreover, directors, officers and employees who violated this Policy shall be subject to disciplinary procedures and sanctions set forth in the Company's Code of Conduct, without prejudice to any civil or criminal proceedings which the Company or regulators may file for violation of existing statutes.

## **V. Process and Policy Review**

The Audit Committee shall regularly review the implementation of this Policy to assess the adequacy and effectiveness of relevant internal controls.

The Audit Committee shall assess and approve all proposals to amend the Policy to reflect the evolving requirements of RPT-related laws, regulations, conventions and standards. Any approved amendment shall be endorsed to the Board for ratification.

## ANNEX A

This addendum to the RPT Policy sets forth the Company's Material Related Party Transaction Policy (Material RPT) in accordance to the rules of the Securities and Exchange Commission on Material Related Party Transactions or Material RPTs and will inure to the best interest of the Company, its subsidiaries and not prejudice the minority shareholders.

### 1. Definitions

- a. Abusive Material RPT – refer to Material RPTs that are not entered at arm's length and unduly favours a related party.
- b. Affiliate – refers to an entity linked directly or indirectly to the Company through any or a combination of the following:
  - i. Ownership, control or power to vote, by permanent or temporary proxy by an entity of at least ten percent (10%) or more of the outstanding voting stock of the Company, or vice versa;
  - ii. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company;
  - iii. Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations of the SEC; or
  - iv. Management contract or any arrangement granting power to the Company to direct or cause the direction of management and policies of the Company, or vice versa.
- c. Associate – refers to an entity over which (i) the Company holds at least twenty percent (20%) of the voting power, directly or indirectly; or (ii) the Company has Significant Influence.
- d. Material Related Party Transactions or Material RPTs – are RPTs, either individually or in aggregate over a twelve (12)-month period of a Covered Entity with a Related Party, which involve an aggregate amount or value equal to or greater than the Materiality Threshold.
- e. Materiality Threshold means ten percent (10%) or higher of the Company's total consolidated assets based on its latest audited financial statements.
- f. Related Parties - covers the Company's board directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, for these persons have joint control or significant influence over the Company.
- g. Related Party Registry – a record of the organizational and structural composition including any change thereon, of the Company and its related parties, which record shall be in the custody of the Compliance Officer.

### 2. Identification and Review of Related Party Transactions

- a. The list of persons and companies that are related parties of the Company are set forth in the Related Party Registry. The Related Party Registry shall be reviewed and updated quarterly by the Office of the Controller & Accounting in coordination with the Office of the Corporate Secretary to capture organizational and structural changes in the Company and its related parties.

- b. The Company's Controller shall present all probable Material RPTs of the Company to the Audit Committee for review and when deemed necessary the Audit Committee shall endorse the Material RPTs to the Board of Directors for approval.

Furthermore, If deemed necessary, the Audit Committee may require services of another external independent party to evaluate the fairness of the probably material RPTs, such as, auditing or accounting firms, third party consultants and appraisers. Furthermore, the Audit Committee may also engage experts, dependent on the subject material RPT for review, to perform appropriate price discovery mechanism.

- c. In the review of the RPTs, the following shall be considered:
  - i. The terms of the transaction which shall be fair and arms length
  - ii. The aggregate value of the transaction
  - iii. Extent of the Related Party's interest in the transaction
  - iv. Whether the RPT would present an improper conflict of interest or special risks or contingencies for the Company, or the Related Party taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the nature of any proposed relationship.
  - v. Any other relevant information regarding the transaction.

### 3. Approval of Material RPTs

- a. All Material RPTs shall be reviewed and 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 same. In case that a majority of the independent directors' vote is not secured, the Material RPT may be ratified by the vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock.
- b. All directors, substantial shareholders and officers with personal interest in a Material RPT shall fully and timely disclose all material facts, including their respective interests in the Material RPT as well as direct or indirect financial interests in any transaction or matter affecting the Company, 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 determining approval.

### 4. Whistle Blowing Mechanisms

- a. The Company has an existing whistleblowing mechanism that allows employees, and consultants to freely communicate confidentially and without fear of retaliation, legitimate concerns about illegal, unethical or questionable transactions that would include Material RPTs. The Board shall supervise and ensure its enforcement.

### 5. Remedies for Abusive Material RPTs

- a. Responsible persons found to be in wilful violation of the Policy shall be subject to the corresponding procedures and penalties under the Company's Code of Conduct

and Discipline and relevant regulations, as may be applicable; provided that any penalty to be imposed herein shall be subject to consultations with the Audit Committee. The penalty may include any applicable restitution of actual losses suffered by the Company directly arising from violation of policies relating to Abusive Material RPTs.

#### 6. Disclosure and Regulatory Reporting

- a. The Company shall provide a mechanism for the proper and timely disclosure of all RPTs consistent with the rules of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), and shall comply with the disclosure requirements under PAS No. 24.
- b. Further, for Material RPTs, the Company shall file the following with the SEC:
  - i. A summary of Material RPTs entered into during the reporting years which shall be disclosed in the Company's Integrated Annual Corporate Governance Report (I-ACGR);
  - ii. Advisement Report of any Material RPT within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative.
- c. The Company's Controller shall be responsible for the full and timely disclosure of all RPTs in the annual and quarterly reports to the SEC and in the Notes to the Financial Statements (annual and quarterly) as required under PAS 24 and, where appropriate, in a current report or such other report as may be required under SEC and PSE rules.



**CERTIFICATION**

We hereby certify and attest to the above Revised Related Party Transaction Policy.

**MACAY HOLDINGS, INC.**

Signed  
**ALFREDO M. YAO**  
Chairman

Signed  
**ROBERTO A. ATENDIDO**  
Compliance Officer