

## RELATED PARTY TRANSACTION

This Policy shall apply to all Directors and Officers and transactions between the **Italpinas Development Corporation** (the “Company”) and its subsidiaries.

### I. SCOPE

This Policy covers related party transactions between the Company and a Related Party or between a subsidiary or affiliate of the Company and a Related Party as defined below.

### II. DEFINITION OF TERMS

1. **Related Party** – a person or entity that is related to the Company or any of its subsidiaries or affiliates, who has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes:
  - a. Individuals owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company.
  - b. Individuals owning, directly or indirectly, an interest in the voting power of the corporate shareholder of the Company that give them significant influence over the corporate shareholder of the Company and close members of the family of any such individual.
  - c. Members of the board of directors of the Company or of the board of any of its subsidiaries or affiliates.
  - d. Officers (whether a bylaw officer or not) and members of senior management of the Company or of any of its subsidiaries or affiliates.
  - e. A subsidiary or affiliate of the Company.
2. **Significant influence** – the power to participate in the financial and operating policy decisions of an entity or control over policies. Significant influence may be gained by share ownership, status or agreement.
3. **Subsidiary** – a corporation more than 50% of the voting stock of which is owned or controlled, directly or indirectly, through one or more intermediaries, by another corporation, which thereby becomes its parent corporation.
4. **Affiliate** – a corporation that directly or indirectly, through one or more intermediaries, is controlled by, or is under the common control of, another

corporation, where such ownership in shares is less than 50% of the voting stock.

5. **Close members of the family of a person** – family members who may be expected to have control, joint control or significant 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;
  - c. Dependents of that person or that person's spouse or domestic partner
  - d. Relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law
6. **Related Party Transaction (“RPT”)** – a transfer of resources, services or obligations between a related party and the Company or any of its subsidiaries and affiliates.
7. **Material RPTs** – are those transactions that meet the threshold values as defined in SEC MC No. 10 Series of 2019, dated April 25, 2019.
8. **Significant RPTs** – are RPTs with transactions value exceeding P5 Million, or its foreign currency equivalent.

### III. PURPOSE

This Policy is intended to:

1. Ensure that every related party transaction (“RPT”) is conducted on an arm's length basis or for the financial, commercial or economic benefit of the Company and will protect the Company from prejudice arising from conflict of interest, which may arise between the Company and its Related Parties; and
2. Ensure proper review, approval, ratification and disclosure of transactions between the Company and any of its Related Party/ies as required to comply with legal and regulatory requirements.

### IV. CRITERIA

1. **Material** – Any transaction, arrangement or relationship in which the individual or aggregate amount of the transaction as of the reporting period will or may equal or exceed 10% of the Company's total consolidated assets based on its latest audited financial statement (SEC MC No. 10 Series of 2019,

dated April 25, 2019), where a Related Party has or will have direct or indirect material interest.

2. **Nature** – Any of the following transactions entered into by the Company (or any of its Subsidiary or Affiliate) with a Related Party, which includes:
  - a. Finance (including credit accommodation);
  - b. Purchases, sales or supply of goods or materials;
  - c. Rendering or receiving of services;
  - d. Consulting/professional services;
  - e. Construction services;
  - f. Investments and subscriptions of equity debt or quasi-debt;
  - g. Agency agreements;
  - h. Outsourcing arrangements;
  - i. Leasing of any property of any kind;
  - j. License agreements;
  - k. Selling or disposing of or buying property of any kind;
  - l. Guarantees and sureties; and,
  - m. Management contracts

### **3. Circumstances**

The Company or its subsidiary/affiliate is a participant to an RPT in which a Related Party has the ability to control or to exercise significant influence in the outcome of a proposed RPT and can influence decisions relating to the RPT.

## **V. GENERAL RULES ON RPTS**

1. RPTs shall be conducted only in the regular course of business. No RPT shall be undertaken on more favorable terms (on price, terms and conditions) to the Related Party than similar transactions with non-related parties under similar circumstances.

2. A Related Party shall be loyal to the Company, regardless of his/her own personal interest. Related Parties shall refrain from giving preference to his or her interest when they are in conflict with the Company's interest.

3. Related Party Transactions shall be disclosed and shall be transparent.

4. A Related Party shall abstain from attending and participating in deliberations that affect matters in which he or she has personal interest.

5. A Related Party Transaction involving a director or officer shall be voidable unless: (a) the contract is fair and reasonable; (b) in case of an officer, the

contract has been previously authorized by the board of directors; and (c) the presence of the director or officer was not necessary for quorum or for approval of the contract.

## **VI. REQUIREMENTS OF RPT**

1. Directors or Officers are required to declare and disclose any RPT and the material interest that they, or an immediate family member, may have on such RPT transaction. Said disclosure shall be made during the board meeting where the MRPT is presented for approval.

2. The following information, to the extent relevant, with respect to the proposed RPT should be disclosed in the Term Sheet:

- a. A general description of the transaction/s including the material terms and conditions.
- b. The name of the Related Party and the basis on which such person or entity is a Related Party.
- c. The Related Party's interest in the transaction/s including the Related Party's position or relationship with, or ownership of, any entity that is party to or has an interest in the transaction/s.
- d. The total value of the proposed transaction and the share of the Related Party's interest in the transaction/s.
- e. Whether the Company will be a party to the transaction and if not, the nature of its participation in the transaction/s.
- f. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result or in connection with the proposed transaction.
- g. Any other material information regarding the transaction/s or the Related Party's interest in the transactions.

3. The Term Sheet disclosing the RPT shall be submitted to the CFO, or the Corporate Secretary, or the RPT Committee. Such report shall then be consolidated by the secretariat designated by the RPT Committee as provided under this Policy.

4. An officer who has knowledge of an RPT shall report the same to the RPT Committee if he or she learns that such particular RPT has not been reported to the RPT Committee as required under this Policy. A person who reports an RPT under this provision shall not be subject to any liability or sanction.

5. Certification is required from all service providers, suppliers and

vendors that they do not have a conflict of interest with the Company.

6. Disclaimer is required from all approving officer/s signing contracts, agreements/ work orders and purchase orders that they are not related to the counterparties of the proposed transaction.

## **VII. DISCLOSURE AND REGULATORY REPORTING**

1. The Company shall disclose in its website this policy on RPT.
2. Material RPTs shall be reported to regulatory agencies as required. A Report on Material RPT shall be submitted to the SEC.
3. Necessary disclosures of material RPTs entered into during the reporting year shall be made in the Notes to the Company's Audited Financial Statements and referenced to the Integrated Annual Corporate Governance Report (I-ACGR) submitted to SEC.

## **VIII. REVIEW OF THE POLICY**

1. The following factors, among others, shall be considered in the review and evaluation of related party transactions:
  - a. No preferential treatment shall be given by the company to related parties that are not extended to non-related parties under similar circumstances.
  - b. The Board of Directors should appoint an external independent party to evaluate the fairness of the terms of the material RPTs before its execution.
  - c. The Company shall endeavor to exercise due diligence in determining a fair and effective price for the RPTs.
2. The RPT Committee shall annually review the threshold values and the provisions of this Policy and may recommend to the Board amendments to this Policy as it deems appropriate

## **IX. REVIEW AND APPROVAL PROCEDURES**

1. All RPTs with value exceeding P 5 Million (in a single transaction or in aggregate transactions), (except those exempted under Part III of the Guidelines) shall be disclosed to and be evaluated and approved by the RPT Committee. A Report on Significant RPTs and Material RPTs shall be submitted to the Board of

Directors.

2. Material RPTs shall be evaluated by the RPT Committee and endorsed to the Board of Directors for approval. 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 MRPT. Such RPTs shall also be guided by provisions of SEC Memorandum Circular No. 10 Series of 2019, dated April 25, 2019.

3. The RPT Committee will consider the following factors to the extent relevant to the RPT in conducting an independent review:

- a. The identities of the parties involved in the transaction or relationship;
- b. The terms of the transactions are fair and reasonable;
- c. The aggregate value of the transaction;
- d. Purpose and timing of the transaction;
- e. The extent of Related Party's interest on the transaction; and,
- f. Whether the RPT would present an improper conflict of interest for the Company or any of its subsidiaries or affiliates, or the Related Party taking into account the size of the transaction and the overall financial position of the Related Party.

4. RPTs involving directors and officers shall be submitted to the Board of Directors for approval. If for any reason the Board of Directors cannot approve the Material RPT involving directors or officers, such Material RPT shall be submitted to the stockholders for approval.

5. Any member of the Board or RPT Committee who has interest in the transaction must abstain from participation in the review and approval of any RPT.

6. The RPT Committee shall have the authority to inquire into and evaluate any RPT below the P 5 Million threshold at its discretion. The Related Party involved in any such RPT subject to the inquiry of the RPT Committee shall cooperate and disclose the information required by the RPT Committee. The RPT Committee may advise Management to cancel, rescind or nullify any RPT that in its opinion is unfair and prejudicial to the Company (or its subsidiary or affiliate party to the RPT).

7. Material RPTs which are not entered into at arm's length basis and which unduly favors a Related Party are considered abusive Material RPTs. Upon its determination by the Board of Directors, abusive Material RPTs shall be subject to recovery of losses or opportunity costs incurred by the Company. In addition,

erring directors, officers, or team members who have been remiss in the handling or reporting of Material RPTs shall be sanctioned with in accordance with Company policies and applicable company guidelines.

#### **X. REGULAR INTERNAL REPORTING AND MONITORING PROCEDURES**

On a quarterly basis, the Property Controller shall prepare and submit a Summary Report of all Related Party Transactions entered into during the period to the RPT Committee.

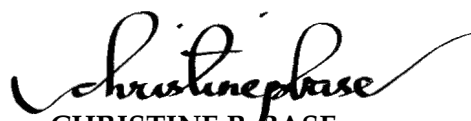
#### **XI. POST-VERIFICATION OF RPTS**

The Internal Audit Department shall perform a periodic post verification of RPTs to ensure that the terms and conditions recommended by the RPT Committee and approved by the Board of Directors are properly and correctly implemented.

Noted by:



**ROMOLO V. NATI**  
Chairman of the Board



**CHRISTINE P. BASE**  
Corporate Secretary/  
Acting Compliance Officer

## MONITORING SHEET

## ITALPINAS DEVELOPMENT CORPORATION

DATE OF SUBMISSION

28-Oct-19

MONITORING DATE

11-May-20

## MATERIAL RELATED PARTY TRANSACTIONS POLICY

Requirement	Compliance	Remarks	Comments
<b>SIGNATORIES</b>			
Chairman of the Board	✓		
Compliance Officer	✓	Acting Compliance Officer	
<b>CONTENTS OF THE MRPT POLICY</b>			
Identification of related parties	✓		
Coverage of the MRPT policy	X	The company included exceptions in the coverage of the Policy	Provisions on exceptions have been removed
Adjusted thresholds (optional)		No adjusted threshold indicated	
Identification and prevention/management of potential or actual conflict of interest	✓		
Guidelines in ensuring arms-length terms	X	No provision requiring the appointment of an external independent party to evaluate the fairness of the MRPT before its execution and for an effective price discovery mechanism	Provisions for the guidelines on review of the policy has been added. (Page 5)
Approval of MRPTs	X	MRPT must be approved by at least 2/3 of the Board, with at least majority of IDs voting to approve the MRPT	This requirement has been added under Review and Approval of the Policy (Page 6)
Self-assessment and periodic review of policy	✓		



Disclosure requirement of MRPTs	X	The disclosure must be made during the board meeting where the MRPT is presented for approval	This has been added under the Requirements of RPT <i>(Page 4)</i>
Whistle-blowing Mechanisms	✓		
Remedies for abusive MRPTs	X	No provision on remedies for abusive MRPTs	Provision on Remedies for abusive MRPTs has been added  <i>(Page 6-7)</i>