



August 2, 2018

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 the ability to control or 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. Major 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 and individuals who directly or indirectly through intermediaries may be expected to have significant influence in their dealings with the RCI Group including close members of the family of any such individuals such as spouses, children, dependents and parents;

2. RELATED PARTY TRANSACTION (RPT)

Any transfer of financial or non-financial resources, services or obligations between the RCI Group and its related parties in which any one of the related party has the ability to control the outcome of a proposed transaction.

These include 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

C. REVIEW AND APPROVAL

1. REQUIREMENTS

- a. 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;
- b. Pricing and terms are based on prevailing market rates and practices and documented to include all relevant and material information;
- c. The Management shall be responsible to declare and report to the Related Party Transaction Committee all outstanding RPTs for review.

- d. 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. DISCLOSURE AND REPORTING

- a. Any member of the RPT Committee who has interest in the transaction must abstain from participation in the approval of any Related Party Transaction.
- b. 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.
- c. 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.

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.

The foregoing policy shall be effective August 3, 2018

For your guidance and compliance.