	Document Type: <b>Policy</b>	Document Number: AEV-LMS-PL-001
	Document Title: <b>RELATED PARTY TRANSACTIONS POLICY</b>	Effective Date: November 22, 2021 Version Number: Version 3
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## RELATED PARTY TRANSACTIONS POLICY

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### A. INTRODUCTION

It is the policy of Aboitiz Equity Ventures Inc. (the “Company”) that related party transactions (RPTs) are reviewed and approved in a manner that guarantees fairness and transparency, conducted at an arm’s length basis, with consideration paid or received and on terms no less favorable than any such terms available to unrelated third parties under the same or similar circumstances.

This Policy shall be referred to as the “**RPT Policy**”.


### B. COVERAGE AND DEFINITION OF TERMS

This RPT Policy provides the general guidelines to be observed in relation to the review, approval and reporting of the RPTs.

Capitalized terms used herein are defined under **Annex “A”** of this RPT Policy.

### C. GENERAL PRINCIPLES

1. The Company shall, at all times, comply with the requirements of the Revised Corporation Code, its Articles of Incorporation and By Laws, regulations and circulars by the Securities and Exchange Commission (SEC), and other related laws, rules and regulations in approving and reporting Material RPTs.
2. The principle of "arm's length" requires that the transaction with a Related Party be made under comparable conditions and circumstances as a transaction with an independent party. It is founded on the premise that if market forces drive the terms and conditions agreed upon in an independent party transaction, the pricing of the transaction would reflect the true economic value of the contributions made by each entity in that transaction. To illustrate, if two associated enterprises derive profits at levels above or below the comparable market level solely by reason of the special relationship between them, the profits will be deemed as non-arm's length.
3. Transactions within the Materiality Threshold that were entered into with an unrelated party that subsequently becomes a Related Party may be excluded from the requirements of this RPT Policy. In the event such non-Related Party subsequently becomes a Related Party, these transactions shall be considered Material RPTs and any alteration to the terms and conditions or increase in the exposure level thereof shall subject the relevant Material RPT to the requirements of this RPT Policy.


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4. The Board of Directors, through the RPT Committee, shall ensure that: (a) all transactions with, or for the benefit of, any Related Party are handled in a sound and prudent manner, and in accordance with applicable laws and regulations to protect the interest of the Company’s shareholders and other stakeholders; and (b) all RPTs are on terms and conditions that are arm’s length and within market rates, with sufficient documentation, and coursed through all appropriate levels of approval as provided in this RPT Policy.
5. To promote good governance across the Aboitiz Group, the Company’s Affiliates are also encouraged to formulate their own RPT policies, consistent with this RPT Policy and with best practices specific to their industry and size of operations.
6. The Board of Directors, through the RPT Committee, shall implement effective price discovery mechanisms to ensure that transactions are entered into at terms that promote the best interest of the Company and its shareholders. These price discovery mechanisms may include, but are not limited to, acquiring the services of an external expert, opening the transaction into a bidding process, publication of available property for sale, or applying the principles of transfer pricing rules and mechanisms. To this end, the Board of Directors, through the RPT Committee, should appoint, before the execution of a Material RPT or upon the crossing the Materiality Threshold, an external independent party to evaluate the fairness of the terms of the Material RPT.

**D. MATERIALITY THRESHOLDS AND APPROVAL PROCESS OF RPTS**

1. Any transaction by the Company with a Related Party, either individually or in the aggregate over a twelve (12)-month period with the same Related Party **shall be considered in the following in the following manner:**

<b><u>Type of Transaction</u></b>	<b><u>Transaction Amount</u></b>	<b><u>Approving Authority</u></b>
<u>Material RPT</u>	<u>10% or higher of the Company’s consolidated total assets based on its most recent audited financial statements</u>	<ul style="list-style-type: none"> <li>● <u>Review and approval of RPT Committee</u></li> <li>● <u>Approval of at least 2/3 of the Board with at least a majority of Independent Directors</u></li> </ul>
<u>Significant RPT</u>	<u>Php 100 Mn and above non-exempt RPT</u>	<ul style="list-style-type: none"> <li>● <u>Review and endorsed by the RPT Committee</u></li> <li>● <u>Approved by the Board</u></li> </ul>


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<u>Nominal RPT</u>	<u>Below Php 100 Mn non-exempt RPT</u>	● <u>Report to the RPT Committee</u>
<u>Exempt RPT</u>	<u>Not exceeding the threshold for a Material Transaction</u>	● <u>Report to the RPT Committee</u>

**Notwithstanding the foregoing the RPT Committee may consider a RPT as material or significant, regardless of the amount, if the members (via unanimous vote) consider the RPT to be potentially or actually significant to the Company**

**E. APPROVAL PROCESS OF MATERIAL RELATED PARTY TRANSACTIONS**

1. All Material RPTs shall be reviewed and approved by the RPT Committee, 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 Material RPT.
2. For aggregate RPTs within a twelve (12) month period that breaches the Materiality Threshold, the same Board approval would be required for the transaction/s that results in meeting and/or exceeding the Materiality Threshold covering the same Related Party.
3. Only Material RPTs approved and endorsed by the RPT Committee to the Board of Directors shall be included in the agenda of the relevant board meeting. Directors with personal interest in the Material RPT must abstain from participating in the discussion and from voting. 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.
4. In case a majority of the Independent Directors' vote is not secured, the Material RPT may nevertheless be ratified by the vote of the shareholders representing at least two-thirds (2/3) of the Company's outstanding capital stock.
5. In the evaluation of the Material RPT, the RPT Committee shall ensure that an external independent party, such as an auditing or accounting firm, a third-party consultant or an appraiser, evaluated the fairness of the terms of the Material RPTs.

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**E. DISCLOSURE AND REPORTING OF MATERIAL RPTS**


1. A summary of Material RPTs entered into during each relevant reporting year shall be disclosed in the Company’s Integrated Annual Corporate Governance Report (I-ACGR) submitted annually every May 30.
2. An Advisement Report signed by the Corporate Secretary or any authorized representative, consistent with **Annex “B”** hereof, shall be filed within three (3) calendar days from the execution date of any Material RPT.
3. The Company shall comply with the information required to be disclosed for Material RPTs, as enumerated under SEC Memorandum Circular No. 10 Series of 2019 on the Rules on Material Related Party Transactions for Publicly-Listed Companies or, any amendments thereto (the “Circular”).

**F. SIGNIFICANT RELATED PARTY TRANSACTIONS**

1. Significant Related Party Transactions (“Significant RPTs”) are transactions between the Company with its Related Parties amounting at least One Hundred Million Pesos (Php100,000,000.00) and are not an Exempt Related Party Transactions as defined in Clause H.
2. Only Significant RPTs approved and endorsed by the RPT Committee to the Board of Directors shall be included in the agenda of the relevant board meeting. Directors with personal interest in the Significant RPT must abstain from participating in the discussion and from voting. 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.
3. In the evaluation of the Significant RPT, the RPT Committee may recommend that an external independent party, such as an auditing or accounting firm, a third-party consultant or an appraiser, evaluated the fairness of the terms of the Significant RPTs.

**G. NOMINAL RELATED PARTY TRANSACTIONS**


1. Nominal Related Party Transactions (“Nominal RPTs”) are transactions between the reporting company with its related parties amounting below One Hundred Million Pesos (Php 100,000,000.00) and are not an Exempt Related Party Transactions as defined in Clause H.
2. Nominal RPTs will not require RPT Committee review and approval, but may require regular reporting to the Board RPT Committee.

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#### **H. EXEMPT RELATED PARTY TRANSACTIONS**

**Exempt Related Party Transactions (“Exempt RPTs”), provided that they do not breach the SEC Materiality threshold, are transactions that will not require RPT Committee review and approval, but may require regular reporting to the Board RPT Committee. The following types of transactions are considered Exempt RPTs:**

1. **Transactions in the ordinary course of business or recurring transactions, or transactions or offers with the same terms offered to third party clients, including transactions that may be subject to regulatory approvals, or where the rates or charges are fixed in compliance with applicable law or subject to regulatory approval;**
2. **Compensation arrangements and/or agreements of Directors and the employment of executive officers as approved by the Board Corporate Governance Committee acting in its capacity as Nomination and Remuneration Committee, or the Board of Directors;**
3. **Transactions in which the Related Party's interest is derived solely from the fact that he or she serves as Director of another company or business unit that is a party to the transaction;**
4. **Transactions between the Company and its Subsidiaries, Affiliates, or Associates, or between two Subsidiaries, Affiliates, or Associates (where the Company is not a party), in connection with the funding of operations of the such Subsidiaries, Affiliates, or Associates, including (without limitation) guarantees, shareholder advances, and equity subscriptions/ infusions, in each case, as maybe approved by the relevant Board of Directors;**
5. **Transactions between the Company and its Subsidiaries, Affiliates, or Associates or between two or more wholly owned Subsidiaries of the Company, or between a wholly-owned Subsidiary and its parent, or between two Associates (where the Company is not a party) with the objective of providing shared services, realizing cost-savings, or for other services for operational efficiency;**
6. **Internal reorganization or restructuring among the Company's Subsidiaries, Affiliates, or Associates involving share transfers between two or more wholly-owned Subsidiaries, or a wholly-owned Subsidiary and the Company, undertaken to execute a strategy previously approved by the Board, or to simplify and reduce costs related to administration of the entities within the Group, and where there is no resulting change in the Company's beneficial ownership post-transaction;**
7. **Share/stock dividends, repurchases/buybacks, subscriptions, or availing of rights offering and other related transactions available to all shareholders on a pro-rata ownership basis;**


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8. Transfer or assignment of permits, licenses, and other property rights such as, but not limited to, trademarks, patents, and copyrights between wholly-owned Subsidiaries or between a wholly owned Subsidiary and its parent;
9. Transactions between the Company and a joint venture company where the both the Company and its joint venture partner have approved the transaction;
10. Transactions available to all employees generally.

Specific examples of Exempt RPTs may be prepared by the Office of the Chief Financial Officer (CFO), in collaboration with the office of the Chief Compliance Officer (CCO) to guide the Management in the implementation of this Policy. A summary of Exempt RPTs for the year shall be presented to the RPT Committee as part of its agenda for its first meeting the following year.

#### I. DUTIES OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT


1. The Board of Directors has the overall responsibility in ensuring that transactions with Related Parties are handled in a sound and prudent manners, with integrity, and in compliance with applicable laws and regulations, and Company policies to protect the interest of the shareholders and other stakeholders. Towards this end, the Board of Directors shall:
  - (a) Institutionalize an overarching policy on the management of all RPTs to ensure effective compliance with existing laws, rules and regulations at all times;
  - (b) Approve all 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 in accordance with this RPT Policy. These include changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirements of the Material RPTs;
  - (c) Establish an effective audit, risk and compliance system to: (i) determine, identify and monitor Related Parties and all RPTs; (ii) continuously review and evaluate relationships between and among businesses and counterparties; and (iii) identify, measure, monitor and control risks arising from all RPTs; and
  - (d) Ensure that the Company addresses legitimate issues on all RPTs, and should take responsibility in ensuring that stakeholders who raise concerns are protected from reprisals in accordance with the Company's Whistleblowing Policy, and other applicable Company policies.

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2. All Directors, Substantial Shareholders and officers shall fully disclose to the Board of Directors, through the Corporate Secretary, 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. If an actual or potential conflict of interest arises on the part of a Director or officer, he is mandated to fully and immediately disclose the same to the Corporate Secretary. For avoidance of doubt, loans or financial assistance to Directors or officers are prohibited, except when allowed pursuant to an established Company benefit or plan.
3. Directors shall disclose to the Board of Directors, through the Company's Corporate Secretary, details of all their other directorships and any shareholdings owned by them or by members of their family, including any changes thereto.
4. Regardless of the amount of the transaction or contract, it is the responsibility of each Director and officer to:
  - (a) promptly notify the CFO and the Corporate Secretary as soon as he becomes aware of any transaction with the Company or other Related Parties where such a director or officer or their respective related interests are a party to or stands to benefit from such transaction; and
  - (b) obtain approval from the Board of Directors prior to entering into the transaction.

For the avoidance of doubt, RPTs involving a Director or officer shall be approved by the Board of Directors regardless of amount, in accordance with the provisions of the Revised Corporation Code and SEC circulars.

5. The CFO shall manage and monitor Material RPTs on a per transaction and aggregate basis across the Group. Exposures to Related Parties shall also be monitored on an ongoing basis to ensure compliance with this RPT Policy and SEC's regulations. The CFO shall set up protocols and practices to ensure that finance officers and controllers across the Group can properly identify, monitor and report RPTs to the CFO.
6. The CFO shall ensure that all RPTs are reported to the RPT Committee. The CFO, together with the CCO, shall also ensure full and timely disclosures of Material RPTs in the reports of the Company to the SEC, the Philippine Stock Exchange (PSE) and other regulatory bodies, and in the Company's Financial Statements, in compliance with relevant accounting standards.
7. The CFO, together with the Corporate Secretary, shall maintain a Related Party Registry indicating the list of Related Parties, taking into account the latest organizational structure of the Company. The Related Parties Registry shall be updated quarterly to reflect the changes in the organization and its Related Parties.

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8. The CCO shall advise and provide assistance to the CFO in ensuring that Material RPTs across the Aboitiz Group are reviewed and approved in accordance with this RPT Policy. The CCO shall also ensure that the Company complies with relevant rules and regulations, and is informed of regulatory developments in areas affecting Related Parties. Furthermore, the CCO shall ensure that this RPT Policy is kept updated and is properly implemented throughout the Company.
9. The Group Internal Audit shall conduct a periodic review of the effectiveness of the Company's system and internal controls governing Material RPTs to ensure consistency with the policies and procedures approved by the Board of Directors. The results of the audit, including any exceptions or breaches in the materiality thresholds, shall be communicated directly to the Audit Committee

**J. WHISTLE-BLOWING MECHANISMS AND RESTITUTION OF LOSSES AND OTHER REMEDIES FOR ABUSIVE RPTS**


In relation to the Company's Whistleblowing Policy, the Directors, through the Corporate Governance Committee shall ensure that legitimate issues on all RPTs are properly addressed. The Board shall likewise ensure that stakeholders who raise legitimate concerns are protected from detrimental treatment or reprisals. The CFO may propose adequate mechanisms of addressing violations of this RPT Policy, including imposing the appropriate penalties for erring officers and individuals, in accordance with the Company's Whistleblowing Policy, Code of Ethics and Business Conduct, and other related Company policies.

Material RPTs that are not entered into at arm's length basis and unduly favor a Related Party are considered abusive Material RPTs. Abusive Material RPTs, upon determination by the Board of Directors, are 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.

**K. POLICY REVIEW**


The RPT Committee shall review and assess the adequacy of this RPT Policy at least annually, and recommend to the Board of Directors any amendments as may be needed



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### **ANNEX "A" – DEFINITION OF TERMS**

<i>Aboitiz Group or the Group</i>	Refers to the Company and the companies or entities in which the Company has beneficial interest and over which the Company, directly or indirectly, exercises management control. These companies or entities are found in the conglomerate map of the Company’s latest audited financial statements.
<i>Affiliate</i>	Refers to an entity linked directly or indirectly to the Company through any one or a combination of the following: <ul style="list-style-type: none"> <li>(a) ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, of at least ten percent (10%) or more of its outstanding voting stock of the Company or vice versa;</li> <li>(b) interlocking directors or officers, except in cases involving Independent Directors as defined under existing regulations;</li> <li>(c) common shareholders owning at least ten percent (10%) of the outstanding voting stock of the Company;</li> <li>(d) 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.</li> </ul>
<i>Associate</i>	An entity which the Company holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the Company has Significant Influence.
<i>Board of Directors</i>	Refers to the Company’s Board of Directors.
<i>Committee</i>	Or the RPT Committee, refers to the Company’s Board Related Party Transactions Committee.
<i>Control</i>	A person or an entity that controls the Company, the relationship of which contains all of the following: <ul style="list-style-type: none"> <li>(a) power over the Company;</li> <li>(b) exposure, or rights, to variable returns from its involvement with the Company; and</li> <li>(c) the ability to use its power over the Company to affect the amount of the Company’s financial returns.</li> </ul>
<i>Exempt Related Party Transactions</i>	A transaction that will not require RPT Committee review and approval, but may require regular reporting to the Board RPT Committee. Examples of Exempt RPTs are enumerated in Section G1 to G7 of the Company’s RPT Policy.

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*Independent Director* Means the independent directors of the Company, duly nominated and elected by the shareholders in accordance with the Company’s Rules on the Nomination and Election of Independent Directors.

*Material Related Party Transactions* Any related party transactions, either individually or in aggregate over a 12-month period with the same Related Party, amounting to 10% or more of the Company’s total assets, based on its latest consolidated audited financial statement, either on a per transaction basis or a 12-month aggregate.

*Materiality Threshold* At least 10% of the Company’s total assets based on its latest consolidated audited financial statement, either on a per transaction basis or a 12-month aggregate.

*PLC* Publicly-listed company.

*Related Parties* In relation to the Company includes the following:


- (a) Directors;
- (b) Officers;
- (c) 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; and
- (d) The Company’s parent, subsidiary, fellow 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.

*RPT Committee* Refers to the Company’s Board Related Party Transactions Committee.

*Related Party Registry* A record of the organizational and structural composition, including any change thereon, of the Company and its Related Parties.

*Related Party Transaction* A transfer of resources, services, or obligations between a reporting entity and among Related Parties, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with Related Parties, but also outstanding transactions entered into with an unrelated party that subsequently becomes a Related Party.


*Significant Influence* Power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

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*Significant Related Party Transactions* A transaction between the Company and its Related Parties with a total contractual value of at least One Hundred Million and above non-exempt Related Party Transaction, regardless of how the payment term of the contract is structured. Php 100 Mn and above non-exempt RPT

*Subsidiary* An Affiliate controlled by the Company, directly or indirectly, through the ownership of at least 50% plus 1 share of its voting securities, or by contract.

*Substantial Shareholder* Any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the Company's equity.

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**ANNEX "B" – ADVISEMENT REPORT ON MATERIAL RPT**

ADVISEMENT REPORT ON  
MATERIAL RELATED PARTY TRANSACTIONS

Reporting PLC: \_\_\_\_\_ SEC Identification Number: \_\_\_\_\_

Name of Related Party: \_\_\_\_\_ Execution Date of Transaction: \_\_\_\_\_

Relationship between the Parties including financial/non-financial interest:

\_\_\_\_\_

Type/Nature of Transaction and Description of Assets Involved	Terms and Conditions	Rationale for Entering into the Transaction	Total Assets <sup>1</sup> of Reporting PLC	Amount/ Contract Price	Percentage of the Contract Price to the Total Assets of the Reporting PLC	Carrying Amount of Collateral, if any	Approving Authority <sup>2</sup>

**SIGNATURES**

Pursuant to the requirements of the Commission, the company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

(Name of Reporting PLC)  
.....

(Name of Related Party)  
.....

Name, Signature of the Corporate Secretary/  
Representative<sup>3</sup>.

Name, Signature of the Related Party/Authorized  
Authorized Representative<sup>3</sup>

<sup>1</sup> Total assets shall pertain to consolidated assets if the reporting PLC is a parent company.

<sup>2</sup> The information shall include the names of directors present, names of directors who approved the Material Related Party Transaction and the corresponding voting percentage obtained.

<sup>33</sup> Proof of authority must be attached to the Advise ment Report.