



Related Party Transactions Policy

GENERAL POLICY STATEMENT

Guided by the firm, unequivocal commitment to Integrity as one of its Core values, PHINMA ensures the fairness and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associate, affiliates, major stockholders officers and directors, including their spouses, children, and dependent siblings and parents and of interlocking director relationships by members of the Board.

The terms of any transaction involving related parties must be done as if the transaction is made at an arm's length transaction, with the best interest of PHINMA in mind.

PURPOSE

This Related Party Transactions Policy sets out to achieve the following:

- ³⁵₁₇ To formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions
 - ³⁵₁₇ To set out the general requirements, responsibilities, and the specific policies, procedures and disclosures to be followed as Related Party Transactions occur.
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SCOPE

This Policy applies to all related parties of PHINMA.

DEFINITIONS

- ❖ **PHINMA** is an encompassing term that is used throughout the policy to describe all member companies under the PHINMA Group.
- ❖ **Related Parties** are as follows (adapted from Philippine Accounting Standards 24 on Related Parties):

- a. Parties that are members of PHINMA, i.e. each parent, subsidiary and fellow subsidiary is related to the others
- b. All Directors, Officers, Managers and Key Management Personnel having authority and responsibility for planning, directing and controlling the activities of the Company or its Subsidiary or its Parent, directly or indirectly; including companies they have control or joint control or significant influence
- c. Close family members of an individual referred to in (b) above, who may be expected to influence, or be influenced by, that individual in their dealings with PHINMA or its Subsidiary
 - ³⁵₁₇ Close family member - the individual's spouse or domestic partner and children (whether legitimate or illegitimate), stepchildren, and dependents of the individual or that individual's spouse or domestic partner
- d. Party 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); Party is a joint venture or associate of a third entity
- e. Post-employment benefit plan, and sponsoring employers of such a plan, of either PHINMA or an entity that is a related party of PHINMA

❖ **Related Party Transaction (RPT)** is a transfer of resources, services or obligations between PHINMA and its Subsidiaries, and a related party, regardless of whether a price is charged. Examples of RPTs are :

- Loans between and among PHINMA Companies
- Loans to directors
- Sale or purchase of goods
- Sale, purchase or lease of property and/or assets
- Provision or receipt of services or leases
- Assumption of financial/operating obligations
- Subscription for debt or equity issuances
- Establishment of joint venture entities
- Settlement of liabilities on behalf of PHINMA or its Subsidiary or by PHINMA or its Subsidiary on behalf of a related party
- Compensation, benefits (monetary and non-monetary), postemployment benefits, termination benefits and share-based payment of current employees

❖ **“At arm’s length”** is a term referring to transactions in an open and unrestricted market and between willing parties who are knowledgeable, informed, and who act independently of and without regard to any relationship with each other.

RESPONSIBILITIES

Board of Directors

- ³⁵₁₇ Approves the PHINMA Related Party Transaction Policy
- ³⁵₁₇ Set the threshold for related party transaction
- ³⁵₁₇ Resolves and approves RPTs exceeding the threshold
- ³⁵₁₇ Performs oversight on implementation of this policy

Audit Committee

- ³⁵₁₇ Reviews and endorses the PHINMA Related Party Transaction Policy
- ³⁵₁₇ Reviews and endorses RPTs exceeding the threshold

Management

- ³⁵₁₇ Ensures effective and efficient implementation of this policy
 - ³⁵₁₇ Reviews and approves RPTs within threshold
 - ³⁵₁₇ Elevates to the Board RPTs exceeding the threshold
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POLICIES

A. General Policy

PHINMA shall at all times observe and adhere with this policy and all other relevant and laws, rules and regulations, as may be applicable in the review, approval and disclosure of RPTs.

B. Pre-approved and Thresholds

The Board with the Audit Committee and PHINMA Management shall determine and provide pre-approved RPTs and thresholds subject for their review and approval.

C. Review and approval of Related Party Transaction Exceeding the Threshold

C.1. General

³⁵₁₇ RPTs exceeding the threshold shall be reviewed and approved by appropriate RPT Approving Authority, as determined by the Board of Directors (Board). Management should promptly report to the Audit Committee/Board on the terms, business purpose, benefits and other details of each new, existing or proposed RPT for review and approval.

³⁵₁₇ These RPTs shall be approved by the Board before its commencement. However, if the same is not identified beforehand, it must be subsequently reviewed and ratified by the Board. In any case where either the Board determines not to ratify a RPT that has been commenced without approval, the Board, as appropriate,

may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification.

³⁵₁₇ PHINMA shall require directors and key management personnel to abstain and/or inhibit themselves from participating in discussions on a particular agenda when they are conflicted.

C.2. Review by Audit Committee

³⁵₁₇ The Audit Committee shall assist the Board in its review of these RPTs. The Audit Committee shall consider whether the terms of the RPTs are on arms' length and fair to the Company and such factors as the following:

- materiality
- purpose and timing of the transactions
- extent of the Related Party's interest in the RPT; and
- Conflict of interest, actual or apparent, of the Related Party participating in the transaction.
- Any other relevant information regarding the transaction

³⁵₁₇ To review a RPT, the Audit Committee provided with all relevant material information of the RPT, including the terms of the transaction, the business purpose of the transaction, the benefits to PHINMA and to the Related Party, and any other relevant matters. In determining whether to approve or ratify a RPT, the Audit Committee will consider the following factors, among others, to the extent relevant to the RPT:

- benefits to the Company of entering into the transaction;
- extent of the Related Party's interest;
- availability of other sources of comparable products or services;
- aggregate value of the RPT
- whether the terms of the RPT are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party
- whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any
- whether the RPT would impair independence if the Related Party is a director, an immediate family member of a director or an entity in which a director is a shareholder or of which a director is a senior executive officer, director, general partner, managing member or a person in a similar position
- whether PHINMA was notified about the RPT before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company
- whether the RPT would present an improper conflict of interest for any director, or management taking into account the size of the transaction,

their overall financial position, and any others the committee deems relevant

D. Disclosure

RPTs that are required to be disclosed and reported in the Company's filings with the Securities and Exchange Commission (SEC) shall be disclosed in accordance with laws, rules, regulations, Philippine Financial Reporting Standards.

E. Administration

PHINMA management is responsible for the administration, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed.

Implementing guidelines and procedures in support of this policy may be prepared and approved by PHINMA Management.

F. Approval

This policy shall be approved by the Board upon recommendation of PHINMA Management and the Audit Committee.