



RELATED PARTY TRANSACTION POLICY

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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 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.

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. The entity over which significant influence is exercised is referred to as an **associate**.

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.

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.

- 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 guidelines set forth in the Company's Code of Conduct and Discipline, 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.