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SECURITIES AND EXCHANGE COMMISSION

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Company Name

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Principal Office (No./Street/Barangay/City/Town/Province)

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Company's Email Address	Company's Telephone Number/s	Mobile Number
www.panasonic.com/ph	635-2260 to 65	N/A
No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
444	3 rd Friday of June	March 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Mamerto Mondragon	mzmlaw@yahoo.com	818-7739	N/A

Contact Person's Address

Ortigas Avenue Extension, San Isidro, Taytay, Rizal

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

October 28, 2019

SECURITIES AND EXCHANGE COMMISSION (SEC)

Secretariat Building
PICC Complex, Roxas Boulevard
Pasay City

Gentlemen:

Please see attached Policy on Related Party Transactions of Panasonic Manufacturing Philippines Corporation (PMPC) as adopted by its Board of Directors on October 7, 2019 in compliance with the SEC Memorandum Circular No. 10, Series of 2019.

Very truly yours,



MARIA VIRGINIA AREVALO
PMPC Compliance Officer

**PANASONIC MANUFACTURING
PHILIPPINES CORPORATION (PMPC)**

**Policy on Material Related Party
Transactions**

PMPC	PMPC Related Party Transaction Policy	Page 1 of 20
Class: Policy		Version: 1
Index No.:		

Contents

I.	Introduction	2
II.	Definition of Terms	2
III.	General Principles	3
IV.	Duties and Responsibilities.....	4
	a. Board of Directors	4
	b. Senior Management.....	5
	c. Related Party Transaction Committee.....	5
V.	Identification of Related Parties.....	6
	a. Directors, Officers, stockholders and their Related Interest (DOSRI) and Close Family Members of the DOS	6
	b. Subsidiary & Affiliates	8
	c. Corresponding Person in Affiliated Companies	9
VI.	Coverage of the Policy	10
	a. RPT Transactions	10
	b. Excluded RPT Transactions	10
VII.	Adjusted Materiality Threshold	11
VIII.	Data Base of Related Parties	11
IX.	Identification and Prevention or Management of Potential or Actual Conflict of Interest from Related Party Transactions	12
X.	Guidelines in Ensuring Fairness and Arm’s Length Terms	12
	Independent Opinion. 13	
XI.	Identification, Review, and Approval of Related Party Transactions	13
	a. Identification of related parties	13
	b. Review and Approval of RPTs	14
XII.	Whistleblowing Mechanism	16
XIII.	Restitution of Losses and Remedies for Abusive RPT	16
XIV.	Disclosure and Regulatory Reporting	17
XV.	Self-Assessment and Periodic Review of Policy.....	18
XVI.	Training of Employees on RPTs	19
XVII.	Approval	19

PMPC	PMPC Related Party Transaction Policy	Page 2 of 20
Class: Policy		Version: 1
Index No.:		

I. INTRODUCTION

The Securities and Exchange Commission (**SEC**), recognizes that transactions between and among related parties may create financial, commercial and economic benefits to individual institution and to the entire group where said institution belong. In this regard, related party transactions are generally allowed provided, that these are done on an arm's length basis. Both the board and management have the responsibility to observe good governance and establishment of sound internal control procedures, respectively on handling of related party transactions to ensure that there is effective compliance with the existing laws, rules and regulations at all times.

II. DEFINITION OF TERMS

Related Parties – Covers the reporting PLC's directors, officers, 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 reporting PLC. It also covers the reporting PLCs 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.

Significant Shareholder – any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

Affiliate – refers to an entity linked directly or indirectly to the reporting PLC through any one or a combination of any of the following:

- Ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by a company of at least ten percent 10% or more of the outstanding voting stocks of the PLC, or vice-versa;
- Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
- Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the reporting PLC and the entity; or
- Management contract or any arrangement granting power to the reporting PLC to direct or cause the direction of management and policies of the entity, or vice-versa.

PMPC	PMPC Related Party Transaction Policy	Page 3 of 20
Class: Policy		Version: 1
Index No.:		

Associate – An entity over which the reporting PLC holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the reporting PLC has significant influence.

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

Control – A person or an entity controls a reporting PLC if and only if the person or entity has all of the following:

- Power over the reporting PLC;
- Exposure, or rights, to variable returns from its involvement with the reporting PLC; and
- The ability to use its power over the reporting PLC to affect the amount of the reporting PLC's returns.

Related Party Transaction – a transfer of resources, services or obligation between reporting PLC and a related party, 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 that rare entered into with an unrelated party that subsequently becomes a related party.

Material Threshold – Ten percent (10%) of the company's total assets based on its latest audited financial statement. If the reporting PLC is a parent company, the total assets shall pertain to its total consolidated assets.

Related Party Database Registry – A record of the organizational and structural composition, including any change thereon, of the company and its related parties.

III. GENERAL PRINCIPLES

1. The Company shall at all times observe and adhere to the provisions of the Corporation Code of the Philippines, it's Articles of Incorporation and By-laws, and all other relevant laws, rules and regulations, as may be applicable, in the review, approval and disclosure of RPTs, always taking into consideration the rights of the Company's shareholders.
2. All RPTs shall be reviewed and approved by an appropriate RPT approving authority to ensure that they are on terms and conditions that are at arm's-length. This RPT review and approval shall encompass potential and existing RPTs entered or to be

PMPC	PMPC Related Party Transaction Policy	Page 4 of 20
Class: Policy		Version: 1
Index No.:		

entered by any group or business responsibility unit of the Company, taking into account its size, structure, risk profile and complexity of operations.

3. All material RPTs shall be subject to review and endorsement by all the independent directors who are members of the RPT Committee.
4. Directors and key management personnel shall disclose their interest in transactions and any other conflict of interest, including details of all their other directorships and any shareholdings owned by them. Directors are required to notify the Company's Board before accepting a directorship in another publicly-listed company. Changes in their interest must be promptly disclosed to the Board of Directors through the Company's Secretary.
5. Directors and key management personnel shall abstain and/or inhibit themselves from participating in discussion on a particular agenda when they are conflicted.
6. The Company shall ensure that RPTs carried out by its subsidiary is conducted in accordance with this policy.
7. Subject to the recommendation of the RPT review committee, any unusual or infrequently occurring transaction constituting RPT may likewise be made subject to review and approval in accordance with this policy and guidelines.

IV. DUTIES AND RESPONSIBILITIES

A. Board of Directors

The board of directors shall have the overall responsibility in ensuring that transaction with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of the company's shareholders and other stakeholders. Toward this end, the board of directors shall carry out the following duties and responsibilities:

1. To institutionalize an overarching policy on the management of material RPTs to ensure effective compliance with existing laws, rules and regulations at all times and that material RPTs are conducted on an arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged.
2. To approve all material 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 condition of material RPTs previously approved. Material changes in the terms and

PMPC	PMPC Related Party Transaction Policy	Page 5 of 20
Class: Policy		Version: 1
Index No.:		

conditions of the material RPT include, but are not limited to, changes in the price, interest rate, maturity date, payment terms, commission, fees, tenor and collateral requirement of the material RPT.

3. To establish an effective audit, risk and compliance system to:
 - Determine, identify and monitor related parties and material RPTs;
 - Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - Identify, measure, monitor and control risks arising from material RPTs.
4. To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The board should ensure that senior management addresses legitimate issues on material RPTs that are raised. The board should take responsibility for ensuring that stakeholders who raised concerns are protected from detrimental treatment or reprisals.

B. Senior Management

Senior management shall ensure that middle management or managers implement appropriate controls to effectively manage and monitor material RPTs on per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with the company's policy and SEC's regulations.

C. Related Party Transaction Committee

The RPT Committee will review and consider the following:

- a. Extent of conflict of interest
- b. Terms of the transaction and if these are similar to terms given to unrelated third parties under similar circumstances.
- c. Rationale and benefits of the transaction
- d. Total value of the transaction and valuation method used
- e. Whether the transaction includes any potential regulatory or reputational risks

After reviewing the transaction and considering all the relevant circumstances, the RPT Committee shall indicate its action taken thereon. For items within its authority approval, it shall submit a report of all transactions to the Board for confirmation. For those beyond its authority, the RPT

PMPC	PMPC Related Party Transaction Policy	Page 6 of 20
Class: Policy		Version: 1
Index No.:		

Committee shall submit the proposed transaction to the Board for its approval together with its comments, if any.

The RPT Committee Secretariat shall maintain complete files of these transactions for proper record keeping, reporting and monitoring. This includes other transactions that are brought to its attention including those which were transacted with a previous non-related party that has subsequently become a related party.

V. IDENTIFICATION OF RELATED PARTIES

The following are the company's related parties:

a) DIRECTORS, OFFICERS, STOCKHOLDERS AND THEIR RELATED INTEREST (DOSRI) and CLOSE FAMILY MEMBERS OF THE DOS;

1) Directors shall include:

- i. Directors who are named as such in the articles of incorporation;
- ii. Directors duly elected in subsequent meetings of the stockholders;
- iii. Those elected to fill vacancies in the board of directors.

2) Officers shall include the chief executive officer (CEO), vice-president, executive director, treasurer, secretary, or those whose duties as such are defined in the by-laws: Provided, that a person holding the position of chairman or vice-chairman of the board of directors or another position in the board of directors shall not be considered as an officer unless the duties of his position in the board of directors include functions of management such as those ordinarily performed by regular officers: Provided, further, that members of a group or committee, including sub-groups or sub-committees, whose duties include functions of management such as those ordinarily performed by regular officers, and are not purely recommendatory or advisory, shall likewise be considered as officers.

3) Stockholders shall refer to any stockholder of record in the books of the Company, acting personally, or through an attorney-in-fact; or any other person duly authorized by him or through a trustee designated pursuant to a proxy or voting trust or other similar contracts, whose stockholdings in the company, individual

PMPC	PMPC Related Party Transaction Policy	Page 7 of 20
Class: Policy		Version: 1
Index No.:		

and/or collectively with the stockholdings of: (1) his spouse and/or relative within the first degree of consanguinity or affinity or legal adoption; (2) a partnership in which the stockholder and/or spouse and/or any of the aforementioned relative is a general partner; and (3) corporation, association or firm of which the stockholder and/or his spouse and/or the aforementioned relatives own more than fifty (50%) of the total subscribed capital stock of such corporation, association or firm.

- 4) **Related interest** shall refer to any of the following:
- i. Spouse or relative within the first degree of consanguinity or affinity or relative by legal adoption, of a director, officer or stockholder of the Company.
 - ii. Partnership of which a director, officer, or stockholder of the Company or his spouse or relative within the first degree of consanguinity of affinity, or relative by legal adoption, is a general partner;
 - iii. Co-owner with the director, officer, stockholder or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of the property or interest or right mortgaged, pledged or assigned to secure loans or other credit accommodations, except when the mortgage, pledge or assignments covers only said co-owner's undivided interest;
 - iv. Corporation, association or firm of which any or a group of directors, officers, stockholder of the company and/or their spouses or relative within the first degree of consanguinity or affinity or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital of such corporation, or of the equity of such association or firm;
 - v. Corporation, association or firm of wholly or majority-owned or controlled by any related entity or a group of related entities mentioned in items "4.ii." and "4.iv." above;
 - vi. Corporation, association or firm which owns or controls directly or indirectly whether singly or as a part of a group of related interest at least twenty percent (20%) of the subscribed capital of a substantial stockholder of the Corporation or which controls majority interest of the Corporation pursuant to item "g" of Sec. 362 (Definition of terms); and

PMPC	PMPC Related Party Transaction Policy	Page 8 of 20
Class: Policy		Version: 1
Index No.:		

- vii. Corporation, association or firm which has an existing management contract or any similar arrangement with the parent of the Company.
- 5) **Close family members** shall refer to persons related to the Company's directors, officers and stockholders (DOS) within the second degree of consanguinity or affinity, legitimate or common-law.
- b) The Company's **SUBSIDIARY, AFFILIATES** and any party that the company exert direct/indirect **CONTROL** over or that exerts direct/indirect control over the company:
- 1) Subsidiary shall refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation.
 - 2) Affiliate shall refer to an entity linked directly or indirectly to the company by means of:
 - i. Ownership, control as defined herein, or power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa;
 - ii. Interlocking directorship or officership, where the director or officer concerned owns, controls, or has the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity;
 - iii. Common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of the Company and at least twenty percent (20%) of the outstanding voting stock of the entity;
 - iv. Management contract or any arrangement granting power to the company to direct or cause the direction of management and policies of the entity; or
 - v. Permanent proxy or voting trust in favor of the company constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa.
 - 3) Control of an enterprise exist when there is:
 - i. Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or

PMPC	PMPC Related Party Transaction Policy	Page 9 of 20
Class: Policy		Version: 1
Index No.:		

- ii. Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
- iii. Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
- iv. Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
- v. Any other arrangement similar to any of the above.

Control is presumed to exist if there is ownership or holding, whether direct or indirect, of twenty percent (20%) or more of a class of voting shares of a company.

Should the company choose to disclaim or rebut the presumption, it should provide facts sufficient to show that there is indeed no control. Further, the company shall submit a written commitment that:

- i. Shares owned or held are exclusively for investment purposes;
- ii. The company stockholder will not serve on the board of directors and will not nominate any candidate to serve on the board of directors or otherwise seek board representation;
- iii. The company stockholder will engage only in normal and customary transactions with the company; and
- iv. The company will not pledge the shares acquired to secure a loan with any institution.

c) **CORRESPONDING PERSON IN AFFILIATED COMPANIES** shall refer to the DOS of the affiliated companies and their relatives within the fourth degree of consanguinity and affinity.

Affiliated Companies	Corresponding Persons			
	Directors	Officers	Substantial Individual stockholder *	Relatives within the 2nd Degree
Parent Company - PC	√	√	√	√
Affiliates	√	√	√	√
Subsidiary	√	√	√	√

PMPC	PMPC Related Party Transaction Policy	Page 10 of 20
Class: Policy		Version: 1
Index No.:		

VI. COVERAGE OF THE POLICY

A. **RPT Transactions** - As defined in the regulations, Related Party Transactions (RPTs) shall refer to transactions or dealings with related parties of the company including its subsidiaries regardless of whether or not a price is charged. For the purpose of this policy, transaction with related parties shall include, but not limited to the following:

- i. Supply of raw materials and parts
- ii. Consulting, professional, and other service arrangement or contracts
- iii. Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademark and license agreement);
- iv. Construction arrangement/contracts;
- v. Lease arrangements/contracts
- vi. Sale, purchase or supply of any finished goods; and
- vii. Establishment of joint ventures entities

B. **Excluded Transactions** – the following transactions are excluded from materiality threshold for practical consideration. The following are exempt from vetting, approval and reporting but subject to other RPT requirements:

- i. De minimis transactions which are unusual and non-recurring
- ii. Compensation of directors and employment of executive officers approved or endorsed by the Board Remuneration and Compensation Committee.
- iii. Transactions that do not present a real risk of potential abuse, i.e. sale of fully depreciated assets.
- iv. Minor Transactions defined as amount not exceeding P10,000,000.00 in a given year. These shall not require review and approval of the RPT Committee, but shall be subject to internal monitoring.
- v. Purchases and sales of securities traded in an active market.
- vi. Other transactions of similar in nature.

The coverage of this RPT policy shall be interpreted broadly to include those that could pose material/special risk or potential abuse to the company and its stakeholders.

Transactions that were entered into with an unrelated party that subsequently becomes related party may be excluded from the limits and approval process. *However, any alternation to the*

PMPC	PMPC Related Party Transaction Policy	Page 11 of 20
Class: Policy		Version: 1
Index No.:		

terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the RPT to the requirements of the policy.

VII. ADJUSTED MATERIALITY THRESHOLD

- a. Transaction with related parties involving amounts of at least ₱100,000,000.00 are considered as material RPTs. *The said threshold shall not apply to DOSRI RPTs and other transaction requiring Board approval under the regulations* which are always considered material regardless of amount. Where the amount involved in the transaction is at least 10% of the combined assets of PMPC, the transaction shall be accompanied by a fairness opinion issued by an external independent party to be appointed by the Board of Directors.

VIII. DATA BASE OF RELATED PARTIES

Management and Board of Directors shall review the data base registry of RPTs on a quarterly basis and update it if necessary to capture organizational and structural changes in the company and its related parties, if any.

- a. The finance division shall maintain a database of related parties based on the following, among others:
- 1) List of directors , their close family relatives and interlocking positions from other companies from the Office of the Corporate Secretary;
 - 2) List of officers and their close family relatives from the Human Resources Department;
 - 3) List of related parties submitted by the Chief Compliance Officers of the Subsidiary;
 - 4) General Information Sheets of related companies. i.e., subsidiary, and affiliates.
- b. The database shall be made available at the finance section.
- c. The database shall be updated on quarterly basis. Any change in the list must be reported by the following to finance for updating:
- 1) Office of the corporate secretary – directors, their close family relatives and interlocking positions in other companies;
 - 2) Human Resources Dept. – Officer, their close family relatives and interlocking position in other companies;

PMPC	PMPC Related Party Transaction Policy	Page 12 of 20
Class: Policy		Version: 1
Index No.:		

- 3) Chief Compliance Officer of Subsidiary, if any – directors and officers of the subsidiary including their close family relatives.
- d. The database may not capture all the Company’s related parties. As such, proponents of transactions should be properly guided by the classification of related parties in this policy.

IX. IDENTIFICATION AND PREVENTION OR MANAGEMENT OF POTENTIAL OR ACTUAL CONFLICT OF INTEREST FROM RELATED PARTY TRANSACTIONS

- a. Interested directors and officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interest in the related party transaction.
- b. Interested directors and officers shall abstain in from discussion, approval and management of such transaction or matter affecting the company. 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 majority approval.
- c. Directors are also required to notify the Company’s Board of Directors before accepting a directorship in another company. Any change in their interest should be promptly disclosed to the Board of Directors through the Company’s Compliance Officer and/or Corporate Secretary.

X. GUIDELINES IN ENSURING FAIRNESS AND ARM’S LENGTH TERMS

Proponents of related party transactions are required to provide the reviewing RPT Committee with documented benchmarks or comparable pricing of similarly situated unrelated transactions. For an effective price discovery mechanism, proponents may use as guide the provisions of BIR Regulation No. 2, series of 2013 or “*Transfer Pricing Guidelines*” in applying arm’s length principles to related party transactions to the extent applicable.

Arm’s Length Principle is the condition or the fact that the parties to a transaction are independent and on equal footing. When applied to related party transaction, it ensures that RPTs are conducted in the regular course of business (fair process); and not undertaken on more favorable economic terms to such related parties than similar transactions with non-related

PMPC	PMPC Related Party Transaction Policy	Page 13 of 20
Class: Policy		Version: 1
Index No.:		

parties under similar circumstances (fair terms). This is the standard under which unrelated parties, each acting in his or her own best interest, would carry out a particular transaction.

Comparability analysis entails an analysis of similarities and differences in the conditions and characteristics between related party transaction and a transaction with an unrelated party.

In the application of the arm's length principle, the 3 step approach below shall be observed:

1. Conduct a comparability analysis.
2. Identify the tested party and appropriate transfer pricing method
3. Determine the arm's length results.

These steps should be applied in line with the key objective of transfer pricing analysis to present a logical and persuasive basis to demonstrate that transfer prices set between two related parties conform to the arm's length principle.

Independent Opinion

For transaction with amounts of at least 10% of the consolidated assets of PMPC based on the latest financial audited statement, the transaction shall be accompanied by a fairness opinion to be rendered by an external independent party to be appointed by the Board of Directors. An external independent party may include, but not limited to, auditing/accounting firms and third party consultants and appraisers. The independent evaluation of the fairness of the transparent price ensures the protection of the rights of shareholders and other stakeholders. The fairness opinion must be submitted to the RPT Committee as part of the supporting documents of the transaction under review.

XI. IDENTIFICATION, REVIEW, AND APPROVAL OF RELATED PARTY TRANSACTIONS

a. Identification of related parties

- 1) It shall be the responsibility of the proponent of the transaction to verify whether the client or counterparty is a related party of the company. The proponent shall be guided not only by the company's database of related parties but also by the classification of related parties under this policy.
- 2) The proponents of transactions shall regularly evaluate existing relations between and among businesses and counterparties to ensure that all related parties are

PMPC	PMPC Related Party Transaction Policy	Page 14 of 20
Class: Policy		Version: 1
Index No.:		

continuously identified and subsequent changes in relationship with counterparties (i.e. from non-related parties to related parties) are updated. Changes in the relationship shall be reported to the finance section for updating of the database.

b. Review and Approval of RPTs

1) The proponent of the RPT shall submit the transaction to the finance division for review and approval by accomplishing the appropriate RPT Cover Sheet. *The proponent of the RPT shall disclose the following relevant information, among others, in the Cover Sheet that would aid the Committee in determining whether the RPT is at arm's length terms:*

- i. Name of the Related Party
- ii. Relationship – based on the classification of related parties under this policy
- iii. Interlocking Directorships
- iv. Type of Transaction
- v. Transaction description
- vi. Amount or economic value
- vii. Terms and Conditions
- viii. Reasons for entering into the transaction
- ix. Potential Risks
- x. Documented benchmarks or comparable pricing of similarly situated unrelated transactions, when applicable. Where no comparable prices are available, proponents must resort to other price discovery mechanisms e.g. subjecting the transaction to a bidding process or securing an external expert's fairness opinion or must provide sufficient justification why no comparable prices can be presented.
- xi. Other relevant information about the transaction
- xii. Where the amount involved in the transaction is at least 10% of the combined assets of PMPC based on the latest audited financial statement, the transaction shall be accompanied by a fairness opinion issued by an external independent party to be appointed by the Board of Directors.

- 2) The duly accomplished Cover Sheets shall be submitted to finance division for review to ensure compliance with the requirements of the policy. Cover sheets with incomplete / incorrect information shall be returned to the proponent for completion / correction.
- 3) After initial evaluation of finance division, the transaction shall be submitted to RPT Management Committee for proper reviewing and approving authority.
- 4) RPTs shall be reviewed and approved by the following authorities:

Type of RPT	Review	Approval
Non-material RPTs	RPT Management Committee	RPT Management Committee
Material RPTs	RPT Board Committee	Board of Directors

- 5) The RPT Management Committee shall present the actions taken during its meeting i.e., approval of non-material RPTs, to the Board of Directors for confirmation.
- 6) Material RPTs requiring board approval must also be submitted by RPT Management Committee to the Office of the Corporate Secretary to be included in the Board's agenda. All 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 material RPT. In case that majority of the independent directors' vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.
- 7) For aggregate RPTs within a twelve (12) month period that breaches the materiality threshold of ten (10%) of the Company's total consolidated assets, the same board approval would be required for the transaction that meet and exceed the materiality threshold covering the same Related Party.
- 8) Material RPTs approved by the Board shall be submitted to the stockholders for ratification during the Annual Stockholders Meeting.
- 9) Renewal / Material Changes in the Contract - Any renewal, material changes or amendments in the terms and condition of material RPTs shall be reported to the

PMPC	PMPC Related Party Transaction Policy	Page 16 of 20
Class: Policy		Version: 1
Index No.:		

RPT Management Committee for its review and evaluation. The Board RPT Committee shall only approve RPTs that have been endorsed to it by the RPT Management Committee. On the same manner, the approval of the entire board shall be sought only after the board RPT Committee has reviewed and approved material RPTs.

XII. WHISTLEBLOWING MECHANISM

PMPC's whistleblower policy addresses the Board's commitment to proper ethical behavior where employees, officers, shareholders and other stakeholders are encouraged to communicate, confidentially and without fear of reprisal, legitimate concerns about illegal, unethical or questionable Material RPTs. The Board of Directors shall ensure that Senior Management addresses legitimate issues on Material RPTs that are raised, and shall take responsibility for ensuring that stakeholders who raise concerns are protected from detrimental reprisals. The objectives of the whistleblower are:

- To provide a formal process to raise and handle whistle-blowing concerns and a framework to support the process.
- To encourage employees and other stakeholders to report improper, unethical and inappropriate behavior.
- To provide assurance that all reports will be properly addressed, treated with confidentiality and there are adequate whistle-blower safeguards from reprisal in any form.
- To promote and develop a culture of accountability, integrity and transparency.
- To strengthen the Anti-fraud program of PMPC in response to SEC requirement.

The compliance officer shall report to the RPT Committee all violations of this Policy and sanctions imposed in accordance with Company Rules and Regulations, Code of Ethics and other applicable policies of the Company.

XIII. RESTITUTION OF LOSSES AND REMEDIES FOR ABUSIVE RPT

- (a) Abusive RPTs are RPTs that are not entered at arm's length and unduly favor a related party. The RPT Management Committee shall have the authority to recommend to the Board of Directors for appropriate action, the invalidation of the transaction, including measures that would cut losses and allow recover of losses or opportunity costs incurred

PMPC	PMPC Related Party Transaction Policy	Page 17 of 20
Class: Policy		Version: 1
Index No.:		

by the Company arising out of or in connection with Abusive Material RPTs and other penalties that may be imposed on interested directors, officers and employees who have been remiss in their duties in handling Material RPTs in accordance with this policy, and other applicable laws rules and regulations.

- (b) Pursuant to Section 26 and 27 of the Revised Corporation Code, an interested director or officer of a corporation shall be disqualified from being a director, trustee or officer of any other corporation on the basis of a final judgement rendered by a court of competent jurisdiction against the interested director or officer for abusive RPTs. The disqualification shall be for a period of at least one (1) year or more, as may be determined by the SEC.

The imposition of the foregoing penalties shall be without prejudice to any other administrative penalties that may be imposed by the SEC and/or civil or criminal penalties, as may be provided by the Revised Corporation Code of the Philippines, Securities Regulation Code and other related laws and regulations.

XIV. DISCLOSURE AND REGULATORY REPORTING

- 1) The policy on Related Party Transaction as well as any update thereto shall be submitted to the Securities and Exchange Commission (SEC) pursuant to SEC Memorandum Circular No. 10, series of 2019 or the "Rules on Material Related Party Transactions for Publicly-Listed Companies." *The policy shall be signed by the Chairperson and Chief Compliance Officer.*
- 2) The Policy on Related Party Transaction shall be posted on PMPC's website within 5 days from the submission to the SEC.
- 3) For transaction with amounts of at least 10% of the consolidated assets of the PMPC based on the latest audited financial statement, an *Advisement Report on Material RPTs* shall be filed with the SEC within 3 calendar days after the execution dated of the transaction. The Advisement Report shall be signed by the Corporate Secretary
- 4) A summary of material related party transaction entered into during the reporting year shall be disclosed in the Annual Corporate Governance Report (I-ACGR) submitted every May 30.

PMPC	PMPC Related Party Transaction Policy	Page 18 of 20
Class: Policy		Version: 1
Index No.:		

At the minimum, the disclosures in both (3) and (4) above shall include the following information per SEC Memorandum Circular 10, series of 2019:

- i. complete name of the related party;
- ii. relationship of the parties;
- iii. execution date of the material RPT;
- iv. financial or non-financial interest of the related parties;
- v. type and nature of transactions as well as description of the asset involved;
- vi. total assets (consolidated, if reporting PLC is a parent company);
- vii. amount of contract price;
- viii. percentage of the contract price to the total assets of the reporting PLC;
- ix. carrying amount of collateral, if any;
- x. terms and conditions;
- xi. rationale for entering into the transaction; and
- xii. the approval obtained (i.e. names of directors present, name of directors who approved the material RPT and corresponding voting percentage obtained)

XV. SELF-ASSESSMENT AND PERIODIC REVIEW OF POLICY

- a. Internal audit shall conduct periodic form review of the effectiveness of PMPC's system and internal control governing RPTs to assess consistency with the board approved policies and procedures. The resulting audit reports, including excursions or breaches in limits shall be presented to the RPT Committee and Audit & Compliance Committee.

- b. The Compliance Officer ensure that PMPC complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. For this purpose, it shall aid in the review of PMPC's transaction and identify any potential RPT that would require review by the Board. It shall also conduct compliance testing, through its Internal Audit on RPTs approved by the Board to determine compliance with regulatory requirements and internal policies.

- c. Finally, this policy shall be updated regularly for their sound implementation, as well as to conform to the requirements of applicable law, rules and regulations. This policy and the

PMPC	PMPC Related Party Transaction Policy	Page 19 of 20
Class: Policy		Version: 1
Index No.:		

system and procedures provided herein shall be made available for review pursuant to applicable regulations. Any changes shall be approved by majority of the Board of Directors.

XVI. TRAINING OF EMPLOYEES ON RPTs

Finance may conduct employee training to enable PMPC to fully comply with their obligations and responsibilities under the regulations on RPTs and this Policy. Finance shall work with Human Resources Group in determining the training requirements and in the development of an appropriate training program on related party transactions.

XVII. APPROVAL

This Policy on Related Party Transaction has been reviewed by the Audit Committee on September 30, 2019 and Approved by the Board of Directors on October____, 2019.

PMPC	PMPC Related Party Transaction Policy	Page 20 of 20
Class: Policy		Version: 1
Index No.:		

ENDORSED BY:


EMILIANO VOLANTE
Chair, Audit Committee

APPROVED BY:


MASATOSHI SASAKI
Chairman of the Board / CEO


MARIA VIRGINIA AREVALO
Compliance Officer