

RELATED PARTY TRANSACTION POLICY

1. INTRODUCTION

This policy aims to define related party relationships and transactions and set out the guidelines, categories and thresholds that will govern the review, approval and ratification of these transactions by the Board of Directors (Board) or Shareholders to ensure that related party relationships have been accounted for and disclosed in accordance with International Accounting Standard 24 on Related Party Disclosures.

2. STATEMENT OF POLICY

This Policy requires that all related party transactions between Cebu Holdings, Inc. (the "Corporation"), its subsidiaries, affiliates and other related entities or persons (as defined on item 3) are made on an arm's length basis at normal prices.

To ensure that this policy is practiced and complied with, an assessment is undertaken of related party transactions as they happen. In accordance with the Charter of Board of Directors¹, the **Related Party Transactions Review Committee (the Committee)** is constituted as the committee responsible to oversee and review the propriety of related party transactions and their required reporting disclosures.

3. DEFINITIONS

3.1 Related party- a person or entity that is related to the entity that is preparing its financial statements, also referred to herein as the 'reporting entity'³.

- a. A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b. An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. 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).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled or jointly controlled by a person identified in 3.3.1.a.
 - vii. A person identified in 3.3.1.a.i. 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).
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel service to the reporting entity or to the parent of the reporting entity⁴

3.2 Related party transaction - a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.²

- 3.3 Close members of the family of a person - family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include²:
- a. that person's children and spouse or domestic partner;
 - b. children of that person's spouse or domestic partner; and
 - c. dependents of that person or that person's spouse or domestic partner
- 3.4 Significant influence - the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.²

4. DISCLOSURE OF RELATED PARTY TRANSACTIONS BY DIRECTORS AND EMPLOYEES

- 4.1 All directors and employees of the Corporation and its subsidiaries are required to promptly disclose any business-and family-related transactions to the Corporation and/or its subsidiaries to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

All employees of the Corporation are also required to complete the mandatory form on "Business Interest/Related Party Disclosure" in the month of January of each year. This is duly noted by the employee's strategic business unit or group head, and submitted to the Human Resource Group which collates them in file and monitors compliance thereof.⁵

- 4.2 Further to this, the Corporation also ensures that its independent directors hold no conflict of interest with the Corporation. Independent directors are required to submit to the Corporate Secretary a letter of confirmation stating that they hold no interest in companies affiliated with the Corporation and the management or controlling shareholders of the Corporation at the time of their election or appointment and/or reelection as director as independent directors.
- 4.3 The Corporation requires directors and key management personnel to abstain and/or inhibit themselves from participating in discussions on a particular agenda when they are conflicted.

5. IDENTIFICATION, REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

- 5.1 Before commencement of the related party transaction, Management shall report to the **Committee** each new or proposed related party transaction for review and approval. The report should cover the following:
- a. The terms, business purpose, benefits and other details of the related party transaction.
 - b. The nature of the relationship of the party or parties involved in the transaction in relation to the Corporation
 - c. The description of the transaction, including the affected periods to be disclosed in the financial statements, including the amounts, and such other information necessary for better understanding of the effect of the proposed transaction in the financial statements, which may include the amounts due to or from related parties to the transaction, if any, and the terms and manner of settlement.
- 5.2 The **Committee** shall review all the information reported by Management and shall consider all of the relevant facts and circumstances available, including but not limited to the following:
- a. The terms of the transaction, which should be fair and to the best interest of the Corporation and no less favorable than those generally available to non-related parties under the same or similar circumstances
 - b. The aggregate value of the related party transaction
 - c. Extent of the Related Party's interest in the transaction
 - d. Whether the related party transaction would present an improper conflict of interests or special risks or contingencies for the Corporation, or the Related Party taking into account

the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the nature of any proposed relationship

e. Any other relevant information regarding the transaction.

5.3 The **Committee** shall approve related party transactions before their commencement. However, material or significant related party transactions will have to be endorsed by the **Committee** to the Board for approval. Materiality thresholds applicable to related party transactions are to be defined and endorsed by the **Committee** to the Board.

5.4 The Board may, at its option, require that a related party transaction that it has approved, be also submitted to the stockholders for consideration and ratification.

6. **PRE-APPROVED RELATED PARTY TRANSACTIONS**

The Related Party Transactions listed below, which are in the nature of normal transactions in the ordinary course of business, and are covered by separate board approvals shall be deemed to be pre-approved or ratified and shall not require review and approval of the **Committee** and the Board:

6.1 Compensation and employment of executive officers and directors approved by the Personnel & Compensation Committee.

6.2 Transactions like loans, advances and other benefits with similar terms available to all employees generally.

6.3 Banking, Finance or Insurance-related services and transactions with a Related Party, if the terms are generally the same as or similar to offers of other banks in the ordinary course of business.

6.4 Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.

6.5 Any transaction with a Related Party involving management fees, system cost recoveries, agreements or intercompany advances in exchange for rendering of services such as construction, construction management, procurement, engineering, property management, technical services, and other services in the ordinary course of doing business.

7. **DISCLOSURE**

Related party transactions will be disclosed in the relevant financial reports of the Corporation as required under International Accounting Standard 24 on Related Party Disclosures and other applicable disclosure requirements.

8. **REVIEW OF THE POLICY**

The Committee shall periodically review this Policy and may recommend amendments to this Policy as it deems appropriate.