



## METRO PACIFIC TOLLWAYS CORPORATION

# REVISED RELATED PARTY TRANSACTIONS POLICY

### Section 1. Introduction

Metro Pacific Tollways Corporation (**MPTC**) has always been committed to good corporate governance practices. As a matter of practice, this Related Party Transactions Policy (**Policy**) is issued in order to maintain the fairness, integrity and transparency in transacting business with its Related Parties.

Related party transactions (**RPTs**) are not per se prohibited. These can serve important business purposes and offer legitimate advantages. However, the underlying potential conflicts of interest which may arise from RPTs could compromise the best interests of the Company and its shareholders as a whole.

### Section 2. Policy Statement

This Policy is intended to ensure that all RPTs are deemed and evaluated as “fair and at arm’s length” terms and must inure to the benefit and best interest of the Company and its shareholders.

This Policy was adopted through guidance obtained from certain provisions of Securities and Exchange Commission Memorandum Circular No. 10, series of 2019.

The Policy provides the processes, controls, and safeguards for the proper handling, including review, approval and disclosure, of RPTs in compliance with applicable laws and regulations.

### Section 3. Applicability

This Policy shall apply to RPTs that meet the Materiality Threshold as herein defined and shall cover MPTC and the other members of the MPTC Group.

### Section 4. Definition of Terms

#### 4.1 Defined Terms

The following terms are used in this policy with the respective meanings ascribed to such terms below, unless the context otherwise requires:

“**Board of Directors**” or “**Board**” means the governing body elected by the stockholders that exercises the corporate powers of the Company, conducts all its business and controls its properties.

**“Company”** means Metro Pacific Tollways Corporation, and as the context may require, a company within the MPTC Group.

**“Control”** means a person or an entity which / who has all of the following:

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

**“Arm’s Length”** refers to transactions in an open and unrestricted market and between willing parties who are knowledgeable, informed, and who act independently of and without any regard to any relationship with each other.

**“Audit Committee”** means the Audit Committee of MPTC.

**“Joint Control”** means the contractually agreed sharing of Control over an economic activity.

**“Joint Venture”** means a contractual arrangement whereby the parties that have Joint Control of the arrangement have rights to the net assets of the arrangement.

**“Material Related Party Transactions”** or **“Material RPTs”** means any related party transaction/s, either individually, or in aggregate over a twelve (12) month period with the same related party, amounting to ten percent (10%) or higher of the Company’s total consolidated assets based on its latest audited financial statement.

**“Material RPT Rules”** refers to SEC Memorandum Circular No.10, series of 2019, or the Rules on Material Related Party Transactions for Publicly-Listed Companies.

**“Materiality Threshold”** means ten percent (10%) or higher of the Company’s total consolidated assets based on its latest audited financial statements.

**“MPTC Group”** means MPTC and corporations where at least fifty percent (50%) of the outstanding shares are owned or Controlled by MPTC.

**“Related Party”** means a person or entity that is related to the reporting entity or Company. Related Parties include the Company’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 Company.

**“Related Party Registry”** means a record of the organizational and structural composition, including any changes thereon, of the Company and its Related Parties. The Company’s Related Party Registry shall be composed of (i) Registry of Related Parties and (ii) Registry of Related Party Transactions. Both Schedules should be accomplished and updated by the Company’s Legal Department annually, on a calendar year basis, or more often when transactions/events will result to a previously unrelated party being a Related Party (e.g. as a result of nomination to the Company’s Board of Director’s during the Company’s Annual General Meeting).

**“Related Party Transactions”** or **“RPTs”** means a transfer of resources, services, or obligations between the Company 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 are entered into with an unrelated party that subsequently becomes a related party.

“**SEC**” refers to the Philippine Securities and Exchange Commission.

“**Senior Management**” – Any person with the rank of Vice President or higher.

“**Significant Influence**” means the power to participate in the financial and operating policy decisions of the Company but has no Control or Joint Control of those policies.

“**Substantial Shareholder**” refers to any person directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the Company’s equity.

## **4.2 Interpretation**

- (a) Unless the context otherwise requires:
  - (i) Words in the singular include the plural, and vice versa, and
  - (ii) Words importing any gender include all genders.
- (b) A reference to a statute or statutory provision shall be construed as a reference to that statute or provision as from time to time amended, modified or re-enacted, any repealed statute or statutory provision which it re-enacts, and any orders, rules or regulations made under the relevant statute or statutory provision.
- (c) The headings in the Policy are inserted solely for convenience of reference and shall not limit or affect the interpretation of the provisions hereof.

## **Section 5. Duties and Responsibilities / Roles and Functions**

### **A. Board of Directors**

The Board of Directors shall have the overall responsibility in ensuring that transactions 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. Towards this end, the Board of Directors shall carry out the following duties and responsibilities:

1. To approve all Material RPTs that meet or breach 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 Section 7 of these rules.

Material changes in the terms and conditions of the Material RPT include, but are not limited to, change in the price, interest, rate, maturity date, payment terms, commissions, fees, tenor and collateral requirements of the Material RPT.

2. To establish an effective audit, risk, and compliance system to:
  - a. Determine, identify, and monitor Related Parties and Material RPTs;
  - b. Continuously review and evaluate existing relationships between and among businesses and counterparties; and
  - c. Identify, measure, monitor, and control risks arising from Material RPTs.

The system shall be able to define the Related Parties’ extent of relationship with the company; assess situations in which a non-Related Party (with whom a company has entered into a transaction) subsequently becomes a Related Party and vice versa; and generate information on the nature and amount of exposures of the Company to a particular Related Party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system

as well as the overarching policies shall be subject to periodic assessment by the Internal Audit and Compliance Officer and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to SEC and audit functions for review.

3. 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 raise concerns are protected from detrimental treatment of retaliation.

## **B. Audit Committee**

RPTs shall be subject to the review and monitoring of the Audit Committee in accordance with Section 7 of this Policy, as well as, reviewing and updating where necessary.

While considering any RPT, the Audit Committee shall take into account all relevant facts and circumstances, including the terms and business purpose of such transaction, the benefits to the Company and to the Related Party, whether such transaction includes any potential reputational risks that may arise as a result or in connection with the proposed transaction and any other relevant matters.

## **C. Senior Management**

Senior Management shall identify any potential Material RPT, establish and implement appropriate controls to effectively manage and monitor Material RPTs on a per transaction and aggregate basis. Exposures to Related Parties shall also be reviewed and monitored on an ongoing basis in coordination with the Chief Finance Officer to ensure compliance with the Company's policy and SEC's regulations.

## **D. Internal Audit**

The Internal Audit shall conduct a periodic review of the effectiveness of the Company's system and internal controls governing Material RPTs to assess consistency with the Board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to Audit Committee.

The Chief Audit Executive shall report to the Audit Committee all violations of this Policy and sanctions imposed in accordance with the Code of Business Conduct and Ethics and other applicable policies of the Company.

## **E. Compliance Officer**

The Company's Compliance Officer shall ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting Related Parties. He/she shall aid in the review of the Company's transactions that would require review by the Board. He/she shall ensure that the Company's RPT Policy is kept updated and is properly implemented throughout the Company.

The following are examples of RPT transactions that must be disclosed:

- a. purchases or sales of goods (finished or unfinished);
- b. purchases or sales of property and other assets;
- c. rendering or receiving services;
- d. leases;

- e. transfers of research and development;
- f. transfer of license agreements;
- g. transfers under finance agreements (including loans and equity contributions in cash or in kind);
- h. provision of guarantees or collateral;
- i. commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognized and unrecognized); and
- j. settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.

## **F. Legal**

The Registry of Related Parties and Registry of Related Party Transactions should be accomplished and updated by the Company's Legal Department annually, on a calendar year basis, or more often when transactions/events will result to a previously unrelated party being a Related Party (e.g., as a result of nomination to the Company's Board of Director's during the Company's Annual General Meeting).

## **Section 6. Policy Coverage and Materiality Threshold**

- 6.1 This Policy shall cover all RPTs meeting the Materiality Threshold.
- 6.2 Transactions amounting to ten percent (10%) or more of the total consolidated assets of the Company that were entered into with a non-Related Party that subsequently becomes a Related Party shall be included within the limits and approval process required in this Policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-Related Party becomes a Related Party subject to such alteration or increase in exposure level, shall be subject to the requirements contained in this Policy and the Material RPT Rules. The prospective treatment should, however, be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an Arm's Length basis.

## **Section 7. Review and Approval of RPTs**

- 7.1 Individual Material RPTs shall be subject to the review and approval process set out in this Section and the Conflict of Interest Policy, except if such is classified as an exempt transaction listed in Section 10. For aggregate transactions with the same related party within a twelve (12) month period that in their totality breach the Materiality Threshold of ten percent (10%) of the Company's total consolidated assets, the same review and approval process set out in this section shall apply but only for the transaction/s that take place following the breach of the Materiality Threshold as described herein.
- 7.2 Each Material RPT shall be subject to prior review by the Audit Committee to determine whether the same meets the following standards: (a) it is on Arm's Length terms, and (b) it is in the best interest of the Company and its shareholders, as a whole, considering the relevant factors and circumstances (the **RPT Standards**).

In evaluating RPTs, all the relevant facts and circumstances available shall be considered, including but not limited to the following RPT Standards:

- a. The Related Party's relationship with the Company and interest in the transaction;

- b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- c. The purpose and timing of the proposed RPT;
- d. The benefits to the Company of the proposed RPT;
- e. The availability of other sources of comparable products or services;
- f. An assessment on whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to a non-Related Party under similar circumstances. The Company shall have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs. The price discovery mechanism may include, but is not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, determining the fair market value of shares listed in relevant stock exchanges, or publication of available property for sale; and
- g. Before the execution of the Material RPT, the Board of Directors may appoint an external independent party to evaluate the fairness of the terms of the Material RPTs.

7.3 Except if it is classified as an exempt transaction listed in Section 10 hereof, RPTs shall be reviewed as follows:

- a. At least two-thirds (2/3) vote of the Board, including the vote of at least a majority of the independent directors, must be secured to approve the Material RPT.
- b. In case a majority of the independent directors' vote is not secured, the said Material RPT may be ratified by the vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock. For aggregated RPTs, from a Related Party within a twelve (12)-month period that breach the Materiality Threshold making the same a Material RPT as defined under this policy, the same Board approval would be required for the transaction/s that meets and breaches the Materiality Threshold covering the same Related Party.
- c. Directors with personal interest, direct or indirect, in the Material RPT shall disclose the nature and extent of such interest to the Board.
- d. Directors with personal interest, direct or indirect, in the Material RPT shall abstain from participating in discussions and voting on the same. 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.
- e. Should the exclusion of the interested director result to a failure to obtain the needed quorum or votes for approval, the meeting shall proceed if there are other matters in the agenda but any discussion on the subject RPT shall be deferred until the following meeting when the needed quorum is achieved, without counting the attendance of the interested director.
- f. All RPTs approved by the Board shall be included in the Agenda of the Annual Stockholders' Meeting under the item "Ratification of the Acts of the Board of Directors".

- g. Any RPT involving an amount or value of Php50 Million and above but below the threshold for Material RPT, shall be submitted for review and approval by the Audit Committee prior to its endorsement to the Board for approval.

The Audit Committee may require the person who initiated the request for review of the RPT and/or the Department Head concerned to provide additional information and documents and attend such meeting(s) of the Audit Committee where the review of the RPT will be undertaken.

In the event that the RPT breaches the Materiality Threshold within the twelve (12)-month period, the last RPT that breaches the threshold (“Triggering Transaction”), as well as subsequent RPTs to this transaction, shall be submitted to the Board for ratification.

- h. Any RPT involving an amount or value of less than Php 50 Million will be directly submitted to the President and Chief Finance Officer for their consideration and approval. In no case shall the President approve an RPT involving the CFO and vice-versa. In such an event, the matter shall be referred to the Audit Committee for review and approval prior to the endorsement to the Board for approval.

In the event that the RPT reaches the threshold in the preceding sections within the twelve (12)-month period, the Triggering Transaction, as well as subsequent RPTs to this transaction, shall be submitted to the approving authority as provided above for ratification.

- 7.4 In connection with the review and approval of a Material RPT, all material facts related to the Material RPT as well as any direct and indirect financial interest of directors, substantial shareholders, and officers of the Company in the Material RPT and in any transaction or matter that may affect or is affecting the Company shall be fully disclosed to the Audit Committee and to the Board. Such disclosure shall be made at the respective Audit Committee meeting and Board meeting where the Material RPT will be presented for review/approval and before the completion or execution of the Material RPT.

- 7.5 In summary, the following are the various classifications of RPTs and the applicable thresholds, as well as the approvals required:

AGGREGATE TRANSACTION VALUE (12-MONTH PERIOD)	APPROVALS REQUIRED
Transactions between MPTC and a Related Party of at least 10% of MPTC’s total consolidated assets	<p>At least 2/3 vote of the Board of Directors with at least a majority of the Independent Directors after review and endorsement of the Audit Committee.</p> <p>In case a majority of the independent directors’ vote is not secured, said RPT may be ratified by the vote of stockholders representing at least 2/3 of the outstanding capital stock.</p>
Transactions between MPTC and a Related Party with an amount <u>of Php50 Million and above</u> but less than 10% of the MPTC’s total consolidated assets.	<p>For review and approval of the Audit Committee prior to its endorsement to the Board for approval.</p> <p>If aggregate within a 12-month period reaches threshold of Material RPT, the Triggering Transaction shall be submitted to the Board for ratification.</p>

AGGREGATE TRANSACTION VALUE (12-MONTH PERIOD)	APPROVALS REQUIRED
Transactions between MPTC and a Related Party with an amount <u>or value of less than Php50 Million</u>	<p>Submitted directly to the President and Chief Financial Officer for consideration and approval.</p> <p><u>In no case shall the President approve an RPT involving the CFO and vice-versa. In such an event, the matter shall be referred to the Audit Committee for review and approval prior to the endorsement to the Board for approval.</u></p> <p>In the event that the RPT reaches the threshold in the preceding sections within the 12-month period, the Triggering Transaction shall be submitted to the approving authority as provided above for ratification.</p>

7.6 Notwithstanding any provisions in this Guidelines, regardless of the amount, the following RPTs shall be subject to the requirement of the Revised Corporation Code:

TRANSACTION	APPROVALS REQUIRED
Contract between a director or an officer and the Company	Majority of the Board of Directors
Contract between a director, officer, or their spouses and relatives within the fourth civil degree of consanguinity or affinity and the Company when the presence of such director in the Board meeting in which the contract was approved was necessary to constitute a quorum and the votes of such director was necessary for the approval of the contract, approval by the Company's stockholders is also required.	Majority of the Board of Directors and the stockholders representing 2/3 of the outstanding capital stock entitled to vote.
Contract between the Company and another corporation with interlocking directors if the interest of the interlocking director in the Company is nominal and his interest in the other corporation is substantial, and such director's presence in the Company's Board meeting in which the contract was approved was necessary to constitute a quorum and vote of such director was necessary for the approval of the contract.	Majority of the Board of Directors and the stockholders representing 2/3 of the outstanding capital stock entitled to vote of the corporation where the interest of the interlocking director is nominal.
Management contract where the Company undertakes to manage or operate all or substantially all of the business of another corporation or vice versa. <i>(Reference: Corporation Code, Sections 32, 33, and 34)</i>	Majority of the Board and majority of the shareholders of both the managing and the managed corporation.

## Section 8. Guidelines in Ensuring Arm's Length Terms

- 8.1 The Company shall ensure that the RPTs it enters into are on Arm's Length terms.
- 8.2 The Arm's Length principle requires the transaction with a Related Party to be made under terms and conditions no less favorable in all material respects to the Company than what



could be obtained in an Arm's Length negotiation with a non-Related Party taking into consideration prevailing facts and circumstances, including market terms. It is founded on the premise that where market forces drive the terms and conditions agreed in a non-Related Party transaction, the pricing of the transaction would reflect the true economic value of the contributions made by each entity in that transaction.

- 8.3 The Company shall ensure that no preferential treatment shall be given to Related Parties that are not extended to non-Related Parties under similar circumstances in accordance with applicable law or regulation.
- 8.4 To ensure Arm's Length terms of RPTs, the Company shall comply with the provisions of the Company's Transfer Pricing Guidelines as well as applicable laws, rules, and regulations.

### **Section 9. Disclosure of RPTs**

- 9.1 The Chief Financial Officer, in coordination with the Communication and Stakeholder Management Division and Corporate Governance Office, shall be responsible for the disclosure of RPTs in the relevant financial reports of MPTC as required under the SEC MC 10 s.2019 and other regulatory and applicable disclosure requirements.
- 9.2 RPTs involving the Company's directors, officers, or employees shall be disclosed in the Conflict of Interest Disclosure Form and shall be submitted to the Compliance Officer.
- 9.3 A summary of all individual Material RPTs within a twelve (12)-month period that amount to at least ten percent (10%) of the Company's total consolidated assets shall be disclosed in the Company's Corporate Governance Report.

### **Section 10. Exempt Transactions**

- 10.1 The following transactions are exempt from the coverage of this Policy:
  - a. The acquisition as consumer or realization in the ordinary and usual course of business of consumer goods or consumer services from or to a Related Party on normal commercial terms.
  - b. The sharing of administrative services between MPTC and a Related Party on a cost basis, where the cost of the services is identifiable and allocated to the parties involved on a fair and equitable basis. Examples include company secretarial services, legal services and staff training services.
  - c. Any transaction involving a Related Party where the rates or charges involved are determined by competitive bids, subject to provision 10.2 below.
  - d. Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at the rates or charges fixed in conformity with law or governmental authority.
  - e. Any transaction with a Related Party for the provision of goods or services if the good or services are sold or rendered based on a fixed or graduated scale which is publicly quoted or applied consistently to all customers or class of customers.

- f. Declaration of dividends by the Company to its shareholders, or by Subsidiaries owned by the Company.
  - g. Other transactions similar to any of the foregoing.
- 10.2 Notwithstanding the foregoing provisions, RPTs that undergo competitive bidding from the approval process in this Policy, the said RPT shall be reported to the Audit Committee for information and for assessment on the compliance with the bidding process as the Audit Committee may deem proper.
- 10.3 RPTs included in the foregoing shall not be subject to the RPT review process described in this Guidelines but shall nevertheless be reported to the Audit Committee for the purpose of monitoring. The Audit Committee may recommend amendments to the list of exempt transactions, subject to the approval of the President and the Audit Committee.

### **Section 11. Restitution of Losses and other Remedies for Abusive RPTs**

Whenever applicable, the Company shall discontinue a Related Party Transaction if found abusive and demand restitution of losses or reasonable opportunity costs it incurred from such Related Party.

Any officer or employee of the Company who has knowledge of any violation of this Policy must report this to the Compliance Officer who must in turn report all violations of this Policy to the Audit Committee. The Committee shall have the authority to recommend to the Board the invalidation of any contract in violation of this Policy.

This Policy shall be without prejudice to the provisions of the Company's Revised Manual on Corporate Governance and all related and relevant policies of the Company as well as applicable law and regulations which shall be observed and shall apply to the fullest extent possible.

### **Section 12. Whistleblowing Mechanisms**

The Company has an existing Whistleblowing Policy. Any person reporting abusive RPTs or violation of this Policy and relevant laws on RPTs may report the same pursuant to the Company's Whistleblowing Policy and shall be entitled to protection as a whistleblower.

### **Section 13. Effectivity**

This Policy shall take effect immediately. All existing policies, company rules and related implementing guidelines concerning the same matters covered by this policy are deemed superseded. In the event of any inconsistency between the policy and guidelines contained herein and the terms of other existing policies, company rules and related implementing guidelines, this Policy and the guidelines contained herein shall prevail.

### **Section 14. Amendment or Alteration of this Policy**

This Policy shall not be amended, altered or varied unless such amendment, alteration or variation shall have been endorsed by the Audit Committee and approved by a majority of the Board of Directors and a majority of the stockholders constituting a quorum.

Endorsed by:

(Signed)

**ARTEMIO V. PANGANIBAN**  
Chairman, Governance and Risk Committee

(Signed)

**CHRISTOPHER DANIEL C. LIZO**  
Chief Compliance Officer

Approved by:

(Signed)

**MANUEL V. PANGILINAN**  
Chairman of the Board