

COVER SHEET

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S.E.C. Registration Number

M E T R O G L O B A L H O L D I N G S

C O R P O R A T I O N

(Company's Full Name)

M E Z Z A N I N E F L O O R R E N A I S S A N C E

T O W E R M E R A L C O A V E N U E

P A S I G C I T Y

(Business Address: No. Street City/ Town/ Province)

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Company Telephone Number

1 2

Month

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Day

MATERIAL RELATED TRANSACTIONS POLICY  
FORM TYPE

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Month Day  
annual meeting

Registered/Listed  
Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/ Section

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To be accomplished by SEC Personnel concerned

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# **METRO GLOBAL HOLDINGS CORPORATION**

## **MATERIAL RELATED PARTY TRANSACTIONS POLICY**

This Material Related Party Transactions Policy (“MRPT Policy”) is adopted by Metro Global Holdings Corporation (“the Company”) to comply with Securities and Exchange Commission (“SEC”) Memorandum Circular No. 10, Series of 2019 re: Rules on Material Related Party Transactions for Publicly Listed Companies, subject to the provisions of the Revised Corporation Code, Securities Regulations Code, Philippine Stock Exchange Disclosure Rules, Code or Corporate Governance for Publicly-Listed Companies, and all other applicable laws, rules and regulations of the Philippines.

### **I. PURPOSE**

This policy aims to further promote good corporate governance and add protection to stockholders. It also ensures the integrity of all material transactions between and among related parties and that the same are entered into on an arm's length basis.

### **II. DEFINITION AND COVERAGE OF RELATED PARTIES**

For purposes of this MRPT Policy, the term “Related Parties” shall refer to and cover the following:

#### **1. Individuals/Natural Persons:**

- a. Directors - all Company directors regardless of type whether executive, non-executive or independent;
- b. Officers - officers ranking at least Vice President having control, joint control<sup>1</sup> or significant influence<sup>2</sup> over the company
- c. Substantial Individual Stockholders - natural persons who are, directly or indirectly, the beneficial owners of more than ten percent (10%) of the Company's capital stock; and
- d. Their relatives – the spouses and relatives within the fourth (4<sup>th</sup>) civil degree of consanguinity, legitimate or common-law, of the above persons

#### **2. Entities /Juridical Persons:**

- a. Parent - entity owning more than fifty percent (50%) of the Company and that entity which substantially owns/controls the Company
- b. Subsidiary - any entity that is more than fifty percent (50%) owned by the Company
- c. Fellow Subsidiary - any entity that is also more than fifty percent (50%) owned by parent;
- d. Associate - an entity over which the Company holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the Company has significant influence over it ;

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1 A person or entity has control over the Company if and only if such person or entity has all the following: (1) power over MGHC (2) exposure, or rights, to variable returns from its involvement with MGHC; and (3) the ability to use its power over MGHC to affect the amount of MGHC's returns.

2 The power to participate in the financial and operating policy decisions of the Company but has no control or joint control of those policies

- e. Affiliate - an entity linked directly or indirectly to the Company through any one or a combination of any of the following means:

- 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 stock of MGHC, 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 Company and the entity; or
  - Management contract or any arrangement granting power to the Company to direct or cause the direction of management and policies of the entity, or vice-versa.
- f. Joint Venture - a business or business activity/project whereby two (2) or more entities, including the Company, pool their resources and work together to achieve a business objective.
- g. Other Related Entities - Any entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party of the Company

### **III. RELATED PARTY REGISTRY**

The Company's finance department shall prepare and keep a Related Party registry, which is a record of organizational and structural composition of the Company and its related parties as defined in the preceding section, including the change thereon. Toward this end, a quarterly review and updating of the Related Party Registry shall be undertaken by Management through the Related Party Transactions (RPT) Committee to capture any such organizational and structural changes.

### **IV. DEFINITION AND COVERAGE OF MRPT POLICY**

This policy covers all of the Corporation's material related party transactions ("MRPTs"), which are defined as:

- A single transaction with a related party amounting to ten percent ( 10%) or higher of the Company's total assets based on its latest audited financial statement ; or
- Several transactions or a series of transactions over a twelve (12) month period with the same related party amounting to ten percent (10%) or higher of the Company's total assets based on its latest audited financial statement.

All other transactions of the Company with related parties that do not meet the ten percent ( 10%) threshold provided above are excluded from the coverage of this policy, except as otherwise indicated.

Transactions amounting to ten percent (10%) or higher of the Company's total assets based on its latest audited financial statement that were entered into with an unrelated party that subsequently becomes a related party are excluded from the limits and approval process stated in this policy. Provided, however, that 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 shall subject the material RPT to this MRPT Policy. Provided, further , that the prospective treatment shall be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

### **V. DUTIES AND RESPONSIBILITIES**

#### **A. BOARD OF DIRECTORS**

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

1. To institutionalize and overarching policy on the management of MRPTs to ensure effective compliance with existing laws, rules and regulations at all times and that MRPTs are conducted on an arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged;
2. To approve all MRPTs that cross the materiality threshold as defined under Sec. IV of this MRPT Policy, including write-offs as well as any renewal or material changes in the terms and conditions of previously approved MRPTs, as endorsed by the Related Party Transactions Committee (RPTC);
3. To establish an effective audit, risk and compliance system to:
  - a. Determine, identify and monitor related parties and MRPTs;
  - b. Continuously review and evaluate existing relationships between and among businesses and counterparties;
  - c. Identify, measure, monitor and control risks arising from MRPTs, hence, said system should be able to:
    - Define the related parties' extent of relationship with the Company;
    - Assess situations in which a non-related party (with whom the Company has entered into a transaction) subsequently becomes a related party, and vice-versa;
    - Generate information on the nature and amount of exposures of the Company to a particular related party; and
    - Facilitate submission of accurate reports to the regulators/supervisors
4. To oversee the integrity, independence and effectiveness of policies and procedures for whistleblowing by ensuring that Senior Management addresses legitimate issues raised on MRPTs and by taking responsibility for ensuring that stakeholders who raise concerns are protected from detrimental treatment or reprisals.

## B. SENIOR MANAGEMENT

Senior Management shall implement appropriate controls to effectively manage and monitor MRPTs on a per transaction and aggregate basis. Exposures to related parties should also be monitored on an ongoing basis to ensure compliance with the Company's policies and SEC regulations.

## VI. IDENTIFICATION AND INITIAL REVIEW OF MRPTs

For purposes of the review and approval of RPTs, RPTs of the Company shall be reviewed and approved as follows:

Type of RPT	Reviewing Authority	Approving Authority
Material RPT	Related Party Transactions Committee ("RPT Committee")	Board of Directors
Significant RPT	RPT Committee	Board of Directors
RPT that is not a Significant RPT nor a Material RPT	Senior Management of the Reporting Entity	RPT Committee

A "Significant RPT" is a transaction among related parties with a total contractual value of more than Php 50 million but less than 10% of the Company's Total Assets based on its latest Audited Financial Statement (AFS).

For this policy, the Company will focus on identification and review of **Material RPTs**.

The finance department shall have the primary responsibility for the following:

1. **Identification.** Identify MRPTs either individually, or in aggregate over a twelve (12)-month period with the same party, amounting to ten percent (10%) or higher of the Company's Total Assets based on its latest Audited Financial Statement (AFS).
2. **Ensuring Arm's-Length Terms.** To ensure that no preferential treatment is given to related parties that are not extended to non-related parties under similar circumstances, the following measures must be observed before the execution of MRPTs:
  - a. **Effective Price Discovery Mechanism.** To ensure that MRPTs are entered into at terms that promote the best interest of the Company and its shareholders, effective price discovery mechanism shall be resorted to, such as but not limited to, opening the transaction to a bidding process or publication of a property available for sale; and
  - b. **Independent Evaluation.** The BOD should appoint an external independent party to evaluate the fairness of the terms of the MRPT. An external independent party may include, but is not limited to, auditing/accounting firms and third party consultants and appraisers.
3. **Initial Approval.** Endorse MRPTs to the appropriate transaction's approving authority for approval and thereafter, submit to Compliance Office (CO), with all the supporting documents, including the results of the external independent party's evaluation, for review and confirmation prior to the execution of the transaction.

#### VII. REVIEW AND APPROVAL OF MRPTs

In reviewing MRPTs, the following procedures shall be observed:

1. **Evaluation & Endorsement.** The Related Party Transactions Committee (RPTC) shall evaluate and endorse for the approval of the Board of Directors (BOD) all MRPTs. After the review of the RPTC, all proposals shall be endorsed to the BOD for approval.
2. **Final Approval.** All individual MRPTs shall be approved by at least two thirds (2/3) vote of the BOD, with at least majority of the Independent Directors voting to approve the MRPT, subject to confirmation of the Stockholders during the Annual Stockholders' Meeting (ASM) together with all other material RPTs that crossed the materiality thresholds set on a per transaction type basis in the Company's regular RPT Policy. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the Company's outstanding capital stock in a Special Stockholders' Meeting (SSM) duly called for such a purpose.
3. **Aggregated Transactions with a Related Party.** For aggregate RPT transactions within a twelve (12)-month period that breaches the materiality threshold of ten percent (10%) of the Company's Total Assets based on its latest Audited Financial Statement (AFS), the same BOD approval and Stockholders' confirmation/ratification above shall be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

4. **Independence & Inhibition of Directors and Officers Involved in MRPTs.** To prevent and/or manage potential or actual conflict of interest situations which may arise out of or in connection with MRPTs, directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction. No director or officer shall participate in the RPTC and BOD discussion of a MRPT for which he, she or any member of his or her close family or related interest is involved, including transactions of subordinates, except in order to provide material information on the MRPT to the RPTC/BOD. 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 if the required approval is secured.
5. **Self-Declaration & Disclosure.** Directors, substantial shareholders and officers, as herein defined, shall fully and timely disclose to the BOD any and all material facts related to the MRPTs as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the Company. Such disclosure shall be made at the BOD meeting where the MRPT will be presented for approval and before the completion or execution of the MRPT.

### VIII. WHISTLE BLOWING MECHANISM

The Company adopts its existing whistle blowing policy as a means to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical, or questionable material related party transactions.

In addition to the said policy, the Corporation hereby adopts the following whistle blowing process:

- All concerns about illegal, unethical, or questionable material related party transactions shall be addressed to the Audit and Related Party Transactions Committee. The complaint or concern may be in any form and may not disclose the name of the complaining person; provided, that the Company will entertain anonymous complaints only if the complaint is found by the Board of Directors to be sufficient in form and in substance.
- Within five (5) days from receipt of a complaint or concern, the Audit and Related Party Transactions Committee shall inform the Board of Directors and the Compliance Officer of the existence of such complaint or concerns.
- Within fifteen (15) days from receipt of notice of a complaint or concern, the Board of Directors shall form an investigating committee to investigate and verify the complaint or concern. The investigating committee shall be composed of the following:
  - A member of the Audit and Related Party Transactions Committee;
  - A member of the Nominations, Remunerations, and Corporate Governance Committee
  - A member of the Internal Audit Department ;
- The investigating committee shall conduct an investigation within thirty (30) days from its appointment by the Board of Directors. Should the investigating committee need more time to investigate, it may request for an additional fifteen (15) days, which may be granted by the Board of Directors upon good cause shown. The investigating committee may seek the aid of the Compliance Officer and/or the Company's legal counsel
- Within ten (10) days from conclusion of its investigation, the investigating committee shall submit a report to the Audit and Related Party Transactions Committee, copy furnished the Compliance Officer.
- Within ten (10) days from receipt of the investigating committee's report, the Audit and Related Party Transactions Committee shall submit to the Board of Directors, copy furnished the Compliance Officer, the results of the investigation together with its recommendation as

to the dismissal of the complaint/concern or the appropriate sanctions that may be imposed by the Corporation. The Compliance Officer may also submit to the Board of Directors his/her recommendation as to the dismissal of the complaint/concern or the proper sanction that may be imposed.

- The Board of Directors shall, within ten (10) days from receipt of the results of the investigation and the recommendation of the Audit and Related Party Transactions Committee, review the same and submit its Decision as well as impose the proper sanction, copy furnished the Compliance Officer.
- The sanctions that may be imposed on the transaction itself and on the erring officers are those provided under the Revised Corporation Code, the Securities Regulation Code and its implementing Rules, the Code of Corporate Governance for Publicly Listed Companies, the Amended Manual on Corporate Governance of the Corporation, the penalties provided in the next section of this policy, and other existing laws, rules, and policies of the Corporation.
- The Compliance Officer shall ensure that the dismissal of the complaint/concern or the imposition of sanction is in accordance with the laws, regulations, and existing policies of the Company.

#### **IX. ADMINISTRATIVE SANCTIONS**

The following are considered as breaches/violations of this MRPT Policy:

1. Directors and Officers ranking VP & up who deliberately fail to declare or conceal any and all material facts as well as their direct and indirect financial interest in the Company's MRPTs
2. Abusive MRPTs or those that were not entered at arm's length terms and unduly favouring a related party.

After due process of hearing so required under the Company's Code of Conduct and Corporate Governance Manual (CGM), the imposition of the appropriate administrative sanction/s (including loss restitution, as applicable) shall be decided by the following bodies:

1. Board of Directors - For Directors and Officers ranking VP & up who were found to have wilfully violated the full disclosure of the MRPTs they are involved in or were found responsible for allowing abusive MRPTs, upon the endorsement of the Related Party Transactions Committee (RPTC); and
2. President - For Officers ranking below VP who were found to have deliberately failed/refused to report/disclosed or have been remiss in their duties in handling MRPTs, upon the endorsement of the Related Party Transactions Committee (RPTC).

#### **X. REMEDIES FOR ABUSIVE MATERIAL RELATED PARTY TRANSACTIONS**

A material related party transaction shall be considered abusive if the same is not entered at arm's length and unduly favours a related party to the undue prejudice and substantial disadvantage of the Company.

- a. **Restitution of Losses.** Should the material related party transaction be found abusive, the Company, through its management, shall discontinue such transaction by serving a written notice to the related party within five (5) days from receipt of the decision of the Board of Directors as stated above or from receipt of the Board of Directors' assessment that the transaction is abusive or fraudulent MRPTs or those that are not conducted on terms fair to the Company. The Company shall likewise demand from the related party the restitution of losses or opportunity costs that the Company incurred from such material related party transaction.

- b. **Suspension or Removal from the Position.** A director, officer, or personnel who has been found to be remiss in handling material related party transactions, whether deliberate or through gross negligence, shall be suspended or removed from his/ her position, depending on the gravity of the offense, as the case may be, and as allowed under existing laws, rules and regulations, and company policies. Provided, however, that such director, officer, or personnel shall be solidarily liable with the related party from whom the restitution of losses or opportunity costs are demanded.
- c. **Supervisory Enforcement Actions for Abusive MRPTs.** Pursuant to Sections 26 & 27 of the Revised Corporation Code, an interested director or officer shall be disqualified from being a director, trustee or officer of any other corporation on the basis of a final judgment rendered by a court of competent jurisdiction against the interested director or officer for abusive MRPTs. Such a disqualification shall be for a period of at least one (1) year, as may be determined by the SEC. This is without prejudice to any other administrative penalties that may be imposed by the SEC, and/or civil or criminal penalties, as may be provided under the Revised Corporation Code of the Philippines, Securities Regulation Code, and other related laws.

#### XI. SELF-ASSESSMENT AND PERIODIC REVIEW OF THE POLICY

- The Internal Audit shall conduct a periodic review of the effectiveness of the Company's system and internal controls governing material related party transactions 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 the Audit and Related Party Transactions Committee.
- The Compliance Officer shall aid the Internal Audit in the review of the Company's transactions and identify any potential material related party transaction that would require review by the Board. He/she shall ensure that this policy is kept updated and is properly implemented throughout the Company.
- The Compliance Officer shall ensure that the Corporation complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties.

#### XII. REGULATORY DISCLOSURE AND REPORTING

The Company shall submit the following to the Securities and Exchange Commission (SEC):

1. **Summary of MRPTs.** A summary of MRPTs entered into during the reporting year which shall be disclosed in MGHC's Integrated Annual Corporate Report (I-ACGR) to be submitted annually Not Later Than May 30 of each year. Signatories of the I-ACGR are the Chairman of the Board, CEO/President, all Independent Directors, Corporate Secretary and the Chief Compliance Officer.
2. **Advisement Report on MRPTs.** An Advisement Report, in accordance with the SEC-prescribed format, shall be filed within three (3) calendar days after the execution date of the transaction. The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative.
3. **Minimum Disclosure Requirements.** At a minimum, the disclosures in both 1 and 2 shall include the following information:
  - a. Complete name of the related party;
  - b. Relationship of the parties;

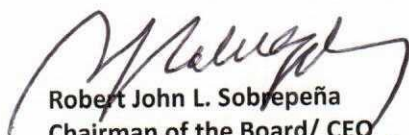



- c. Execution date of the MRPT;
- d. Financial or non-financial interest of the related parties;
- e. Type and nature of transaction as well as a description of the assets involved;
- f. Total assets;
- g. Amount or contract price;
- h. Percentage of the contract price to the Company's Total Assets based on its latest Audited Financial Statement (AFS);
- i. Carrying amount of collateral, if any;
- j. Terms and conditions;
- k. Rationale for entering into the transaction; and
- l. Approval obtained (i.e. names of directors present, names of directors who approved the MRPT and the corresponding voting percentage obtained).

4. **Posting of MRPT Policy.** This Policy shall be posted on MGHC's website with accessible link within five (5) days from its submission to the SEC.

**XIII. APPROVAL AND EFFECTIVITY OF THIS POLICY**

This policy was approved by the BOD at its meeting held on 25 October 2019 and shall take effect immediately.

  
Robert John L. Sobyepaña  
Chairman of the Board/ CEO  
*RS*

  
Atty. Alice O. Bondoc  
SVP-Good Governance, Compliance  
Officer & Asst. Corporate Secretary