

## RELATED PARTY TRANSACTIONS POLICY & GUIDELINES

PACIFIC ONLINE SYSTEMS CORPORATION (the Company) is committed to the highest standards of ethics in compliance with all applicable laws, rules, and regulations as it conducts its business as a good corporate citizen. This commitment and standard of conduct governs POSC's relationships with its customers, external providers, shareholders, competitors, the communities it operates in, and with employees themselves at every level of the organization.

### I. Purpose

The purpose of the policy is to provide guidelines that would ensure the integrity and transparency of Related Party Transactions (RPT) and ensure that all transactions are always to the interest of the Company and in particular of its minority shareholders and other stakeholders.

### II. Definition of Terms

- a. **“Related Parties”** – entities and individuals that have the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operational decisions, or vice-versa, or where the Company and the party are subject to common control or common significant influence; these are the Company's controlling shareholders, joint ventures, subsidiaries, affiliates, associates, directors and officers (including their spouses, children, dependent siblings and parents), and that of interlocking director relationships by members of the Board.
- b. **“Material Transactions”** – transactions reaching the set threshold amount as recommended by Management and approved by the Board of Directors.

### III. Coverage and Materiality Threshold

It is the Company's policy that transactions with related parties are made at terms equivalent to prevailing market rates and at arm's length basis.

Management shall present material transactions entered into by the Company with related parties to the Related Party Transactions Committee for review prior to Board approval and Management execution. Such material transactions subject to the Committee review and approval are limited to the following:

- a) Mergers and acquisitions between related parties;
- b) Loans or advances to and from a related party exceeding Five Million Pesos (Php5,000,000) per transaction or series of transactions;
- c) Engagement of services of a related party outside of the ordinary course of business with fees exceeding One Million Five Hundred Thousand Pesos (Php 1,500,000) per engagement or series of engagements.

Notwithstanding the thresholds provided above defining material RPTs subject to the review of the Committee, transactions identified by Management or the Chairman of the RPT Committee as sensitive or otherwise material may be submitted to the Committee for review.

RPTs not expressly provided herein shall not be covered by this policy and therefore shall not be subject of the RPT Committee review.

For further clarity, the following transactions are excluded from the RPT Policy and therefore shall not pass through the Committee review:

- a. Compensation of directors and employment of executive officers.
- b. Transactions with similar terms available to all employees.
- c. Banking, treasury and foreign exchange transactions, 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 or insurance companies in the ordinary course of business.
- d. Share transactions such as dividends, repurchase, rights offerings, available to all shareholders on a pro-rata ownership basis.
- e. Transaction/s 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 rules, law or governmental authority.
- f. Transfer of resources between parent company and subsidiaries, and between wholly-owned subsidiaries of a common parent company.

#### IV. Guidelines

The RPT Committee shall review and approve material transactions in accordance with the principles of integrity, transparency and fairness, to ensure that they are at arm's length and it is to the best interest of the Company and its subsidiaries or their shareholders, including minority shareholders.

Management shall conduct a periodic assessment on the following items:

- Collectability of receivables from related parties and the need to provide allowance for doubtful accounts for such receivables;
- Market and financial risks faced by related parties;
- Guarantees issued to or received from related parties;
- Financial and economic soundness of RPTs (e.g. receivables and payables, cash placements and loans, investments in shares of stock, management / service fees, etc.)

In the review of the RPTs, the Committee shall consider the following among others:

- a. The Related Party's relationship to the Company and interest in the transaction;
- b. Material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- c. Benefit to the Company of the proposed RPT;
- d. Availability of other sources of comparable products or services;
- e. Full assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances

The Corporation's Policy on Conflict of Interest and its Manual on Corporate Governance provides clear stipulations with regard to the identification, prevention and management of any conflict of interest.

All Directors and the Corporation's officers and employees have the duty to conduct fair business transactions with the Corporation and ensure that personal interest do not conflict with the interests of the Corporation. It is provided further that the basic principle to be observed is that any director, officer, or employee should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should

avoid situations that may compromise his impartiality. A conflict of interest shall be considered material if his personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation. All Directors, officers and employees are obligated to disclose to the Corporation any actual or potential conflict of interest.

## **V. Review by the RPT Committee**

The Corporation's Chief Financial Officer shall submit to the Committee on a periodic basis Related Party Transactions update for review.

The Committee shall review and approve all covered RPTs in accordance with the principles of transparency, integrity and fairness, to ensure that they are at arm's length, and that is to the best interest of the Corporation, its subsidiaries or affiliates and the shareholders, including minority shareholders.

Upon review of the Committee, the same shall be endorsed to the Board of Directors for final approval.

Any member of the Committee or Board of Directors who has an interest in the RPT under review shall immediately inform the Committee or Board of Directors and abstain from participating in the discussion and from voting.

## **VII. Disclosure of RPTs**

Full disclosure of the details, nature, extent and all other material information on RPTs including outstanding balances with related parties for an understanding of the potential effect of the relationship on the financial statements shall be made by the Corporation. This shall be stated in the Company's financial statements, and its quarterly and annual reports and other applicable filings to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE) and other applicable regulatory bodies. Such disclosures are available on the corporate website and readily accessible to the public.

## **VIII. Compliance to the RPT Policy**

The Corporation is committed to upholding and protecting the interests and rights of all of its shareholders at all times. As such, all transactions including RPTs that require shareholders' approval as deemed by the Committee are submitted for approval.

All transactions, contracts or agreement not consistent or is non-compliant with any portion or provision of this Policy shall be revoked or nullified.

A director, officer, employee, or Related Party is subject to the corresponding procedures and penalties under the Corporation's Code of Conduct and relevant laws, as applicable.

*(Updated as of November 6, 2018)*