

RELATED PARTY TRANSACTIONS POLICY

POLICY STATEMENT

This policy ensures that all transactions by and between a related party and PhilWeb Corporation (Corporation) are properly identified and reviewed to ensure that Material Related Party Transactions (material RPTs) are properly approved and disclosed. Such transactions are appropriate only if the best interest of the Corporation and its stockholders are secured.

DEFINITIONS

For purposes of this policy, the following definition of terms shall apply:

Related parties - covers the Corporation'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 Corporation. It also covers the Corporation's 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.

Substantial 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 Corporation 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 Corporation of at least ten percent (10%) or more of the outstanding voting stock of the Corporation, 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 Corporation and the entity; or
- Management contract or any arrangement granting power to the Corporation to direct or cause the direction of management and policies of the entity, or vice-versa.

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

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

Control - A person or an entity controls a Corporation if and only if the person or entity has all of the following:

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

Related party transactions - a transfer of resources, services or obligations between the Corporation 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.

Material Related Party Transactions - 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 Corporation's total assets based on its latest audited financial statement.

Materiality Threshold - Ten percent (10%) of the Corporation's total assets based on its latest audited financial statement. If the Corporation is a parent Corporation, the total assets shall pertain to its total consolidated assets.

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

DUTIES AND RESPONSIBILITIES

A. Board of Directors

The board of directors (Board) 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 Corporation's shareholders and other stakeholders. Towards 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 conditions of material RPTs previously approved in accordance with this policy.

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

The system shall be able to define the related parties' extent of relationship with the Corporation; assess situations in which a non-related party (with whom a Corporation 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 Corporation 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 officers and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the SEC and audit functions for review. Any change in the policy and procedure shall be approved by majority of the board of directors and approved by majority of the stockholders constituting a quorum.

The Corporation shall be allowed to set a threshold lower than the materiality threshold provided under this policy upon determination by the board of directors of the risk of the RPT to cause damage to the Corporation and its shareholders. This adjusted threshold shall be contained in this policy.

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 raise concerns are protected from detrimental treatment or reprisals.

B. Senior Management

Senior management shall implement appropriate controls to effectively manage and monitor material RPTs on a per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with the Corporation's policy and SEC's regulations. It shall conduct quarterly review and update the Related Party Registry to capture organizational and structural changes in the Corporation and its related parties.

COVERAGE

This policy shall cover all transactions meeting the materiality threshold.

Transactions amounting to ten percent (10%) or more of the total assets that were entered into with an unrelated party that subsequently becomes a related party is excluded from 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 shall subject the material RPT to the requirements of this policy. 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.

GUIDELINES IN ENSURING ARM'S LENGTH TERMS

Before the execution of the material RPT, the Board of Directors shall appoint an external independent party to evaluate the fairness of the terms of the material RPTs. An external independent party may include, but is 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.

To ensure that the material RPTs are engaged into at terms that promote the best interest of the Corporation and its shareholders, the Board shall undertake a price discovery mechanism which may

include, but is not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.

Material RPTs shall be accounted for at market prices normally charged to unaffiliated customers or parties for similar goods, services or transaction.

In the review of the material RPTs, the Board shall consider the following factors:

- 1) the terms of the transaction
- 2) the aggregate value of the transaction
- 3) whether the terms of the transaction are no less favorable than those generally available to non-related parties under the same or similar circumstances
- 4) the extent of Related Party's interest in the transaction
- 5) purpose and timing of the transaction
- 6) whether the transaction would present an improper conflict of interests or special risks or contingencies for the Corporation or any of its subsidiaries or affiliates, or the Related Party taking into account the size of the transaction and the overall financial position of the Related Party; and
- 7) any material information or other factors the Board deems relevant.

IDENTIFICATION AND PREVENTION OR MANAGEMENT OF POTENTIAL OR ACTUAL CONFLICTS OF INTEREST WHICH MAY ARISE OUT OF OR IN CONNECTION WITH MATERIAL RPTS.

Directors and officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interests in the material RPT and abstain from the discussion, approval and management of such transaction or matter affecting the Corporation. 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.

APPROVAL OF MATERIAL RPTS

All individual material RPTs shall be approved by at least two-thirds (2/3) vote of the Board, with at least a majority of the independent directors voting to approve the material RPT. In case that a 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. For aggregate RPT transactions within a twelve (12)-month period that breaches the materiality threshold of ten percent (10%) of the Corporation's total assets, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction shall abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

SELF-ASSESSMENT AND PERIODIC REVIEW OF POLICY

The internal audit shall conduct a periodic review of the effectiveness of the Corporation'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 the Audit Committee.

The Corporation's Compliance Officer shall ensure that the Corporation 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 Corporation's transactions and identify any potential material RPT that would require review by the Board. He/she shall ensure that the Corporation's material RPT policy is kept updated and is properly implemented throughout the Corporation.

DISCLOSURE REQUIREMENT OF MATERIAL RPTS.

The members of the Board, substantial shareholders, and officers shall fully disclose to the Board all material facts related to material RPTs as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the Corporation. Such disclosure shall be made at the board meeting where the material RPT will be presented for approval and before the completion or execution of the material RPT.

WHISTLE BLOWING MECHANISMS

The Whistle-Blowing Policy of the Corporation shall apply to any abuse of material RPTs. All stakeholders are encouraged to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable material RPTs.

REMEDIES FOR ABUSIVE MATERIAL RPTS

Violation of the provisions of this policy shall result in the nullification or revocation of any agreement or contract involve in the execution of the abusive material RPT.

A director, officer or employee who have been remiss in their duties in handling material RPTs in accordance with the Corporation's policies is subject to the corresponding procedures and penalties under the Corporation's Code of Business Conduct and Ethics and Code of Discipline.

Abusive material RPTs refer to material RPTs that are not entered at arm's length and unduly favor a related party.

DISCLOSURE AND REGULATORY REPORTING

The material RPTs are disclosed in the Corporation's financial statements, annual reports, and other filings as required by the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange. Further, the Corporation shall submit the following to the SEC:

1. A summary of material related party transactions entered into during the reporting year which shall be disclosed in the Corporation's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every May 30;
2. Advisement Report of any material RPT filed within three (3) calendar days from the execution date of the transaction.

At a minimum, the disclosures in both (1) and (2) above shall include the following information:

- 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 transaction as well as a description of the assets involved;

- vi. total assets (consolidated assets, if Corporation is a parent Corporation);
- vii. amount or contract price;
- viii. percentage of the contract price to the total assets of the Corporation;
- 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 the corresponding voting percentage obtained).

EFFECTIVITY

This policy supersedes any and all previous policies or policy directives concerning related party transactions and is effective 28 October 2019.