

Policy on Related Party Transactions

1. Objective

Philcomsat Holdings Corporation has adopted this Policy on Related Party Transactions ("Policy") in compliance with SEC Memorandum Circular No. 10 Series of 2019 to ensure proper disclosure, review, approval, and ratification of related party transactions ("RPT") as defined below.

RPTs shall be conducted in the regular course of business and not undertaken on more favorable terms to such related parties than similar transactions with non-related parties under similar circumstances.

2. Definitions (In accordance with SEC Memorandum Circular No. 10 series of 2019)

- a) 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. At present, this covers the following entities: Philippine Overseas Telecommunication Corporation, Philippine Communications Satellite Corporation, Philcomsat Management Enterprises, Inc., Montemar Resort Development Corporation and Montemar Beach Club, Inc.
- b) 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. At present, there are only two (2) substantial shareholders of the Corporation, namely, the Philippine Communications Satellite Corporation and Mr. Prudencio C. Somera, Jr.
- c) Affiliate – refers to an entity linked directly or indirectly to the Corporation through any one or a combination of the following:
 - 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 the Corporation, or vice-versa;
 - Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
 - Common stockholder 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.
- d) 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 a significant influence.
- e) Significant Influence – The power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.
- f) Control – A person or an entity controls the 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.
- g) 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.
- h) 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.
- i) Materiality Threshold – Ten percent (10%) of the Corporation’s total consolidated assets based on its latest audited financial statement.
- j) Related Party Registry – A record of the organizational and structural composition, including any change thereon, of the company and its related parties.
- k) Abusive material RPTs – material related party transactions that are not entered at arm’s length and unduly favor a related party.

3. Duties and Responsibilities

a) Board of Directors

The Board of Directors ("Board") shall have 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 and other stakeholders. Towards this end, the Board shall carry out the following duties and responsibilities:

- 1) To institutionalize an overarching policy on the management of material RPTs to ensure 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 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 3 (f) of SEC Memorandum Circular No. 10 series of 2019.

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 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 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 procedures shall be approved by majority of the Board of directors and approved by majority of the stockholders constituting a quorum.

- 4) The Board shall oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. It shall 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) Related Party Transaction Committee

The Related Party Transaction Committee ("RPTC") shall, together with Senior Management, implement appropriate controls to effectively manage and monitor material RPTs in accordance with this Policy.

The RPTC shall investigate concerns or complaints in accordance with the company's Whistleblowing Policies and shall be tasked to determine whether an RPT meets the materiality threshold for submission to the Board for review and evaluation.

The RPTC shall identify all related parties and be responsible for maintaining and updating the company's Related Party Registry.

4. Notification of Related Party Transactions

The Treasurer or Assistant Treasurer shall promptly notify the RPTC of any proposed transaction with a related party. The disclosure shall include, but not be limited to the following:

- a) General description of the transaction/s and terms thereof;
- b) Total value of the proposed transaction/s;
- c) The related party's interest (direct or indirect) or extent of involvement in the transaction/s;
- d) Any other relevant information regarding the transaction/s.

The RPTC shall review the transaction/s disclosed and determine whether it reaches the materiality threshold.

When the RPTC determines that the transaction is a material RPT, it shall notify the Corporate Secretary of the said transaction/s including the finding/s thereon for inclusion in the agenda of the next scheduled meeting of the Board for review and evaluation.

RPTs that are below the materiality threshold shall be reviewed and approved/disapproved by the RPTC. All RPTs that were approved by the RPTC shall be submitted to the vote of a majority of the members of the Board for confirmation.

5. Review

All material RPTs shall be reviewed and evaluated by the Board. Any material RPT that has not been previously identified may be subsequently reviewed by the Board and may be ratified, modified, rescinded or terminated.

In reviewing material RPTs, the Board shall take into consideration, among other factors it deems appropriate, whether the RPT is entered into on terms no less favorable to the company than terms generally available to non-related parties under similar circumstances. Further, the Board shall consider, but not be limited to the following factors:

- a) Whether the transaction/s was negotiated and entered into under conditions equivalent to those prevailing in an arm's length transaction;
- b) The total value of the transaction/s;
- c) Extent of the related party's interest (direct or indirect) in the transaction/s;
- d) Whether the terms and conditions of the transaction/s are fair to the company and would apply on the same basis if the transaction/s did not involve a related party;
- e) Whether the transaction/s poses a potential reputational risk that may arise as a result of or in connection with the proposed transaction/s.
- f) Any other relevant information regarding the transaction/s.

6. Approval

All material RPTs shall each 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. Otherwise, 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 that breaches the materiality threshold within a twelve (12)-month period, the same approval would be required for transaction/s that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction shall not participate 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.

7. Appointment of Independent Party

An external independent party may be appointed by the Board to evaluate the fairness of the terms of the said material RPT and to make recommendations to the Board.

An external independent party may include, but not limited to the following:

- a. Auditing/accounting firms;
- b. Third party consultants; or
- c. Appraisers.

8. Whistleblowing

All shareholders are encouraged to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal, unethical, or questionable material RPTs. Such concerns and complaints may be reported directly to the Investment Relations Officer via the communication channels below:

- a) Office Address: 12/F Telecom Plaza Bldg., 316 Sen. Gil Puyat Ave., Makati City, Metro Manila, Philippines.
- b) Contact number: (632) 8815-8406 local 331
- c) Email address: inquiry@phc.com.ph

The Investor Relations Officer or his/her representative shall endorse each concern or complaint to the RPTC who shall promptly investigate the same.

The Corporation and all its directors, officers, consultants, or employees ("DOCE") who receive information regarding such concern or complaint, shall, at all times, maintain the anonymity of the whistleblower and shall not reveal the whistleblower's identity without the latter's consent. Any DOCE who reveals the identity of the whistleblower without the latter's consent shall be subject to appropriate sanctions including dismissal.

Aside from maintaining the confidentiality of the identity of the whistleblower, the Corporation and its DOCE shall not tolerate retaliation or reprisal tactics against the whistleblower. Any DOCE who engages in such retaliatory conduct against the whistleblower shall be subject to appropriate sanctions including dismissal.

If after investigation, the RPTC finds that the concern or complaint has basis, it shall follow the procedure stated in section 4 on notice to the Corporation Secretary.

9. Self-assessment and periodic review

The internal auditor shall conduct a periodic review of this Policy 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 Compliance Officer shall ensure that the company complies with relevant rules and regulations and is informed of regulatory development in areas affecting related parties. He/she shall aid in the review of the company's transactions and identify any potential material RPT 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 RPTC shall implement controls to effectively manage and monitor RPTs on a per transaction and aggregate basis. It shall maintain a Related Party Registry, conduct a quarterly review, and update it to ensure compliance with this Policy, existing applicable company policies and SEC regulations.

10. Remedies for abusive material RPTs.

This Policy shall be implemented in accordance with the Manual of Corporate Governance, Code of Conduct and Business Ethics and applicable regulatory requirements.

All directors, officers, consultants, and employees who have been remiss in their duties in handling material RPTs in accordance with this Policy and other applicable company policies shall be subject to disciplinary measures in accordance with the Manual on Corporate Governance and the Code of Discipline of the Philcomsat Group of Companies, without prejudice to other appropriate legal remedies that may be availed by the Corporation.

11. Disclosure and Regulatory Reporting

The Corporate Secretary shall be responsible for submitting the following to the SEC:

- a) A summary of material RPTs 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;

- b) Advisement Report of any material RPT filed within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Corporate Secretary or authorized representative.

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

- 1) Complete name of the related party;
- 2) Relationship of the parties;
- 3) Execution date of the material RPT;
- 4) Financial or non-financial interest of the related parties;
- 5) Type and nature of transactions as well as a description of the assets involved;
- 6) Total consolidated assets;
- 7) Amount or contract price;
- 8) Percentage of the contract price to the total assets of the Corporation
- 9) Carrying amount of collateral, if any;
- 10) Terms and conditions;
- 11) Rationale for entering into the transaction; and
- 12) The approval obtained (i.e., names of directors present, name of directors who approved the material RPT and the corresponding voting percentage obtained)

Adopted this 18th day of October 2019 in Makati City.

FOR THE BOARD OF DIRECTORS

KATRINA C. PONCE-ENRILE

Chairman of the Board

LORNA PATAJO-KAPUNAN

Compliance Officer