

COVER SHEET

for Applications at
COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

POLICY ON MATERIAL RELATED PARTY
TRANSACTIONS

SEC Registration Number

C S 2 0 0 6 0 2 3 5 6

Company Name

G M A H O L D I N G S , I N C .

Principal Office (No./Street/Barangay/City/Town)Province)

5 D T O W E R O N E O N E M C K I N L E Y P L A C E
N E W G L O B A L B O N I F A C I O D A Y F O R T
B O N I F A C I O , T A G U I G C I T Y

Company's Telephone Number/s

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Contact Person

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Contact Person's Telephone Number

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Contact Person's Address

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To be accomplished by CRMD Personnel

Assigned Processor :

Date

Signature

Document I.D.


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Received by Corporate Filing and Records Division (CFRD)

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- Corporate and Partnership Registration Division
- Green Lane Unit
- Financial Analysis and Audit Division
- Licensing Unit
- Compliance Monitoring Division

	MANUAL OF POLICIES AND PROCEDURES	
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I. GENERAL POLICY STATEMENT

It is the policy of GMA Holdings, Inc. (the “Company”) to ensure that material Related Party Transactions (RPT) entered into by the Company are in accordance with the Material RPT Rules for Public Listed Companies (SEC Memorandum Circular No. 10, series of 2019; otherwise known as the Material RPT Rules). Hence, the Company adopts the following Policy on Material Related Party Transactions of GMA Network, Inc. but only insofar as the same are applicable or relevant to the business or purpose of the Company which is the issuance of Philippine Deposit Receipts (“PDRs”) and the ownership of the underlying GMA Network, Inc. common shares of the PDRs.

This Policy is intended to:

- i. ensure proper review, approval, ratification and disclosure of transactions between the Company and any of its Related Party/ies as required in compliance with legal and regulatory requirements;
- ii. ensure that material RPTs are conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties; and
- iii. ensure material RPTs are conducted and entered into at an arm’s length terms

II. DEFINITION OF TERMS

A. DEFINITION OF A RELATED PARTY

- i. **Related parties** – covers 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*. It also covers the Company’s subsidiary, associate, joint venture or an *entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party*.
- ii. **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.
- iii. **Affiliate** – refers to an entity linked directly or indirectly to the Company through any one or a combination of any of the following:
 1. 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 Company, or vice-versa;
 2. Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;



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3. Common stockholders owing at least ten percent (10%) of the outstanding voting stock of the Company and the entity;
4. Management contract or any arrangement granting power to the Company to direct or cause the directions of management and policies of the entity, or vice-versa; or;
- iv. **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.

B. DEFINITION OF RELATED PARTY TRANSACTION

In the context of this policy, the following criteria applies to RPTs:

i. Nature of RPT

A transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged. It includes not only the 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. These transactions may or may not be in the conduct of the Company's ordinary course of business.

ii. Materiality Threshold

Ten percent (10%) of the Company's total consolidated assets based on its latest audited financial statement.

iii. Material RPT

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 assets based on its latest audited financial statements.

C. OTHER TERMS

- i. **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.
- ii. **Control** – a person or an entity controls the Company if and only if the person or entity has all of the following:
 1. Power over the Company;
 2. Exposure, or rights to variable returns from its involvement with the Company;
 3. The ability to use its power over the Company to affect the amount of the Company's returns.



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- iii. **Related party registry** – a record of organizational and structural composition, including any change thereon, of the Company and its related parties.
- iv. **Abusive material RPTs** – material RPTs that are not entered at arm's length and unduly favor a related party.

D. OTHER TERMS IN THE MATERIAL RPT RULES:

The other definitions of terms under the Material RPT Rules not included in the foregoing definitions shall be deemed incorporated by reference in this Policy.

III. GENERAL GUIDELINES

A. REQUIREMENTS OF RELATED PARTY TRANSACTIONS


- i. **Identification of related parties.** Persons and companies that are considered as the Company's related parties are identified in the Related Party Registry (*see Annex A*). Management/Board of Directors (BOD) are required to institute said registry and review the same on a quarterly basis and consequently update the same to capture organizational and structural changes in the Company and its related party.
- ii. **Coverage of Material RPT Policy.** 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 a non-related party that subsequently becomes a related party may be 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 this Policy and the requirements of the Material RPT Rules. The prospective treatment should, however, be without prejudice to the regulatory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

- iii. **Identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with material RPTs.** Each Director, substantial shareholder or officer shall be responsible to fully declare in a timely manner, any RPT and the material interest that they or an immediate family member may have on such transaction, including all material facts, and their respective interest in the material RPT.

The involved party to the material RPT should abstain from the discussion, approval, management of such transaction or matter affecting the Company. 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 the majority approval.

- iv. The following information, to the extent relevant, with respect to the proposed

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Material RPT should be disclosed:


1. A general description of the transaction/s including the material terms and conditions.
2. The name of the Related Party and the basis on which such person or entity is a Related Party.
3. The Related Party's interest in the transaction/s including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction/s.
4. The total value of the proposed transaction and the share of the Related Party's interest in the transaction/s.
5. Whether the Company will be a party to the transaction and if not, the nature of its participation in the transaction/s.
6. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result or in connection with the proposed transaction.
7. Any other material information regarding the transaction/s or the Related Party's interest in the transaction/s.

B. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

- i. ***Disclosure requirement of material RPTs.*** Upon identification, all material RPTs, including transactions falling under the ordinary course of business, shall be referred by Management to the Audit and Risk Management Committee before such transactions are submitted for the approval of the BOD. The Committee shall evaluate material RPTs to determine whether the same are beneficial and in the interest of the Company.

Directors, substantial shareholders and officers shall fully disclose to the BOD 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 Company. 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.

- ii. The Committee together with the BOD will consider the following factors in conducting an independent review, to the extent relevant to the material RPT:
 1. the identities of the parties involved in the transaction or relationship;
 2. the terms of the transactions are fair and on arms-length basis to the Company; as such, transfer pricing methods that are acceptable to regulatory and statutory agencies and in compliance with the Bureau of Internal Revenues Revenue Audit Memorandum Order (RAMO) No. 1-2019 known as the Transfer Pricing Audit

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Guidelines shall be employed by the Company in so far as material RPTs are concerned, to wit:

- a. Resale price method (RPM)
 - b. Comparable uncontrolled price (CUP) method
 - c. Cost plus method (CPM)
 - d. Transactional net margin method (TNMM)
 - e. Profit split method (Contribution profit split method or Residual profit split method)
3. price discovery mechanisms, such as acquiring the services of an external expert, opening the transaction to a bidding process or publication of available property for sale may also be employed by the Company as may be necessary;
 4. the impact on director's or officer's independence; and
 5. whether the RPT would present an improper conflict of interest for any director, substantial shareholder, or officer of the Company.
- iii. **Approval of material RPTs.** All individual material RPTs shall be approved by at least two-thirds (2/3) vote of the BOD, 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 RPTs within a twelve (12)-month period that breaches the materiality threshold of ten percent (10%) of the company'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 and officers with personal interest in the material RPT should abstain from the discussion, approval, management of such transaction or matter affecting the Company. 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 the majority approval.

- iv. **Duties and Responsibilities.** Aside from the above steps in review and approval of the RPTs, the following are the detailed duties and responsibilities of the following:

1. Board of Directors

The BOD shall have the overall responsibility in ensuring that transactions with related parties are handled in 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. In this regard, the BOD shall carry out the following duties and responsibilities:

- 1.1 To institutionalize the policy on management of material RPTs to ensure effective compliance with existing laws, rules and regulations at all times and

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that material RPTs are conducted on an arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged.

- 1.2 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 Section B (iii) of this Policy.

Material changes in the terms and conditions of the material RPTs include, but are not limited to, changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirements of the material related party transactions.

- 1.3 To establish an effective audit, risk and compliance system to:
 - 1.3.1 Determine, identify and monitor related parties and material related party transactions;
 - 1.3.2 Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - 1.3.3 Identify, measure, monitor and control risks arising from the material related party transactions.
- 1.4 Oversee the integrity, independence and effectiveness of the policies and procedures for whistleblowing. The BOD shall ensure that Senior Management addresses the legitimate issues on the material related party transactions that are raised. The BOD should take responsibility for ensuring that the stakeholders who raised concerns are protected from detrimental treatment or reprisals.


2. 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 should also be monitored on an ongoing basis to ensure compliance with the Company's policy and SEC's regulations.

3. Internal Audit or External Independent Party

The Company's Internal Audit Department or External Independent Party shall conduct 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 limit, shall be communicated directly to the Audit and Risk Management Committee.

4. Compliance Officer

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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 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.

C. WHISTLE BLOWING MECHANISMS AND REMEDIES FOR ABUSIVE MATERIAL RPTs.

- i. ***Whistle blowing mechanism.*** The Company shall adopt whistleblowing mechanisms consistent with the corporate values and codes of conduct set by top management and the BOD. All stakeholders are encouraged to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable material RPTs. Sealed drop boxes are made available within the premises of the Company and concerns are directly forwarded to the Chairman and Chief Executive Officer of the Company and Chairman of the Board.
- ii. ***Remedies for abusive material RPTs.*** Management shall include measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Company, arising out of or in connection with abusive material RPTs, which may include judicial or extra-judicial settlements, as the case may be.

Penalties and the manner of imposing the same on personnel, officers or directors who have been remiss in their duties in handling material RPTs in accordance with Company policies shall be covered in the Company's Code of Conduct.

D. DISCLOSURE AND REGULATORY REPORTING

The Company shall submit the following to the SEC:

1. A summary of material RPTs entered into during the reporting year which shall be disclosed in the Company's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every May 30;
2. An Advisement Report on material RPTs shall be filed within three (3) calendar days from the execution date of the transactions. This report shall be signed by the Company's Corporate Secretary or authorized representative.
3. Necessary disclosures shall also be made in the Notes to the Financial Statements of the Annual Report.

IV. EFFECTIVITY :

This Policy shall take effect this October 25, 2019.



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RECOMMENDED BY:

RONALDO P. MASTRILI
Comptroller

ENDORSED BY:

FELIPE S. YALONG
COO / CFO

ATTY. ROBERTO RAFAEL V. LUCILA
Compliance Officer

APPROVED BY:

GILBERTO R. DUAVIT, JR.
President & CEO

ATTY. FELIPE L. GOZON
Chairman of the Board

ANNEX A

GMA Holdings, Inc.
List of Related Parties
As of October 25, 2019

A. Affiliate

1. GMA Network, Inc.

B. Associates

2. The Law Firm of Belo Gozon Elma Parel Asuncion and Lucila (External Counsel)

C. Stockholders

Name	% of Ownership
1. Felipe L. Gozon	33.3%
2. Gilberto R. Duavit, Jr.	33.3%
3. Joel Marcelo G. Jimenez	33.3%
4. Artemio V. Panganiban	0.04%
5. Felipe S. Yalong	0.01%
6. Jaime V. Laya	0.01%

D. Officers/Directors

1. Duavit, Gilberto Jr. R.
2. Gozon, Anna-Teresa M.
3. Gozon, Felipe L.
4. Jimenez, Joel Marcelo G.
5. Laya, Jaime C.
6. Lucila, Roberto Rafael V.
7. Mastrili, Ronaldo P.
8. Panganiban, Artemio V.
9. Yalong, Felipe S.