

## RELATED PARTY TRANSACTIONS

The Corporation believes that the essence of corporate governance is transparency. It is the Company's policy that all material information, *i.e.*, **anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.**

In order to prevent unfair RPTs and to protect shareholders from such unfair related-party transactions, the Company complies with the Securities and Exchange Commission's requirement from issuers of registered securities and public/listed companies to have at least two (2) independent directors or at least 20% of its board size, whichever is the lesser.

Further, in the appointment of its Independent Directors, the Company complies with SEC Memorandum Circular No. 16, Series of 2002 (Guidelines on the Nomination and Election of Independent Directors) which defines an independent director as a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any corporation that meets the requirements and qualifications set under the Securities Regulation Code.

Finally, the Company engages the services of an independent/external auditor to ensure that a Company's related party transactions are fair and reasonable. For this purpose, it complies with the *Corporate Governance Guidelines for Listed Companies Listed on the Philippine Stock Exchange* issued on September 16, 2010, which recommends the following corporate practices by the listed companies in order to ensure the integrity of its financial reports as well as its external auditing function:

- (1) Have the board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit;
- (2) Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions;

- (3) Ensure that the external auditor has adequate quality control procedures;
- (4) Disclose relevant information on the external auditors;
- (5) Ensure that the external audit firm is selected on the basis of a fair and transparent tender process;
- (6) Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present;
- (7) Have a policy of rotating the lead audit partner every five years.