



OMICO CORPORATION

Material Related Party Transactions Policy

MATERIAL RELATED PARTY TRANSACTIONS POLICY

Overview

The Securities and Exchange Commission (SEC), in the fulfillment of its mandate to protect the corporate sector, the capital market participants, the securities and investments instruments market, and the investing public from insider trading, and other manipulative devices and practices which create distortions in the free market, and pursuant to the SEC regulatory power under Section 179(d) of the Revised Corporation Code of the Philippines (Republic Act No. 11232), issued the Rules on Material Related Party Transactions (Material RPT Rules) as per SEC Memorandum Circular (MC) No. 10, Series of 2019, entitled "Rules on Material Related Party Transactions for Publicly-Listed Companies."

SEC recognizes that transactions between and among related parties may create financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong. In this regard, related party transactions (RPTs) are generally allowed provided, that when RPTs amount to ten percent (10%) or higher of a company's total assets, it shall be considered as material related party transactions subject to the Material RPT Rules.

Compliance to the Material RPT Rules shall be mandatory for all Publicly-Listed Companies.

Objective

This Material Related Party Transactions Policy (Material RPT Policy), which is pursuant to and in accordance with the Material RPT Rules as per SEC MC No. 10, Series of 2019, shall serve as guide and reference for OMICO CORPORATION (the Company) in ensuring compliance with the Material RPT Rules and promoting adherence to the principles of good corporate governance.

Section 1. Definition of Terms

For purposes of this Material RPT Policy, the following definitions shall apply:

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 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 the Company's equity security.

Affiliate - refers to an entity linked directly or indirectly to the Company 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 company of at least ten percent (10%) or more of the outstanding voting stock of the Company, 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 Company and the entity; or
- Management contract or any arrangement granting power to the Company to direct or cause the direction of management and policies of the entity, or vice-versa.

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.

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.

Control – a person or an entity controls the Company if and only if the person or entity has all of the following:

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

Related Party Transactions - a transfer of resources, services or obligations between the Company 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 Company's total assets based on the Company's latest audited financial statement.

Materiality Threshold - ten percent (10%) of the Company's total assets based on the Company's latest audited financial statement. If the Company is a parent company, 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 Company and its related parties.

Section 2. Duties and Responsibilities

A. Board of Directors

The Board of Directors 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 Company'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 Section 3(f) of this Material RPT 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 Company; assess situations in which a non-related party (with whom the 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 officer 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 changes in the policies and procedures shall be approved by majority of the Board of Directors and approved by majority of the stockholders constituting a quorum.

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 Company's policy and SEC regulations.

Section 3. Material Related Party Transactions Policy

The Company's Material RPT Policy includes the following:

- a. **Identification of related parties.** The Company shall clearly identify persons and companies that are considered as the Company's related parties. The Management/Board of Directors shall review quarterly and update the Related Party Registry to capture organizational and structural changes in the Company and its related parties.
- b. **Coverage of Material RPT Policy.** This Material RPT 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 may be excluded from the limits and approval process required in the 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 the Material RPT Rules. 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.

- c. **Adjusted Thresholds.** The Company shall be allowed to set a threshold lower than the materiality threshold provided upon determination by the Board of Directors of the risk of the RPT to cause damage to the Company and its shareholders. The adjusted threshold, when applicable, shall be contained in the Company's Material RPT Policy.
- d. **Identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with material RPTs.** The Material RPT Policy covers the identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with the 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 discussion, approval and 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 quorum and their votes shall not be counted for purposes of determining majority approval.
- e. **Guidelines in ensuring arm's length terms.** No preferential treatment shall be given to related parties that are not extended to non-related parties under similar circumstances.

Before the execution of the material RPT, the Board of Directors should 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.

There shall be an effective price discovery mechanism to ensure that transactions are engaged into at terms that promote the best interest of the Company and its shareholders. The price discovery mechanism includes, 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.

- f. **Approval of material RPTs.** All individual material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, 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 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 with personal interest in the transaction should abstain from participating in discussions and voting on the same. 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 purpose of determining approval.

- g. **Self-assessment and periodic review of policy.** The internal audit shall conduct a 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 limits, shall be communicated directly to the Audit Committee.

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 the Company's Material RPT Policy is kept updated and is properly implemented throughout the Company.

- h. **Disclosure requirements of material RPTs.** The members of the Board, substantial shareholders, and officers shall fully disclose to the Board of Directors 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.
- i. **Whistle blowing mechanisms.** The Company has an existing whistleblowing mechanism consistent with the corporate values and codes of conduct set by the Board of Directors. The policy encourages all stakeholders to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical and questionable material RPTs. The current whistleblowing policy includes guidance on how legitimate material concerns should be reported, investigated and addressed by an objective independent internal or external body, senior management and/or Board itself.
- j. **Remedies for abusive material RPTs.** Whenever applicable, the Company shall discontinue a material related party transaction if found abusive and demand restitution of losses or opportunity costs it incurred from such material related party transaction. The policy shall include the 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.

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

Section 4. Disclosure and Regulatory Reporting

The Company 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 Company'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. The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative.

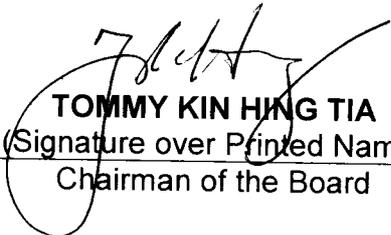
At a minimum, the disclosures in both (1) and (2) above shall include the following information:

- 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 description of the assets involved;
 - vi. Total assets or consolidated assets of the Company;
 - vii. Amount or contract price;
 - viii. Percentage of the contract price to the total assets of the Company;
 - 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, names of directors who approved the material RPT and the corresponding voting percentage obtained).
3. The Company shall submit to the SEC a policy on material related party transactions in accordance with the SEC Material RPT Rules within six (6) months from the effectivity of the Material RPT Rules. The effectivity date of the Material RPT Rules is on April 25, 2019. The Material RPT Policy shall be signed by the Company's Chairman of the Board and Compliance Officer.

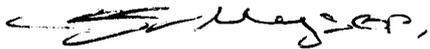
The Company's Material RPT Policy with accessible link shall be posted on the Company's website within five (5) days from its submission to the SEC.

OMICO CORPORATION
Material Related Party Transactions Policy
September 2019

SIGNATURES:



TOMMY KIN HING TIA
(Signature over Printed Name)
Chairman of the Board



JUANA LOURDES M. BUYSON
(Signature over Printed Name)
Compliance Officer
