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A. INTRODUCTION

Philippine Realty and Holdings Corporation (the “Parent Company”) and its subsidiaries, whether owned directly or indirectly, being part of a controlling group, inevitably conduct some of its business activities with Related Parties within the Group.

This Policy sets out the guidelines, categories and thresholds requiring review, approval and ratification by the Board of Directors or Shareholders, and disclosure requirements for Related Party Transactions (RPTs).

B. OBJECTIVE

This Policy requires that any transactions with related parties are made on terms equivalent to those that prevail in an arm’s-length transactions.

The Audit Committee as per its Charter shall be responsible to oversee and review the propriety of RPTs and their required reporting disclosures. In its review, it shall take into account, among other factors it deems appropriate, whether the Related Party Transaction is entered into on terms no less favorable to the concerned company than terms generally available to an unaffiliated third-party under the same or similar circumstances; and the extent of the Related Parties’ interest in the transaction.


C. DEFINITIONS

This Policy applies the definitions set forth in Philippine Accounting Standards (PAS 24) on Related Parties. The Standard emphasizes the substance of the relationship and not merely the legal form.

Related parties shall include:

1. A person or a close member of that person’s family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

2. An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.


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- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled or jointly controlled by a person identified in 1.
 - vii. A person identified in 1.i has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
3. Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:
 - i. that person's children and spouse or domestic partner;
 - ii. children of that person's spouse or domestic partner; and
 - iii. dependents of that person or that person's spouse or domestic partner.
 4. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
 5. Joint control is the contractually agreed sharing of control over an economic activity.
 6. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
 7. Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

D. IDENTIFICATION, REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

1. The management of PRHC promptly reports to the Board of Directors (BOD) on the terms, business purpose, benefits and other details of each new, existing or proposed related party transaction for review and approval.
2. The BOD shall approve any related party transaction before its commencement. However, if the same is not identified beforehand, it must be subsequently reviewed and ratified by the BOD.

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3. The Audit Committee shall assist the BOD in its review of related party transaction. The BOD shall consider that the terms of the related party transaction are on arm's length and fair to the PRHC and such factors as follows:
 - i. Materiality
 - ii. The purpose and timing of the transactions
 - iii. Extent of the related party's interest in the transaction; and
 - iv. Conflict of interest, actual or apparent, of the related party participating in the transaction.
 - v. Any other relevant information
4. The Audit Committee may establish guidelines to manage and monitor conflicts of interest of Management, Board of Directors and Shareholders, including misuse of corporate assets and abuse in related party transactions.
5. A Director, Officer or Key management personnel shall promptly notify the Audit Committee or the Compliance Officer of any interest he or his immediate family member had, has or may have in a related party transaction. He shall disclose all material information concerning the related party transaction.

E. THRESHOLDS

PRHC and its subsidiaries (whether owned directly or indirectly), shall set thresholds and categories for Disclosure and Approval of related party transactions. The amount of each related party transaction shall be considered for purposes of applying these thresholds.

F. DISCLOSURES

Related Party transactions that are required to be disclosed and reported in PRHC's filings with the Securities and Exchange Commission (SEC) shall be disclosed in accordance with laws, rules, regulations, Philippine Financial Reporting and Accounting Standards. PRHC and its subsidiaries (whether owned directly or indirectly) shall comply with PAS 24's required disclosures of relationships between the Company & its Subsidiaries irrespective of whether there have been transactions between them, transactions and outstanding balances, *including commitments*, in the consolidated and separate individual financial statements. It shall disclose the name of its parent, the ultimate controlling party and/or the most senior parent (defined as the first parent above the immediate parent) that produces consolidated financial statements available for public use.

All related party transactions shall be disclosed to the Audit Committee and any material related party transaction shall be disclosed to the Board of Directors.

G. REVIEW

This Policy may be amended at any time and is subject to further guidance from the Securities and Exchange Commission and/or actions taken by the Board of Directors or Shareholders.