



RELATED PARTY TRANSACTIONS POLICY

Document Information

Date Created March 2, 2022

1. INTRODUCTION

This policy aims to define related party relationships and transactions, and set out guidelines and categories that will govern the review, approval and ratification of these transactions by the Audit and Risk Oversight Committee, Board of Directors (Board) or Shareholders to ensure that related party relationships have been accounted for, and disclosed, in accordance with International Accounting Standard 24 on Related Party Disclosures.

2. STATEMENT OF POLICY AND COVERAGE

This Policy requires that all related party transactions between Anvaya Cove Beach and Nature Club, Inc. (the "Corporation"), its subsidiaries, affiliates, and other related parties (as defined on item 3), are conducted on an arm's length basis, at normal prices, and will inure to the best interest of the Corporation, its subsidiaries or affiliates and not prejudice the minority shareholders and the government.

To ensure that this Policy is practiced in strict compliance, an assessment is undertaken of the related party transactions as they happen. In accordance with the Charter of the Board of Directors¹, the Audit and Risk Oversight Committee ("AROC") is constituted as the committee responsible to oversee and review the propriety of related party transactions (RPT) and their required reporting disclosures.

3. DEFINITIONS

- 3.1 **Affiliate** – refers to an entity linked directly or indirectly to the Corporation through any one or a combination of the following:
- a. 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 10% or more of the outstanding voting stock of the publicly listed company/public company/registered issuer or vice-versa;
 - b. Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
 - c. Common stockholders owning at least 10% of the outstanding capital stock of the Corporation; or
 - d. 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.

¹ Charter of the Board of Directors, Section 4.3.



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- 3.2 **Associate** – an entity over which the Corporation holds 20% or more of the voting power, directly or indirectly, or which the Corporation has Significant Influence.
- 3.3 **Control** – a person or an entity controls another entity (the “controlled entity”) if and only if the former has all of the following:
- a. Power over the controlled entity;
 - b. Exposure or rights, to variable returns from its involvement with the controlled entity;
 - c. The ability to use its power over the controlled person to affect the amount of the controlled entity’s returns.
- 3.4 **Related Parties** – cover the following:
- a. 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;
 - b. Any other person who has control, joint control or significant influence over the Corporation or who is an officer of the Corporation’s parent company and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law; and,
 - c. Any entity that meets any of the following condition:
 - i. The entity and the covered 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 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.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the covered entity or an entity related to the covered entity. If the covered entity is itself such a plan, the sponsoring employers are also related to the covered entity.
 - vi. The entity is controlled or jointly controlled by a person identified in (i) and (ii).



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vii. A person who has control or joint control over the reporting entity 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).

viii. The entity, or any member of a group of which is a part, provides key management personnel service to the covered entity or to the parent of the covered entity.

3.5 **Related Party Transaction or RPT** – a transfer of resources, services or obligations between the Corporation and a Related Party, regardless of whether a price is charged.

3.6 **Significant Influence** – the power to participate in the financial and operating policy decisions of an entity, without the power to control those policies. Significant influence may be gained by share ownership, statute or agreement.

3.7 **Subsidiary** – a corporation more than fifty percent (50%) of the voting stock of which is owned or controlled, directly or indirectly, through one or more intermediaries, by another corporation, which thereby becomes its parent corporation.

3.8 **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.

4. IDENTIFICATION AND REVIEW OF RELATED PARTY TRANSACTIONS

4.1 Before commencement of any RPT, Management shall report to the AROC each new or proposed RPT for review and approval. The report should cover the following:

- a. The terms, business purpose, benefits and other details of the RPT.
- b. The nature of the relationship of the party or parties involved in the transaction in relation to the Corporation.
- c. The description of the transaction, including the affected periods to be disclosed in the financial statements, including the amounts, and such other information necessary for better understanding of the effect of the proposed transaction in the financial statements, which may include the amounts due to or from related parties to the transaction, if any, and the terms and manner of settlement.

4.2 The AROC shall review all the information reported by Management and shall consider all of the relevant facts and circumstances available, including but not limited to the following:

- a. The terms of the transaction, which should be fair and to the best interest of the



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Corporation, and no less favorable than those generally available to non-related parties under the same or similar circumstances.

- b. The aggregate value of the RPT.
 - c. Extent of the Related Party's interest in the transaction.
 - d. Whether the RPT would present an improper conflict of interests or special risks or contingencies for the Corporation, or the Related Party taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the nature of any proposed relationship.
 - e. Any other relevant information regarding the transaction.
- 4.3 The AROC shall approve RPTs before their commencement. However, material or significant RPT will have to be endorsed by the AROC to the Board for approval.
- 4.4 The Board may, at objections, require that a RPT that it has approved be also submitted to the Stockholders for consideration and ratification.

5. RELATED PARTY TRANSACTIONS DELEGATED TO MANAGEMENT

The RPTs listed below, which are by nature, normal transactions in the ordinary course of business, and are covered by separate board approvals, and will not prejudice third parties including the government, shall not require review and approval of the AROC. The respective Chief Finance Officers of the relevant companies involved in these transactions shall provide a written report to the Corporation's Treasurer or Chief Finance Officer and Compliance Officer no later than 30 days after the end of the calendar year listing down the relevant related party transactions executed which was deemed within the scope of RPT matters delegated to management. The RPTs delegated to management are:

- 5.1 Compensation and employment of executive officers and directors.
- 5.2 Transactions like loans, advances and other benefits with similar terms available to all employees, generally.
- 5.3 Banking, finance or insurance-related services and transactions, inter-company advances for business operations or working capital, with a related party, if the terms are generally the same as or similar to offers of other banks in the ordinary course of business.
- 5.4 Any transaction with a related party involving the rendering of services as a common or contract carrier, or public utility, or retail electricity supplier at rates or charges fixed in



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conformity with law or rules issued by the relevant governmental authority.

- 5.5 Any transaction with a related party involving construction, construction management, procurement, engineering, property, development or sales and marketing management, technical services, and other services in the ordinary course of doing business.
- 5.6 Share transactions such as dividends, repurchase, and rights offerings available to all shareholders on a pro-rata ownership basis.
- 5.7 Infusion of capital between wholly-owned subsidiaries of an ultimate common parent company or between wholly-owned subsidiary and its parent; or infusion of capital into a joint venture company pursuant to the terms of a duly executed joint venture agreement or shareholders agreement.
- 5.8 Lease or sale of inventory lots, condominium units or other real property with a related party, if the terms are generally the same as or similar to the terms of the lease or sale with other counter-parties in the ordinary course of business.
- 5.9 Transactions between related parties which are wholly-owned directly or indirectly by the Corporation.
- 5.10 All other transactions between related parties not covered in the immediately preceding paragraphs under this Section 5 with a value not exceeding Ten Million Pesos (PHP10,000,000.00).

6. CONFLICTS OF INTEREST AND DISCLOSURE REQUIREMENTS FOR DIRECTORS, OFFICERS AND EMPLOYEES

The Management shall report, identify, and manage all potential or actual conflicts of interests relating to RPTs.

- 6.1 All directors and employees of the Corporation and its subsidiaries are required to promptly disclose any business and family-related transactions to the Corporation to ensure potential conflicts of interest are surfaced and brought to the attention of Management.
- 6.2 All employees of the Corporation are also required to complete the mandatory form on "Business Interest/Related Party Disclosure" in the month of January of each year. This is duly noted by the employee's strategic business unit or group head, and submitted to the Human Resource Group which collates them in file and monitors compliance thereof.²

² Code of Ethical Behavior, Conflict of Interest



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- 6.3 Independent directors are required to submit to the Corporate Secretary a letter of confirmation stating that they hold no interest in companies affiliated with the Corporation and the Management or controlling shareholders of the Corporation at the time of their election or appointment and/or re-election as independent directors in accordance with the terms of the Corporation's Manual of Corporate Governance.
- 6.4 The Corporation requires directors and key management personnel to abstain and/or inhibit themselves from participating in discussions on a particular agenda when they are conflicted.

7. DISCLOSURE OF RELATED PARTY TRANSACTIONS

This Policy will be published in the Corporation's website at www.anvayacove.com.ph. RPTs approved by the Board shall be disclosed as part of the items approved during the Board meeting and shall be indicated in the relevant financial reports of the Corporation as required under International Accounting Standard 24 on Related Party Disclosures and other applicable disclosure requirements.

8. SELF-ASSESSMENT AND REVIEW OF THE POLICY

The Corporation's Compliance Officer shall ensure that the Corporation complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. He shall aid in the review of the Corporation's transactions and identify any potential RPT that would require review by the AROC and the Board. He shall ensure that this Policy is kept updated and is properly implemented throughout the Corporation. The AROC shall periodically review this Policy and may recommend amendments to this Policy as it deems appropriate.

9. POST VERIFICATION OF RELATED PARTY TRANSACTIONS

The Internal Audit in coordination with Ayala Group Legal shall perform a periodic post verification of RPTs to ensure that the terms and conditions recommended by the AROC and approved by the Board of Directors are properly and correctly implemented.

10. EFFECTIVITY OF THE POLICY

This Policy, approved by the Board of Directors on March 2, 2022, shall be effective immediately.



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Augusto D. Bengzon
Chairman

Neal C. Perez
Compliance Officer