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SECURITIES AND EXCHANGE COMMISSION

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I. GENERAL POLICY STATEMENT

PHINMA Corporation (PHN) recognizes the importance of a policy on related-party transactions for the protection of the company and its minority investors. All transactions involving related parties must be done on an arm's length basis.

This policy is in line with the principles of good corporate governance and meets the guidelines set by the Securities and Exchange Commission on related party transactions.

II. PURPOSE

This Related Party Transactions Policy sets out to achieve the following:

1. To set out the general requirements, responsibilities, and the specific policies, procedures and disclosures to be followed as Related Party Transactions occur.
2. To ensure compliance with the requirements of the Securities and Exchange Commission on Material Related Party Transactions.

III. SCOPE

This Policy applies to all related parties of PHINMA Corporation.

IV. DEFINITIONS

Related Parties are as follows adapted from SEC MC No. 10 Series 2019 Rules on Material RPT:

- a. Parties that are members of PHINMA Group, i.e. each parent, subsidiary and fellow subsidiary is related to the others

- b. All Directors, Officers, Managers, Key Management Personnel and Substantial Shareholders having authority and responsibility for planning, directing and controlling the activities of the Company or its Subsidiary or its Parent, directly or indirectly; including companies they have control or joint control or significant influence.

- c. Close family members of an individual referred to in (b) above, who may be expected to influenced, or be influenced by that individual in their dealings with PHN or its Subsidiary
 - c.1. Close family member - the individual's spouse or relatives within the fourth civil degree of consanguinity or affinity, legitimate or common law

- d. Substantial Shareholder is any person who is directly or indirectly the beneficial owner of more than 10% of the company's securities

- e. Affiliate refers to an entity linked directly or indirectly through any one or combination 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 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.

- f. Associate is 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.

- g. Post-employment benefit plan and sponsoring employers of such a plan, of either PHN or an entity that is a related party of PHN.

Related Party Transaction (RPT) is a transfer of resources, services or obligations between PHN and its Subsidiaries, and a related party, regardless of whether a price is charged. Examples of RPTs are:

- Loans between and among PHINMA Companies
- Loans to directors
- Sale or purchase of goods
- Sale, purchase or lease of property and/or assets
- Provision or receipt of services or leases
- Assumption of financial/operating obligations
- Subscription for debt or equity issuances
- Establishment of joint venture entities
- Settlement of liabilities on behalf of PHINMA or its Subsidiary or by PHINMA or its Subsidiary on behalf of a related party
- Compensation, benefits (monetary and non-monetary), post-employment benefits, termination benefits and share-based payment of current employees

RPTs shall also include transactions that are entered into with an unrelated party that subsequently becomes a related party.

Material Related Party Transaction refers to 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 company's total assets based on its latest Audited Financial Statement.

Materiality Threshold is ten percent (10%) of the company's total assets based on its latest audited financial statement or the total consolidated assets, if parent company.

Related Party Registry is a record of the organizational and structural composition, including any change thereon, of the company and its related parties.

"At arm's length" is a term referring to transactions in an open and unrestricted market and between willing parties who are knowledgeable, informed, and who act independently of and without regard to any relationship with each other.

V. DUTIES AND RESPONSIBILITIES

Board of Directors

- Approve the PHINMA Related Party Transactions Policy
- Resolve and approve Material RPTs

- Approve the renewal of or material changes in previously approved Material RPTs
- Approve the write-off of material exposures to related parties
- Establish an effective Audit, Risk and Compliance system to oversee the implementation of this policy

Corporate Governance and Related Party Transactions Committee

- Review and endorse the PHINMA Related Party Transaction Policy
- Review and endorse Material RPTs
- Ensure legitimate issues on Material RPTs raised by stakeholders are addressed by senior management

Senior Management

- Ensure effective and efficient implementation of this policy
- Review and approve RPTs within threshold
- Elevate to the Board RPTs meeting the threshold
- Review and update the Related Party Registry on a quarterly basis

Internal Audit

- Assess the system of identifying, monitoring and reporting RPTs on a periodic basis
- Report on exceptions or breaches in limits directly to the Audit Committee

Compliance Officer

- Ensure that the company complies with rules, regulations and its own policy on RPTs
- Aid in the review of transactions to identify potential Material RPTs
Ensure that the company's Material RPT policy is updated

VI. MATERIAL RELATED PARTY TRANSACTIONS POLICY

A. General Policy

PHINMA shall at all times observe and adhere with this policy and all other relevant laws, rules and regulations, as may be applicable in the review, approval and disclosure of Material RPTs.

B. Materiality Threshold

PHINMA adopts the materiality threshold set by the Securities and Exchange Commission which is ten percent (10%) or higher of the company's total assets based on the latest audited financial statement or the total consolidated assets, if parent company.

The materiality threshold applies to individual related party transactions and to aggregate transactions within a twelve (12) month period with the same related party.

C. Identification and Monitoring

The company shall keep a Related Party Register clearly identifying the companies and persons that are considered as related parties. Management shall review and update on a quarterly basis the register to capture organizational and structural changes within the company and its related parties.

D. Management of Potential or Actual Conflict of Interest

Directors, key officers and employees of the company shall fully disclose any activity or interests that conflicts or suggests a potential conflict with the best interest of the company, as described in the Conflict of Interest Policy.

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 transactions 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.

PHINMA shall require directors and key management personnel to abstain and/or inhibit themselves from participating in discussions, approval and management of a particular agenda when they are conflicted. 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 majority approval. These instances shall be properly recorded in the minutes of the meeting.

E. Review by the CG and RPT Committee

The CG and RPT Committee shall assist the Board in its review of these Material RPTs. The CG and RPT Committee shall consider whether the terms of the RPTs are at an arms' length basis and fair to the company considering factors such as the following:

- Materiality
- Purpose and timing of the transactions
- Extent of the Related Party's interest in the RPT
- Conflict of interest, actual or apparent, of the Related Party participating in the transaction
- Any other relevant information regarding the transaction

The CG and RPT Committee shall be provided by Senior Management with all relevant material information of the RPT, including the terms of the transaction, the business purpose of the transaction, the benefits to PHINMA and to the Related Party, and any other relevant matters. In determining whether to approve or ratify a RPT, the CG and RPT Committee will consider the following factors, among others, to the extent relevant to the RPT:

- benefits to the Company of entering into the transaction;
- extent of the Related Party's interest;
- availability of other sources of comparable products or services;
- aggregate value of the RPT
- whether the terms of the RPT are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party
- whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any
- whether the RPT would impair independence if the Related Party is a director, an immediate family member of a director or an entity in which a director is a shareholder or of which a director is a senior executive officer, director, general partner, managing member or a person in a similar position
- whether PHINMA was notified about the RPT before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company
- whether the RPT would present an improper conflict of interest for any director, or management taking into account the size of the transaction, their overall financial position, and any others the committee deems relevant
- whether an external independent party has been appointed to evaluate the fairness of the terms of the Material RPT including whether the price ensures the protection of the rights of shareholders and other stakeholders

- as applicable, whether the transaction has been subjected to a bidding process, scrutiny of an external expert or published in the case of available properties for sale to ensure that the RPT is engaged into at terms that promote the best interest of the company and its shareholders

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 RPTs with the same related party within a twelve (12) month period that meets the materiality threshold of ten percent (10%) of the company's total assets, the same approval process shall be followed.

G. Whistle-Blowing Mechanism

Whistle-blower reporting mechanism for Material RPTs shall be handled in accordance to the company's Whistle-blowing and Non-Retaliation Policy. Stakeholders with legitimate concerns about illegal, unethical or questionable Material RPTs may report through the Whistle-Blower Hotline through email or text (0917-1PHINMA) for all PHINMA Member Companies. These hotlines are monitored 24/7 and received by both the Integrity Officer and the Head of Group Internal Audit. All valid reports will be investigated according to the PHINMA Response Plan.

H. Abusive Material RPTs

Abusive Material RPTs are transactions that are not entered at arm's length and unduly favor a related party.

Directors, officers and employees who have been remiss in their duties in handling RPTs shall be subject to disciplinary measures in accordance with the company's Code of Conduct without prejudice to the applicable legal remedies which the company may adopt.

The penalty shall be recommended by the CG and RPT Committee and approved by the Board. Measures can include immediate termination of the transaction or contract subject to the recommendation of the CG and RPT Committee and approval of the Board.

VII. DISCLOSURE AND REGULATORY REPORTING

An Advisement Report of any Material RPT shall be filed with the SEC within three (3) calendar days from the execution date of the transaction. The report shall be signed by the Corporate Secretary or authorized representative.

A summary of Material RPTs approved during the reporting year shall be disclosed in the Integrated Annual Corporate Governance Report (I-ACGR) to be submitted every May 30.

VIII. ADMINISTRATION

PHN management is responsible for the administration, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed. Implementing guidelines and procedures in support of this policy may be prepared and approved by PHN Management.


IX. APPROVAL

Upon recommendation of PHN Management and the CG and RPT Committee, any change in this policy and procedures shall be approved by majority of the Board of Directors and approved by majority of the stockholders constituting a quorum.

Amended to adopt the SEC Rules on Material Related Party Transactions (Memorandum Circular No. 10 Series of 2019) and approved by the Board on August 9, 2019.



OSCAR J. HILADO
Chairman of the Board



CECILLE B. ARENILLO
Compliance Officer