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## SECURITIES AND EXCHANGE COMMISSION

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# Keppel Philippines Properties

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28 October 2019

**HON. VICENTE GRACIANO P. FELIZMENIO, JR.**  
**DIRECTOR, MARKET REGULATION DEPARTMENT**  
**SECURITIES AND EXCHANGE COMMISSION**  
PICC Complex, Roxas Boulevard, Pasay City

Dear Hon. **Felizmenio**:

In compliance with the Securities and Exchange Commission Memorandum Circular No. 10, Series of 2019, **KEPPEL PHILIPPINES PROPERTIES INC. ("KPPI" or the "Company")** submits herewith its Policy on Material Related Party Transactions.

Should you wish further clarification on the matters contained herein, please let us know.

Very truly yours,

  
**STEPHANIE MAREE N. DYSANGCO**  
*Assistant Corporate Secretary*

# **KEPPEL PHILIPPINES PROPERTIES, INC.**

## **Material Related Party Transactions Policy**

### **I. INTRODUCTION**

The Related Party Transactions Policy (“RPT Policy”) of Keppel Philippines Properties, Inc. (“KEP” or the “Company”) defines related party transactions (“RPT”) and sets out the guidelines that will govern the review, approval, and ratification of RPTs in accordance with the Revised Corporation Code of the Philippines and the applicable rules of the Securities and Exchange Commission (“SEC”) and the Philippine Stock Exchange (“PSE”).

### **II. OBJECTIVES:**

1. It is the Company’s policy that every Related Party Transaction shall be conducted in a manner that will protect the Company and its shareholders from conflict of interest which may arise between the Company and its Related Parties.
2. It shall ensure that every Related Party Transaction is at arms’s length, the terms are fair, and they will inure to the best interest of the Company, its shareholders, subsidiaries and affiliates.
3. The Company shall ensure proper review, evaluation, approval, ratification, disclosure and implementation of transactions between the Company and any of its Related Parties as required in compliance with legal and regulatory requirements

### **III. COVERAGE**

1. This RPT Policy applies to Keppel Philippines Properties, Inc., its subsidiaries and affiliates.
2. This Policy covers related party transactions between the Company and a Related Party as defined below or between a subsidiary or affiliate of the Company and a Related Party as defined below if the subsidiary or affiliate has not adopted its own policy on related party transactions.
3. 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. 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 provided herein.

#### IV. DEFINITION OF TERMS

1. **“Affiliate”** refers to an entity linked, whether directly or indirectly, to the Company through any one of the following:
  - i. 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;
  - ii. Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations; or
  - iii. Management contract or any arrangement granting power to the Company to direct or cause the direction of management and policies of the entity.
2. **“Associate”** refers to 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.
3. **“At arm’s length”** refers 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.
4. **“Control”** is established if and only if the person or entity has all of the following conditions over the Company:
  - i. Power over the Company;
  - ii. Exposure, or rights, to variable returns from its involvement with the Company; and
  - iii. The ability to use its power over the Company to affect the amount of the Company’s returns.
5. **“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.
6. **“Material Related Party Transaction”** refers to any related party transaction, 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 its latest audited financial statement during the time of the transaction.

7. **“Related Party Transaction”** (“RPT”) is a transfer of resources, services, or obligations between the Company and a related party, regardless of whether a price is charged.
8. **“Related Party”** shall refer to the Company’s directors, officers, substantial shareholders, and their spouses or relatives within the fourth (4<sup>th</sup>) degree of consanguinity or affinity, provided the aforementioned individuals have control, joint or otherwise, or significant influence over the Company.
9. **“Subsidiary”** refers to a corporation with more than fifty percent (50%) of its voting stock is owned or controlled, directly or indirectly, through one or more intermediaries, by another corporation, which thereby becomes its parent corporation.
10. **“Substantial Shareholder”** refers to any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.
11. **“Significant influence”** refers to the exercise of the power to participate in the financial and operating policy decisions of an entity but does not include the power to control of the said policies.
12. Where the context so requires, the following interpretation shall apply:
  - i. The use of the masculine gender shall include the feminine and/or neuter genders and vice versa;
  - ii. The singular shall include the plural and vice versa; and
  - iii. The word “person” shall include any corporation, firm, partnership or other form of association.

## V. POLICIES

### A. *General Policy*

1. The Company shall at all times observe and adhere with the RPT Policy and all other relevant laws, rules and regulations, as may be applicable, in the review, approval and disclosure of RPTs.

### B. *Pre-approval and Thresholds*

1. The list of Related Parties of the Company shall be documented in the Related Party Registry. The Related Party Registry shall be reviewed and updated quarterly in order to document organizational and structural changes of the Company and its Related Parties.

2. The Materiality Threshold of the Company is ten percent (10%) of the Company's total consolidated assets based on its latest Audited Financial Statements.
3. The members of the Board, Substantial Stockholders, and Management shall disclose to the Board all material facts related to the Material RPT, whether potential or actual conflict of interest, including their direct and indirect final interest in any transaction or matter that may affect or is affecting the Company. Such disclosure shall be made at the meeting where the Material RPT will be presented for approval and, in any case, before the completion and execution of the Material RPT.
4. An effective price discovery mechanism shall be established to ensure that transactions entered into promote the best interest of the Company and its stakeholders. The price discovery mechanism may include, but is not limited to, the validation procedures to determine the nature, components, and price of the service to be provided, acquiring the services of an external expert, and where applicable, opening the transaction to a bidding process, canvassing or benchmarking, or any other applicable due diligence procedures.

***C. Review and Approval of Material Related Party Transactions***

1. Material Related Party Transactions ("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.
2. In case that the 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 of the Company.
3. Should the aggregate RPTs within a twelve (12) month period, covering the same Related Party, breaches the Materiality Threshold, the same voting requirement provided in this Section of the Policy for individual transactions that meets and exceeds the Materiality Threshold is required.
4. In the review and approval of the Material RPTs, the Board of Directors shall consider the following factors:
  - i. The related party's relationship to KEP and interest in the transaction;
  - ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - iii. The benefits to the Company for entering into such transaction;
  - iv. The extent of the Related Party's interest;

- v. Aggregate value of the Material RPT;
  - vi. The availability of other sources or comparable products or services; and
  - vii. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.
5. Directors, Officers, and Substantial Stockholders with personal interest in the transaction shall abstain from the discussion, approval, and management of the Material RPT. 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 approval.
  6. Before the execution of the Material RPT, the Board of Directors shall appoint an external independent party to evaluate the fairness of the terms of the Material RPT. An external independent party may include, but is not limited to, auditing or accounting firms, third party consultants, and appraisers. The independent evaluation of the fairness of the transparent price ensures the protection of the rights of the shareholders and other stakeholders.
  7. Material RPTs shall be conducted in the manner similar to transactions made in the regular course of business. Material RPTs shall not be given preferential treatment or more favorable economic terms.

## VI. DISCLOSURE

1. Material Related Party Transactions are required to be disclosed and reported in the Company's filings with the Securities and Exchange Commission ("SEC") and Philippine Stock Exchange ("PSE") and shall be disclosed in accordance with laws, rules, regulations, and Philippine Financial Reporting Standards.
2. Apart from the foregoing, the Company shall submit the following documents to the SEC:
  - i. A summary of Material RPTs 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;
  - ii. Advisement Report of any Material RPT filed within three (3) days from the execution date of the transaction. The advisement report shall be signed by the Company's Corporate Secretary or authorized Representative.



3. The Company shall also disclose information about the Material RPT necessary for an understanding of the potential effect of the relationship on the financial statements. The disclosures shall include:
  - i. Complete name of the Related Party
  - ii. professional relationship of the parties;
  - iii. execution date of the Material RPT;
  - iv. financial or non-financial interests of the related parties;
  - v. type and nature of transaction as well as a description of the assets involved;
  - vi. total assets;
  - 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 or background for entering into the transaction; and
  - xii. any approval obtained.

## **VII. POLICY REVIEW AND IMPLEMENTATION**

1. When any changes are to be incorporated in the Policy due to changes in regulation and/or amendments to existing laws, it shall be reviewed by the Compliance Officer and brought to the attention of the Audit Committee.
2. The Audit Committee shall conduct a periodic review of the effectiveness of the RPT Policy and the consistency of application of the RPT Policy with the Corporation and its subsidiaries and affiliates. The report of the Audit Committee shall be presented to the Board of Directors. The Audit Committee shall monitor and verify that the recommended and approved terms and conditions in RPTs provided by Management and its stakeholder are addressed and implemented.
3. The Compliance Officer shall support the Audit Committee in the rendition of its functions by providing the secretariat support for this purpose. It shall serve as the central database for RPTs. The Compliance Officer shall attend the Audit Committee meetings when advised.

### VIII. Abusive Material RPTs

1. The Company's Officers, Employees, Shareholders, and other Stakeholders are encouraged to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable transactions. The Board shall ensure that Management addresses legitimate issues on Material RPTs that are raised, and shall take responsibility for ensuring the stakeholders who raised concerns are protected from detrimental treatment or reprisals.
2. Non-compliance with any provision of this Policy may result in the invalidation of the RPT contract, without prejudice to the recovery of damages by the Company.
3. Officers, directors, 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 and the Manual on Corporate Governance, without prejudice to the applicable legal remedies which the Company may avail of.
4. Consistent with the Revised Corporation Code, an interested director or officer of the Company shall be disqualified from being a director or officer of the Company upon final judgement by a court of competent jurisdiction for abusive Material RPTs.

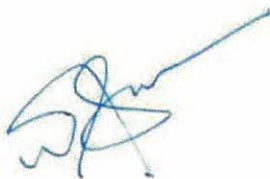
### IX. Amendment of RPT Policy

1. The amendment of the RPT Policy shall be approved by (i) majority of the Board of Directors and (ii) majority of stockholders constituting a quorum.

### X. Effectivity

1. The RPT Policy shall take effect upon approval by the Board of Directors.

Signed:



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**SAM MOON THONG**  
*Chairman of the Board*



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**MA. MELVA E. VALDEZ**  
*Compliance Officer*