

 <b>PHILEX PETROLEUM CORPORATION</b>	<b>Corporate Governance</b>	<b>EFFECTIVE DATE:</b> 4/28/2015	<b>VERSION:</b> 002
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## Related Party Transaction Policy

### 1. RATIONALE

This Policy is intended to ensure proper review, approval, and reporting of transactions between the Company and Related Parties, consistent with applicable accounting standards, disclosure requirements and principles of good corporate governance.

This Policy shall be referred to as the “**RPT Policy**”.

### 2. GENERAL PRINCIPLES

The Company shall, as soon as practicable, adopt implementing rules and regulations in furtherance of this Policy, in accordance with the following guidelines:

- (1) The Company shall at all times observe and adhere with the provisions of the Corporation Code, Articles of Incorporation and By-laws, and all other relevant laws, rules and regulations, as may be applicable in the review, approval and disclosure of Related Party Transactions (“**RPT**”)¹. The Company shall at all times observe, uphold and respect the rights of its shareholders, minority and majority alike, through this RPT Policy.
- (2) In the review and approval of RPT, the Company shall at all times abide by the following standards:
  - (i) That the RPT is “fair and at arm’s length”²; and
  - (ii) That the RPT is in the best interest of the Company and its stockholders, based under relevant circumstances which include as follows:
    - Basic terms of the transaction

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¹ Please see Annex A for definition of “Related Party Transactions” and “Related Parties”.

² “Fair & 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.

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- Related person's interest in the transaction
- Purpose and timing of the transaction
- Nature of the Company's participation in the transaction
- Cost basis and other relevant information if involving sale of assets
- Information on potential counterparties in the transaction including market prices for similar products and services
- Description of any provisions or limitations that may be imposed as a result of the transaction
- Any potential reputational risk issues that may arise as a result of or in connection with the transaction.

(3) For purposes of this Policy, a Material and/or Significant RPT is defined as those transactions with Related Party which involve an aggregate amount or value equal to or greater than Fifty Million Pesos (P50Million) over a twelve (12) month calendar year period ("**Material and/or Significant RPT**").

(4) As matter of policy and procedure, all Material and/or Significant RPT shall be subject to review and endorsement by the **Corporate Governance Committee ("CG Committee")** and with the concurrence of the Two (2) Independent Directors prior to approval by the Board except those covered under *Annex B* ("**Exempt RPT**").  
[Amended as of April 28, 2015]


(5) The Board where necessary may require the following Material and/or Significant RPT be submitted to the stockholders for ratification and final approval:

- (i) contract between an officer and the Company (Board approval only);

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- (ii) contract between a director and the Company (Board approval), but when the presence of such director in the Board meeting in which the contract was approved was necessary to constitute a quorum and the vote of such director was necessary for the approval of the contract, approval by the Company's stockholders is also required;
  - (iii) contract between the Company and another corporation with interlocking directors (Board approval), but if the interest of the interlocking director in the Company is nominal and his interest in the other corporation is substantial, and such director's presence in the Company's Board meeting in which the contract was approved was necessary to constitute a quorum and the vote of such director was necessary for the approval of the contract, approval by the Company's stockholders is also required; and
  - (iv) management contract where the Company undertakes to manage or operate all or substantially all of the business of another corporation or vice versa.
- (6) All Material and/or Significant RPT shall be reported by the Compliance Officer to the Audit Committee to ensure full and timely disclosure in the annual and quarterly reports to the Securities and Exchange Commission and in the Notes to the Financial Statements, whether on an interim or annual basis, as required under PAS 24 on Related Party Transaction Disclosures and other disclosure requirements.
- (7) Company shall ensure that the review and approval of Material/Significant RPT carried out by its subsidiaries are conducted in accordance with this Policy.

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## 5. EFFECTIVITY

This policy shall have immediate and prospective effect.

<i>Endorsed For Board Approval By:</i>	<i>Endorsed For Board Approval By:</i>	<i>Endorsed For Board Approval By:</i>
<div style="text-align: center;"> <div>_____</div> <b>Barbara Anne C. Migallos</b>  Corporate Secretary and  Compliance Officer   Date: _____ </div>	<div style="text-align: center;"> <div>_____</div> <b>Carlo S. Pablo</b>  President &amp; Chief Operating  Officer (COO)   Date: _____ </div>	<div style="text-align: center;"> <div>_____</div> <b>Marilyn V. Aquino</b>  Chairman, Corporate  Governance Committee   Date: _____ </div>

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**APPROVED BY THE BOARD OF DIRECTORS  
ON APRIL 28, 2015.**

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### **ANNEX “A”: DEFINITION**

Definitions of “**Related Party**” and “**Related Party Transaction**” as lifted from Philippine Accounting Standard 24 on Related Party Disclosures (PAS 24), as follows:

***Related party*** is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

- a) 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.
  
- b) 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).
  - i. One entity is an associate<sup>3</sup> or joint venture<sup>4</sup> of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - ii. Both entities are joint ventures of the same third party.
  - iii. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - iv. 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.

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<sup>3</sup> As defined in PAS 28, an *associate* is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

<sup>4</sup> As defined in PAS 31, a *joint venture* is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

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- v. The entity is controlled or jointly controlled by a person identified in (a).
- vi. A person identified in (a)(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).

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

Examples of RPT as follows:

- purchases or sales of goods (finished or unfinished);
- purchases or sales of property and other assets;
- rendering or receiving of services;
- leases;
- transfers under finance arrangements (including loans and equity contributions in cash or in kind);
- settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.

**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:

- a) that person's children and spouse or domestic partner;
- b) children of that person's spouse or domestic partner; and
- c) dependants of that person or that person's spouse or domestic partner.

**Compensation** includes all employee benefits (as defined in IAS 19 *Employee Benefits*) including employee benefits to which IFRS 2 *Share-based Payment* applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity.

Compensation includes:

- a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of

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the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

- b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
- d) termination benefits; and
- e) share-based payment.

**Control** is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

**Joint control** is the contractually agreed sharing of control over an economic activity.

**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.

**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.

**Government** refers to government, government agencies and similar bodies whether local, national or international.

A **government-related entity** is an entity that is controlled, jointly controlled or significantly influenced by a government.

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### **ANNEX “B”: EXEMPT RPT**

The following shall be considered as “**Exempt RPT**”:

1. Any transaction involving a Related Party where the rates or charges involved are determined by competitive bids, in accordance with Vendor Relations Policy of the Company.
2. Any transaction involving a Related Party wherein Company is a customer or client in the ordinary or regular course of business of consumer goods or consumer services, or fees are based on a fixed or graduated scale which is publicly quoted or applied consistently to all customers or class of customers.
3. Subject to the policy and/or guidelines as may be issued and approved by the Compensation Committee, any transaction that involves the providing of compensation to a director or an executive officer in connection with his or her duties to Company or any of its subsidiaries or affiliates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

Exempt RPT are transactions which are no longer subject to review and/or endorsement by the CG Committee.