

LBC EXPRESS HOLDINGS, INC.
RELATED PARTY TRANSACTIONS (RPT) POLICY AND GUIDELINES (GUIDELINES)

Related party transactions are not per se prohibited. Related party transactions can serve important business purposes and offer legitimate advantages. However, the underlying potential conflicts of interest which may arise from related party transactions could compromise the best interests of a company and its shareholders as a whole. In view of the foregoing, this Policy is issued in order to maintain the integrity and transparency of LBC Express Holding, Inc.'s (the "Corporation") related party transactions.

REVIEW AND APPROVAL OF RPTS

1. The review of Related Party Transactions (RPTs)¹ shall be subject to the review process described in this Guidelines and the Conflict of Interest Policy to determine whether an RPT meets the following RPT Standards:

- (i) the RPT is on arm's length terms²; and
- (ii) the RPT is in the best interest of Corporation and its shareholders as a whole, considering the relevant circumstances.

2. Except if it is classified as an exempt transaction listed in Annex B, RPTs shall be reviewed as follows:

- (a) Any RPT involving an amount or value greater than Php 100 Million shall be submitted for review by the Audit Committee ("AC") prior to its endorsement for the Board's Approval. All RPTs approved by the Board shall be included in the Agenda of the Annual Stockholders' Meeting under the item "Ratification of the Acts of the Board of Directors".

The AC may require the person who initiated the request for review of the RPT and/or the Department Head concerned to provide additional information and documents and attend such meeting(s) of the AC where the review of the RPT will be undertaken.

- (b) Any RPT involving an amount of Php 100 Million or less will be directly submitted to the President and CEO for his consideration.

3. Notwithstanding any provisions in this Guidelines, the following RPTs shall be subject to the approval by the Board and ratification by stockholders of the Company in accordance with the Corporation Code:

- Contract between an officer and the Company (Board approval only);
- 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 votes of such director was necessary for the approval of the contract, approval by the Company's stockholders is also required;
- 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

¹ Please see Annex A for the definitions of "Related Party Transactions" and "Related Parties".

² Arm's Length terms means such terms of contract or transaction which are fair and reasonable to the Company and which are comparable to the objective range of possible terms that are unrelated, uninfluenced and self-interested parties would reasonably arrive under similar circumstances.

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

Management contract where the Company undertakes to manage or operate all or substantially all of the business of another corporation or vice versa.³

DISCLOSURE OF RPTS

The Head of the Finance Department, in coordination with the PR and Corporate Communications Department, shall be responsible for the disclosure of RPTs in the relevant financial reports of Corporation as required under Philippine Accounting Standard 24 on Related Party Disclosure (PAS 24) and other applicable disclosure requirements.

EXEMPT TRANSACTIONS

1. RPTs included in the list of exempt transactions in Annex B shall not be subject to the RPT review process described in this Guidelines, but shall nevertheless be reported to the AC for the purpose of monitoring.
2. The AC may recommend amendments to the list of exempt transactions in Annex B, subject to the approval of the President & CEO and the Corporate Governance Committee.

EFFECTIVITY

This policy shall take effect immediately. All existing policies, company rules and related implementing guidelines concerning the same matters covered by this policy are deemed superseded. In the event of any inconsistency between the policy and guidelines contained herein and the terms of other existing policies, company rules and related implementing guidelines, the policy and guidelines contained herein shall prevail.

AMENDMENT OR ALTERATION OF THIS POLICY

This policy shall not be amended, altered or varied unless such amendment, alteration or variation shall have been endorsed by the Audit Committee and approved by resolutions of the Board of Directors.

Approved by:



MIGUEL A. CAMAHORT
President & CEO

³ Corporation Code, Sections 32, 33 and 44

ANNEX A - DEFINITIONS

The implementation of this Guidelines shall be guided by the following definitions of "Related Party" and "Related Party Transactions" as set out in Philippine Accounting Standard 24 on Related Party Disclosures (PAS 24).

A 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).
 - (ii) One entity is an associate⁴ or joint venture⁵ 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.
 - (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 (a).
 - (vii) A person identified is (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).

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

⁴ 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.

⁵ 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.

- (c) dependents 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 the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidized 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.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the context of this Standard, the following are not related parties:

- (a) two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity.
- (b) two venturers simply because they share joint control over a joint venture.

- (c)
 - (i) providers of finance,
 - (ii) trade unions,
 - (iii) public utilities, and
 - (iv) departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity, simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process).
- (d) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture. Therefore, for example, an associate's subsidiary and the investor that has significant influence over the associate are related to each other.

The following are examples of transactions that are disclosed if they are with a related party:

- (a) purchases or sales of goods (finished or unfinished);
- (b) purchases or sales of property and other assets;
- (c) rendering or receiving of services;
- (d) leases;
- (e) transfers of research and development;
- (f) transfers under license agreements;
- (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
- (h) provision of guarantees or collateral;
- (i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognized and unrecognized); and
- (j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.

ANNEX B - TRANSACTIONS EXEMPT FROM RPT REVIEW

1. The acquisition as consumer or realization in the ordinary and usual course of business of consumer goods or consumer services from or to a Related Party on normal commercial terms.
2. The sharing of administrative services between Corporation and a Related Party on a cost basis, where the cost of the services is identifiable and allocated to the parties involved on a fair and equitable basis. Examples include company secretarial services, legal services and staff training services.
3. Any transaction involving a Related Party where the rates or charges involved are determined by competitive bids.
4. Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at the rates or charges fixed in conformity with law or governmental authority.
5. Any transaction with a Related Party for the provision of goods or services if the good or services are sold or rendered based on a fixed or graduated scale which is publicly quoted or applied consistently to all customers or class of customers.
6. Other transactions similar to any of the foregoing.