

LBC EXPRESS HOLDINGS, INC.

REVISED RELATED PARTY TRANSACTIONS POLICY¹

I. Objective

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 "Company") related party transactions.

II. Scope

Related party transactions cover transactions with LBCH's directors, officers and substantial shareholders. It also includes the Company's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.²

III. General Policies and Procedures

1. Existing relationships between and among businesses and related parties shall be continuously monitored and evaluated. The Senior Management shall implement appropriate controls to effectively manage and monitor RPTs on a per transaction and aggregate basis. A Related Party Registry shall be maintained and regularly updated to capture organizational and structural changes in the Company and its related parties. The register shall be subject to review in a quarterly basis.
2. Related parties, RPTs and changes in the relationship should be disclosed in the relevant reports to the Board and regulators. Directors and officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interests in the RPT and abstain from the discussion, approval and management of such transaction or matter affecting the Company. 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.
3. RPTs shall be subject to the review process described in these guidelines and the Company's *Conflict of Interest Policy* to determine whether an RPT meets the following RPT Standards:

¹ Updated as of 25 October 2019. This Revised Policy is issued in compliance with SEC Memorandum Circular No. 10, Series of 2019. The provisions of this document are hereinafter referred to collectively as the "Guidelines".

² Please see *Annex A* for the definitions of "Related Party Transactions" and "Related Parties".

- a. the RPT is on arm's length terms³; and
 - b. the RPT is in the best interest of Corporation and its shareholders as a whole, considering the relevant circumstances.
4. 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 ten (10%) of the Company's total assets based on its latest audited financial statement, shall be deemed "**Material Related Party Transactions**". Such transactions shall reviewed by the Related Party Transaction Committee ("RPTC") prior to its endorsement for the Board's Approval, in accordance with the special guidelines, conditions, and procedures set forth in the Company's *Material Related Party Transaction Policy*.

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 RPTC 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 RPTC where the review of the RPT will be undertaken.

The provisions of these Guidelines shall have suppletory application to transactions involving Material RPTs, to the extent that these provisions are not in conflict with the provisions of the Company's *Material Related Party Transaction Policy*.

- (b) Any RPT involving an amount of less than 10% of the Company's total assets will be directly submitted to the President and CEO for his consideration and shall be reviewed in accordance with the provisions of the Guidelines set forth in this document. However, these transactions are not considered material, thus, not included in the advisement report discussed in "Disclosure and Regulatory Requirements" part of these Guidelines.
5. An annual independent review of a third party (e.g. auditing firm, third party consultants, etc.) shall be performed to evaluate the fairness of the pricing agreements.

³ "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.

6. Notwithstanding any provisions in these 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:
 - a. Contract between an officer and the Company (Board approval only);
 - b. 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; and
 - c. Management contract where the Company undertakes to manage or operate all or substantially all of the business of another corporation or vice versa⁴.
7. 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 RPTC for the purpose of monitoring. The Company's Audit Committee ("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.
8. 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.
9. The members of the board, shareholders, and management 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 transaction 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.
10. If there is any knowledge of an alleged legitimate concerns about illegal, unethical and questionable material RPTs, the stakeholder shall confidentially communicate and report in writing all evidences to the RPTC or Board of Directors. The RPT Committee shall evaluate any abusive Material RPT and shall determine the appropriate penalties to be imposed upon erring directors or officers.⁵

⁴ Corporate Code, Sections 32, 33 and 44

⁵ Abusive material RPTs refer to material RPTs that are not entered at arm's length and unduly favor a related party.

IV. Disclosure and Regulatory Reporting

Disclosures concerning Material RPTs, as defined under Section 4(a) of Part III of this *Revised Related Party Transactions Policy* shall be subject to the disclosure and reporting rules stated in the Company's *Material Transaction Policy*.

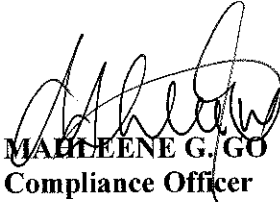
V. Effectivity

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. With the exception of Related Party Transactions deemed to be 'Material' which shall be governed by the Company's *Material Related Property Policy*, 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.

Approved by:



MIGUEL ANGEL A. CAMAHORT
President & CEO



MADEENE G. GO
Compliance Officer

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 associate⁶ or joint venture⁷ 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
- (c) dependents of that person or that person's spouse or domestic partner.

⁶ 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

⁷ 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

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.

LBC EXPRESS HOLDINGS, INC.

MATERIAL RELATED PARTY TRANSACTIONS (RPT) POLICY¹

1. OBJECTIVE

- 1.1 This Material Related Party Transactions (“RPT”) Policy of LBC EXPRESS HOLDINGS, INC. (the “Company”) is intended to ensure that certain material related party transactions (“Material RPTs”) are conducted in a manner that will create financial, commercial and economic benefits for the Company and all its stakeholders, and to prevent conflict of interest which may arise from such transactions.
- 1.2 These Guidelines are meant to supplement the Company’s *Revised Related Party Transactions Policy* Guidelines, containing special rules, procedures, and conditions specifically pertaining to ‘material’ related party transactions, as defined hereunder.
- 1.3 These Policy Guidelines will ensure that the material RPTs are entered into at arms-length or at terms at least comparable to those available to unrelated third parties, and that these transactions shall be disclosed, reviewed, and approved in accordance with this Policy and consistent with the principles of transparency and fairness.

2. SCOPE

- 2.1 This policy specifically covers Material RPTs between the Company and a Related Party as defined below or between a subsidiary or an affiliate of the Company and a Related Party as defined below if the subsidiary or the affiliate has not adopted its own policy on related party transactions.

3. DEFINITION OF TERMS

For the purposes of this policy, the following definitions shall apply:

- 3.1 **Related parties** - covers the Company’s members of the Board, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control, joint control or significant influence over the Company. It also covers any subsidiary, associate, affiliate, joint venture of the Company or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party of the Company.
- 3.2 **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.

¹ As of 25 October 2019.

3.3 Affiliate - refers to an entity linked directly or indirectly to the Company through any one or a combination of any 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;
- iii. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and the entity; or
- iv. 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.

3.4 Associate - 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.

3.5 Significant Influence - the power to participate in the financial and operating policy decisions of the Company but has no control or joint control of those policies.

3.6 Control - a person or an entity controls a Company if and only if the person or entity has all of the following:

- 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.

3.7 Related Property Transactions (RPTs) - a transfer of resources, services or obligations between a Company and a Related Party, regardless of whether a price is charged. It shall exclude outstanding transactions that are entered into with an unrelated party that subsequently becomes a Related Party, provided that any amendment or supplement to the terms and conditions of such transactions at the time such counterparty is already a Related Party shall be considered an RPT for purposes of this policy.

3.8 Material RPTs - any RPT, 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 consolidated assets based on its latest audited financial statement.

3.9 Materiality Threshold - ten percent (10%) of the Company's total consolidated assets based on its latest audited financial statement.

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

4. DISCLOSURE AND REGULATORY REPORTING

- 4.1 A summary of all Material RPTs entered into during each reporting year shall be disclosed in the Company's Integrated Annual Corporate Governance Report (I-ACGR), to be submitted annually every May 30.
- 4.2 An Advisement Report of any material related party transactions shall be filed within three (3) calendar days from the execution date of the relevant transaction. The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative and at a minimum, shall include the following information:
- i. Complete name of the related party;
 - ii. Relationship of the parties;
 - iii. Execution date of the material related party transaction;
 - iv. Financial or non-financial interest of the related parties;
 - v. Type and nature of transactions as well as a description of the assets involved;
 - vi. Total consolidated assets;
 - vii. Amount of contract price;
 - viii. Percentage of the contract price to the total consolidated assets of the Company;
 - ix. Carrying amount of the collateral, if any;
 - x. Terms and conditions;
 - xi. Rationale for entering into the transaction; and
 - xii. The approval obtained (i.e., names of directors present, name of directors who approved the material related party transaction and the corresponding voting percentage obtained).

5. REVIEW AND APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS

- 5.1 Material RPTs shall be reviewed and evaluated by the RPT Committee and endorsed to the Board of Directors for approval.
- 5.2 In the review and approval of the Material RPTs, the RPT Committee shall consider the following the following factors:
- i. whether the transaction is conducted on an arm's length basis;
 - ii. the aggregate value of the transactions;
 - iii. the extent of the Related Party's interest in the transaction;
 - iv. purpose and timing of the transactions;
 - v. whether the transaction would present an improper conflict of interest or special risks or contingencies to the Company or any Related Party taking into account the size of the transaction and the overall financial position of the Related Party; and
 - vi. any material information or other factors the RPT Committee deems relevant.

- 5.3 When deemed necessary by the Board, an external independent party (e.g., audit or accounting firm, third party consultant, or appraiser) shall be appointed to evaluate the terms of the Material RPTs.
- 5.4 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 all individual Material RPTs. 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 of the Company. For aggregate RPTs within a twelve (12)-month period that breaches the materiality threshold, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same Related Party.
- 5.5 Directors and key management personnel with personal interest in the transaction shall abstain from participating in the discussion on the same. Directors are prohibited to vote as well on a particular agenda when they are conflicted. In case they refuse to abstain, their attendance shall not be counted for purposes of determining quorum and their votes shall not be counted for purposes of determining approval.
- 5.6 The members of the Board, substantial shareholders, and officers shall fully disclose to the Board all material facts related to any Material RPT as well as their direct and indirect financial interest in any transaction 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 execution of the Material RPT.

6. ENSURING RPT IN ARM'S LENGTH TERMS

- 6.1 All transactions with Related Parties shall undergo the regular transaction processing and approval processes as if the parties are not related. The Company shall ensure that no preferential treatment is given to Related Parties that are not extended to non-related parties under similar circumstances.
- 6.2 Selection of service providers such as construction and maintenance, janitorial services, and other services as well as suppliers of office supplies, equipment, and construction materials shall be subject to a bidding process in accordance with the existing procurement policy of the Company.

7. WHISTLE BLOWING MECHANISMS

- 7.1 The Company has an existing *Whistleblowing Policy* consistent with the corporate values and codes of conduct set by the board of directors. The policy allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to a unit created to handle whistleblowing concerns.

8. REMEDIES FOR ABUSIVE MATERIAL RPTs

- 8.1 Whenever applicable, the Company shall discontinue a Material RPT if found abusive and demand restitution of losses or opportunity costs incurred by the Company arising out of the RPT.
- 8.2 “Abusive” Material RPTs refer to material RPTs that are not entered into arm’s length terms and unduly favor a related party.
- 8.3 The RPT Committee shall evaluate any abusive Material RPT and shall determine the appropriate penalties to be imposed upon erring directors or officers.

9. POLICY REVIEW AND IMPLEMENTATION

- 9.1 The internal audit group of the Company shall conduct a periodic review of the effectiveness of the Company’s system and internal controls governing Material RPTs to assess consistency with the board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee.
- 9.2 The Compliance Officer shall ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting Related Parties.
- 9.3 The Compliance Officer shall aid in the review of the Company’s transactions and identify any potential Material RPT that would require review by the Board. The Compliance Officer shall ensure that the Company’s RPT policy is kept updated and is properly implemented throughout the Company.

Approved by:



MIGUEL ANGEL A. CAMAHORT
President & CEO



MAHLEENE G. GO
Compliance Officer