

ACGR

## RELATED PARTY TRANSACTIONS POLICY

NOW Corporation (the “Parent Company”) and its subsidiaries, whether owned directly or indirectly, being part of an economic controlling group, inevitably conduct some of its business activities with Related Parties in the Group. This Policy sets out the guidelines, categories and thresholds requiring review, approval and ratification by the Board of Directors or Shareholders, and disclosure requirements for Related Party Transactions (RPTs). This policy is not intended to be in conflict with any applicable laws or regulations and if any such conflict occurs, the requirements of the law or regulation shall prevail.

### 1. Definition of Terms

#### a. Related Parties

The term Related Parties in this Policy refers to the expanded definition of Philippine Accounting Standards (PAS) 24, and shall include:

- i. Parties that are members of the same group, i.e. each parent, subsidiary and fellow subsidiary is related to the others;
  - ii. All Directors, Officers, Managers and Key Management Personnel 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 in;
  - iii. Close family members of an individual referred to in (ii) above, who may be expected to influence, or be influenced by, that individual in their dealings with the Company or its Subsidiary;
  - iv. Party is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); Party is a joint venture or associate of a third entity; and
  - v. Post-employment benefit plan, and sponsoring employers of such a plan, of either the Company or an entity that is a related party of the Company.
- b. Control - the power to govern the financial and operating policies of the Company or its Subsidiary.
- c. Significant influence - the power to participate in the financial and operating policy decisions of the Company or its Subsidiary, but is not control over those policies. This may be gained by share ownership, statute or agreement.
- d. Close family member - the individual's spouse or domestic partner and children (whether legitimate or illegitimate), stepchildren, and dependents of the individual or that individual's spouse or domestic partner.

- e. Related Party Transaction is a transfer of resources, services or obligations between the Company & its Subsidiaries, and a related party, regardless of whether a price is charged.

Examples of RPTs are:

- i. Guarantees or commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (i.e. neither party has performed any obligation or both parties have partially performed their obligations to an equal extent)
- i. Loans to directors
- ii. Sale or purchase of goods
- iii. Sale, purchase or lease of property and/or assets
- iv. Provision or receipt of services or leases
- v. Assumption of financial/operating obligations
- vi. Subscription for debt or equity issuances
- vii. Establishment of joint venture entities
- viii. Settlement of liabilities on behalf of the Company or its Subsidiary or by the Company or its Subsidiary on behalf of a related party
- ix. Compensation, benefits (monetary and non-monetary), postemployment benefits, termination benefits and share-based payment of current employees

## 2. **The Policy**

The Policy requires that any transactions with related parties are made on terms equivalent to those prevailing in arm's length transactions. The Audit and Risk Committee, as per its Board-approved Charter, shall be responsible to oversee and review the propriety of RPTs. In its review, it shall take into account, among other factors it deems appropriate, whether the RPT is entered into on terms no less favourable to the concerned company than terms generally available to an unaffiliated third-party under the same or similar circumstances; and the extent of the Related Parties' interest in the transaction.

The Board shall consider such factors as the following:

- a. Materiality;
- b. The purpose and timing of the transactions;
- c. Extent of the Related Party's interest in the RPT;
- d. Conflict of interest, actual or apparent, of the Related Party participating in the transaction; and
- e. Any other relevant information regarding the transaction.

## 3. **Disclosure**

Directors shall disclose to the Board, through the Company's Corporate Secretary, details of all their other directorships and any shareholdings owned by them or members of their family. Any changes to these notifications must be communicated promptly to the Board of Directors through the Company's Corporate Secretary.

#### **4. Identification, Review and Approval of Related Party Transactions**

It is the responsibility of each director and senior manager to promptly notify the Board, through the Company's Corporate Secretary, of any proposed RPT *as soon as they become aware of it*. It is the responsibility of a director or senior manager who is *involved* in a proposed RPT to inform the Board, through the Company's Corporate Secretary, and obtain approval prior to entering into the transaction.

Conflicted board members shall not participate in discussions on transactions in which they are a conflicted party and shall abstain from voting on such issues. The Board shall decide whether or not to approve the RPT involving a director in the absence of that director.

However, if the RPT is not identified beforehand, it must be subsequently reviewed and ratified by the Board.

If the law so requires, the prior approval of shareholders will be sought for any proposed RPT.

#### **5. Reporting and Other Guidelines**

The Company shall report to its shareholders in its annual report and accounts on all related party transactions to the extent required by applicable laws or regulations.

The Audit Committee may establish guidelines to manage and monitor conflicts of interest of Management, Board Directors and shareholders, including misuse of corporate assets and abuse in RPTs.

The Audit and Risk Committee shall clearly define the thresholds for disclosure and approval for related party transactions and categorize such transactions that need not be reported or announced, those that need to be disclosed and those that need prior approval.

#### **6. Pre-Approved RPTs**

The following RPTs shall be deemed to be pre-approved by the Board:

- a. Compensation and employment of executive officers and directors approved by the Compensation Committee;
- b. Transactions with similar terms available to all employees generally;
- c. Charitable contributions by the Company where the Related Party is an employee or director, if the aggregate amount involved does not exceed P5M;
- d. Banking-related services and transactions with a Related Party, if the terms are generally the same as or similar to offers of other banks in the ordinary course of business;
- e. Share transactions such as dividends, repurchase, rights offerings, available to all shareholders on a pro-rata ownership basis.
- f. Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.

#### **7. Review**

This Related Party Transactions Policy may be amended at any time and is subject to further guidance from the SEC, PSE, and/or actions taken by the Parent Company's Board of Directors or Shareholders.