

## RELATED PARTY TRANSACTIONS POLICY

### 1. INTRODUCTION

Paxys, Inc. (the “Company”, “Paxys”, “reporting PLC”) recognizes that transactions and business activities inevitably arise with related parties. This policy sets out the scope, guidelines, and requirements for the conduct, review, approval and disclosure of related party transactions to prevent potential conflicts of interests and in order to maintain the integrity and transparency of the related party transactions of Paxys.

### 2. DEFINITION OF TERMS

- 2.1 **Related Party Transaction (RPT)** – transfer of resources, services or obligations between Paxys and a related party, regardless of whether a price is charged.
- 2.2 **Material Related Party Transaction** – 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 consolidated total assets based on its latest audited financial statement.
- 2.3 **Materiality Threshold** – Ten percent (10%) of the Company’s consolidated total assets based on its latest audited financial statements.
- 2.4 **Related Parties** – covers the following:
  - a. The Company’s directors, 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 joint control or significant influence over the reporting PLC
  - b. The parent company, subsidiary, fellow subsidiary, associate, affiliate, joint venture or entities which are controlled, jointly controlled or significantly influenced or managed by a person who is a related party
- 2.5 **Substantial Shareholder** – any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the reporting PLC’s equity security
- 2.6 **Associate** – an entity over which the reporting PLC holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the reporting PLC has significant influence



2.7 **Affiliate** – any entity linked directly or indirectly to the reporting PLC through any one or a combination of any of the following:

- a. 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 reporting PLC, or vice-versa
- b. Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations
- c. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the reporting PLC and the entity
- d. Management contract or any arrangement granting power to the reporting PLC to direct or cause the direction of management and policies of the entity, or vice versa

2.7 **Control** – a person or an entity controls a reporting PLC if and only if the person or entity has all of the following:

- a. Power over the reporting PLC;
- b. Exposure, or rights, to variable returns from its involvement with the reporting PLC; and
- c. The ability to use its power over the reporting PLC to affect the amount of the reporting PLC's returns

2.8 **Abusive Material RPTs** – refer to Material RPTs that are not entered at arms length and unduly favor a related party.

2.9 **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

2.10 **Related Party Registry** – a record of the Company's organizational and structural composition and its related parties

### 3. GENERAL POLICIES

3.1 All RPTs of the Company shall be handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of the Company's shareholders and other stakeholders. No shareholder or stakeholder shall be unduly disadvantaged by the transaction.

- 3.2 Material RPTs shall be conducted on an arm's length basis and shall be subject for the review, evaluation and endorsement of the Audit, Risk and Related Party Transactions Committee of the Board.
- 3.3 The Audit, Risk and RPT Committee shall establish a system to determine, identify and monitor related parties and material RPTs; continuously review and evaluate business relationships and counterparties; monitor and control risks arising from material RPTs.
- 3.4 The Senior Management, Compliance Officer and Risk Officer shall ensure that appropriate internal controls are in place to effectively manage and monitor material RPTs on a per transaction and aggregate basis.
- 3.5 The Company's Compliance Officer shall report and provide assistance to the Audit, Risk and RPT Committee to ensure all material RPTs are reviewed, approved, and disclosed in accordance to this policy to ensure full compliance to the regulatory bodies such as the SEC and the PSE.
- 3.6 The Compliance Officer and Risk Officer shall periodically assess the effectiveness of the RPT systems, policies and guidelines to ensure effective and sound implementation of the same.
- 3.7 Directors and officers with personal interest in material RPTs shall fully and timely disclose any and all material facts, including their respective interests in the material RPT, and shall abstain from the discussion, approval, and management of such transaction.
- 3.8 Conflicts of interests shall be dealt in accordance with the Company's Conflict of Interest policy available at the Company's public website: [http://paxys.com/public/company\\_policies.html](http://paxys.com/public/company_policies.html)

#### **4. IDENTIFICATION OF RELATED PARTIES**

The list of persons and entities that are related parties of the Company are set forth in the Related Party Registry. The Related Party Registry shall be reviewed and updated annually, or as necessary, by the Compliance Officer and the Corporate Secretary.

#### **5. REVIEW AND APPROVAL OF RPTs**

Before the execution of the RPT, the Management and Compliance Officer shall present the relevant details, terms and conditions of all individual material RPTs for review and evaluation of the Audit, Risk and RPT Committee, including but not limited to the following:

- Purpose, terms and conditions of the transaction



- Nature of relationship and interest of the related party/parties involved
- Transaction description, considerations, and financial impact on the reporting period, including the amounts and other information necessary for better understanding of the material RPT

The Audit, Risk and RPT Committee shall review and evaluate the information provided and shall consider all facts available to determine if the material RPT is within arm's length, fair to all parties concerned, and in compliance with this policy and applicable laws and regulations.

If deemed necessary, the Committee may require services of an external independent party to evaluate the fairness of the material RPTs. An external independent party may include, but is not limited to, auditing or accounting firms, third party consultants and appraisers. Further, the Committee may also engage experts to perform price discovery mechanisms appropriate for the material RPT subject for review.

Only material RPTs which passed the review and evaluation by the Committee shall be endorsed for Board approval. The material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least majority of the independent directors voting to approve the material RPT. 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. For aggregate RPT transactions within a twelve (12) month period that breaches the materiality threshold of at least ten percent (10%) of the Company's consolidated total assets, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction shall abstain from participating in discussions and voting of material RPT. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

The Committee and the Board may grant pre-approval for material RPT transactions which are repetitive in nature provided that an initial review and evaluation of all facts related to the same transaction has been done. All pre-approved material RPT transactions shall be reported to the Board quarterly.

## **6. GUIDELINES IN ENSURING ARM'S LENGTH TERMS IN MATERIAL RPTS**

The Corporation shall ensure that in all Material RPTs, no preferential treatment shall be given to Related Parties that are not extended to non-related parties under similar circumstances and that the transactions are engaged into, at terms that promote the best interest of the Company and its Shareholders. The transactions should not be more favorable than similar transactions with non-related parties. Moreover, the Company shall

commit to exercise due diligence in ensuring that the Company does not adopt tax base erosion and profit shifting schemes in carrying out material RPTs in compliance with applicable Bureau of Internal Revenue transfer pricing regulations.

In addition to the requirements under Item 5 hereof, to ensure that transactions are at arm's length terms and to promote the best interest of the Company, its shareholders and the government, the Corporation may adhere to a price discovery mechanism that the Audit, Risk and RPT Committee and the Board may deem appropriate. Management shall provide the aggregate value of the Material RPT, extent of the Related Party's interest in the transaction and whether the Material RPT would present an improper conflict of interest or special risks or contingencies to the Company, or the Related Party taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the nature of any proposed relationship, and any other relevant information regarding the transaction.

As noted in Item 5 hereof, before the execution of a Material RPT, the Board of the Company shall appoint an external independent party, aside from the existing auditor of the Company, to evaluate the fairness of the terms of the Material RPTs. The Audit, Risk, and RPT Committee may also require Management to (i) secure the services of an external expert, (ii) open the transaction to a bidding process, or (iii) if applicable, publish a notice to invite interested parties to bid or make offer for assets for sale and/or assets or services to be procured, among others, as a mechanism for price discovery to ensure that the transactions are engaged into at terms that promote the best interest of the Company and its shareholders.

## **7. OTHER RPTs**

Transactions which do not breach the materiality threshold of this Policy shall still be included in the RPT Registry of the Company and to be reported on a quarterly basis to the Audit, Risk and RPT Committee. These are done in the ordinary course of business, whether individually or repetitive, and does not require the review and approval process per Item (5) of this policy. Examples include, but are not limited to the following:

- Compensation and employment of common executive officers and directors as approved by the Compensation Committee
- Transactions similar to all employees and management generally
- Funding of the Group's projects
- Shared services and facilities such as accounting, finance, purchasing, IT, leased lines and other services designed to optimize efficiency of the Group
- Banking-related services and transactions provided the terms are generally the same or similar to other banks in the ordinary course of business.





## **8. SELF-ASSESSMENT AND REVIEW**

The Compliance Officer, Corporate Secretary, Risk Officer and Senior Management of the Company shall aid in the review of the Company's transactions and identify any potential RPT that would require review by the Audit, Risk and RPT Committee and the Board. They will assist in ensuring that this Policy is kept updated and properly implemented throughout the Company. The Audit, Risk and RPT Committee shall periodically review this Policy and may recommend amendments to this Policy as it deem appropriate.

## **9. WHISTLE BLOWING MECHANISMS**

The Company is committed to high standards of ethical, moral, and legal conduct. In line with the Whistleblowing Policy of Paxys, stakeholders are encouraged to communicate confidentially and without the fear of retaliation or unfair treatment legitimate concerns about anomalies, illegal, and unethical related party transactions of the Company.

The Whistleblowing policy is made available at the Company's public website: [http://paxys.com/public/company\\_policies.html](http://paxys.com/public/company_policies.html)

## **10. DISCLOSURES AND REPORTING OF MATERIAL RPTs**

This Policy will be published in the Company's website at [www.paxys.com](http://www.paxys.com). The Company shall disclose material RPTs in accordance with the rules of the Securities and Exchange Commission.

A summary of material RPTs entered into during the reporting year and other necessary disclosures shall be made to the Company's reports such as the Integrated Annual Corporate Governance Report (I-ACGR) and the Notes to the Consolidated Financial Statements.

An Advisement Report on any material RPT shall be made and submitted to the SEC within three (3) calendar days from the execution date of the transaction and shall be signed by the Company's Corporate Secretary or authorized representative.

## **11. REMEDIES FOR ABUSIVE RPTs**

Responsible persons found to be in willful violation of this Policy shall be subject to the corresponding procedures and penalties under the Company's Code of Conduct and Ethics and relevant laws and regulations, as may be applicable; provided that any penalty to be imposed herein shall be subject to consultations with the Audit, Risk, and RPT Committee. The penalty may include any applicable restitution of actual losses suffered by the Company directly arising from violation of policies relating to Abusive Material RPTs.



## 12. LIMITATIONS AND AMENDMENTS

In the event of any conflict between the provisions of this policy and the rules or the applicable laws provided by the regulatory agencies, the provisions of the latter shall prevail over this policy. Any subsequent amendment or modification in the he rules or the applicable laws in this regard shall automatically apply to this policy.

## 13. EFFECTIVITY OF THE POLICY

This Policy, approved by the Board of Directors on 8 November 2019, shall be effective immediately.



---

Tarcisio M. Medalla  
Chairman and President



---

Pablito O. Lim  
Compliance Officer