

MATERIAL RELATED PARTY TRANSACTIONS POLICY OF VITARICH CORPORATION

In compliance with Securities and Exchange Commission ("SEC") Memorandum Circular No. 10, Series of 2019, Vitarich Corporation ("Vitarich" or the "Corporation") hereby adopts this Material Related Party Transactions Policy, subject to the provisions of the Revised Corporation Code, Securities Regulations Code, Philippine Stock Exchange Disclosure Rules, Code of Corporate Governance for Publicly-Listed Companies, and all other applicable laws, rules, and regulations of the Philippines.

I. PURPOSE

- This policy aims to further promote good corporate governance and add protection to minority investors. It also ensures the integrity of all material transactions between and among related parties and that the same are entered into on an arm's length basis.

II. RELATED PARTIES

- Related parties shall cover the following:
 - a.) Vitarich'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 control, joint control, or significant influence over the Corporation.
 - ❖ Substantial shareholder shall refer to a person, natural or juridical, who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.
 - ❖ A person or entity has control over Vitarich if and only if such person or entity has all of the following:
 - Power over Vitarich;
 - Exposure, or rights, to variable returns from its involvement with Vitarich; and
 - Ability to use its power over Vitarich to affect the amount of the Corporation's returns.
 - ❖ Significant influence refers to the power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.
 - b.) 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.
 - ❖ Affiliate refers to an entity linked directly or indirectly to Vitarich through any one or a combination of any of the following:

- 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 Vitarich;
 - Ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by Vitarich of at least ten percent (10%) or more of the outstanding voting stock of a company;
 - Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
 - Common stockholders owning at least ten percent (10%) or more of the outstanding voting stock of Vitarich and the entity;
 - Management contract or any arrangement granting power to Vitarich to direct or cause the direction of management and policies of the entity;
 - Management contract or any arrangement granting power to an entity to direct or cause the direction of management and policies of Vitarich;
- ❖ Associate refers to an entity over which Vitarich holds twenty percent (20%) or more of the voting power, directly or indirectly, or which Vitarich has significant influence.
- The Corporation shall prepare and keep a Related Party Registry, which is a record of the organizational and structural composition of Vitarich and its related parties, including any change thereon.
 - The Board of Directors shall quarterly review and/or update the Related Party Registry to capture organizational and structural changes in the Corporation and its related parties.

III. COVERAGE OF THE POLICY

- This policy covers all of the Corporation's material related party transactions, which are defined as:
 - (a) A single transaction with a related party amounting to ten percent (10%) or higher of Vitarich's total assets or total consolidated assets based on its latest audited financial statement; or
 - (b) Several transactions or a series of transactions over a twelve (12) month period with the same related party amounting to ten percent (10%) or higher of Vitarich's total assets or total consolidated assets based on its latest audited financial statement.
- All other transactions of the Corporation with related parties that do not meet the ten percent (10%) threshold provided above are excluded from the coverage of this policy, except as otherwise indicated.



- Transactions amounting to ten percent (10%) or higher of Vitarich's total assets or total consolidated assets based on its latest audited financial statement that were entered into with an unrelated party that subsequently becomes a related party are excluded from the limits and approval process stated in this policy. *Provided, however*, that any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the material related party transactions to the requirements of this policy and the Rules on Material Related Party Transactions Policy. *Provided, further*, that the prospective treatment shall be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

IV. ACTUAL OR POTENTIAL CONFLICT OF INTEREST

- Directors and officers shall annually disclose to the Board of Directors, through the Corporate Secretary and the Compliance Officer, details of all their other directorships, shareholdings, and officerships, as well as that of their spouses and relatives within the fourth civil degree of consanguinity or affinity. The duty to disclose covers any changes in the said directorships, shareholdings, and/or officerships.
- Directors and officers with actual or potential personal interest in the transaction shall fully and timely disclose to the Board of Directors, through the Corporate Secretary and the Compliance Officer, any and all material facts involved in the transaction, including their respective interests in the material related party transaction.
- Directors and officers with actual or potential personal interest in the transaction shall abstain from the discussion, approval, and management of such transaction or matter affecting the Corporation. In case of their refusal 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.
- A director who is a shareholder, partner, director, or officer of the related party with whom Vitarich has a transaction with, regardless of the amount involved, shall abstain from the discussion, approval, and management of such transaction or matter affecting the Corporation. In case of their refusal 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.

V. GUIDELINES IN ENSURING ARM'S LENGTH TERMS

- A material related party transaction is on an arm's length terms if no preferential treatment is given to the related party that is not also extended to non-related party under similar circumstances.
- All material related party transactions shall be accounted for at market prices normally charged to non-related parties for similar transactions and/or under similar circumstances.
- In the approval of all material related party transactions, the following shall be considered:

- ❖ Material facts of the transaction;



- ❖ Aggregate value of the transaction;
 - ❖ Terms and conditions of the transaction;
 - ❖ Whether the terms are no less favorable than those generally available to non-related parties under the same or similar circumstances;
 - ❖ The extent of the related party's interest in the transaction;
 - ❖ Purpose and timing of the transaction;
 - ❖ The need for the transaction;
 - ❖ Duration of the transaction;
 - ❖ Benefits to the Corporation of the transaction;
 - ❖ Availability of other sources of comparable products or services;
 - ❖ All other factors that the Audit, Risk Oversight, and Related Party Transactions Committee and/or Board of Directors may deem important.
- Before the execution of the material related party transaction, the Board of Directors shall appoint an external independent third party to evaluate the fairness of the terms of the material related party transactions. An external independent third party may include, but is not limited to the following:
- ❖ Auditing firm
 - ❖ Accounting firm
 - ❖ Third party consultants
 - ❖ Third party appraisers
- All material related party transactions shall be subject to the applicable existing procurement/bidding process of the Corporation.
- Notwithstanding the procurement/bidding process of the Corporation, the Audit, Risk Oversight and Related Party Transactions Committee, may, if it deems fit, acquire the services of an external expert, or publish the available property for sale with information on the indicative/minimum selling price of said property at the conspicuous place in the office.

VI. APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS

- All material related party transactions shall be approved by at least two thirds (2/3) vote of the Board of Directors, with both independent directors voting to approve the transaction.
- In case the two thirds (2/3) vote of the Board of Directors is not secured due to the abstention of more than one third (1/3) of its members because of actual/potential conflict of interest, the material related party transaction shall be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock in a regular or special meeting called for the purpose.
- In case the vote of at least one (1) independent director is not secured, the material related party transaction shall be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock in a regular or special meeting called for the purpose.

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- Any material change in the transaction shall be subject to the same approval as stated above. Material changes shall include but not limited to the changes in:

- ❖ Price
- ❖ Interest Rate
- ❖ Maturity Date
- ❖ Payment Terms
- ❖ Commissions
- ❖ Fees
- ❖ Collateral Requirement

- Directors and officers with actual or potential personal interest in the material related party transaction shall abstain from the discussion, approval, and management of such transaction or matter affecting the Corporation. In case of their refusal 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.

VII. SELF-ASSESSMENT AND PERIODIC REVIEW OF THE POLICY

- The Internal Audit shall conduct a periodic review of the effectiveness of the Corporation's system and internal controls governing material related party transactions 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, Risk Oversight, and Related Party Transactions Committee.
- The Compliance Officer shall aid the Internal Audit in the review of the Corporation's transactions and identify any potential material related party transaction that would require review by the Board. He/she shall ensure that this policy is kept updated and is properly implemented throughout the Corporation.
- The Compliance Officer shall ensure that the Corporation complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties.

VIII. DISCLOSURE/REPORTORIAL REQUIREMENT OF MATERIAL RELATED PARTY TRANSACTIONS

- The members of the Board of Directors, substantial shareholders, and officers shall fully disclose to the Board of Directors all material facts related to the material related party transactions as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the Corporation.
- Such disclosure shall be made at the meeting where the material related party transaction will be presented for approval and before the completion or execution of the material related party transaction.
- The Corporation shall submit an Advisement Report in the form and manner prescribed by the SEC within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Corporation's Corporate Secretary or authorized



representative as well as the related party or the authorized representative of the related party.

- A summary of all material related party transactions entered into during the reporting year shall be disclosed in the Corporation's Integrated Annual Corporate Governance Report to be submitted annually every 30th of May. This shall include the information stated in the Advisement Reports.

IX. WHISTLE BLOWING MECHANISM

- The Corporation adopts its existing whistle blowing policy as a means to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical, or questionable material related party transactions.
- In addition to the said policy, the Corporation hereby adopts the following whistle blowing process:
 - ❖ All concerns about illegal, unethical, or questionable material related party transactions shall be addressed to the Audit, Risk Oversight, and Related Party Transactions Committee. The complaint or concern may be in any form and may not disclose the name of the complaining person; *Provided*, that the Corporation will entertain anonymous complaints only if the complaint is found by the Board of Directors to be sufficient in form and in substance.
 - ❖ Within five (5) days from receipt of a complaint or concern, the Audit, Risk Oversight, and Related Party Transactions Committee shall inform the Board of Directors and the Compliance Officer of the existence of such complaint or concerns.
 - ❖ Within fifteen (15) days from receipt of notice of a complaint or concern, the Board of Directors shall form an investigating committee to investigate and verify the complaint or concern. The investigating committee shall be composed of the following:
 - A member of the Audit, Risk Oversight, and Related Party Transactions Committee;
 - A member of the Nominations, Remunerations, and Corporate Governance Committee
 - A member of the Internal Audit Department;
 - ❖ The investigating committee shall conduct an investigation within thirty (30) days from its appointment by the Board of Directors. Should the investigating committee need more time to investigate, it may request for an additional fifteen (15) days, which may be granted by the Board of Directors upon good cause shown. The investigating committee may seek the aid of the Compliance Officer and/or the Corporation's legal counsel.



- ❖ Within ten (10) days from conclusion of its investigation, the investigating committee shall submit a report to the Audit, Risk Oversight, and Related Party Transactions Committee, copy furnished the Compliance Officer.
- ❖ Within ten (10) days from receipt of the investigating committee's report, the Audit, Risk Oversight, and Related Party Transactions Committee shall submit to the Board of Directors, copy furnished the Compliance Officer, the results of the investigation together with its recommendation as to the dismissal of the complaint/concern or the appropriate sanctions that may be imposed by the Corporation. The Compliance Officer may also submit to the Board of Directors his/her recommendation as to the dismissal of the complaint/concern or the proper sanction that may be imposed.
- ❖ The Board of Directors shall, within ten (10) days from receipt of the results of the investigation and the recommendation of the Audit, Risk Oversight and Related Party Transactions Committee, review the same and submit its Decision as well as impose the proper sanction, copy furnished the Compliance Officer.
- ❖ The sanctions that may be imposed on the transaction itself and on the erring officers are those provided under the Revised Corporation Code, the Securities Regulation Code and its implementing Rules, the Code of Corporate Governance for Publicly Listed Companies, the Amended Manual on Corporate Governance of the Corporation, the penalties provided in the next section of this policy, and other existing laws, rules, and policies of the Corporation.
- ❖ The Compliance Officer shall ensure that the dismissal of the complaint/concern or the imposition of sanction is in accordance with the laws, regulations, and existing policies of the Corporation.

X. REMEDIES FOR ABUSIVE MATERIAL RELATED PARTY TRANSACTIONS

- A material related party transaction shall be considered abusive if the same is not entered at arm's length and unduly favors a related party to the undue prejudice and substantial disadvantage of the Corporation.
- Should the material related party transaction be found abusive, the Corporation, through its management, shall discontinue such transaction by serving a written notice to the related party within five (5) days from receipt of the decision of the Board of Directors as stated above or from receipt of the Board of Directors' assessment that the transaction is abusive.
- The Corporation shall likewise demand from the related party the restitution of losses or opportunity costs that Vitarich incurred from such material related party transaction.
- A director, officer, or personnel who has been found to be remiss in handling material related party transactions, whether deliberate or through gross negligence, shall be suspended or removed from his/her position, depending on the gravity of the offense, as the case may be, and as allowed under existing laws, rules, regulations, and company policies. *Provided, however,* that such director, officer, or personnel shall be solidarily liable with the related party from whom the restitution of losses or opportunity costs are demanded.



XI. REVIEW OF ALL EXISTING RELATED PARTY TRANSACTIONS OF THE CORPORATION

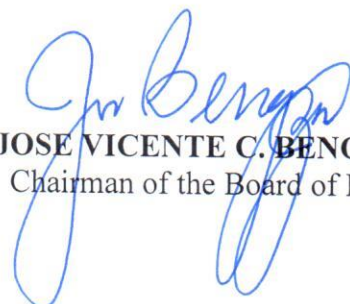
- Within thirty (30) days from approval of this policy, the Board of Directors shall review all existing related party transactions or contracts of the Corporation.
- Upon determination that a related party transaction or contract meets the materiality threshold set forth in this policy, an Advisement Report shall be submitted within three (3) days from such determination.

XII. APPROVAL, DISCLOSURE, AND EFFECTIVITY OF THIS POLICY

- This policy shall be approved by the affirmative vote of majority of the Board of Directors in a regular or special meeting called for the purpose.
- Any change in this policy shall be approved by the affirmative vote of a majority of the Board of Directors in a regular or special meeting called for the purpose and by the affirmative vote of a majority of the stockholders constituting a quorum in a regular or special meeting called for the purpose.
- The Corporation shall disclose to the Philippine Stock Exchange ("PSE") this policy immediately upon approval of the same.
- A copy of this policy shall be submitted to the SEC within five (5) days from its approval.
- The Corporation shall post this policy in its website within five (5) days from its submission to the SEC.
- This policy shall be effective immediately upon its approval and disclosure to the PSE.

Respectfully submitted.

Approved by the unanimous vote of the members of the Board of Directors on 23 August 2019.


JOSE VICENTE C. BENGZON, III
Chairman of the Board of Directors


MARY CHRISTINE C. DABU-PEPITO
Compliance Officer