



**SuperCity Realty Development Corporation**

*Service... Reliability... Development... Care...*

## **MATERIAL RELATED PARTY TRANSACTIONS POLICY AND GUIDELINES**

Pursuant to its commitment to integrity in generating profitable returns, it is the policy of Supercity Realty Development Corporation (“Corporation”) that Material Related Party Transactions between the Corporation and a related party, as defined below, shall be subject to the review and approval of the Corporation’s Board of Directors in order to ensure that the transactions are arrived at on an arm’s length basis, the terms are fair, and inure to the best interest of the Corporation.

### **I. Purpose**

The Corporation is engaged in the business of construction and its related services and activities. Rather than individual homebuyers, it positions itself to serve institutional or corporate clients, thus, making real estate developers its primary market.

In the normal course of business, the Corporation renders construction services to certain related parties for some real estate projects of the latter. Transactions between and among related parties create financial, commercial, and economic benefits to companies and the industries where they belong; provided, that these are done in an arm’s length basis. Thus, the purpose of this Policy is to provide guidelines that would ensure the integrity and transparency of Material Related Party Transactions (RPTs) and ensure that all transactions are always to the best interest of the Corporation and in particular, to its minority shareholders and other stakeholders.

### **II. Definition of Terms**

- (a) **“Related Parties”** – refers to the Corporation’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. It also covers the Corporation’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.

Parties are considered “related” if one party has the ability to control the other party or exercise significant influence over the other party making financial and operating decisions. These parties include (a) individuals, owning directly or indirectly,

through one or more intermediaries, control or are controlled by, or under common control with the Corporation; (b) associates; and (c) individuals owning directly or indirectly, an interest in the voting power of the Corporation and close members of the family of any such individual.

- (b) **“Control”**- exists when a person or entity has all of the following: (i) power over the Corporation; (ii) exposure, or rights, to variable returns from its involvement with the Corporation; and (iii) the ability to use its power over the Corporation to affect the amount of the Corporation’s returns.
- (c) **“Significant Influence”**- refers to the power to participate in the financial and operating policy decisions of the Corporation but has no control or joint control of those policies.
- (d) **“Close Family Members”**- refers to persons related to the Corporation’s directors, officers and shareholders (“DOS”) within the fourth civil degree of consanguinity or affinity, legitimate or common-law. These shall include the spouse, parent, child, brother, sister, grandparent, grandchild, parent-in-law, grandchild-in-law, son-in-law, daughter-in-law, stepchildren, brother-in-law, sister-in-law, grandparent-in-law, uncle, aunt, nephew and niece, uncle-in-law, aunt-in-law, nephew-in-law and niece-in-law and first cousin and first cousin-in-law of the Corporation’s DOS.
- (e) **“Substantial Shareholder”** – refers to any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.
- (f) **“Affiliate”** – refers to an entity linked directly or indirectly to the Corporation 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 the Corporation, or vice-versa;
  - Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
  - Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Corporation and the entity; or

- Management contract or any arrangement granting power to the Corporation to direct or cause the direction of management and policies of the entity, or vice-versa.
- (g) **“Associate”** – refers to an entity over which the Corporation holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the Corporation has significant influence.
- (h) **“Related Party Transactions” or “RPTs”** – is defined as a transfer of resources, services, or obligations between the Corporation and a Related Party, regardless of whether a price is charged. The term shall be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

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

- (i) **“Material Related Party Transactions” or “Material RPTs”** – refers to any related party transaction/s, either individually or in aggregate over a twelve-month (12) period, with the same related party, amounting to ten percent (10%) or higher of the Corporation’s total assets based on its latest audited financial statements.
- (j) **“Materiality Threshold”** – means at least ten percent (10%) of the Corporation’s total assets based on its latest audited financial statements.
- (k) **“Related Party Registry”** – refers to the record of the organizational and structural composition, including any change thereon, of the Corporation and its related parties.
- (l) **“Abusive Material Related Party Transaction”** – refers to any Material RPTs that are not entered at arm’s length and unduly favor a related party.
- (m) **“Arm’s Length Principle”**- refers to the condition or fact that the parties to a transaction are on equal footing. When applied to Material RPTs, it ensures that the RPTs are conducted in the regular course of business (fair process); and not undertaken on more favorable economic terms to such related parties in contrast to unrelated parties under comparable conditions and circumstances. This is the standard under which unrelated parties, each acting in his or her own best interest, would carry out a particular transaction.

### **III. Coverage and Materiality Threshold**

This Policy shall cover all transactions that amount to ten percent (10%) of the total assets of the Corporation based on its latest audited financial statements.

Transactions meeting the materiality threshold that are entered into with an unrelated party that subsequently becomes a Related Party may be excluded from the limits and approval process required in the Policy. However, any alteration to the terms and conditions, or increase in exposure level related to these transactions after the unrelated party becomes a Related Party shall subject the Material RPT to the approval requirements described in this Policy.

The Compliance Officer shall present the proposed Material RPTs to be entered into by the Corporation with related parties to the Audit Committee (in the absence of a Related Party Transactions Committee) for review prior to Board approval and Management execution.

### **IV. Identification of a Related Party**

Every director, officer, and/or substantial shareholder of the Corporation is obliged to disclose any person or entity that may be regarded as a Related Party of the Corporation, in accordance with this Policy, on account of his being a director, officer or substantial shareholder. Such declaration shall be submitted to the Board of Directors, through the Audit Committee. The Audit Committee may also require such declaration pending review of a potential Material RPT.

To facilitate this identification process, directors and officers of the Corporation are required to complete a Biographical Data Form (attached herein as “**Annex A**”) in order to make known to the Corporation any potential conflict of interest.

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

- (a) Before the execution of any transaction that would be considered a Material RPT as provided in this Policy, the Compliance Officer shall prepare a report on the proposed transaction to be submitted to the Audit Committee. The report shall contain background information on the transaction, which shall include, among others:
  - i. The terms, business purpose, benefits and other details of the Material RPT;
  - ii. Nature of the relationship of the party or parties involved in the transaction in relation to the Corporation; and,

- iii. The description of the transaction, including the affected periods to be disclosed in the financial statements, including the amounts, and such other information necessary for better understanding of the effect of the proposed transaction in the financial statements, which may include the amounts due to or from related parties to the transaction, if any, and the terms and manner of settlement.
- (b) ***Determination of Arm's Length Transaction.*** Upon receipt of the report, the Audit Committee shall review the Material RPT in accordance with the principles of integrity, transparency and fairness. To ensure that the Material RPT is conducted at arm's length, the following measures may be adopted by the Audit Committee:
- i. ***Effective Price Discovery Mechanism.*** The Audit Committee shall employ an effective price discovery mechanism, should it be deemed necessary for the proper evaluation of the proposed Material RPT. The price discovery mechanism applied may include, but is not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, or publication or available property for sale, etc.
- ii. ***Appointment of an External Independent Party.*** The Audit Committee shall appoint an external independent party to evaluate the fairness of the terms of the Material RPTs, should it be deemed necessary under the circumstances. An external independent party may include, but is not limited to, auditing/accounting firms and third party consultants and appraisers. The independent evaluation of the fairness of the transparent price ensures the protection of the rights of shareholders and other stakeholders.

In the evaluation of the Material RPT, the relevant facts and circumstances to be considered must include:

- The terms of the transaction, which should be fair and no less favorable than those generally available to unrelated parties under the same or similar circumstances;
- The aggregate value of the Material RPT ;
- The extent of the related party's interest in the transaction;
- Whether the Material RPT would present an improper conflict of interest or special risks and contingencies for the Corporation, or the related party, taking into account the size of the transaction, the overall financial position of the related party, the direct and indirect

- nature of the related party's interest in the transaction and the nature of any proposed relationship;
- Availability of other sources of comparable products and services; and
- Any other relevant information regarding the transaction.

Any member of the Audit Committee who has an interest in the Material RPT under review shall abstain from participating in the discussion and from voting thereon. In case of refusal to abstain, the attendance and the vote of such member shall not be counted for purposes of assessing the quorum and of determining majority approval.

- (c) ***Disclosure and Disqualification.*** The Audit Committee shall then endorse the Material RPT to the Board for approval. During the Board's review of the Material RPT, the members of the Board and officers shall fully disclose all material facts related to the transaction as well as their direct and indirect financial interest thereon that may affect the Corporation.

Any member of the Board who has a potential interest in any Material RPT shall abstain from the discussion and voting on the same. In case of refusal to abstain, the attendance and the vote of such member shall not be counted for purposes of assessing the quorum and of determining majority approval.

- (d) ***Voting Requirement.*** All individual Material RPTs shall be approved by at least two-thirds (2/3) vote of the Board, with at least a majority of the independent directors voting to approve the transaction. In case 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 RPTs within a twelve-month (12) period that breaches the materiality threshold, the same Board approval shall be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

## **VI. Exemption to the Policy**

1. The Board shall establish parameters and guidelines with respect to, among others, pricing, to govern its construction services in the ordinary course of its business. Such parameters and guidelines, which must be approved by majority vote of the Board, may be amended from time to time depending on prevailing market conditions. Transactions entered into by the Corporation under

terms within the pre-approved parameters and guidelines, shall be exempted from the RPT approval process under this Policy.

## **VII. Whistle-blowing Mechanism**

The term “whistle-blower” shall refer to any person, including directors, officers, employees, shareholders, and other stakeholders of the Corporation.

It is the Board of Directors’ policy to ensure the protection of a whistle-blower when he/she discloses any violations of the Corporation’s rules and regulations, and other governmental laws. This same policy is applied to any abuse of Material RPTs. Whistle-blowing, in relation to Material RPTs, shall be reported to any member of the Board.

The confidentiality of any disclosure shall be maintained, without risk of reprisal to the whistle-blower.

## **VIII. Remedies for Abusive Material Related Party Transactions**

Non-compliance with provisions of this Policy shall result in the invalidation of the contract involved in the Material RPT, where applicable.

The Audit Committee shall have the authority to investigate violations of this Policy. If after the investigation, the Audit Committee concludes that disciplinary measures are necessary, it will recommend the same to the Board of Directors, which shall impose the appropriate penalties.

The Audit Committee shall likewise recommend measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Corporation arising from abusive or fraudulent RPTs.

Pursuant to Sections 26 and 27 of the Revised Corporation Code, an interested director or officer of a corporation shall be disqualified from being a director, trustee or officer of any other corporation on the basis of a final judgment rendered by a court of competent jurisdiction against the interested director or officer for abusive material RPTs. The disqualification shall be for a period of at least one (1) year or more, as may be determined by the Securities and Exchange Commission.

## **IX. Periodic Review of the Policy**

- (a) During the implementation of the Material RPT, Management may conduct a periodic assessment of the following items:

- Collectibility of receivables from related parties and the need to provide allowance for doubtful accounts for such receivables;
- Any market and financial risks faced by related parties;
- Guarantees issued to or received from related parties; and
- Financial and economic soundness of the Material RPTs (e.g. receivables and payables, cash placement and loans, investments in shares of stock, management/ service fees, etc.)

Should Management, during this periodic review, find the Material RPT abusive in nature, this fact will be reported to the Board for proper action.

- (b) The Corporation's Compliance Officer shall conduct a periodic review of the effectiveness of the Corporation's system and internal controls governing Material RPTs to assess the consistency with the Board-approved policies and procedures. The results shall be communicated directly to the Committee who shall thereafter, inform the Board.
- (c) The Committee may recommend amendments to this Policy as it deems appropriate. Any amendments to the Policy must be approved by majority vote of the Board.
- (d) The Board shall review and update the Related Party Registry of the Corporation on a quarterly basis in order to capture any organizational and structural changes in the Corporation and its related parties.

## **X. Disclosure of Related Party Transactions**

The following measures shall be undertaken to ensure that there is adequate disclosure of the Corporation's Policy on Material RPTs as well as the actual Material RPTs executed by the Corporation:

- (a) A summary of Material RPTs entered into during the year shall be disclosed in the Corporation's Integrated Annual Corporate Governance Report (I-ACGR) which is submitted annually;
- (b) An Advisement Report of any Material RPT shall be filed within three (3) calendar days from the execution date of the transaction, which shall be signed by its Corporate Secretary or her authorized representative;

For items (a) and (b), the disclosures shall include the following information:

- Complete name of the related party;
- Relationship of the parties;




- Execution date of the Material RPT;
  - Financial or non-financial interest of the related parties;
  - Type and nature of the transaction as well as a description of the assets involved;
  - Total assets;
  - Amount or contract price;
  - Percentage of the contract price to the total assets of the Corporation;
  - Carrying amount of collateral, if any;
  - Material terms and conditions;
  - Rationale for entering into the transaction; and
  - The approval obtained (i.e., names of directors present, names of the directors who approved the Material RPT and the corresponding voting percentage obtained)
- (c) The Corporation shall provide a summary of the transactions of the Corporation with related parties in its Annual Report.
- (d) This Policy shall also be posted on the Corporation's website (<http://www.supercity.com.ph/OurCompany.aspx>) within five (5) days from its submission to the Securities and Exchange Commission.

## XI. Approval

This Policy was reviewed by the Audit Committee and thereafter, approved by the members of the Board of Directors on 25 October 2019, at the principal office of the Corporation.

  
**FERDINAND Z. SOLIMAN**  
 Chairman of the Board/President

  
**ENRIQUE C. CUNANAN**  
 Compliance Officer