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SECURITIES AND EXCHANGE COMMISSION

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ARTHALAND CORPORATION

(Company's Full Name)

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Material Related Party Transactions Policy

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	Division/Dept:	Finance / Accounting
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STATEMENT OF POLICY

Arthaland Corporation (the Company), in the regular conduct of business and to serve best the interest of the company and its shareholders may enter into related party transactions (RPTs) from time to time. RPTs entered into by the company are conducted on an arm’s length basis, covered by appropriate approvals from Management and when so required, from the Board of Directors, consistent with the Articles of Incorporation and By – laws, and compliant to existing laws, rules, and regulations.

Pursuant to Securities and Exchange Commission (SEC) Memorandum Circular No. 10, Series of 2019 (the SEC Circular) which specifies a threshold level for related party transactions to be considered as material, and for purposes of complying with the rules on material related party transactions for publicly listed companies set forth and provided by the SEC, this Policy is hereby issued and adopted by the company.

SCOPE & OBJECTIVE OF THE POLICY

This Policy covers all material related party transactions (MRPTs) entered into by the company and its related parties as defined in this document.

It aims to uphold the practice of good corporate governance and strict compliance to the specific rules and guidelines provided under the SEC Circular, avoid conflict of interest situations, and ensure that all material related party transactions entered into by the company and its related parties are with required approvals and in accordance with applicable laws, rules, regulations.

DEFINITION OF TERMS

Unless the context otherwise requires, the following terms as used in this Policy shall have the following meanings and descriptions :

- **Abusive Material RPTs** - Refer to a material related party transaction that are not entered at arm’s length and unduly favors a related party.
- **Affiliate** - Refers to an entity linked directly or indirectly to the company thru any or a combination 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 voting stock of the company 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 company and the entity, or
 - 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.
- **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.
- **Board** - Refers to the Board of Directors of the company.
- **Conflict of Interest** - Refers to a situation when a Related Party appears to have a direct or indirect personal interest in any transactions which may prevent him from acting in the best interest of the company. An actual conflict may not necessarily be required, rather, it would be sufficient that a conflict can be seen to exist by an impartial and independent observer.
- **Control** – A person or entity controls the company if and only if the person or entity has all of the following :
- Power over the company
 - Exposure, or rights, to variable returns from its involvement with the company, and
 - The ability to use its power over the company to affect amount of its returns.
- **Material Related Party Transactions** – Any related party transaction/s, 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 assets based on its latest audited financial statements.
- **Materiality Threshold** - Ten percent (10%) of the company's total assets based on its latest audited financial statements. (Consolidated if the reporting company is a parent company as provided and defined under Section 1 of the SEC Circular).
- **Related Parties** - covers 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 control, joint control or significant influence over the company. It also covers the company's subsidiaries, 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.
- **Related Party Registry** - A record of the organizational and structural composition, including any change thereon, of the company and its related parties.
- **Related Party Transactions** – A transfer of resources, services or obligations between the company and a related party, regardless of whether a price is charged. It should 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.

- **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.
- **Subsidiary** – An entity, more than 50% of the total issued and outstanding capital stock of which, is directly or indirectly owned by the company
- **Substantial Shareholder** - Any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the company's equity security.

POLICES & GUIDELINES

1. The company's Board of Directors should ensure that transactions with related parties are handled properly, with integrity, and in compliance with all applicable rules, laws and regulations to protect the interest of the Company's shareholders and the other stakeholders at all times. To carry this out, the following shall be part of their duties and responsibilities :

- ✓ To institutionalize an encompassing MRPT policy to ensure effective compliance with existing laws, rules and regulations at all times and that all MRPTs are conducted on an arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged.
- ✓ To approve all MRPTs or those that qualify and cross the materiality threshold and write-off of any material exposures to related parties, as well as any renewal or material changes in the terms and conditions of MRPTs previously approved in accordance with Section 3 (f) of the Rules On Material Related Party Transactions For Publicly – Listed Companies.

Material changes in the terms and conditions of the MRPT include, but are not necessarily limited to, changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirement of the MRPT.

- ✓ To establish an effective audit, risk and compliance system to :
 - Determine, identify, and monitor related parties and MRPTs;
 - Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - Identify, measure, monitor and control risks arising from MRPTs.

The system shall be able to define the related parties' extent of relationship with the company; assess situations in which a non-related party (with whom a company has entered into transaction) subsequently becomes a related party and vice versa; and generate information on the nature and amount of exposures of the company to a particular related party. The said system will facilitate submission of accurate reports to the regulators / supervisors.

The system as well as the overarching policies shall be subject to periodic assessment by the Internal Audit and the company's Compliance Officer and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the SEC and audit functions for review. Any change in the policy and procedure shall be approved by the majority of the Board of Directors and approved by the stockholders constituting a quorum.

- ✓ To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The board should ensure that Senior Management addresses legitimate issues on MRPTs that are raised. The Board should take responsibility for ensuring that stakeholders who raise concerns are protected from detrimental treatments or reprisals.
2. The company's Senior Management shall implement appropriate controls to effectively manage and monitor MRPTs on a per transaction and aggregate basis. Exposures to related parties shall also be monitored on an on going basis to ensure compliance with this Policy and SEC's regulations.
 3. The company's related parties refer to its directors and officers, substantial shareholders, subsidiaries, as well as all the other persons or entities covered by its definition in this Policy.

For this purpose, a Related Party Registry which shows the organizational and structural composition of the company and its related parties shall be developed subject to a quarterly review by the company's Senior Management and Board of Directors to reflect changes or updates in case there would be any.
 4. All related party transactions meeting the materiality threshold and which are considered as material under the SEC Circular are covered by this Policy. MRPTs entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in this policy.
 5. Directors and Officers of the company with interest in any transaction which qualifies as MRPT shall fully and timely disclose to the Board during the Board meeting where the MRPT will be presented for approval any and all material facts, including their respective interest in the MRPT, 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.
 6. To ensure arm's length terms and the protection of rights of the shareholders and the other stakeholders, an external independent party shall be appointed by the Board to evaluate and assess the fairness of the terms of the MRPT prior to its execution. An external independent party may include, but is not limited to auditing/accounting firms as well as third party consultants and appraisers.
 7. All individual MRPTs shall be approved by at least two-thirds (2/3) vote of the Board, with at least majority of the Independent Directors voting to approve the MRPT. In case that a majority of the independent directors' vote is not secured, the MRPT 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 ten percent (10%) of the company's total assets, the same board approval would be required for the transaction/s that meet and exceeds the materiality threshold covering the same related party.

8. The company's Internal Audit Department shall conduct a periodic review of the effectiveness of the company's system and internal controls governing MRPTs 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.

The company's Compliance Officer shall ensure that the company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties, aid in the review of the company's transactions and identify any potential MRPT that would require review by the Board.

9. Consistent with the corporate values and code of conducts set by the Board, the company shall develop and put in place an effective whistleblowing mechanism to encourage all stakeholders to communicate, confidentially and without the risk of reprisals, legitimate concerns about illegal, unethical or questionable MRPT. It shall include guidance on how legitimate material contracts should be reported, investigated, and addressed by an objective independent internal or external body, senior management and/or the board itself.
10. Officers or directors of the company who would be involved in abusive MRPTs or those found remiss in their duties in handling MRPTs in accordance with this policy shall be meted out with the appropriate penalties as provided in the company's existing Code of Conduct and Ethics.

DISCLOSURES & REGULATORY COMPLIANCE

1. For any MRPT approved by the Board, an Advisement Report signed by the Company's Corporate Secretary or any of the designated authorized representatives must be filed with the SEC within three (3) calendar days from the date of the execution of the transaction .
2. A summary of all the material related party transactions entered into during the calendar year must be disclosed in the Company's Integrated Annual Corporate Governance Report (I – ACGR) to be submitted annually every May 30.

The disclosures in both (1) and (2) above shall include the following information :


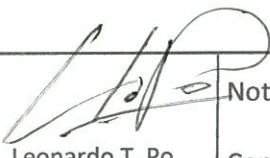



- Complete name of the related party
- Relationship of the parties
- Execution date of the Material RPT
- Financial or non financial interest of the related parties
- Type and nature of transactions as well as description of the assets involved
- Total assets (Consolidated)
- Amount or contract price
- Percentage of the contract price to the total assets of the Company
- Carrying amount of collateral, if any

- Terms and conditions
- Rationale for entering into the transactions, and
- Approval obtained (ie : names of directors present, name of directors who approved the Material RPT and the corresponding voting percentage obtained.

EFFECTIVITY & REVIEW

This Policy shall take effect immediately upon approval of the Board and is subject to review by the Board of Directors of the company from time to time to reflect and conform with the changes and requirements of applicable laws, rules and regulations.

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Prepared By:  CFO <u>Ferdinand A. Constantino</u>	Approved by:  EVP / Treasurer <u>Leonardo T. Po</u>  President / CEO <u>Jaime C. Gonzalez</u>	Noted by:  Compliance Officer <u>Atty. Riva V. Maala</u>  Chairman of the Board <u>Ernest K. Cuyegkeng</u>
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23 October 2019