



ANGELES ELECTRIC CORPORATION

RELATED PARTY TRANSACTIONS POLICY

Section 1. Policy Statement

Angeles Electric Corporation (the “Company”) is committed to continuously improving its governance practices and ensuring the integrity of Related Party Transactions (“RPTs”). For this purpose, the Company hereby adopts this Related Party Transactions Policy (the “RPT Policy”).

This Policy aims to safeguard the Company against abuse and promote transparency in all RPTs, in accordance with the Company’s Manual on Corporate Governance, Philippine Accounting Standards on RPT disclosures, and the rules of the Securities and Exchange Commission (“SEC”) on Material Related Party Transactions (“Material RPTs”).

Section 2. Scope

The RPT Policy shall cover all transactions by the Company with its related parties.

Section 3. Definition of Terms

For this Policy, the following definitions of terms shall apply:

Affiliate - refers to an entity linked directly or indirectly to the Company 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 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; 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 reporting entity holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the reporting entity has significant influence.

Board – refers to the Board of Directors of the Company.

Control - a person or an entity controls a reporting entity 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 the amount of the Company's 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 a company's total assets based on its latest audited financial statement.

Materiality Threshold - ten percent (10%) of the company's total consolidated assets of the Company and its subsidiaries based on its latest audited financial statements.

Related Party – refers to a person or entity that is related to the Company including its 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 parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture, or entity that is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party.

Related Party Transaction – refers to the transfer of resources, services, or obligations between a reporting entity 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.

Related Party Registry - a record of the organizational and structural composition, including any change thereon, of the company and its related parties.

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 over those policies.

Subsidiary – refers to a company that is controlled by another company.

Substantial Shareholder - any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

Section 4. Duties and Responsibilities (from SEC Memo Circular NO. 10 S. of 2019)

A. Board of Directors

The Board shall have the overall responsibility of ensuring that transactions with related parties are handled soundly and prudently, with integrity, and in compliance with applicable laws and regulations

to protect the interest of the company's shareholders and other stakeholders. Toward this end, the Board shall carry out the following duties and responsibilities:

1. To institutionalize an overarching policy on the management of Material RPTs to ensure effective compliance with existing laws, rules, and regulations at all times and that Material RPTs are conducted on an arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged.
2. To approve all Material RPTs that cross the materiality threshold and write-off of material exposures to related parties, as well as any renewal or material changes in the terms and conditions of Material RPTs previously approved by the Board.

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

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

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 a transaction) subsequently becomes a Related Party and vice versa, generate information on the nature and amount of exposures of the company to a particular Related Party and facilitate submission of accurate reports to regulators and supervisors.

4. 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 material RPTs that are raised. The Board should take responsibility for ensuring that stakeholders who raise concerns are protected from detrimental treatment or reprisals.

B. Senior Management

Senior Management shall implement appropriate controls to effectively manage and monitor material RPTs on a per-transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with the company's policy and SEC's regulations.

C. Audit Committee

The Audit Committee shall conduct a periodic review of the effectiveness of the Company's system and internal controls governing Material RPTs 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 it.

D. Compliance Officer

The Compliance Officer shall ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting Related Parties. He/she shall aid in the review of the company's transactions and identify any potential Material RPT that would require review by the Board. He/she shall ensure that the Company's RPT Policy is kept updated and is properly implemented throughout the Company.

Section 5. Review and Approval of Related Party Transactions

A. The review of RPTs shall be subject to the review process described in this Policy to determine whether an RPT is fair and at arm's length and is in the best interest of the Company and its shareholders as a whole, considering the relevant circumstances, including but not limited to the following:

1. The Related Party's relationship to the Company and interest in the transaction;
2. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
3. The purpose and timing of the proposed RPT;
4. The benefits to the Company of the proposed RPT;
5. The availability of other sources of comparable products or services;
6. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.
7. The Company shall have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs. The price discovery mechanism may include but is not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, determining the fair market value of shares listed in relevant stock exchanges, or publishing available property for sale.

For individual and aggregate RPTs within a twelve (12) month period that breach the materiality threshold of ten percent (10%) of the Company's total assets, the Board shall appoint an external independent party to evaluate the fairness of the terms of the RPT. An external independent party may include but is not limited to, auditing/accounting firms and third-party consultants and appraisers.

B. Approval of Material RPTS

1. The Material RPT Policy shall cover all transactions meeting the materiality threshold. All Material RPTs within a twelve (12)-month period shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with the Independent Director or majority of Independent Directors (in case there are more than one), voting to approve the Material RPT. If the majority of the Independent Director's vote is not secured, the said Material RPT may be ratified by the vote of stockholders representing at least two-thirds of the outstanding capital stock of the Company.

2. For aggregate Material RPTs (i.e. Materiality Threshold is met within a twelve (12) month period), the same Board approval would be required for the transaction/s that meets and exceeds the Materiality Threshold covering the same Related Party.
3. Directors with a personal interest in the Material RPT shall abstain from participating in the discussions and voting on the matter. In case of refusal to abstain, their attendance shall not be counted for purposes of assessing the quorum and their vote shall not be counted for purposes of determining majority approval.
4. Transactions amounting to ten percent (10%) of the Company's total assets entered into with an unrelated party that subsequently becomes a related party shall be excluded from the foregoing limit and approval process. However, 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 be subject to the requirements of the Policy.

C. The following are the various classifications of RPTs and the applicable thresholds, as well as the approvals required:

Aggregate Transaction Value (12-month period)	<u>Approvals Required</u>
Transactions between the Company and a Related Party of <i>at least 10% of the AEC's total consolidated assets.</i>	At least 2/3 vote of the Board of Directors, with the Independent Director or at least a majority of the Independent Directors (in case there is more than one), after review and approval of the Audit Committee (acting as the RPT Committee). In case the Independent Director or a majority of the Independent Directors' vote is not secured, said RPT may be ratified by the vote of stockholders representing at least 2/3 of the outstanding capital stock.
Transactions between the Company and a Related Party with an <i>amount greater than Php100 Million but less than 10% of the Company's total consolidated assets.</i>	For review of the Audit Committee (acting as the RPT Committee) before its endorsement for approval of the Board.
Transactions between the Company and a Related Party with an <i>amount of Php100 Million or less.</i>	President The President may endorse for review of the Audit Committee (acting as the RPT Committee) RPTs subject to his/her review.

D. Regardless of the amount of the transaction or contract, RPTs entered into by a Director or Corporate Officer in his/her capacity must be approved by the Board. These RPTs shall be voidable at the option of the Company, except when all the following conditions are present:

1. The presence of the Director in the board meeting in which the contract or transaction was approved and was not necessary to constitute a quorum for such meeting;
2. The vote of such a Director was not necessary for the approval of the contract;
3. The transactions are fair, and on terms comparable to those that could be obtained at arm's length dealings with an unrelated third party, or can be justified on a legitimate business case basis; and
4. In the case of a Corporate Officer, the contract has been previously authorized by the Board.

However, when conditions D.1 and D.2 are absent, in the case of a transaction or contract with a Director, such RPT may be ratified either by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company or by the vote of the stockholders representing a majority of the outstanding capital stock of the Company excluding that of the affected Director, whichever is lower.

E. All recurring RPT contracts that have a term that exceeds one (1) year must be reviewed and approved on an annual basis to determine whether to continue/renew the same.

Section 6. Exempt Transactions

The following transactions are considered Exempt RPTs which shall not require the RPT review process described in this Policy but shall nevertheless be reported to the Audit Committee for monitoring. The Audit Committee may recommend amendments to the list of exempt transactions, subject to the approval of the Board:

1. The acquisition as consumer or realization in the ordinary and usual course of business of consumer goods or consumer services from or to a Related Party on normal commercial terms.
2. The sharing of administrative services between the Company and a Related Party on a cost basis, where the cost of the services is identifiable and allocated to the parties involved on a fair and equitable basis. Examples include company secretarial services, legal services, accounting and treasury services, human resource services, and staff training services.
3. Any transaction involving a Related Party where the rates or charges involved are determined by competitive bids.
4. Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at the rates or charges fixed in conformity with law or governmental authority.

5. Any transaction with a Related Party for the provision of goods or services if the goods or services are sold or rendered based on a fixed or graduated scale that is publicly quoted or applied consistently to all customers or classes of customers.
6. Declaration of dividends by the Company to its shareholders.
7. Other transactions similar to any of the foregoing.

Section 7. Disclosure and Reporting

1. A Related Party or the Company or any of its subsidiaries or affiliates, shall disclose material RPT for review before entering into the transaction except when the transaction is considered exempt under this Policy.
2. The Material RPTs shall be disclosed in the relevant financial reports of the Company as required under applicable disclosure rules, including but not limited to the Securities and Exchange Commission's (SEC) Rules on Material Related Party Transactions for Public Companies.

Section 8. Restitution of losses and other remedies for abusive RPTS

Abusive Material RPTs refer to material RPTs that are not entered at arm's length and unduly favor a related party.

Whenever applicable, the Company shall discontinue a Related Party transaction if found abusive and demand restitution of losses or reasonable opportunity costs it incurred from such RPT.

Any officer or employee of the Company who has knowledge of any violation of this Policy must report to the Compliance Officer who must in turn report all violations of this Policy to the Audit Committee. The Committee shall have the authority to recommend to the Board the invalidation of any contract in violation of this Policy.

This Policy shall be without prejudice to the provisions of the Company's Manual of Corporate Governance, and all related and relevant policies of the Company as well as applicable laws and regulations which shall be observed and shall apply to the fullest extent possible.

Section 9. Whistleblowing mechanisms

The Company shall establish a whistleblowing mechanism consistent with the corporate values and codes of conduct set by the Board. Any person reporting abusive RPTs or violation of this Policy and relevant laws on RPTs may report the same according to the Whistleblowing Policy to be established and shall be entitled to protection as a Reporting Person.

Section 10. Compliance

1. The Compliance Officer shall take responsibility for ensuring compliance with the implementation of this Policy. He/she is also responsible for keeping the Board informed of any deviations from this Plan.
2. The Board of Directors of the Company must strictly comply with this Policy. Any non-compliance shall be investigated, and disciplinary actions shall be taken. Anyone who becomes aware of any violation of this Policy shall immediately report it to the Compliance Officer.

Section 11. Review of the Policy

This policy shall be regularly reviewed and updated to conform to the requirements of applicable laws, rules, and regulations.

Section 12. Effectivity

This Related Party Transactions Policy shall take effect immediately upon approval of the Board of Directors.


GEROMIN T. NEPOMUCENO
Director/ Chairman of the Board


HORACIO E. CEBRERO III
Independent Director/
Audit Committee Chairperson


CRISTINA L. ARBOLEDA
Compliance Officer