

	AYALA CORPORATION RELATED PARTY TRANSACTIONS POLICY		INITIAL ISSUE DATE DECEMBER 4, 2014
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A. Introduction

It is the policy of Ayala Corporation (“Corporation”) that related party transactions between the Corporation or any of its subsidiaries or affiliates and a Related Party as defined below shall be subject to review and approval to ensure that they are at arm’s length, the terms are fair, and they will inure to the best interest of the Corporation and its subsidiaries or affiliates and their shareholders¹. Related party transactions shall be disclosed, reviewed and approved in accordance with this Policy consistent with the principles of transparency and fairness.

To promote good governance, it is also the policy of the Corporation to encourage its subsidiaries and affiliates to adopt their own policy on related party transactions.

B. Coverage

This Policy covers related party transactions between the Corporation and a Related Party as defined below or between a subsidiary or affiliate of the Corporation and a Related Party as defined below if the subsidiary or affiliate has not adopted its own policy on related party transactions.

C. Definition of Terms

1. Related party- a person or entity that is related to the Corporation or any of its subsidiary or affiliate, also referred to herein as the ‘covered entity’.

a. A person or a close member of that person’s family is related to a covered entity if that person²:

- i. has control or joint control over the covered entity;
- ii. has significant influence over the covered entity; or
- iii. is a member of the key management personnel of the covered entity or of a parent of the covered entity.

b. An entity is related to a covered entity if any of the following conditions applies³:

- i. The entity and the covered entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.

¹ ASEAN Corporate Governance Scorecard (ACGS), B.4.2 and B.5.2.

² As defined in IAS 24 issued by the International Accounting Standards Board (IASB).

³ As defined in IAS 24 issued by the International Accounting Standards Board (IASB).

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- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the covered entity or an entity related to the covered entity. If the covered entity is itself such a plan, the sponsoring employers are also related to the covered entity.
- vi. The entity is controlled or jointly controlled by a person identified in 1(a).
- vii. A person identified in 1 (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii. The entity, or any member of a group of which it is a part, provides key management personnel service to the covered entity or to the parent of the covered entity.⁴

2. Significant influence - the power to participate in the financial and operating policy decisions of an entity, or control over those policies. Significant influence may be gained by share ownership, statute or agreement.⁵

3. Close members of the family of a person - family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include⁶:

- i. that person's children and spouse or domestic partner;
- ii. children of that person's spouse or domestic partner; and
- iii. dependents of that person or that person's spouse or domestic partner

4. Subsidiary – a corporation more than fifty percent (50%) of the voting stock of which is owned or controlled, directly or indirectly, through one or more intermediaries, by another corporation, which thereby becomes its parent corporation.⁷

5. Affiliate – a corporation that directly or indirectly, through one or more intermediaries, is controlled by, or is under the common control of, another corporation, which thereby becomes its parent corporation.⁸

6. Related party transaction (RPT) - a transfer of resources, services or obligations between a covered entity and a related party, regardless of whether a price is charged.⁹

⁴Requirement added by Annual Improvements to IFRSs 2010-2012 Cycle, effective for annual periods beginning on or after 1 July 2014.

⁵ As defined in IAS 24 issued by the International Accounting Standards Board (IASB).

⁶ As defined in IAS 24 issued by the International Accounting Standards Board (IASB).

⁷ As defined in the Implementing Rules and Regulations of Republic Act No. 9856, otherwise known as the Real Estate Investment Trust Act of 2009.

⁸ As defined in the Implementing Rules and Regulations of Republic Act No. 9856, otherwise known as the Real Estate Investment Trust Act of 2009.

⁹ As defined in IAS 24 issued by the International Accounting Standards Board (IASB).

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7. Material RPTs - are those transactions that meet the threshold values approved by the Committee – Fifty Million Pesos (PhP50,000,000.00) or five percent (5%) of the total assets, whichever is lower - and other requirements as may be determined by the Committee upon the recommendation of the Group Risk Management.

D. Disclosure

A Related Party or the Corporation or any of its subsidiaries or affiliates, as the case may be, shall disclose material RPT to the Risk Management Committee prior to entering into the transaction except the RPTs not covered by this Policy as listed in Item F hereof¹⁰.

The RPTs shall be disclosed in the Corporation's financial statements, and other applicable filings in accordance with the relevant rules and issuances of the Securities and Exchange Commission¹¹ and other regulatory bodies.

E. Review of Related Party Transactions

Material RPTs shall be reviewed by the Committee¹² and endorsed to the Board of Directors for approval.

The Board shall approve a material RPT before its commencement. If not identified beforehand, the material RPT must be subsequently reviewed by the Committee and ratified by the Board of Directors or the same may be discontinued, rescinded or modified to make it acceptable for ratification.

In the review of the RPTs, the Committee shall consider the following factors:

1. the terms of the transaction;
2. the aggregate value of the transaction;
3. whether the terms of the transaction are no less favorable than those generally available to non-related parties under the same or similar circumstances;
4. the extent of Related Party's interest in the transaction;
5. purpose and timing of the transaction'
6. whether the transaction would present at an improper conflict of interests or special risks or contingencies for the Corporation or any of its subsidiaries or affiliates, or the Related Party taking into account the size of the transaction and the overall financial position of the Related Party; and
7. any material information or other factors the Committee deems relevant.

¹⁰ Organization for Economic Cooperation and Development (OECD) Principle III C.

¹¹ Securities and Exchange Commission Financial Reporting Bulletin No. 13, Presentation of Related Party Disclosures, dated January 24, 2013.

¹² International Corporate Governance Network (ICGN) 2.11.2.

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Any member of the Committee who has an interest in the RPT under review shall be prohibited from participating in the discussion and from voting thereon. However, the presence of such member may be counted in determining the presence of a quorum at the meeting of the Committee.

F. Related Party Transactions Not Covered

The RPTs listed below shall not be disclosed to and reviewed by the Committee:

1. Compensation of directors and employment of executive officers approved or endorsed by the Personnel & Compensation Committee or the Board.
2. Transactions with similar terms available to all employees generally.
3. Banking, finance or insurance-related services and transactions with a Related Party, if the terms are generally the same as or similar to offers of other banks in the ordinary course of business.
4. Share transactions such as dividends, repurchase, rights offerings, available to all shareholders on a pro-rata ownership basis.
5. Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.
6. Any transaction with a Related Party involving system cost recoveries, agreements or intercompany advances in exchange for rendering of services such as construction, construction management, procurement, engineering, property management, technical services, and other services in the ordinary course of doing business.
7. Transfer of resources between wholly-owned subsidiaries of an ultimate common parent company or between a wholly-owned subsidiary and its parent

G. Post Verification of Related Party Transactions

The Office of the Group Risk Management and the Committee shall perform periodic post verification of RPTs to ensure that the terms and conditions recommended by the Committee and approved by the Board of Directors are properly and correctly implemented.

H. Notification

The Office of the Group Risk Management shall (i) advise each of the subsidiaries and affiliates of the Corporation of this policy and (ii) work with the subsidiaries and affiliates of the Corporation to implement the policy for each subsidiary or affiliate to adopt its own policy on related party transactions.

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I. REVIEW OF THE POLICY

The Committee shall annually review the threshold values and the provisions of this Policy and may recommend to the Board amendments to this Policy as it deems appropriate.

Ayala Corporation