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APC Group, Inc.
APC

PSE Disclosure Form 17-18 - Other SEC Forms/Reports/Requirements


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| Form/Report Type | Amended Material Related Party Transactions Policy |
| Report Period/Report Date | Dec 11, 2020 |

Description of the Disclosure

We are submitting herewith the attached/amended Material Related Party Transactions Policy, reflecting the updated e-mail for whistleblowing.

Filed on behalf by:

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| Name | Darwin Mendoza |
| Designation | Officer |

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|  APC GROUP INC. | POLICY | Governance & Corporate Affairs | Policy No. GOV 2018–002 | |
| | | | References: Integrated Annual Corp. Governance Report SEC Memo Circular No. 10, Series of 2019 | |
| MATERIAL RELATED PARTY TRANSACTIONS | | Original Approval Date by the Board: 10.25.2019 | Amended on 12.10.2020 | |

1. Objective


- 1.1. To provide guidelines that address Related Party Transactions (RPTs) in the manner that will safeguard the interest of the Company and in particular of its minority shareholders and other stakeholders.
- 1.2. To comply with the *SEC Memorandum Circular No. 10, Series of 2019, of the Securities and Exchange Commission (SEC), regarding Rules On Material Related Party Transactions (RPTs) For Publicly-Listed Companies.*

2. Scope / Coverage

- 2.1. The RPT policy 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.
- 2.2. This includes the parent/holding company, subsidiaries, fellow subsidiaries, associates, affiliates, joint ventures or entities that are controlled or significantly influenced or managed by a person who is a related party.
 - 2.2.1. Reference shall be made to the Affiliate / Subsidiary Companies mentioned under the Corporate Structure and the Conglomerate Map on the APC Group, Inc. company website <http://apcaragorn.net/index.php/home/our-company>.
- 2.3. This policy is applicable to RPTs meeting the materiality threshold. Any RPT, 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 consolidated assets based on its latest audited financial statements, shall be considered material RPTs.

3. Definition of Terms

- 3.1. *Related Parties* – covers the Company’s directors and officers (as named in the Company’s General Information Sheet), substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if said persons have control, joint control or significant influence over the Company. Likewise, it covers the parent/holding company, subsidiaries, fellow subsidiaries, associates, affiliates, joint ventures or entities that are controlled, jointly controlled or significantly influenced or managed by an individual considered a related party.
 - 3.1.1. *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.
 - 3.1.2. *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 regulation;

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- 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.

3.1.3. Associate – refers to 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.

3.2. Significant Influence – the power to participate in the financial and operating policy decisions of a company but has no control or joint control of those policies.

3.3. Control – a person or an entity controls a 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 the amount of the company’s returns.

3.4. Related Party Transactions (RPTs) – 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.

3.5. Material Related Party Transactions – any related party transaction, 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 consolidated assets based on its latest audited consolidated financial statement.

3.6. Materiality Threshold – ten percent (10%) of the Company’s total consolidated assets based on its latest audited financial statement.


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

3.8. External Independent Party – may include, but is not limited to, auditing/accounting firms and third party consultants and appraisers.

3.9. Abusive Material Related Party Transactions – refers to material RPTs that are not entered into at arms’ length and unduly favor a related party.

4. Policy

Related Party Transactions (RPTs) shall be conducted on an arm’s length basis, wherein no shareholder or stakeholder shall be unduly disadvantaged. When RPTs amount to 10% or higher of the Company’s total consolidated assets, such RPTs are considered as material and are subject to the Rules on Material RPTs for Publicly-Listed Companies issued by the Securities and Exchange Commission. Material RPTs shall be managed to ensure effective compliance with existing laws, rules and regulations.

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5. Duties and Responsibilities relating to RPTs


5.1. Board of Directors

The Board of Directors shall have the responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of the Company's shareholders and other stakeholders. RPTs include, but are not limited to, rentals, management fees, service fees, royalties, loans and advances, guarantees and the purchase and sale of properties, granting that said RPTs do not exceed the Company's *materiality threshold*, in which case the transaction will be considered a *Material RPT* and will require review and approvals as set forth in item 6.1 of this Material RPT Policy.

Towards this end, the Board of Directors shall carry out the following duties and responsibilities:

- 5.1.1 To institutionalize an overarching policy on the management of material RPTs to ensure effective compliance with existing laws, rules and regulation at all times and that material RPTs are conducted at an arms' length basis, and that no shareholder or stakeholder is unduly disadvantaged.
- 5.1.2 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 in accordance with this Policy.
- 5.1.3 To establish and maintain an effective audit, risk and compliance system that determines, identifies and monitors related parties and material RPTs; continuously reviews and evaluates existing relationships between and among businesses and counterparties, and controls risks arising from material RPTs.
- 5.1.4 Ensure that the Company's Management implements 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 this Policy.
- 5.1.5 Ensure that the Related Party Registry is reviewed and updated at least every quarter to capture organizational and structural changes in the Company and its related parties.
- 5.1.6 Ensure that the Company clearly identifies and prevents/manages any actual or potential conflicts of interest¹ which may arise out of or in connection with material RPTs. Directors and officers with personal interests in RPTs shall fully and timely disclose any and all material facts, including their respective interests in material RPTs and abstain from discussion, approval and management of such transaction or matter affecting the Company.
- 5.1.7 Ensure that material RPTs are conducted at arms' length by appointing an external independent party to evaluate said material RPTs prior to their execution. To ensure that the terms of material RPTs promote the best interests of the Company, its shareholders and other stakeholders, the Board may also employ price discovery mechanisms, such as external experts and the like.

¹ The Company's Conflict of Interest Policy defines a conflict as a situation wherein a director, officer or employee has or appears to have a direct or indirect personal interest in any transaction, which may deter or influence him/her from acting in the best interests of the Company.

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5.2. 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.

6. Guidelines

6.1. Approval of Material RPTs

All individual material RPTs shall be reviewed and approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the Company's independent directors voting in the affirmative. If the majority of the Company's independent directors' votes are *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 (12)-month period that breach the materiality threshold, the same board approval shall be required for the transaction/s that meet and exceed the materiality threshold covering the same related party.


Directors with personal interests in RPTs shall abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

Transactions that were 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 non-related party becomes a related party shall subject the material RPT to the requirements of this Policy. The prospective treatment, should, however, be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an arms' length basis.

6.2. Monitoring and Review

The Company's Chief Audit Executive/Internal Auditor shall conduct a periodic review of the effectiveness of the Company's system and internal controls governing material RPTs to assess consistency with this Policy. The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Company's Audit Committee.

The Company's Chief Compliance Officer shall ensure that the Company complies with relevant rules and regulation 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 of Directors. The Chief Compliance Officer shall coordinate with the Related Party Transactions Committee to ensure that this Policy is updated and properly implemented throughout the Company and across the organization.

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6.3. Disclosure Requirement and Whistleblowing Mechanism

Related parties are required to fully disclose to the Company's Board of Directors all material facts related to material RPTs as well as their direct and/or indirect financial interests in any transaction or matter that may affect or is affecting the Company. Such disclosure/s shall be made during board meetings that material RPTs will be reviewed for approval and must be done prior to the execution of said material RPT.

The Company's various stakeholders are encouraged to communicate, confidentially and without risk of reprisal, legitimate concerns on illegal, unethical or questionable material RPTs. Legitimate concerns on the Company's material RPTs may be reported to the Related Party Transactions Committee via APC.Whistleblowing@gmail.com. The Related Party Transactions Committee shall investigate and address reports made in good faith, or appoint other objective independent bodies to do the same.


6.4. Reportorial requirements

In accordance with SEC MC No. 10, series of 2019 - *Rules on Material Related Party Transactions for Publicly-Listed Companies*, the Company shall submit to the SEC, the prescribed Advisement Report on Material RPTs, duly accomplished and signed by the Company's Corporate Secretary or authorized representative, within three (3) calendar days after the execution date of a material RPT.

A summary of material RPTs entered into during the reporting year shall be disclosed in the Company's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted to the SEC annually every May 30. Likewise, the Company's related party transactions will continue to also be disclosed in the Annual Report.

Both the summary of material RPTs and the Advisement Report/s, shall include the following information:


1. Complete name of the related party;
2. Relationship of the parties;
3. Execution date of the Material RPT;
4. Financial or non-financial interest of the related parties;
5. Type and nature of transaction as well as a description of the assets involved;
6. Total consolidated assets of the Company;
7. Amount or contract price;
8. Percentage of the contract price to the total consolidated assets of the Company;
9. Carrying amount of collateral, if any;
10. Terms and conditions;
11. Rationale for entering into the transaction; and
12. The approval obtained (*i.e., names of directors present, names of directors who approve the material RPT and the corresponding voting percentage obtained*).

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6.5. Remedies for abusive material RPTs

Transactions considered abusive material RPTs after notice and hearing of the Company and/or the relevant bodies tasked to conduct hearing/s shall be declared null and void. This is to cut losses and allow recovery of losses or opportunity costs incurred by the Company arising out of or in connection with abusive material RPTs. The Board of Directors shall decide on abusive material RPTs matters that involve significant shareholders, directors and/or officers of the Company.

To strictly observe and implement the provisions of this Policy, the Board of Directors and/or Management (*depending on the violator/s*) shall determine and impose penalties in accordance with the Company's Code of Business Conduct and Ethics for directors, officers and other personnel who may have either been remiss in their duties in handling material RPTs in accordance with this Policy, or violated this Policy intentionally. Similarly, the Revised Corporation Code (sections 26 and 27) provide that 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 final judgement rendered by a court of competent jurisdiction against the interested director or officer for abusive material RPTs.

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December 10, 2020



WILLY N. OCIER
Chairman of the Board



IAN JASON R. AGUIRRE
Compliance Officer
Executive Vice President / Chief Financial Officer / Treasurer