



110282019002015



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

### Barcode Page

The following document has been received:

**Receiving Officer/Encoder** : Lourence N. Tampus

**Receiving Branch** : SEC Head Office

**Receipt Date and Time** : October 28, 2019 04:08:19 PM

**Received From** : Head Office

Company Representative

---

Doc Source

Company Information

---

SEC Registration No. 0000039274

Company Name PHINMA ENERGY CORPORATION

Industry Classification

Company Type Stock Corporation

### Document Information

---

Document ID 110282019002015

Document Type LETTER/MISC

Document Code LTR

Period Covered October 28, 2019

No. of Days Late 0

Department CED/CFD/CRMD/MRD/NTD

Remarks MATERIAL RELATED PARTY TRANSACTIONS POLICY

# COVER SHEET

0	6	9	-	0	3	9	2	7	4
---	---	---	---	---	---	---	---	---	---

S.E.C. Registration Number

A	C		E	N	E	R	G	Y		P	H	I	L	I	P	P	I	N	E	S	,		I	N	C	.			
F	o	r	m	e	r	l	y																						
P	H	I	N	M	A		E	N	E	R	G	Y		C	O	R	P	O	R	A	T	I	O	N					

(Company's Full Name)

4	T	H		F	L	O	O	R	,		6	7	5	0		O	F	F	I	C	E		T	O	W	E	R	
A	Y	A	L	A		A	V	E	N	U	E	,		M	A	K	A	T	I		C	I	T	Y				

(Business Address: No. Street City/Town/Province)

A	L	A	N		A	S	C	A	L	O	N			
---	---	---	---	--	---	---	---	---	---	---	---	--	--	--

Contact Person

7	7	3	0	6	3	0	0		
---	---	---	---	---	---	---	---	--	--

Company Telephone Number

1	2		3	1
---	---	--	---	---

Month      Day  
Calendar Year

		R	P	T		P	O	L	I	C	Y	

FORM TYPE

--	--	--	--

Month      Day  
Annual Meeting

--	--	--	--	--	--

Secondary License Type, If Applicable

C	F	D
---	---	---

Dept. Requiring this Doc.

--	--	--	--	--	--	--	--	--	--

Amended Articles Number/Section

--	--	--	--	--	--	--	--	--	--

Total No. of Stockholders

--	--	--	--	--	--	--	--	--	--

Total Amount of Borrowings

--	--	--	--	--	--	--	--	--	--

Domestic

--	--	--	--	--	--	--	--	--	--

Foreign

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--

File Number

LCU

--	--	--	--	--	--	--	--	--	--

Document I. D.

Cashier

--	--	--	--	--	--	--	--	--	--

STAMPS

Remarks = Pls. Use black ink for scanning purposes

28 October 2019

**SECURITIES AND EXCHANGE COMMISSION**

Secretariat Building, PICC Complex  
Roxas Boulevard, Pasay City 1307

Attention: **Ms. Rachel Esther J. Gumbang-Remalante**  
Director, Corporate Governance and Finance Department

Subject: Material Related Party Transactions Policy

Gentlemen:

In compliance with SEC Memorandum Circular No. 10, series of 2019, we hereby submit the Company's Material Related Party Transactions Policy.

Further enclosed is a copy of the Company's resolution authorizing its Compliance Officer and any one of its Chairman, Vice Chairman, and Corporate Secretary to sign the policy.

We trust that you will find the enclosed in order.

Very truly yours,

  
**ALAN T. ASCALON**  
Assistant Corporate Secretary

REPUBLIC OF THE PHILIPPINES)  
CITY OF MAKATI )S.S.

**SECRETARY'S CERTIFICATE**

I, **DODJIE D. LAGAZO**, of legal age, Filipino, with office address at 4<sup>th</sup> Floor, 6750 Office Tower, Ayala Avenue, Makati City, hereby depose and state that:

1. I am the duly elected, qualified, and incumbent Assistant Corporate Secretary of **AC ENERGY PHILIPPINES, INC.** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with office address at 4<sup>th</sup> Floor, 6750 Office Tower, Ayala Avenue, Makati City.

2. At the regular meeting of the Board of Directors of the Corporation held on 9 October 2019, wherein a quorum was present and acting, the following resolutions were duly adopted:

"**RESOLVED**, to approve and authorize the filing with the Securities and Exchange Commission ("SEC") of the Revised Related Party Transactions Policy of the Corporation (the "**Policy**"), in compliance with the requirements of SEC Memorandum Circular No.10, series of 2019; and

**RESOLVED FINALLY**, to authorize the Compliance Officer, and any one of the Chairman, Vice Chairman, and the Corporate Secretary to sign the Policy and such other documents as may be required by the SEC to give effect to the foregoing resolution."

3. The foregoing resolution is in accordance with the records of the Corporation and have not been revoked or cancelled and are in full force and effect as of the date of this certification.

**IN WITNESS WHEREOF**, I have hereunto set my hand this 25 day of OCT 2019 at Makati City.


  
**DODJIE D. LAGAZO**  
Assistant Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this 25 day of OCT 2019 at Makati City, with the affiant personally exhibiting to me his Philippine Passport numbered EC6815340 issued on 20 February 2016 in DFA NCR South, and who took an oath before me as to such instrument.

Doc No. 276;  
Page No. 57;  
Book No. 1;  
Series of 2019.

Notarial DST pursuant to  
Sec. 188 of the Tax Code  
affixed on Notary Public's copy.



  
**ANNA LEE JOYCE C. TODA**  
Notary Public - Makati City  
Appt. No. M-471 until December 31, 2019  
Attorney's Roll No 63572  
PTR No. 7350777; 1-11-19; Makati City  
IBP Lifetime No. 019058  
MCLE Compliance No. VI-0021540 - Valid until 04-14-2022  
4th Floor 6750 Office Building,  
Ayala Avenue, Makati City



## **AC Energy Philippines, Inc.'s RPT Policy**

### **A. Introduction**

AC Energy Philippines, Inc. (formerly, PHINMA Energy Corporation; the "Corporation") recognizes the fiduciary responsibility of its board of directors to ensure the fairness, transparency, and integrity of the Corporation's related party transactions (RPTs) for the protection of all shareholders' interest. To aid in the performance of this duty, this policy is adopted to:

- define related party relationships and transactions;
- provide guidance in the review, approval and disclosure of RPTs to ensure that they are at arm's length, and the terms are fair, and will inure to the best interest of the Corporation and all its shareholders<sup>1</sup>; and
- promote the objectives of the Securities and Exchange Commission (SEC) Rules on Material Related Party Transactions for Publicly-Listed Companies.

The Risk Management and Related Party Transactions Committee ("Committee") is tasked with overseeing the implementation of this policy.

### **B. Definition of Terms**

**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 directors and officers, 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.<sup>2</sup>

**Associate** – 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.<sup>3</sup>

**Company Materiality Threshold** – Fifty Million Pesos (PhP50,000,000.00) or five percent (5%) of the Corporation's total consolidated assets based on its latest audited financial statements, whichever is lower.

**Company Recognized Material Related Party Transactions** – any related party transaction/s that meet the threshold values approved by the Committee, i.e. Fifty Million Pesos (PhP50,000,000.00) or five percent (5%) of the Corporation's total consolidated assets, whichever is lower, and other requirements as may be determined by the Committee upon the recommendation of the Risk Management Group

**Control** – a person or an entity controls the Corporation if and only if the person or entity has all of the following:

- Power over the Corporation;
- Exposure, or rights, to variable returns from its involvement with the Corporation; and
- The ability to use its power over the Corporation to affect the amount of the Corporation's returns.<sup>4</sup>

---

<sup>1</sup> ASEAN Corporate Governance Scorecard (ACGS), B.5.1.

<sup>2</sup> As defined in SEC Memorandum Circular No. 10, Series of 2019 (Rules on Material Related Party Transactions for Publicly-Listed Companies)

<sup>3</sup> As defined in SEC Memorandum Circular No. 10, Series of 2019 (Rules on Material Related Party Transactions for Publicly-Listed Companies)

<sup>4</sup> As defined in SEC Memorandum Circular No. 10, Series of 2019 (Rules on Material Related Party Transactions for Publicly-Listed Companies)

**Related parties**<sup>5</sup> – cover the following:

1. 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;
2. Any other person who has control, joint control or significant influence over the Corporation or who is an officer of the Corporation's parent company and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law; and
3. An entity that meets any of the following conditions:
  - 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.
  - 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 (i) and (ii).
  - vii. A person who has control or joint control over the reporting entity 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.

**Related Party Registry** – a record of the organizational and structural composition, including any change thereon, of the Corporation and its Related Parties.

**Related party transactions** – a transfer of resources, services or obligations between the Corporation and a Related Party (as defined above), 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.<sup>6</sup>

**SEC** – Securities and Exchange Commission

**SEC Defined Material Related Party Transactions** – any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period of the Corporation with the same related party, amounting to ten percent (10%) or higher of the Corporation's total consolidated assets based on its latest audited financial statements.<sup>7</sup>

**SEC Materiality Threshold** – ten percent (10%) of the Corporation's total consolidated assets based on its latest audited financial statements.<sup>8</sup>

**Significant influence** – the power to participate in the financial and operating policy decisions of an entity but not control over those policies. Significant influence may be gained by share ownership, statute or agreement.<sup>9</sup>

---

<sup>5</sup> Definition from SEC Memorandum Circular No. 10, Series of 2019 (Rules on Material Related Party Transactions for Publicly-Listed Companies) and International Accounting Standards (IAS) 24.

<sup>6</sup> As defined in SEC Memorandum Circular No. 10, Series of 2019 (Rules on Material Related Party Transactions for Publicly-Listed Companies)

<sup>7</sup> As defined in SEC Memorandum Circular No. 10, Series of 2019 (Rules on Material Related Party Transactions for Publicly-Listed Companies)

<sup>8</sup> As defined in SEC Memorandum Circular No. 10, Series of 2019 (Rules on Material Related Party Transactions for Publicly-Listed Companies)

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



**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.<sup>10</sup>

**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.

### C. Coverage

This policy covers both SEC Defined Material Related Party Transactions and Company Recognized Material Related Party Transactions between the Corporation and a Related Party as defined above (the "Material RPTs"). If the Corporation's Subsidiary or Associate has not adopted its own policy on RPTs, this policy shall also cover the Material RPTs of such Subsidiary or Associate.

Transactions meeting the SEC and the Company Materiality Thresholds that were entered into with an unrelated party who subsequently becomes a related party are excluded from the limits and approval process required in this 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 RPT to the requirements of this policy. The prospective treatment should, however, be without prejudice to regulatory actions that may be enforced for transactions determined to not have been carried out on an arm's length basis.

### D. Responsibility

**Board Risk Management and Related Party Transactions Committee** – has the responsibility to review annually the threshold values under the Company Materiality Threshold and Company Recognized Material Related Party Transactions, and the provisions of this policy and may recommend to the Board amendments to this policy as it deems appropriate

**Internal Audit Team** – shall conduct a periodic review of the effectiveness of the Corporation's system and internal controls governing Material RPTs to assess consistency with the Board-approved policies and procedures, and communicate resulting audit reports, including exceptions or breaches in limits, directly to the Audit Committee

**Office of the Compliance Officer** – shall ensure that the Corporation complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties

**Office of the Comptroller** – shall monitor RPTs that breach the SEC Materiality Threshold in close coordination with the Risk Management Group

**Risk Management Group** – shall:

- recommend to the Committee any adjustment to the (i) threshold values under the Company Materiality Threshold and Company Recognized Material Related Party Transactions, and (ii) the provisions of this policy and may recommend to the Committee amendments to this policy as it deems appropriate
- primarily maintain the Related Party Registry (along with the Committee)
- perform periodic post verification of Material RPTs (along with the Committee)
- (i) advise each of the Corporation's Subsidiaries and Associates of this policy, and (ii) work with the Subsidiaries and Associates to implement this policy in case the Subsidiaries and Associates do not adopt their own RPT policy

---

<sup>10</sup> As defined in the Implementing Rules and Regulations of Republic Act No. 9856, otherwise known as the Real Estate Investment Trust Act of 2009

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

All SEC Defined and Company Recognized Material RPTs shall be reviewed by the Committee<sup>11</sup> and approved by the Board before its commencement, except transactions that are explicitly excluded/exempted by the SEC and transactions delegated to management as listed in Item I hereof.

Prior to the review of the Committee, business units within the group dealing with RPTs will identify transactions that meet both SEC and Company Materiality Thresholds and report the same every first Friday of the month to the Risk Management Group.

In the review of Material 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 the Related Party's interest in the transaction;
5. purpose and timing of the transaction;
6. whether the transaction would present an actual or apparent conflict of interest 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.

If a Material RPT is not identified beforehand, it 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.

The office of the Comptroller, in close coordination with the Risk Management Group, will monitor RPTs that breach the SEC Materiality Threshold. For SEC Defined Material RPTs, the approval shall be by at least two-thirds (2/3) vote of the board of directors, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors 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 RPTs that, aggregately within a twelve (12)-month period, breach the SEC Materiality Threshold, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

## **F. Disclosure Requirement of Material RPTs**

All directors and employees of the Corporation and its Subsidiaries and Associates covered by this policy are required to complete the mandatory form on Business Interest and Related Party Disclosure. Directors and key officers are further required to complete the form on Identification of Related Parties. For collation and monitoring, the directors' forms are submitted to the Office of the Corporate Secretary while the employees' forms are submitted to the Human Resource Group in February of each year.

Prior to entering into a Material RPT, the Related Party shall fully and timely disclose to the Committee any and all material facts related to the Material RPT as well as any direct or indirect financial interest in any matter that may affect or is affecting the Corporation.<sup>12</sup> The Related Party and the Committee shall also make this disclosure at the board meeting where the Material RPT will be presented for approval and before the completion or execution of the Material RPT.

---

<sup>11</sup> International Corporate Governance Network (ICGN) 2.11.2

<sup>12</sup> Organization for Economic Cooperation and Development (OECD) Principle III C



#### **G. Identification, Prevention or Management of Potential or Actual Conflict of Interest**

Any director or officer with personal interest in the transaction shall be prohibited from participating in the discussion, approval, and voting thereon. However, the presence of such member may be counted in determining the presence of a quorum at the Committee meeting but not in assessing the quorum for the Board meeting.

#### **H. Guidelines in Ensuring Arm's Length Terms**

The Corporation shall ensure that no preferential treatment shall be given to a Related Party that is not extended to a non-related party under similar circumstances. Further, the Corporation shall commit to exercise due diligence in ensuring compliance with all relevant laws, rules and regulations in carrying out its material RPTs.

For SEC Defined Material RPTs, an external independent party shall be appointed to evaluate the fairness of the terms of the transaction. To ensure that transactions are at arm's length terms and to promote the best interest of the Corporation and its shareholders, the Corporation may adhere to the OECD Transfer Pricing Guidelines, Bureau of Internal Revenue (BIR) transfer pricing regulations,<sup>13</sup> or any other price discovery mechanism that the Board may deem appropriate.

#### **I. RPTs Delegated to Management**

RPTs that are performed in the normal course of business shall no longer be subject to review by the Committee. Instead, the review of the transactions listed below is delegated to management, provided they do not breach the SEC materiality threshold and unless management deems it necessary for the Committee to review the same:

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; or
7. Transfer of resources between wholly-owned subsidiaries of an ultimate common parent company or between a wholly-owned subsidiary and its parent.

#### **J. Whistleblowing Mechanism**

The Whistleblower Policy of the Corporation extends to any concerns about illegal, unethical or questionable Material RPTs. Directors, officers, employees, and stakeholders are encouraged to communicate any legitimate concerns.

The Corporation's Whistleblowing Policy can be accessed at <http://www.phinmaenergy.com/ta/wp-content/uploads/2014/12/PHINMA-Whistleblowing-and-Non-Retaliation-Policy.pdf>.

---

<sup>13</sup> Bureau of Internal Revenue (BIR) Revenue Regulation No. 2-2013

#### **K. Remedies for Abusive Material RPTs**

A Related Party found to be non-compliant with the provisions of this policy and/or is proven to have entered into an abusive material RPT shall be subject to the corresponding procedures and penalties under the Corporation's Code of Conduct and Ethics and relevant laws, rules and regulations, as may be applicable. Directors or officers who are found guilty of bad faith in entering into abusive RPTs and acquiring personal interest shall be liable jointly and severally for all damages resulting therefrom and must account for the profits which otherwise would have accrued to the Corporation.<sup>14</sup>

#### **L. Review and Updating of Related Party Registry**

A Related Party Registry shall be maintained by the Risk Management Group and the Committee, in coordination with the Office of the Corporate Secretary and Office of the Chief Compliance Officer. The Related Party Registry shall be reviewed and updated quarterly to capture organizational and structural changes in the Corporation and its related parties.

#### **M. Post Verification of Related Party Transactions**

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

#### **N. Notification**

The Risk Management Group shall (i) advise each of the Corporation's Subsidiaries and Associates of this policy, and (ii) work with the Subsidiaries and Associates to implement this policy in case the Subsidiaries and Associates do not adopt their own RPT policy.

#### **O. Self-assessment and Periodic Review of the Policy**

The Internal Audit Team shall conduct a periodic review of the effectiveness of the Corporation'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 the Audit Committee.

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

#### **P. Disclosure and Regulatory Reporting**

The Material 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 Commission<sup>15</sup> and other regulatory bodies.

---

<sup>14</sup> Based on Section 30 of the Revised Corporation Code of the Philippines

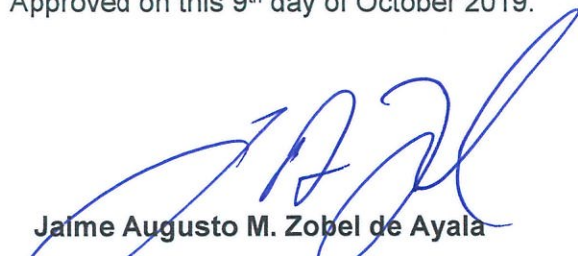
<sup>15</sup> Securities and Exchange Commission Financial Reporting Bulletin No. 13, Presentation of Related Party Disclosures, dated January 24, 2013 and SEC Memorandum Circular No. 10, Series of 2019 (Rules of Material Related Party Transactions for Publicly-Listed Companies).



**Q. Effectivity**

This policy supersedes any and all previous policies concerning related party transactions and is effective upon approval.

Approved on this 9<sup>th</sup> day of October 2019.



**Jaime Augusto M. Zobel de Ayala**  
Vice-Chairman of the Board of Directors



**Maria Corazon G. Dizon**  
Treasurer & CFO and Compliance Officer

## ANNEX 1 – DISCLOSURE AND REVIEW OF RELATED PARTY TRANSACTIONS

