

September 22, 2020

Securities and Exchange Commission
G/F Secretariat Bldg., PICC Complex
Roxas Blvd., Pasay City 1307

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

Philippine Stock Exchange
9th Floor, PSE Tower
28th Street corner 5th Avenue,
Bonifacio Global City, Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Gentlemen:

For submission is the attached amended **Material Related Party Transaction Policy** of Cosco Capital, Inc. incorporating the recommended changes by the Securities and Exchange Commission in paragraphs 4 and 8 of the policy, as follows:

Paragraph 4 – Engagement of external party to evaluate the fairness of the terms of material related party transactions before the execution of the transaction.

Paragraph 8 – Providing for appropriate remedies or penalties in case of abusive material related party transactions.

Thank you,

Candy H. Dacanay – Datuon
Compliance Officer

Material Related Party Transactions Policy of Cosco Capital, Inc.

A. Policy

Cosco Capital, Inc., its subsidiaries and affiliates (herein referred to as "the Group"), firmly adhere to the principles of sound and responsible business ethics and legal standards.

Cosco Capital, Inc. (the "Company"), through its Board of Directors (the "Board"), recognizes that transactions between and among related parties create strategic financial, commercial, and economic benefits to the Company and its stakeholders. In this regard, related party transactions ("RPT") are generally allowed.

However, when RPTs amount to ten percent (10%), or higher, of the Company's total audited consolidated assets, it shall be considered as Material Related Party Transaction/s ("material - RPT") and shall be subject to arms-length principle and prior board approval as herein provided. These measures are designed to protect the Company from the adverse effects of material RPTs entered into by its personnel, officers, or directors laden with conflict of interest.

B. Purpose

This Material - RPT Policy (herein referred to as "the Policy") sets forth the rules and guidelines to ensure that material - RPTs involving the Company and its related parties are: (a) handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations; (b) entered into on an arm's-length basis and; (c) approved following the Policy and without the participation of the concerned directors, officers or related parties.

C. Application

1. Scope

This Policy shall apply to all transactions of the Company with related parties that meet the materiality threshold as herein defined.

2. Definitions

a. **Related party** covers the following individuals:

Director	All members of the Board of Directors including consultants and advisers
Officer	Including but not limited to the following: Chairman, President, Vice-President, Chief Finance Officer, Senior Accounting Managers, Compliance Officer, Corporate Secretary, Legal Counsel, Internal Auditors, Department

	Managers, Treasurer, and all other officers having a rank of a Manager.
Substantial Shareholder	Any person who is directly or indirectly the beneficial owner of more than 10% of the Company's equity.
Indirect Beneficial Owner	A person shall be deemed to have an indirect beneficial ownership interest in any security which is: <ul style="list-style-type: none"> (1) held by members of his immediate family sharing the same household; (2) held by a partnership in which he is a general partner; (3) held by a corporation in which he is controlling shareholder; (4) subject to any contract, arrangement, or understanding, which gives him voting power or investment power with respect to such securities.
Spouses and Relatives	Spouses and relatives of the Director, Officer, Substantial Shareholder, Indirect Beneficial Owner within the 4 th civil degree of consanguinity or affinity, legitimate or common-law.

b. **Related party** also covers the following entities:

Parent Company	An entity that controls the Company.
Subsidiaries or Fellow subsidiaries	An entity controlled, directly or indirectly, by the Company
Associate, Affiliate, Joint Venture or controlled entity	<ul style="list-style-type: none"> (1) An entity in which the Company has significant influence. Where the Company holds 20% or more of the voting power of an entity, it will be presumed that the Company has significant influence unless it can be clearly demonstrated that this is not the case. (2) An entity linked directly or indirectly to the Company through any one or a combination of any of the following: <ul style="list-style-type: none"> (1) 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; (2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;

	<p>(3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and the entity; or</p> <p>(4) 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.</p>
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c. **Related Party Transaction** (“RPT”) – is a transfer of resources, services, or obligations between a reporting entity and a related party, regardless of whether a price is charged. These shall include, but not limited to, the following:

- Merger, acquisition, consolidation and other related business combination involving the parent company and its subsidiaries;
- Sale, purchase or supply of any goods, merchandise, materials or supplies;
- Lease arrangements/contracts;
- Purchases and sales of assets, including the transfer of technology and intangible items (e.g., research and development, trademarks and license agreements);
- Investments and/or subscriptions for debt/equity issuances;
- Borrowings, commitments, fund transfers, and guarantees;
- On- and off-balance sheet credit exposures and claims and write-offs;
- Consulting, professional, agency and other service arrangements/contracts;
- Construction arrangements/contracts;
- Establishment of joint venture entities; and
- Settlement of liabilities on behalf of the entity or by the entity on behalf of that related party

It includes outstanding transactions with an unrelated party that subsequently becomes a related party.

d. **Material Related Party Transactions** (“material - RPT”) – 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 more of the Company’s total consolidated assets based on its latest audited financial statements.

3. Approval of Material Related Party Transactions –

The Audit Committee shall review, evaluate and approve all material - RPT before endorsing to the Board of Directors for final approval. The Committee shall consider the following factors in reviewing material – RPTs:

- terms of the transaction
- the aggregate value of the transaction
- whether the terms of the transaction are no less favorable than those generally available to non-related parties under similar circumstances
- the extent of the related party's interest in the transaction
- purpose and timing of the transaction
- whether the transaction would present a conflict of interests or special risks or contingencies for the Company, 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
- material information or other factors the Committee deems relevant

Upon affirmative endorsement of the Audit Committee, the material - RPT shall also be approved by at least two-thirds (2/3) of the vote of the Board of Directors, with at least a majority of the independent directors voting to approve the material- RPT.

In case that a majority of the independent directors' vote 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 of the Company.

Aggregate RPT within the twelve (12) – month period that breaches the materiality threshold shall require the same Committee and Board approval as herein required.

4. Ensuring Arm's length terms

The Audit Committee and the Board of Directors shall ensure that all material – RPTs follow the arms-length principle and shall not unduly favor any related party to the detriment of the interests of the Company and its stakeholders.

Before the execution of the material RPT, the Board of Directors should appoint an independent external party to evaluate the fairness of the terms of the material RPTs. An independent external party may include, but is not limited to, auditing/accounting firms and third- party consultants and appraisers. The independent evaluation of the fairness of the transaction price ensures the protection of the rights of the shareholders and other stakeholders.

5. Duties and Responsibilities

a. Audit Committee

1. Evaluate the material-RPT whether or not it is fair and for the best interest of the Company and its stakeholders.
2. Recommend to the Board explaining the grounds for approving or denying the proposed material-RPT.

b. Board of Directors

1. Institutionalize a policy framework on the management, approval, and disclosure of material-RPTs
2. Approve all material-RPTs that cross the materiality threshold
3. Approve all write-off of material exposures to related parties
4. Establish an effective audit, risk and compliance system
5. Oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing
6. Identify persons and companies that are considered as the Company's related parties
7. Quarterly review and update the Related Party Registry to capture organizational and structural changes in the Company and its related parties

c. Senior Management

The Chief Finance Officer (CFO), or any equivalent position, shall maintain a Related Party Registry and formulate a necessary mechanism and system of monitoring RPT within the Group. The CFO shall report to the Audit Committee a significant update on RPT and any proposed material-RPT quarterly.

The President and all heads of various business units/subsidiaries shall implement appropriate controls to effectively manage and monitor 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 existing policies and regulations.

The above-named officers shall disclose all relevant facts to the material-RPT as well as the direct or indirect financial interest of any related party in the transaction. They shall report the same during the Audit Committee and Board of Directors meetings where the material-RPT will be presented for approval.

d. Internal Audit Division

It shall conduct a periodic formal review of the effectiveness of the Group's system and internal controls governing 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 and the Board of Directors.



e. Compliance Division

It shall ensure that the Group complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related party transactions. It shall aid in the review of the Group's transactions and identify any potential RPT that would require review by the Audit Committee and the Board. It shall ensure that the RPT policy is kept updated and is correctly implemented throughout the Company.

6. Disclosure

The Company shall submit the following documents to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE):

- a. A summary of material-RPT entered into during the reporting year in the Company's Integrated Annual Corporate Governance Report to be submitted annually every May 30.
- b. Advisement Report, in accordance with the form prescribed by the SEC, of any material-RPT to be filed within three (3) days from the execution date of the material-RPT. The report shall be signed by the Corporate Secretary and the Chairman or President.

7. Conflict of Interest

Any personnel, officers, or directors with personal interest in any material-RPT shall timely disclose all material facts especially their respective interests in the material-RPT, and abstain from the discussion, approval, and management of such transaction in 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 approval.

8. Report of violation and Remedy for Abusive Material RPTs

The Company encourages anyone to report any deviation or non-compliance with the material-RPT Policy. Reports may be submitted thru any of the following:

- a. Postal Mail: Office of the Compliance Officer
No.900 Romualdez St., Paco, Manila 1007
- b. Email: corporate.governance@coscocapital.com
- c. Call: (02) 523-3055

The whistle-blower's identity will be kept in the strictest confidentiality.

The Legal Counsel shall determine whether or not there is a violation of the material-RPT Policy. If he finds that there is a violation, he shall report the same to the Audit Committee and the Board of Directors. The latter body shall have the final

determination of a violation of material-RPT and the appropriate remedies or penalty, including but not limited to any of the following:

a. If still possible, discontinue the transaction and determine how to minimize losses and recover opportunity costs.

b. If the transaction has already been completed, demand for the recovery of losses or opportunity costs.

c. Impose administrative sanctions on personnel, officers, or directors, who have been remiss in their duties of handling material RPTs. It may vary from suspension to termination, depending on the gravity of the offense and the amount of loss incurred by the Company.

d. Institute civil or criminal case against the erring personnel, officers, or directors if warranted by the circumstances and provided by applicable law, rules, or regulations.

9. Compliance and Communication

The Group shall ensure that this Policy, or any of its amendments, will be appropriately communicated to its directors, officers, employees, third-party, and other stakeholders for their awareness and compliance.

Monitoring of compliance with this Policy must be conducted regularly by the Office of the Compliance Officer.

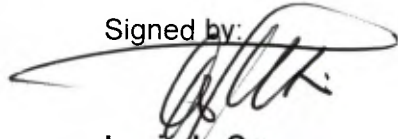
10. Policy Review

This Policy shall be reviewed annually or as deemed necessary.

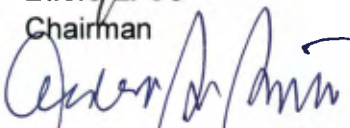
D. Effective Date

This Policy shall take effect upon approval of the Board of Directors.

Signed by:



Lucio L. Co
Chairman



Andres S. Santos
Legal Counsel



Candy H. Dacanay – Datuon
Compliance Officer