

**SOLID GROUP INC.**  
**MATERIAL RELATED PARTY TRANSACTIONS POLICY**

**SECTION 1. INTRODUCTION**

It is the policy of Solid Group Inc. (the “Company”) 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.

The Board of Directors adopted this group-wide Material Related Party Transactions Policy encompassing all entities within the group taking into account its size, structure, risk profile and complexity of operations.

**SECTION 2. PURPOSE**

The purpose of this policy is to ensure the proper review, approval, and reporting of material related party transactions between and/or among the Group and its subsidiaries, associates, affiliate, joint ventures, directors, officers, substantial shareholders, or certain entities or persons related to them.

**SECTION 3. COVERAGE**

This policy provides general guidelines to all related party transactions meeting the materiality threshold.

Transactions amounting to One Billion Pesos (Php1,000,000,000.00) or ten percent (10%) or more of the total assets 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 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 material RPT to the requirements of this policy.

**SECTION 4. DEFINITION OF TERMS**

For the purposes of this policy, the following definitions 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 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.

**Associate** - 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.

**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.

**Material Related Party Transaction** – means any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to no less than One Billion Pesos (Php1,000,000,000.00) or ten percent (10%) of a company's total consolidated assets based on its latest audited financial statement, whichever is lower.

**Materiality Threshold** – transaction value of no less than One Billion Pesos (Php1,000,000,000.00) or Ten percent (10%) of the company's total consolidated assets based on latest audited financial statement, whichever is lower.

**Related Parties** - cover 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. It also covers the Company's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

**Related Party Transaction (“RPT”)** – means 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.



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

**Related Party Transactions Committee (“the Committee”)**– is the Board Committee tasked to review and evaluate Material Related Party Transactions.

**Significant Influence** - The power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

**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 5. GENERAL PRINCIPLES**

- 5.1 All Material Related Party Transactions shall be made in compliance with existing laws, rules and regulations at all times and are conducted on terms equivalent to those that prevail in an arm’s length transactions, and that no preferential treatment shall be given to related parties that are not extended to non-related parties under similar circumstances.
- 5.2 The Board of Directors shall 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.
- 5.3 The materiality threshold may be adjusted upon the approval of the Board of Directors considering the risk of the RPT to cause damage to the company and its shareholders.
- 5.4 The Compliance Officer shall advise and provide assistance to the Committee in ensuring that Material RPTs across the Group are reviewed and approved in accordance with this Policy.
- 5.5 If an actual or potential conflict of interest arises on the part of a Director or Officers, he is mandated to fully and immediately disclose the same and should not participate in the decision-making process relating to the Material RPT. Any member of the Board of Directors who has an interest in the transaction under discussion shall not participate in the discussions and shall abstain from voting on the approval of the transaction.

## **SECTION 6. GUIDELINES IN ENSURING ARM’S LENGTH TERMS**

- 6.1 To ensure that related party transactions are conducted at arm’s length basis and in the ordinary course of business, the terms and conditions of the transaction should not be more favorable than similar transactions with non-related parties. No preferential treatment shall be given to related parties that are not extended to non-related parties under similar circumstances.



6.2 Before the execution of the Material RPT, the Board of Directors shall appoint an external independent party to evaluate the fairness of the terms of the Material RPTs. An external independent 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 transparent price ensures the protection of the rights of shareholders and other stakeholders.

6.3 To ensure that transactions are engaged into at terms that promote the best interest of the company and its shareholders, the price discovery mechanisms used and the results obtained should also be disclosed. 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, or publication of available property for sale.

## **SECTION 7. REVIEW AND APPROVAL**

7.1 Material RPTs shall be reviewed and evaluated by the Committee and endorsed to the Board of Directors for approval. The Committee shall review a Material RPT before its execution and commencement. If not identified beforehand, the Material RPT must be subsequently reviewed by the Committee and approved by the Board of Directors or the same may be discontinued, rescinded or modified to make it acceptable for approval.

7.2 During review, the Committee shall consider whether the terms of the Material RPTs are on arms' length and fair to the Company, and such factors as the following:

- Materiality;
- Type and nature of the transaction;
- Financial or non-financial interest of the related parties;
- Rational for entering into the transaction;
- Conflict of interest, actual or apparent, of the Related Party participating in the transaction; and
- Any other relevant information regarding the transaction

7.3 All individual Material RPTs shall be approved by at least two-thirds (2/3) 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. For aggregate RPT transactions within a twelve (12) month period that breaches the 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.

7.4 Directors with personal interest in the transaction should 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.



**SECTION 8. IDENTIFICATION AND PREVENTION OR MANAGEMENT OF POTENTIAL OR ACTUAL CONFLICTS OF INTEREST WHICH MAY ARISE OUT OF OR IN CONNECTION WITH MATERIAL RPTs**

- 8.1 The Committee shall set up company protocols and practices to ensure identification and monitoring of existing and potential Material RPTs.
- 8.2 Directors shall disclose to the Board of Directors, through the Company's Corporate Secretary, details of all their other directorships and any shareholdings owned by them or members of their family. Any changes to these disclosures must be communicated promptly to the Board of Directors.
- 8.3 The Management/Board of Directors shall quarterly review and update the Related Party Registry to capture organizational and structural changes in the Company and its related parties.
- 8.4 If any Director or Officer becomes aware of a Material RPT with a Related Party that has not been approved or ratified prior to its consummation, he/she shall promptly inform the Committee for proper review.
- 8.5 Directors and officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interests in the material RPT and abstain from the discussion, approval and management of such transaction or matter affecting 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 majority approval.

**SECTION 9. WHISTLE BLOWING MECHANISMS AND REMEDIES FOR ABUSIVE MATERIAL RPTs**

- 9.1 All stakeholders are encouraged to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable material RPTs. Legitimate material concerns can be reported through the whistle-blowing hotline of the Company and will be investigated and addressed accordingly by an objective independent internal or external body, senior management and/or the board itself.
- 9.2 Officers, directors, and employees who have been remiss in their duties in handling material RPTs shall be subject to disciplinary measures in accordance with the Company's Code of Discipline and relevant corporate governance policies, without prejudice to the applicable legal remedies which the Company may avail.

*Pursuant to Sections 26 and 27 of the Revised Corporation Code, an interested director or officer of the corporation shall be disqualified from being a director, trustee or officer*



*of any other corporation on the basis of a final judgment rendered by a court of competent jurisdiction against the interested director or officer for abusive material RPTs.*

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

## **SECTION 10. SELF-ASSESSMENT AND PERIODIC REVIEW OF POLICY**

- 10.1 The Group Internal Audit 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 the Audit Committee.
- 10.2 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 material RPT policy is kept updated and is properly implemented throughout the company.

## **SECTION 11. DISCLOSURE AND REGULATORY REPORTING**

- 11.1 The members of the board, substantial shareholders, and officers shall fully disclose to the Board of Directors all material facts related to Material RPTs as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the company. Such disclosure shall be made at the board meeting where the Material RPT will be presented for approval and before the completion or execution of the Material RPT.
- 11.2 The summary of Material RPTs entered into during the reporting year shall be disclosed by the Company in its Integrated Annual Corporate Governance Report (I-ACGR).
- 11.3 The Advisement Report on Material RPTs (see Annex A) shall be filed to the Securities and Exchange Commission (SEC) within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Corporate Secretary or authorized representative of the Company and the authorized representative of the Related Party.

At a minimum, the disclosures in both (11.2) and (11.3) above shall include the following information:

- i. complete name of the related party;
- ii. relationship of the parties;
- iii. execution date of the material RPT;
- iv. financial or non-financial interest of the related parties;
- v. type and nature of transaction as well as a description of the assets involved;



**ADVISEMENT REPORT ON  
MATERIAL RELATED PARTY TRANSACTIONS**

Reporting PLC: .....

SEC Identification Number: .....

Name of Related Party: .....

Execution Date of Transaction: .....

Relationship between the Parties including financial/non-financial interest: .....

Type/Nature of Transaction and Description of Assets Involved	Terms and Conditions	Rationale for Entering into the Transaction	Total Assets <sup>1</sup> of Reporting PLC	Amount/ Contract Price	Percentage of the Contract Price to the Total Assets of the Reporting PLC	Carrying Amount of Collateral, if any	Approving Authority <sup>2</sup>

<sup>1</sup> Total assets shall pertain to consolidated assets if the reporting PLC is a parent company.

<sup>2</sup> The information shall include the names of directors present, names of directors who approved the Material Related Party Transaction and the corresponding voting percentage obtained.



**SIGNATURES**

Pursuant to the requirements of the Commission, the company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

(Name of Reporting PLC)

(Name of Related Party)

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.....

Name, Signature of the Corporate Secretary/  
Authorized Representative<sup>3</sup>

Name, Signature of the Related Party/Authorized Representative<sup>3</sup>

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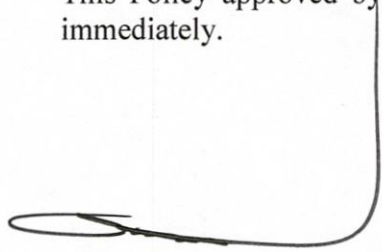
<sup>3</sup> Proof of authority must be attached to the Advisement Report.



- vi. total consolidated assets;
- vii. amount or contract price;
- viii. percentage of the contract price to the total assets of the Company;
- ix. carrying amount of collateral, if any;
- x. terms and conditions;
- xi. rationale for entering into the transaction; and
- xii. the approval obtained (i.e., names of directors present, name of directors who approved the material RPT and the corresponding voting percentage obtained).

**SECTION 12. EFFECTIVITY**

This Policy approved by the Board of Directors on August 8, 2019 shall take effect immediately.



**JASON S. LIM**  
Chairman, Director



**JOSEPH LIM**  
Director



**SUSAN L. TAN**  
Director



**KEVIN MICHAEL L. TAN**  
Director



**VINCENT S. LIM**  
Director



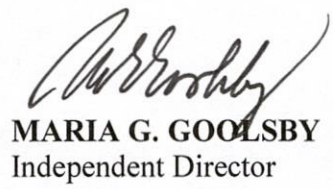
**BEDA T. MAÑALAC**  
Director



**JONATHAN JOSEPH C.C. LIM**  
Director



**QUINTIN W. CHUA**  
Independent Director



**MARIA G. GOOLSBY**  
Independent Director



**MELLINA T. CORPUZ**  
SVP & Chief Accounting Officer  
SEC Compliance Officer