



October 14, 2019

PHILIPPINE STOCK EXCHANGE

6th Floor, PSE Tower,
28th Street corner 5th Avenue
Bonifacio Global City, Taguig City

ATTENTION: Ms. Janet A. Encarnacion
Head - Disclosure Department

Gentlemen:

In compliance with SEC Memorandum Circular No. 10, Series of 2019, we submit herewith the Material Related Party Transactions Policy of Manila Broadcasting Company.

We trust you will find everything in order.

Very Truly Yours,


EDUARDO G. CORDOVA
SVP - CFO



110182019002783



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
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COVER SHEET

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S.E.C. Registration Number

M	A	N	I	L	A		B	R	O	A	D	C	A	S	T	I	N	G		C	O	M	P	A	N	Y		
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(Company's Full Name)

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

MR. EDUARDO G. CORDOVA

Contact Person

832-61-49

Company Telephone Number

1	2
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Month

3	1
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Day

MATERIAL RELATED PARTY TRANSACTION POLICY
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FORM TYPE

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Month

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Day

Fiscal Year

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

Top be accomplished by SEC Personnel concerned

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MATERIAL RELATED PARTY TRANSACTIONS POLICY

POLICY STATEMENT

It is the policy of **MANILA BROADCASTING COMPANY** (the "Company") that all Related Party Transactions are conducted on an arm's length basis and under fair terms, in order that no shareholder or stakeholder is unduly disadvantaged and there is no prejudice to their interests. Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. Key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form. It shall be subject to approval or ratification in accordance with the procedures set forth in the Company's rulings. Annually, the Company will disclose the information regarding Related Party Transactions that is required by regulations of the Securities and Exchange Commission to be disclosed, or incorporated by reference, in the Company's Annual Report.

SECTION 1. DEFINITION OF TERMS

1. 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;
 - The ability to use its power over the Company to affect the amount of the Company's returns



2. MATERIAL RELATED PARTY TRANSACTIONS – any related party transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of a Company’s total consolidated assets based on its latest audited financial statement.
3. MATERIALITY THRESHOLD – ten percent (10%) of the Company’s total consolidated assets based on its latest audited financial statement.
4. RELATED PARTY – includes the following:
 - a. A person who is or was (since the beginning of the last fiscal year for which the Company has filed a Form 17-A and proxy statement, even if they do not presently serve in that role) an executive officer;
 - b. Greater than five percent (5%) beneficial owner of the Company’s common stock;
 - c. Immediate family member of the foregoing.

An “immediate family member” includes any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law , father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of such person, and any person (other than a tenant or employee) sharing the household of such person.
5. RELATED PARTY REGISTRY – a record of the organizational and structural composition, including any change thereon, of the Company and its related parties.
6. RELATED PARTY TRANSACTION – any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which:
 - a. The Company is a participant;
 - b. Any related party has or will have a direct or indirect interest (other than solely as a result of being a director or a less than ten percent (10%) beneficial owner of another entity).



7. 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.
8. 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 2. DUTIES AND RESPONSIBILITIES

A. Board of Directors

The Board of Directors shall have the overall responsibility in ensuring that related party transactions are handled in a sound and prudent manner, with integrity, and in effective compliance with applicable laws, rules and regulations at all times, to protect the interests of the Company and its subsidiaries, and their shareholders and other stakeholders. Towards this end, the Board of Directors shall carry out the following duties and responsibilities:

1. To institutionalize an overarching policy on the management of material Related Party Transactions to ensure effective compliance with existing laws, rules and regulations at all times and that material related party transactions are conducted on an arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged.
2. To approve all material related party transactions 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 related party transactions previously approved in accordance with Section 3 (f) of these Rules.

Material changes in the terms and conditions of the material related party include, but are not limited to, change in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirement of the material related party transaction.

3. To establish an effective audit, risk and compliance system to:
 - Determine, identify and monitor related parties and material related party transactions;

- Continuously review and evaluate existing relationships between and among businesses and counterparties; and
- Identify, measure, monitor and control risks arising from material related party transactions.

The system shall be able to define the related parties' extent of relationship with the Company; assess situations in which a non-related party (with whom the Company has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the nature and amount of exposures of the Company to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance officers and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the Securities and Exchange Commission and audit functions for review. Any change in the policy and procedure shall be approved by majority of the Board of Directors and approved by majority of the stockholders constituting a quorum.

4. To oversee the integrity, independence and effectiveness of the policies and procedures for whistleblowing. The Board should ensure that senior management addresses legitimate issues on material related party transactions that are raised. The Board should take responsibility for ensuring that stakeholders who raise concerns are protected from detrimental treatment or reprisals.

B. Senior Management

Senior Management shall implement appropriate controls to effectively manage and monitor material related party transactions 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 Securities and Exchange's regulations.



SECTION 3. MATERIAL RELATED PARTY TRANSACTIONS POLICY

The Board of Directors shall adopt a group-wide material related party policy encompassing all entities within the conglomerate, taking into account its size, structure, risk profile and complexity of operations.

a. Identification of related parties

The policy shall clearly identify persons and companies that are considered as the Company's related parties. The policy shall require Management/Board of Directors to quarterly review and update the Related Party Registry to capture organizational and structural changes in the Company and its related parties.

b. Coverage of material related party transaction policy

The material related party transaction policy shall cover all transactions meeting the materiality threshold.

Transactions amounting to 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 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 related party transaction to the requirements of this material related party transaction rules. 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 arm's length basis.

c. Adjusted thresholds.

The Company shall be allowed to set a threshold lower than the materiality threshold provided under these rules upon the determination of the Board of Directors of the risk of the related party transaction to cause damage to the Company and its shareholders. The adjusted threshold, when applicable, shall be contained in the Company's material related party transaction policy.

d. **Identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with material related party transactions.**

The policy shall cover the identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with the material related party transactions. 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 related party transaction 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.

e. **Guidelines in ensuring arm's length terms.**

The policy shall have clear guidelines in ensuring that no preferential treatment shall be given to related parties that are not extended to non-related parties under similar circumstances.

Before the execution of the material related party transaction, the Board of Directors should appoint an external independent party to evaluate the fairness of the terms of the material related party transactions. 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.

The policy shall also include guidance for an effective price discovery mechanism to ensure that transactions are engaged into at terms that promote the best interest of the Company and its shareholders. 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.

f. **Approval of material related party transactions.**

All individual material related party transactions 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 related party transaction. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders



representing at least two-thirds (2/3) of the outstanding capital stock. For aggregate related party transactions within a twelve (12)-month period that breaches the materiality threshold of ten percent (10%) of the Company's total assets, the same Board approval would be required for the transactions that meets and exceeds the materiality threshold covering the same related party.

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.

g. Self-assessment and periodic review of policy.

The internal audit shall conduct a periodic review of the effectiveness of the Company's system and internal controls governing material related party transactions 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 Company's 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 shall aid in the review of the Company's transactions and identify any potential material related party transaction that would require review by the Board. He shall ensure that the Company's material related party transaction policy is kept updated and is properly implemented throughout the Company.

h. Disclosure requirements of material related party transactions.

The members of the Board, substantial shareholders, and officers shall fully disclose to the Board of Directors all material facts related to material related party transactions 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 related party transaction will be presented for approval and before the completion or execution of the material related party transaction.



i. **Whistle blowing mechanisms.**

The policy shall include effective whistleblowing mechanisms consistent with the Corporate values and codes of conduct set by the Board of Directors. The policy shall encourage all stakeholders to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable material related party transactions. It shall include guidance on how legitimate material concerns should be reported, investigated and addressed by an objective independent internal or external body, senior management and/or the Board itself.

j. **Remedies for abusive material related party transactions.**

The policy shall include measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Company arising out of or in connection with abusive material related party transactions. The policy shall also include the penalties and the manner of imposing the same on personnel, officers or directors, who have been remiss in their duties in handling material related party transactions in accordance with company policies.

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

Pursuant to Sections 26 and 27 of the Revised Corporation Code, an interested director or officer of the Company shall be disqualified from being a director, trustee or officer of any other company on the basis of a final judgment rendered by a court of competent jurisdiction against the interested director or officer for abusive material related party transactions. The disqualification shall be for a period of at least one (1) year or more, as may be determined by the Commission.



SECTION 4. DISCLOSURE AND REGULATORY REPORTING

The Company shall submit the following to the Securities and Exchange Commission:

- a. A summary of material related party transactions entered into during the reporting year which shall be disclosed in the Company's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every May 30.
- b. Advisement Report of any material related party transaction filed within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative.

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

- i. Complete name of the related party;
 - ii. Relationship of the parties;
 - iii. Execution date of the material related party transaction;
 - 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;
 - vi. Total consolidated assets;
 - vii. Amount or contract price;
 - viii. Percentage of the contract price to the total consolidated 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 (names of directors' present, name of directors who approved the material related party transaction and the corresponding voting percentage obtained).
- c. Pursuant to SEC Memorandum Circular No. 10, Series of 2019, this Material Related Party Transaction Policy shall be disclosed to the Securities and Exchange Commission (SEC), Philippine Stock Exchange (PSE) and shall be posted on the Company's website within five (5) days from its submission to the SEC and PSE.



**MANILA
BROADCASTING
COMPANY**

SIGNATURES

A handwritten signature in black ink, appearing to read "F. Elizalde", written in a cursive style.

FEDERICO J. ELIZALDE
Chairman of the Board

A handwritten signature in black ink, appearing to read "R. Nicdao", written in a cursive style.

RUPERTO S. NICDAO, JR.
President

A handwritten signature in black ink, appearing to read "E. Cordova", written in a cursive style.

EDUARDO G. CORDOVA
SVP - CFO

A handwritten signature in black ink, appearing to read "R. Pua", written in a cursive style.

ROBERT PUA
Compliance Officer