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SHANG PROPERTIES, INC.

MATERIAL RELATED PARTY TRANSACTIONS POLICY

The Board ("Board") of Shang Properties, Inc. ("SPI") hereby adopts a group-wide material related party transaction ("RPT") policy encompassing all entities within the Shang Properties, Inc. Group ("Group")

The Group shall observe the following Material RPT policies for the protection of the Group's minority shareholders, and in consonance with good governance and best practices considerations:

a. The Group's Related Parties.

The Group shall clearly identify its related parties and in relation thereto, shall maintain a Related Party Registry.

The identification of related parties for purposes of the observance and implementation of this Policy shall be in accordance with the definition thereof as set forth in Section 1 of the Rules on Material Related Party Transactions for Publicly Listed Companies issued by the Securities and Exchange Commission ("SEC") through its Memorandum Circular No. 10, Series of 2019. Thus, pursuant to the said SEC issuance, the Group's determination of related parties and related party transactions shall abide by the following definitions:

Related parties. – covers SPI's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or com-law, if these persons have control, joint control or significant influence over SPI. It also covers SPI'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.

Substantial Shareholder. – any person who is directly or indirectly the beneficial owner of more than ten per cent(%) of any class of its equity security.

Affiliate. - refers to an entity linked directly or indirectly to SPI 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 per cent (10%) or more of the outstanding voting stock of SPI or vice versa;

- interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
- common stockholders owing at least ten per cent (10%) of the outstanding voting stock of SPI and the entity; or
- management contract or any arrangement granting power to SPI to direct or cause the direction of management and policies of the entity or vice versa.

Associate. – an entity over which SPI holds twenty per cent (20%) or more of the voting power, directly or indirectly, or over which SPI has significant influence.

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.

Control. – a person or entity is deemed to control SPI if and only if the person or entity has all of the following:

- power of SPI
- exposure, or rights to variable returns from its involvement with SPI; and
- the ability to use its power over SPI to affect the amount of SPI's returns.

Related party transactions. – a transfer of resources, services, or obligations between SPI 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.

Material related party transactions. – any related party transaction/s either individually, or in aggregate over a twelve (12) month period with the same related party, amounting to ten per cent (10%) or higher of a company's total assets based on its latest audited financial statement.

Materiality threshold. – ten per cent (10%) of SPI's total assets based on its latest audited financial statement. SPI being a parent company, the total assets shall pertain to its total consolidated assets.

Related party registry. – a record of the organization and structural composition, including any change thereon, of SPI and its related parties.

SPI's Management/Board shall undertake a quarterly review and update of its Related Party Registry to capture organizational and structural changes SPI and its related parties.

- b. **Coverage of Material RPT policy.** This Policy covers 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 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.

- c. **Adjusted Thresholds.** SPI, may, at its option, set a threshold lower than the materiality threshold provided under this Policy upon determination by the Board of the risk of the RPT to cause damage to the company and its shareholders.

- d. **Identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with material RPTs.** This 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 RPTs. 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.

- e. **Ensuring arm's length terms.** 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 RPT, the Board shall appoint an external independent party to evaluate the fairness of the terms of the material RPTs. An external independent party may include, but 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 Board shall also put in place an effective price discovery mechanism to ensure that transactions are engaged into at terms that promote the best interest of SPI and its shareholders. The price discovery mechanism may include, but 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 RPTs by at least 2/3 of the Board and majority of the independent directors.** All individual material RPTs shall be approved by at least two-thirds (2/3) vote of the Board, 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 SPI. For aggregate RPT transactions within a twelve (12)-month period which breaches the materiality threshold of ten percent (10%) of the SPI's total assets, the same board approval shall be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction shall abstain from the 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 SPI'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.

SPI's Compliance Officer shall ensure that the company complies with the relevant rules and regulations. The Compliance Officer shall aid in the review of the company's transactions and identify any potential material RPT that would require review by the Board. The Compliance Officer shall ensure that this Policy is kept updated and is properly implemented throughout the company.

- h. **Disclosure requirements of material RPTs.** The members of the Board, substantial shareholders, and officers shall fully disclose to the Board 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 SPI. Such disclosure shall be made at the board meeting where material RPT will be presented for approval and before the completion or execution of the material RPT.
- i. **Whistle blowing mechanisms.** All stakeholders shall be encouraged to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable material RPTs. 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. Whistleblowers shall be protected in accordance with the Whistleblowing Policy of SPI.

- j. **Remedies for abusive material RPTs.** The Board shall pursue and implement measures that would cut losses and allow recovery of losses or opportunity costs incurred by SPI arising out of or in connection with abusive material RPTs. Abusive material RPTs refer to material RPTs that are not entered at arm's length and unduly favor a related party.
- k. **Penalties.** Directors who violate provisions of this Policy shall be removed from office. Officers and employees of SPI who are found to be remiss in their duties in handling material RPTs in accordance with this Policy shall be meted the penalties described in SPI's Handbook for Employees.
- l. **Duties and responsibilities of the Board.** The Board shall have the overall responsibility in ensuring that transactions with related parties are handles in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of SPI's shareholders and other stakeholders. Towards this end, the Board shall have the following duties and responsibilities:
 - (i) To ensure effective compliance with existing laws, rules and regulations at all times and that material RPTs are conducted on an arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged.
 - (ii) To approve all materials 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 Section (f) above. Material changes in the terms and conditions of the material RPT include, but are not limited to, changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirement of the material RPT.
 - (iii) To establish an effective audit, risk and compliance system to:
 - Determine, identify, and monitor related parties and material RPTs;
 - Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - Identify, measure, monitor and control risks arising from material RPTs.
 - (iv) To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing.

(v) To ensure that Senior Management addresses legitimate issues on material RPTs that are raised, and ensure that stakeholders who raise concerns are protected from detrimental treatment or reprisals.

m. **Senior Management.** Senior management shall implement appropriate controls to effectively manage and monitor material RPTs on a per transaction and aggregate basis. Exposure to related parties shall also be monitored on an on-going basis to ensure compliance with this Policy and the SEC regulations.

Approved during the regular meeting of the Board of Directors held on 16 SEPTEMBER 2019.



EDWARD KUOK KHOON LOONG
CHAIRMAN OF THE BOARD



ELMER G. PEDREGOSA
COMPLIANCE OFFICER