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SECURITIES AND EXCHANGE COMMISSION

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Related Party Transaction Policy

1. Rationale for the Adoption of the Policy

This Related Party Transaction Policy (the “**RPT Policy**”) is adopted to promote good corporate governance and the protection of minority investors pursuant to the Securities and Exchange Commission’s “**Rules on Material Related Party Transactions for Publicly-listed Companies**” issued through SEC Memorandum Circular No. 10, Series of 2019 and the “**Code of Corporate Governance for Publicly-Listed Companies**” issued through SEC Memorandum Circular No. 19, Series of 2016.

2. Scope of the RPT Policy

This RPT Policy shall include the appropriate review and approval of RPTs, including material or significant RPTs, which guarantee fairness and transparency of the transactions. This policy shall encompass all entities within PetroEnergy Resources Corporation (“PERC” or the “Company”), taking into consideration their size, structure, risk profile and complexity of operations.

3. Definition of Terms

- 3.1. **Related Parties** – covers PERC’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.
- 3.2. **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.
- 3.3. **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 entity; or
 - Management contract or any arrangement granting power to the Company or cause the direction of management and policies of the entity, or vice-versa.
- 3.4. **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.
- 3.5. **Significant Influence** – the power to participate in the financial and operating policy decisions of a company, but has no control or joint control of those policies.
- 3.6. **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.
- 3.7. **Related Party Transactions (RPT)** – 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.
- 3.8. **Material Related Party Transactions (Material RPT)** – A related party transaction is material if its omission or misstatement could influence economic decisions of the users taken on the basis of the financial statements or where omission or misstatement of the transaction could pose a significant risk to the Corporation. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement.

For purposes of this RPT Policy a related party transaction is material if the same, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounts to ten percent (10%) or higher of the

Company's consolidated total assets based on the latest audited financial statements.

3.9. **Materiality Threshold** – Ten percent (10%) of the Company's Total Consolidated Assets based on the latest audited financial statements.

3.10. **Abusive Material RPTs** – refers to Material RPTs that are not entered into at arms' length and unduly favor a related party.

3.11. **Related Party Registry** – a record of the organizational and structural composition, including any change thereon, of the Company and its related parties.

4. Duties and Responsibilities

4.1. Board of Directors

The Board of Directors has the overall responsibility in ensuring 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, and that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. Towards this end, the Board shall carry out the following duties and responsibilities:

4.1.1. To institutionalize an overarching policy on the management of Material RPTs 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;

4.1.2. To 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 terms and conditions of Material RPTs previously approved in accordance with this Material RPT Policy;

4.1.3. 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.

4.1.4. To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing.

4.2. Audit Committee

The Audit Committee (exercising the duties and responsibilities of the RPT Committee) shall be tasked with reviewing all material related party transactions (RPT) of the Company and shall have the following functions in this respect, among others:

4.2.1. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;

4.2.2. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances, and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. The following shall be taken into account in evaluating RPTs, among others:

- The Related Party's relationship to the Company and interest in the transaction;
- The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- The benefits to the Company of the proposed RPT;
- The availability of other sources of comparable products or services; and

- An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company shall have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- 4.2.3. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;
- 4.2.4. Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- 4.2.5. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- 4.2.6. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

4.3. Senior Management

Senior Management shall implement appropriate controls to effectively manage and monitor Material 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 Company's policy and SEC regulations.

4.4. Internal Audit

The Internal Audit shall conduct a periodic review of the effectiveness of the Company'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.

4.5. Compliance Officer

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. 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. He/she shall ensure that the Company's RPT Policy is kept updated and is properly implemented throughout the Company.

4.6. Disclosure of Interest in RPTs

The members of the Board, substantial shareholders, and officers shall fully disclose to the Board of Directors all material facts related to 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 and/or Audit Committee Meeting where the RPT will be presented for review and approval and before the completion or execution of the RPT.

5. Approval Process of Related Party Transactions

5.1. Conflict of Interest

Directors and officers with personal interest in the transaction, regardless of the amount or value of the transaction, should fully and timely disclose any and all material facts, including their respective interests in the RPT and should abstain from participating in 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 approval.

5.2. Arm's Length Terms

The following shall be observed in order to ensure that RPTs are done in an arm's length manner:

- 5.2.1. No preferential treatment shall be given to Related Parties that are not extended to non-related parties under similar circumstances;
- 5.2.2. Before the execution of a Material RPT, the Board of Directors shall appoint an External Independent Party (EIP), which may include auditing/accounting firms and third party consultants and appraisers, to evaluate the fairness of the terms of the Material RPT. The report of the EIP shall be a material input in the Audit Committee's and the Board's decision making processes.

Should the EIP find that the terms of the Material RPT are fair, then the approvals required above shall be observed. However, should the report of the EIP state that the terms of the Material RPT are not fair and/or disadvantageous to the Company and/or its minority shareholders, then, in addition to the required Board approvals for Material RPT, the Material RPT should be duly ratified by the vote of stockholders representing at least two-thirds of the outstanding capital stock.

- 5.2.3. In order to ensure that transactions are engaged into at terms that promote the best interest of the Company and its shareholders, RPTs, shall be subjected to price discovery mechanisms, such as, 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.

5.3. Approval of RPTs

- 5.3.1. An individual RPT involving an amount of at least P5 Million, but less than P10 Million, shall be presented to the Audit Committee for evaluation and approval. This would apply to aggregate RPTs relating to the same Related Party within a twelve- (12-) month period that breaches this amount.
- 5.3.2. An individual RPT involving an amount of at least P10 Million, but less than the Materiality Threshold, shall be evaluated by the Audit Committee and be endorsed by the Audit Committee to the Board of Directors for approval. This would apply to aggregate RPTs relating to the same Related Party within a twelve- (12-) month period that breaches this amount.
- 5.3.3. All Material RPTs shall be reviewed by the Audit Committee and be endorsed to the Board of Directors for approval. All 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. This would apply to aggregate RPTs relating to the same Related Party within a twelve- (12-) month period that breaches this amount.

- 5.3.4. Transactions breaching the above thresholds that were entered into with an unrelated party that subsequently becomes a Related Party are excluded from the limits and approval process required above. However, any alteration to the terms and conditions, or increase in exposure levels, related to these transactions after the non-related party becomes a Related Party shall subject the RPT to the requirements respectively required above.
- 5.3.5. Material changes in the terms and conditions of the RPT, such as, but not limited to, changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirement of the RPT, would respectively require the same approvals as above, except when a new threshold is breached, in which case, the proper approvals based on the threshold breached should be observed.

5.4. Dealings of Directors or Officers with the Company

Notwithstanding Clause 5.3 above, a contract of the Company with one (1) or more of its directors or officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity is voidable at the option of the Company, unless all the following conditions are present:

- 5.4.1. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
- 5.4.2. The vote of such director was not necessary for the approval of the contract;
- 5.4.3. Contracts or transactions with amounts of at least P5 Million are reviewed by the Audit Committee and endorsed to and approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the Independent Directors voting to approve the contract or transaction;
- 5.4.4. The contract is fair and reasonable under the circumstances; and
- 5.4.5. In case of an officer, the contract has been previously authorized by the Board of Directors.

Where any of the first three (3) conditions set forth above is absent, in the case of a contract with a director, such contract may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock in a meeting called for the purpose. Full disclosure of the adverse

interest of the directors involved shall be made at such meeting and the contract should be fair and reasonable under the circumstances.

Should the amount of the contract or transaction breach the Materiality Threshold, then the requirement for the appointment of an EIP under Clause 5.2.2. shall be observed.

6. Remedies for Abusive Material RPTs

The Company shall discontinue the Material RPT if found abusive, and shall require the restitution of losses incurred by the Company arising out of or in connection with the abusive Material RPT.

Without prejudice to administrative, civil and/or criminal penalties as may be provided for by law, rules and regulations, the Company shall impose disciplinary actions and penalties to officers and employees who have been remiss in their duties in handling Material RPTs in accordance with this RPT Policy.

The Director involved in the Abusive Material RPT shall be imposed the penalties under Clause 9.2 below.

7. Disclosure and Regulatory Reporting

The Company shall submit the following to the SEC:

- 7.1. 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 on or before May 30 of each year;
- 7.2. **Advisement Report** of any Material RPT filed within three (3) calendar days from the execution date of the Material RPT (a template is attached as **Annex "A"**). The Advisement Report shall be signed by the Company's Corporate Secretary or Authorized Representative;
- 7.3. At a minimum, the disclosures in both the Summary of Material Related Party Transactions and the Advisement Report shall include the following information:
 - Complete name of the related party;
 - Relationship of the parties;
 - Execution date of the Material RPT;
 - Financial or non-financial interest of the related parties;
 - Type and nature of transaction, as well as a description of the assets involved;
 - Consolidated Total Assets of the Company;
 - Amount or contract price;

- Percentage of the contract price to the Consolidated Total Assets of the Company;
- Carrying amount of collateral, if any;
- Terms and conditions;
- Rationale for entering into the transaction; and
- The approval obtained (i.e., the names of directors present, name of directors who approved the Material RPT and the corresponding voting percentage obtained).

8. Whistle Blowing Mechanism

8.1. The following procedures shall be observed in raising issues concerning any RPT:

8.1.1. Should any person have reasons to believe that the provisions of the RPT Policy may be breached or violated, the same may be communicated directly to the Compliance Officer, whose name and contact details will be properly indicated in the Company's website.

8.1.2. If the concern has semblance of validity and corroborated with evidence, the Compliance Officer will recommend further investigation of the case by convening an Investigating Committee. Otherwise, the Compliance Officer may recommend its dismissal and deem the matter closed. Nonetheless, the matter should be reported to the Audit Committee,

8.1.3. The Investigating Committee shall be composed of representatives from the:

- Compliance Department;
- Legal Department;
- Internal Audit; and
- Executive Officer to be assigned by the President.

8.1.4. The Company should initiate action on the whistleblower's concerns within a period of ten (10) business days from receipt of the claim or complaint.

8.1.5. The Investigating Committee will cause notice to be given to all persons involved, hear the evidence of all the parties, evaluate and weigh the evidence, make recommendation and submit the same to the Audit Committee for evaluation. Nonetheless, pending investigation by the Investigating Committee, the Internal Audit

Department may upon request of the Investigating Team, initiate special audit to establish or validate the claims of the parties involved.

8.1.6. The Compliance Officer must report to the Board, through the Audit Committee, the result of the investigation made and the appropriate action taken by Management.

8.1.7. All concerns will be treated in confidence. Complaints or concerns given anonymously will be ignored unless there is a document or other corroborating evidence given together with the anonymous allegation.

8.2. Support for Whistleblower

8.2.1. Management will provide full protection to the whistleblower as it recognizes the conflict, troubles, distress and obstacles his disclosure may bring. However, if the accusations or claims turn out to be frivolous, false, deceitful, or malicious, then the whistleblower will be subjected to appropriate legal actions.

8.2.2. The Company, its affiliates and subsidiaries will not tolerate any form of harassment by the alleged perpetrator and will take appropriate action to protect the whistleblower.

8.2.3. Any officer or employee who threatens, intimidates, retaliates and the like, against the whistleblower shall be subjected to appropriate legal actions.

9. Imposable Penalties

9.1. Non/Late Filing of or Incomplete/Incorrect Advisement Report:

| Violation | Imposable Penalties | | | | |
|--|---------------------|----------------|---------|---------------|---------|
| | First Offense | Second Offense | | Third Offense | |
| | | Basic | Daily | Basic | Daily |
| Non/Late Filing of Advisement Report | Reprimand | P30,000.00 | P200.00 | P40,000.00 | P400.00 |
| Incomplete / Incorrect Advisement Report | Reprimand | P10,000.00 | P200.00 | P20,000.00 | P400.00 |

Continued non-payment of the assessed fine and/or failure to comply with the requirements within a period of fifteen (15) days after notice and hearing shall be

Continued non-payment of the assessed fine and/or failure to comply with the requirements within a period of fifteen (15) days after notice and hearing shall be a sufficient ground for the SEC to take other appropriate action or remedies under section 158 of the Revised Corporation Code of the Philippines.

Further, the commission of a fourth offense for the same violation is a ground for the suspension/revocation of the Company's registration or secondary license, which shall be made after notice and hearing, in accordance with the abovementioned procedures.

This is without prejudice to administrative penalties that may be imposed by the SEC pursuant to the provisions of the Revised Corporation Code of the Philippines, Securities Regulation Code and other related laws.

9.2 Abusive Material Related Party Transactions

Pursuant to Sections 26 and 27 of the Revised Corporation Code of the Philippines, an interested director or officer of a 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. The disqualification shall be for a period of at least one (1) year or more, as may be determined by the SEC.

The imposition of the foregoing penalties shall be without prejudice to any other administrative penalties that may be imposed by the SEC, and/or civil or criminal penalties, as may be provided by the Revised Corporation Code of the Philippines, Securities Regulation Code, and other related laws.

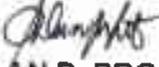
10. Effectivity and Signatures

This RPT Policy became effective upon the approval by the Board of Directors through its meeting held on October 14, 2019.

Signed with authority from the Board of Directors:


HELEN Y. DEE
Chairman of the Board


MILAGROS V. REYES
President


ARLAN P. PROFETA
Compliance Officer



**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 ¹ 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 ² |
|---|----------------------|---|--|------------------------|---|---------------------------------------|----------------------------------|
| | | | | | | | |
| | | | | | | | |

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

² 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)

.....

Name, Signature of the Corporate Secretary/
Authorized Representative³

.....

Name, Signature of the Related Party/Authorized Representative³

³ Proof of authority must be attached to the Advisement Report.