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REVISION HISTORY		
Description of Change	Author	Revision
New	Laurice S. Dela Cruz/Finance	0 (February 17, 2015)
Update	Laurice S. Dela Cruz/Finance	1 (May 22, 2017)

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1.0 PURPOSE

Integrated Micro-Electronics, Inc. (the “Company”) recognizes that Related Party Transactions (RPTs) can present potential or actual conflicts of interest and may raise questions about whether such transactions are in the best interests of the Company and shareholders. In this regard, the Company has adopted this Policy to ensure that they are at arm’s length, the terms are fair, and they will inure to the best interest of the Company and its subsidiaries or affiliates and their shareholders.

This policy sets forth the guidelines and procedures that will govern the review, approval, and ratification of certain transactions by the relevant committee and the Board of Directors (BOD) to ensure that RPT relationships have been accounted for and disclosed consistent with the principles of transparency and fairness.

2.0 SCOPE

This Policy covers RPTs between the Company and a Related Party or between a subsidiary or affiliate of the Company and a Related Party as defined below if the subsidiary or affiliate has not adopted its own policy on related party transactions.

3.0 REFERENCE AND RELATED DOCUMENTS

IMI Manual of Corporate Governance
Philippine Accounting Standards (PAS) 24, *Related Party Disclosures*

4.0 DEFINITION OF TERMS

For the purpose of the Policy, the following definition of terms shall apply:

- 4.1 **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.
- 4.2 **Related Party** - a person or entity that is related to the entity that is preparing its financial statements (referred to as the ‘reporting entity’ in PAS 24). Refer to Annex A for further definition and instances of a related party.
- 4.3 **Material/Significant Related Party Transaction** – are those transactions that meet the threshold values approved by the Related Party Transactions Committee (the “RPT Committee”) to be potentially or actually significant to the Company and other requirements as may be determined by the RPT Committee upon the recommendation of Risk Management Executive Committee (as represented by the Chief Risk Officer).
- 4.4 **Fair and at Arm’s Length** – refers to transactions in an open and unrestricted market and between willing parties who are knowledgeable, informed, and who act independently of and without regard to any relationship with each other.
- 4.5 **Close Members of the Family of a Person** – are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:
- (a) that person’s children and spouse or domestic partner;
 - (b) children of that person’s spouse or domestic partner; and
 - (c) dependents of that person or that person’s spouse or domestic partner.



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4.6 **Key Management Personnel** – persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity.

4.7 **Subsidiary** – entities controlled by a reporting entity

4.8 **Affiliate** - a corporation that directly or indirectly, through one or more intermediaries, is controlled by, or is under the common control of, another corporation, which thereby becomes its parent corporation.

4.9 **Significant influence** – the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

5.0 DISCLOSURE

5.1 A Related Party or the Company or any of its subsidiaries or affiliates, as the case may be, shall disclose material RPT to the RPT Committee prior to entering into the transaction except the RPTs not covered by this Policy as listed in 7.0 hereof.

5.2 All employees of the Company shall complete the mandatory Annual Declaration of Compliance to the Code of Conduct to prevent conduct that actually constitute a conflict of interest, as well as conduct that could be perceived as creating a conflict with the Company's interests.

5.3 The Company shall ensure that its independent directors hold no conflict of interest with the Company and that they hold no interest in entities affiliated with the Company and the management or controlling shareholders of the Company at the time of their election or appointment and/or re-election as independent directors.

5.4 The RPTs shall be disclosed in the Company's financial statements, and other applicable filings in accordance with the relevant rules and issuances of the Securities and Exchange Commission and other regulatory bodies.

6.0 REVIEW OF RELATED PARTY TRANSACTIONS

6.1 Prior to the finalization of any related party agreement, management shall report to the RPT Committee all new or proposed material or significant related party transactions amounting to \$1,000,000 and above for review and approval. Transactions below the agreed threshold value shall undergo review and approval process based on internal approval limits set by the Company.

6.2 All RPTs within the agreed threshold shall be reviewed and approved by the RPT Committee and endorsed to the BOD for ratification. The Committee shall comprise a sufficient number of independent directors to determine whether they are in the best interests of the Company and shareholders.

6.3 Any member of the RPT Committee who has an interest in the RPT under review shall be prohibited from participating in the discussion and from voting thereon. However, the presence of such member may be counted in determining the presence of a quorum at the meeting of the RPT Committee.

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6.4 In the review of the RPTs, the Committee shall consider the following factors:

- a. the terms of the transaction;
- b. the aggregate value of the transaction;
- c. whether the terms of the transaction are no less favorable than those generally available to non-related parties under the same or similar circumstances;
- d. the extent of Related Party's interest in the transaction;
- e. purpose and timing of the transaction;
- f. whether the transaction would present an improper conflict of interests or special risks or contingencies for the Company or any of 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; and
- g. any material information or other factors the RPT Committee deems relevant.

7.0 RELATED PARTY TRANSACTIONS NOT COVERED

The RPTs listed below, which are in the nature of normal transactions in the ordinary course of business, and are covered by separate board approvals shall not be disclosed to or reviewed by the RPT Committee:

1. Compensation of directors and employment of executive officers approved or endorsed by the Compensation Committee or the Board.
2. Transactions with similar terms available to all employees generally.
3. Banking, finance or insurance-related services and transactions with a Related Party, if the terms are generally the same as or similar to offers of other banks in the ordinary course of business.
4. Share transactions such as dividends, repurchase, rights offerings, available to all shareholders on a pro-rata ownership basis.
5. Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.
6. Any transaction with a Related Party involving rendering of any services covered by service level agreements, and other similar services in the ordinary course of business.

8.0 POST VERIFICATION OF RELATED PARTY TRANSACTIONS

The Risk Management Executive Committee (as represented by the Chief Risk Officer) and the RPT Committee shall perform periodic post verification of RPTs to ensure that the terms and conditions approved and recommended by the RPT Committee and ratified by the BOD are properly and correctly implemented.



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9.0 NOTIFICATION

The Chief Risk Officer shall (i) advise each of the subsidiaries and affiliates of the Company of this Policy and (ii) and work with the subsidiaries and affiliates of the Company to implement the Policy for each subsidiary or affiliate to adopt its own policy on RPTs.

10.0 REVIEW OF THE POLICY

The RPT Committee shall annually review the threshold values and the provisions of this Policy and may recommend to the BOD amendments to this Policy as it deems appropriate.

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ANNEX A

Related Party Definition

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity' in PAS 24, *Related Party Disclosure*).

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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ANNEX B

Examples of Related Party Transactions

PAS 24, *Related Party Disclosures* gives the following as examples of transactions to be disclosed, if they are with a related party. The list is not intended to be exhaustive:

- (a) Purchases or sales of goods (finished or unfinished);
- (b) Purchases or sales of property and other assets;
- (c) Rendering or receiving of services;
- (d) Leases;
- (e) Transfers of research and development;
- (f) Transfers under license agreements;
- (g) Transfers under finance agreement (including loans and equity contributions in cash or in kind);
- (h) Provisions of guarantees or collateral;
- (i) Commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognized and unrecognized); and
- (j) Settlement of liabilities on behalf of the entity or by the entity on behalf of that related party

The standard also includes the following transactions:

- (a) Dividend payments
- (b) Issue of shares under rights issues to major shareholders or key management personnel
- (c) Transactions with individuals where their dealings with the entity are in a private capacity, rather than in a business capacity
- (d) Participation by a parent company or subsidiary in a defined benefit plan that shares risks between group entities

Common examples of transactions where no consideration is received but will fall under related party transactions:

- (a) Administration by an entity of another entity within a group (or of its post-employment benefit plan) free of charge;
- (b) Transfer of tax assets from one member of a group to another without payment;
- (c) Rent-free accommodation or the loan of assets at no charge;
- (d) Guaranteed by directors of bank loans to the entity.