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REVISION HISTORY		
Description of Change	Author	Revision
New	Laurice S. Dela Cruz/Finance	0



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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 that transactions with related parties, as defined below, shall be subject to review and approval 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. Related party transactions shall be disclosed, reviewed and approved in accordance with this Policy consistent with the principles of transparency and fairness.

This policy set forth the procedures under which certain RPTs must be reviewed and approved or ratified by Management or the Board.

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

4.0 DEFINITION OF TERMS

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

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.
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, *Related Party Disclosures*). Refer to Annex A for further definition and instances of a related party.
3. **Material/Significant Related Party Transaction** – are those transactions that meet the threshold values approved by the Audit and Risk Committee (the “Committee”) to be potentially or actually significant to the Company and other requirements as may be determined by the Committee upon the recommendation of Chief Risk Officer.
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.
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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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.
7. **Subsidiary** - a corporation more than fifty percent (50%) of the voting stock of which is owned or controlled, directly or indirectly, through one or more intermediaries, by another corporation, which thereby becomes its parent corporation.
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.

5.0 DISCLOSURE

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

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

Material RPTs shall be reviewed by the Committee and endorsed to the Board of Directors for approval.

The Board shall approve a material RPT before its commencement. If not identified beforehand, the material RPT must be subsequently reviewed by the Committee and ratified by the Board of Directors or the same may be discontinued, rescinded or modified to make it acceptable for ratification.

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

1. the terms of the transaction;
2. the aggregate value of the transaction;
3. whether the terms of the transaction are no less favorable than those generally available to non-related parties under the same or similar circumstances;
4. the extent of Related Party's interest in the transaction;
5. purpose and timing of the transaction;
6. whether the transaction would present an improper conflict of interests or special risks or contingencies for the Corporation 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
7. any material information or other factors the Committee deems relevant.

Any member of the 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



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member may be counted in determining the presence of a quorum at the meeting of the Committee.

7.0 RELATED PARTY TRANSACTIONS NOT COVERED

The RPTs listed below shall not be disclosed to and reviewed by the Committee:

1. Compensation of directors and employment of executive officers approved or endorsed by the Personnel & 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 system cost recoveries, agreements or intercompany advances in exchange for rendering of services such as construction, construction management, procurement, engineering, property management, technical services, and other services in the ordinary course of doing business.

8.0 POST VERIFICATION OF RELATED PARTY TRANSACTIONS

The Chief Risk Officer and the Committee shall perform periodic post verification of RPTs to ensure that the terms and conditions recommended by the Committee and approved by the Board of Directors are properly and correctly implemented.

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

11.0 EFFECTIVITY

This Policy was approved by the Board of Directors at its meeting held on February 17, 2015 and shall take effect immediately after approval.

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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).