

PROFESSIONAL SERVICES, INC.

POLICY ON RELATED PARTY TRANSACTIONS

Section 1. STATEMENT OF POLICY

- 1.1.** Related Party Transactions (“RPT”) can serve important business purposes and offer legitimate financial, commercial and economic benefits. However, RPT may cloud business environment by sponsoring potential or actual conflicts of interest which could compromise the best interest of the Company and its shareholders.

In view of this, it shall be the policy of Professional Services Inc. (the “Company” or “PSI”) to conduct all RPT on arm’s length basis with consideration paid or received on terms no less favorable than any such terms available to unrelated third parties under the same or similar circumstances.

Section 2. OBJECTIVE

- 2.1.** The purpose of this Policy is to protect the Company from conflicts of interest which may arise from RPTs by:
- Instituting proper review, approval and reporting of transactions which may be entered into between or among the Company, or any of its subsidiaries, affiliates, directors and officers; and
 - Setting general guidelines to be observe in relation to RPTs, including compliance with disclosure requirements.

Section 3. SCOPE AND COVERAGE

- 3.1.** This Policy shall cover all RPTs including the material related party transactions (“MRPT”) meeting the materiality threshold as defined by this Policy and as indicated in its provisions, between the Company and a Related Party.

Section 4. DEFINITION OF TERMS

Affiliate – refers to an entity linked directly or indirectly to the Company through any one or a combination of the following:

- (a) 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;
- (b) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
- (c) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and the entity; or
- (d) Management contract or any arrangement granting power to the Company to direct or cause the direction of management and policies of the entity, or vice-versa.

Abusive Material Related Party Transactions – refers to MRPT that are not entered at arm's length and duly favor a Related Party.

Arm's length Transaction – means a negotiation or transaction between two enterprises, such that the parties act independently and the transfer price and agreed terms are free from any influence that may be due to the relation between parties who are not independent.

Associate – refers to 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.

Board – means Board of Directors of the Company.

Company – means Professional Services, Inc.

Commission – refers to the Securities and Exchange Commission.

Committee – means the Audit Committee, unless otherwise stated.

Conflict of Interest – refers to a situation where a Related Party appears to have a direct or indirect personal or financial interest in any transaction.

Control – a person or an entity controls the Company if and only if the person or entity has all of the following:

- (a) Power over the Company;
- (b) Exposure, or rights, to variable returns from its involvement with the Company;
and
- (c) The ability to use its power over the Company to affect the amount of the Company's returns.

Director – refers to a member of the Board of Directors of the Company.

Entity – refers to an organization formed to facilitate specific business activities.

Immediate Family Member – refers to the relative of such person up to fourth degree of consanguinity or affinity.

Joint control – the contractually agreed sharing of control over an economic activity.

Management Team – refers to the top governing body of the Company composed of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Audit Executive, Chief Risk Officer, and other senior officers of the Company having authority and responsibility for planning, directing, controlling or implementing the activities or transactions of the Company.

Material Related Party Transactions (Material RPT) – Any Related Party Transactions, either individual or in aggregate over a twelve (12) month period with the same Related Party meeting the threshold amount as determined and set in this Policy.

Parent – an entity that controls one or more entities.

Related Party – refers a person or entity that is related to the Company. Related Parties include the Company's directors, officers, substantial shareholders and their spouses and relatives with 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.

Related Party Registry – A record of the organizational and structural composition, including any change thereon, of the company and its related parties.

Related Party Transactions (RPT) – refers to certain activities including 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.

Significant Influence – refers to the power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

Subsidiary – an entity that is controlled by another entity.

Substantial Shareholder – refers to any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the Company's equity security.

Supporting Documents – refers to package of documents containing the Contracts, Agreements or purchase orders, Notice of Related Party showing the related person's interest in the transaction, supporting evidence to support arm's length nature of the proposed transaction, CFO's analysis on the anticipated impact on the Company's financial statement disclosure.

Section 5. RELATED PARTY REGISTRY

5.1. *Related Party Registry.* The Management, through the Legal and Corporate Services Group, shall do quarterly review and update of the Related Party Registry to capture organizational and structural changes in the Company and its Related Parties. The Related Party Registry must clearly contain the identified persons and companies that are considered as the Company's related parties.

5.2. *Record-keeping.* The Related Party Registry shall be kept by the Compliance Officer who shall be responsible to produce the same to the Audit Committee upon request of the latter. Additionally, the Office of the Corporate Secretary shall also have an exact copy of the updated Related Party Registry for the record.

Section 6. EXEMPT RELATED PARTY TRANSACTIONS

6.1. Exempt RPTs are transactions of the Company with a Related Party, but is not material or significant, and only requires reporting to the Audit Committee for ratification. Exempt RPTs need not undergo the RPT review process but shall nevertheless be reported to the Audit Committee for the purpose of monitoring. The following are exempt transactions:

- (a) **Shared Services.** The sharing of administrative services, including secretarial, legal, accounting, human resources, and staff training services, between the Company and a Related Party on a cost basis, where the cost of the services are reasonably identified and equitably allocated to the parties involved.
- (b) **Dividends.** Declaration and payment of dividends by the Company or by its Subsidiaries.
- (c) **Compensation.** Payment of the Company to its employees and management in the ordinary course of business, including compensation arrangements approved by the Compensation and Remuneration Committee.
- (d) **Employee Benefits.** Auxiliary services granted with preferential rates or waivers available to all employees and management, as part of employees' incentives and benefits.
- (e) **Joint Venture.** Transactions between the Company and joint ventures company where both the Company and its joint venture partner have approved the transaction.
- (f) Other transactions similar to any of the foregoing.

6.2. **Recommendation.** The Audit Committee may recommend amendment to the list of exempt transactions, subject to the approval of the Board.

Section 7. PROHIBITED RELATED PARTY TRANSACTIONS

7.1. Notwithstanding any provisions of this Policy to the contrary, the following RPTs shall not be allowed and must not be entered into by the Company or its Subsidiaries:

- (a) Loans or financial assistance to any Director; and

- (b) Loans or financial assistance to any member of the Management Team, in the absence of any established policy and procedure duly approved by the Board.

Section 8. MATERIAL RELATED PARTY TRANSACTIONS

8.1. *Determination.* For the purpose of this Policy, the following shall be considered in determining the materiality of the RPT:

- (a) ***Threshold Amount.*** The total contract value is 10% of the total assets of a subsidiary or Twenty-Five Million Pesos (Php 25,000,000), whichever is lower, regardless of the terms, modes, or structure of payment; or
- (b) ***Nature of Interest.*** A Director or a member of the Management Team is personally involved, regardless of the contract value, provided it is not one of those listed as an exempt RPT.

8.2. *Submission Paper.* All Material RPTs should be supported by a formal submission paper with supporting documentation to be submitted to the Audit Committee for consideration and approval. The submission may be (i) coursed through the Office of the Chief Finance Officer upon submission of the required written notification, or (ii) directly with the Committee during the actual meeting, or (iii) through a memo circulated among the members of the Committee.

Section 9. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

9.1. Review of Related Party Transactions

9.1.1. *Identification.* The Office of the Chief Finance Officer (CFO) shall be responsible to set up protocol to identify those transactions that qualify as RPT, in accordance with the definition set forth in this policy. The CFO, in consultation with the Legal and Corporate Services Team, shall determine whether the transactions would constitute an RPT. All identified RPTs shall be forwarded to the Audit Committee, together with Supporting Documents, except those RPTs identified as exempt. Should there be any doubt, such transaction would prudently be considered RPT.

9.1.2. *Review.* The Audit Committee shall review and evaluate all RPTs before actual execution of the contract and commencement of the activities. All RPTs qualifying as Material RPT shall be undergo further evaluation prior to endorsement to the Board for approval.

9.1.3. **Evaluation.** The Audit Committee shall invite the Compliance Officer to aid in the evaluation of the Material RPT to verify that the terms and conditions in the governing the transactions are not abusive. Additionally, the Committee is authorized to engage the following persons as it may deem necessary:

- (a) External Independent party, such as but not limited to, auditing/ accounting firms, third party consultants, and appraisers, for the purpose of evaluating the fairness of the terms of the Material RPTs; and
- (b) External expert, as a price discovery mechanism, for the purpose of ensuring that the price and terms in the transaction shall promote the best interest of the Company.

9.2. Approval of Related Party Transactions

9.2.1. **Endorsement.** Upon evaluation of the Material RPT and verification of the fairness of the terms and conditions, the Audit Committee shall endorse the same to the Board for its action or approval.

9.2.2. **Approval for Individual Material RPT.** All individual Material RPT 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.

9.2.3. **Ratification.** In case that a majority of the independent directors' vote is not secured, the Material RPT may be ratified by the vote of stockholders representing at least two-thirds (2/3) of the Company's outstanding capital stock.

9.2.4. **Approval for Aggregate RPT.** For aggregate RPT 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 transaction/s that meets and exceeds the materiality threshold covering the same Related Party.

9.2.5. **Abstention.** Directors with personal interest in the transaction should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purpose of assessing the quorum and their votes shall not be counted for the purpose of determining approval.

9.2.6. **Obtaining of Final Approval.** The CFO shall be responsible for obtaining the final approval and decision from the Audit Committee and the Board of Directors of all RPTs.

9.3. Internal Audit

9.3.1. *Periodic Review of the System.* The Company's Internal Audit Department shall conduct periodic review of the effectiveness internal control procedure governing RPTs to determine if the same conforms to the set policies. The result of the review shall be reported to the Audit Committee.

9.3.2. *Unidentified RPT.* In the course of its usual audit, should the Internal Audit discover an RPT not properly identified by the Management, the same shall be reported directly to the Audit Committee for proper action. The Audit Committee should immediately review the same upon its identification, and proceed to evaluation procedure should it qualify as a Material RPT.

9.3.3. *Ratification.* Upon submission by the Audit Committee, the Board may proceed to ratify the Material RPT contract, or have the activity discontinued and rescind the contract, or suggest modifications or amendments to make the contract acceptable for ratification.

9.4. Other Procedures

9.4.1. *No Split-Up.* Notwithstanding that certain RPTs do not meet the materiality threshold amount for further evaluation, if it can be shown that the relevant RPT was deliberately split up with the intention of avoiding further evaluation by the Audit Committee, the CFO may submit the RPT to the Audit Committee for evaluation as a Material RPT.

9.4.2. *Recurring Transactions.* Individual transactions that appear to be below the threshold amount but are recurring or repeating shall be monitored. Should the total cumulative amount during the year exceed the threshold amount, the CFO shall submit the RPT to the Audit Committee for evaluation as a Material RPT.

Section 10. DISCLOSURE OF RELATED PARTY TRANSACTIONS

10.1. *Disclosure of Directorships and Shareholdings.* Each individual Directors shall disclose to the Board of Directors, through the Corporate Secretary, details of his or her other directorships, and the shareholdings owned by him and by his or her Immediate Family Members, and shall update the Corporate Secretary promptly should there be changes in the disclosure.

10.2. *Disclosure of potential RPT.* Each Director and every member of the Management Team shall provide written notice to the Chief Financial Officer of any potential RPT involving him or her or his/her Immediate Family Members and shall include the description of the RPT, the nature of his or her interest, the likelihood of any conflict of interest which

may arise from the RPT, and any additional information that may be requested by the Company.

- 10.3. *Certification.*** Suppliers of goods and services, vendors and service providers shall be required to submit a certification that it is not a Related Party of the Company prior to execution of the contract. However, should the supplier or vendor be a Related Party, such statement should be in the certification, including a statement on the nature of its relationship with or interest in the Company.
- 10.4. *Disclaimer.*** The Company's approving officer or the signatories of the contracts, agreements, purchase orders shall submit to the Company a disclaimer that he or she, nor his or her Immediate Family Members, are related to the approving officers or signatories of the counterparty.
- 10.5. *Disclosure to Regulatory Agencies.*** The CFO shall be responsible for disclosing all RPTs in accordance with the applicable accounting standards. The CFO shall ensure that all material RPTs reviewed and approved during the year are disclosed by the Company in the Annual Reports submitted to the regulatory agencies.

Section 11. ABUSIVE RELATED PARTY TRANSACTIONS

- 11.1. *Whistle Blowing.*** The Board shall establish a suitable framework for whistleblowing that allows the employees to freely communicate their concerns about illegal, unethical or questionable practices, which includes abusive RPT, with an assurance that such genuine concern in good faith may be raised without fear of retaliation or reprisals, even if it turns out to be a mistake. The Board shall create a unit to handle the whistleblowing concerns with the aim of providing an internal mechanism for reporting, investigating, remedying any wrongdoing in the workplace while preserving due process.
- 11.2. *Consequences of Noncompliance.*** Noncompliance with any of the provisions of this Policy or with the procedure herein prescribed may result in the invalidation, cancellation, discontinuance or rescission of an RPT contract. The Audit Committee has the authority to recommend to the Board an action in view of the gravity of the violation, and the potential or actual risk the Company is or would be exposed to.

Noncompliance with the disclosure requirement on the part of the officers and employees of the Company may warrant disciplinary action, in accordance with the Employees Handbook.

This Policy shall be without prejudice to the provisions of the Revised Corporation Code, the Manual on Corporate Governance, applicable laws, regulations and issuances of the Commission.

Section 12. REVIEW OF THE POLICY


- 12.1.** The Compliance Officer shall be responsible to ensure that the RPT Policy is updated and shall advise the Audit Committee of any changes or amendments in laws, rules and regulations, or issuances pertinent to the Policy. The Audit Committee shall review the RPT Policy from time to time as may be necessary, and shall adopt changes, amendments or revisions to reflect the current requirements of the laws, rules and regulations, or issuances. Finally, any amendment or revision to this Policy shall be approved by majority vote of the Board.

This Related Party Transaction Policy was approved by the Board of Directors on 17 December 2021. This shall form part of the Revised Manual on Corporate Governance of the Corporation.


NORMAN P. SERAPIO
Compliance Officer

ATTESTED BY:


JOSE XAVIER B. GONZALES
Chairman


EUGENIO JOSE F. RAMOS
President and CEO