



REVISED POLICY ON MATERIAL RELATED PARTY TRANSACTIONS

I. GENERAL POLICY STATEMENT

Shakey's Pizza Asia Ventures Inc. (SPAVI), shall ensure the fairness and transparency of related party transactions between SPAVI and its parent company, joint ventures, subsidiaries, associate, affiliates, major stockholders, principal officers and directors, including their spouses, children, and dependent siblings and parents and of interlocking director relationships by members of the Board.

The terms and conditions of all transactions involving related parties must be done as if the transaction is made at an arm's length transaction, & subject to appropriate corporate approvals and actions of the SPAVI or of the Related Parties, with the best interest of SPAVI in mind.

II. PURPOSE

This Material Related Party Transactions Policy sets out to achieve the following:

- A. To provide guidance on what constitutes Material Related Party Transactions;
- B. To avoid conflict of interest and comply with regulatory and good governance practices;
- C. To set out the general requirements, responsibilities, and the specific policies, procedures and disclosures to be followed as Related Party Transactions occur.

III. SCOPE AND COVERAGE

This Policy on Material Related Party Transactions of SPAVI shall cover the identification, review, approval, monitoring and reporting of transactions which may be entered into by and between the Company and its Related Parties in compliance with laws, rules and regulations in relation to RPTs and Material RPTs.

It covers all transactions that meet the Materiality Threshold.

IV. DEFINITIONS

- A. Abusive material related party transactions** – refers to material related party transactions that are not entered at arm's length and unduly favor a related party.
- B. "At arm's length"** shall refer 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.

C. Affiliate – refers to an entity linked directly or indirectly to the reporting PLC through any one or a combination of any 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 PLC, 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 reporting PLC and the entity; or
- d. Management contract or any arrangement granting power to the reporting PLC to direct or cause the direction of management and policies of the entity, or vice-versa.

D. Associate – an entity over which the reporting PLC holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the reporting PLC has significant influence.

E. Control – a person or entity controls a reporting PLC if and only if the person or entity has all of the following:

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

F. Conflict of Interest – means a situation when a Related Party appears to have a direct or indirect personal or financial interest in any transaction, which may deter or influence him from acting in the best interest of the SPAVI. It is not required that there be an actual conflict, it is sufficient that conflict be seen to exist by an impartial observer.

G. External Independent Third Party – may include, but is not limited to, auditing/accounting firms and third party consultants and appraiser.

H. SPAVI – shall refer to Shakey's Pizza Asia Ventures Inc.

I. 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 percent (10%) or higher of a company's total assets based on its latest audited financial statement.

J. Materiality Threshold – Ten percent (10%) of the company's total assets based on its latest audited financial statement. If the reporting PLC is a parent company, the total assets shall pertain to its total consolidated assets.

- K. Person** – means an individual, SPAVI, partnership, joint venture, unincorporated association, trust or other juridical entity or any Governmental Authority
- L. Related parties** – covers the reporting PLC’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 reporting PLC. It also covers the reporting PLC’s parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that controlled, jointly controlled or significantly influenced or managed by a person who is a related party.
- M. Related Party Registry** – a record of the organizational and structural composition, including any change thereon, of the company and its related parties.
- N. Related party transactions** – a transfer of resources, services or obligations between a reporting PLC 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.
- O. Relatives within the Fourth Civil Degree of Consanguinity** – refer to those with whom one is related to by blood and shall include the following: parents, children, siblings, grandparents, cousins, first cousins, nephews and nieces.
- P. Relatives within the Fourth Civil Degree of Affinity** – refers to civil relationship arising from marriage i.e. in-laws.
- Q. 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.
- R. Subsidiary** – shall refer to any Person, with more than fifty percent (50%) of the total issued and outstanding capital stock of which is directly or indirectly owned by said Person.
- S. 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.

V. RESPONSIBILITIES

A. Management

- a. Reports to Related Party Transactions Committee new or proposed RPTs for review and approval;
- b. Maintains a record of all Related Party Transactions;
- c. Ensures transfer prices set for Related Party Transactions conform to the arm’s length principle;
- d. Reports to the Related Party Transactions Committee all changes to existing RPTs; and
- e. Ensures effective and efficient implementation of this policy.

B. Related Party Transactions Committee

- a. Reviews, approves or disapproves RPTs endorsed by Management including changes in the terms and conditions of previously approved RPTs in accordance with the provisions of the Related Party Transactions Committee Charter;
- b. Conduct an annual review of related party transactions below the materiality threshold;
- c. Secure approval from the Board of Directors for RPTs;
- d. Evaluate on an ongoing basis the Company's Related Party Registry to ensure that all related parties are continuously identified 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;
- e. Evaluate and monitor all RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of SPAVI 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.;
- f. Conduct a periodic review of the effectiveness of SPAVI's system and internal control governing RPTs to assess consistency with Board-approved policies and procedures; and
- g. Enforce SPAVI's Risk Management systems which includes a whistle blowing mechanism.

C. Board of Directors

- a. Approves or disapproves all RPTs that are referred by the Related Party Transactions Committee;
- b. Approve the Material Related Party Transactions Policy;
- c. Performs oversight on implementation of this policy;
- d. Recommend the adjustment of the threshold lower the Materiality Threshold upon its determination of the risk of the RPT to cause damage to SPAVI and its shareholders;
- e. Appoints the External Independent Third Party to evaluate the fairness of the terms of the material RPT to evaluate the fairness of the terms of the material RPT; and
- f. Required to quarterly review and update the Related Party Registry to capture organizational and structural changes in SPAVI and its related parties.

VI. SPECIFIC POLICIES

A. General Policy

SPAVI shall always observe and adhere to this policy and to all other relevant and laws, rules and regulations, as may be applicable in the review, approval and disclosure of RPTs.

B. Exempt Related Party Transactions

The following transactions are considered Exempt Related Party Transactions ("Exempt RPTs") which shall not require review and approval but may require regular reporting to the Board of Directors:

- a. Individual or recurring Transactions in the ordinary course of business that do not exceed the materiality threshold per contract or transaction.
- b. Transactions by and between or among the Company's Related Party(ies) in connection with the funding of operation of the Company's business units and projects, or other transactions with the objective of providing shared services or other services for operational efficiency.
- c. Transactions between the Company and a joint venture company where both the Company and its joint venture partner have approved the transaction.
- d. Transactions available to all employees generally.
- e. Compensation arrangements approved by the SPAVI's Management.
- f. Share transactions such as dividends, repurchase, rights offerings, that are available to all shareholders on a pro-rata ownership basis.
- g. 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.
- h. Transactions in which the Related Party's interest is derived solely from the fact that he or she serves as a director of another company or business unit that is a party to the transaction.

C. Review and approval of Related Party Transactions

a. Review by Related Party Transactions Committee

- All RPTs shall be reviewed by the Related Party Transactions Committee. The Committee shall endorse the RPT to the Board for its approval.
- The Related Party Transactions Committee shall consider whether the terms of the RPTs are on arms' length basis to reflect the true economic value of the contributions made by each related party in the transaction. The following factors shall be considered:
 - Materiality;
 - Purpose and timing of the transactions;
 - Extent of the Related Party's interest in the RPT;
 - Conflict of interest, actual or apparent, of the Related Party participating in the transaction; and
 - Any other relevant information regarding the transaction
- To review a RPT, the Related Party Transactions Committee shall be provided with all relevant material information of the RPT, including the terms of the transaction, the business purpose of the transaction, the basis of the transfer price, the benefits to SPAVI and to the Related Party, and any other relevant matters.

b. Approval by the Board of Directors

- All individual RPTs shall be reviewed and approved by at least two-thirds (2/3) vote of the Board of Directors with a majority of the independent directors voting to approve the RPT. In case that a majority of the independent directors' vote is not secured, the RPT may be ratified by the vote of stockholders representing at least two thirds (2/3) of the outstanding capital stock.
- For aggregate RPT transactions within a twelve (12) month period that reaches the materiality threshold of ten percent (10%) of the company's assets, the same board approval would be required for the transactions that meets or exceeds the materiality threshold covering the same related party. Management should promptly report to the Related Party Transactions Committee/Board on the terms, business purpose, benefits and other details of each new, existing or proposed RPT for review and approval.
- All RPTs shall be approved before its commencement. Before any material RPT is executed, the same should have been evaluated by an External Independent Party and the terms thereof deemed fair. However, if the same is not identified beforehand and/or was not evaluated by an independent party, it must be subsequently reviewed and ratified by the Board and/or evaluated by an independent party. In any case where either the Board determines not to ratify a RPT that has been commenced without approval, the Board, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification.
- SPAVI shall require its directors and key management personnel to abstain and/or inhibit themselves from participating in discussions on a particular agenda when they are conflicted.

D. Disclosure

- The members of the board, the Substantial Shareholders and officers shall fully disclose to the board of directors all material facts related to the material RPTs as well as their direct and indirect financial interest in any transaction or matter that may affect SPAVI. Such disclosure must be made at the board meeting where the material RPT will be presented for approval and before the completion or execution of the material RPT.
- RPTs that are required to be disclosed and reported in the Company's filings with the Securities and Exchange Commission (SEC) shall be disclosed in accordance with laws, rules, regulations, Philippine Financial Reporting Standards.
- Material RPTs

E. Administration

SPAVI management is responsible for the administration, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed. Implementing guidelines and procedures in support of this policy may be prepared and approved by SPAVI Management.

VII. SANCTIONS FOR POLICY VIOLATIONS AND ABUSIVE MATERIAL RELATED PARTY TRANSACTIONS

Any violation of this Policy, including abusive RPTs, may result in disciplinary action in accordance with SPAVI's Code of Conduct, without prejudice to SPAVI's other legal remedies, as appropriate.

VIII.EFFECTIVITY

This Policy shall take effect upon approval and shall continue to be in full force and effect unless superseded or revoked.

This Policy on Material Related Party Transactions is hereby approved on _____ in Pasig City.


CHRISTOPHER T. PO
Chairman


MANUEL T. DEL BARRIO
Compliance Officer