

COVER SHEET

3 9 6 5 2
SEC Registration Number

M E D C O H O L D I N G S , I N C .

(Company's Full Name)

3 1 s t F l o o r , R u f i n o P a c i f i c T o w e r ,
6 7 8 4 A y a l a A v e n u e , M a k a t i C i t y

(Business Address: No. Street City/Town/Province)

Dionisio E. Carpio, Jr.
(Contact Person)

8811-0465
(Company Telephone Number)

1 2 3 1

Rules on Material
Related Party
Transactions For
Publicly-Listed
Companies
(Form Type)

Month Day
(Fiscal Year)

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles
Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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Medco Holdings, Inc.

28 October 2019

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila

Attention: Director Vicente Graciano P. Felizmenio, Jr.
Markets and Securities Regulation Department

Re: Medco Holdings, Inc.
Compliance with SEC Memorandum Circular No. 10-2019

Gentlemen:

In compliance with SEC Memorandum Circular No. 10-2019 on Rules on Material Related Party Transactions For Publicly-Listed Companies, we submit herewith the Related Party Transactions (RPT) Policy of Medco Holdings, Inc..

Very truly yours,

MEDCO HOLDINGS, INC.

By:


PAULINE C. TAN
Assistant Corporate Secretary

31/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City 1229, Philippines
Tels.: (632) 811-0465 to 66 Fax: (632) 840-3549

MEDCO HOLDINGS, INC.
MATERIAL RELATED PARTY TRANSACTIONS POLICY

In accordance with the Rules on Material Related Party Transactions issued by the Securities and Exchange Commission (the "Commission") to promote good corporate governance and the protection of minority investors, the Board of Directors of Medco Holdings, Inc. (the "Company") has adopted this Material Related Party Transactions ("RPT") Policy (the "Policy").

1. Identification of Related Parties

For the purpose of clearly identifying persons and companies that are considered as the Company's related parties, the following definitions shall apply:

Related Parties – covers the Company's directors, officers, Substantial Stockholders 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.

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

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 the entity; or
- 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;

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

Significant Influence – The power to participate in the financial and operating policy decisions of the entity but having no control or joint control of those policies.

Control – A person or an entity controls the 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.

Related Party Transactions – a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. It shall 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.

Material Related Party Transactions – Any single transaction with a Related Party, or a series of transactions with the same Related Party in aggregate over a twelve (12)-month period, amounting to ten percent (10%) or higher of the Company's total assets based on its latest audited financial statements.

Materiality Threshold – Ten percent (10%) of the Company's total assets based on its latest audited financial statements. If the Company becomes a parent company in the future, the total assets shall pertain to its total consolidated assets.

Related Party Registry – A detailed record of the organizational and structural composition, including any change thereon, of the Company and its Related Parties.

The Company's Management and Board of Directors shall conduct a quarterly review of the Related Party Registry and revise it, as necessary, to capture the organizational and structural changes in the Company and its Related Parties.

2. Coverage of Material RPT Policy

This Policy shall cover all transactions that meet the materiality threshold as defined hereinabove.

Transactions amounting to ten percent (10%) or more of the Company's total assets that were entered into with an unrelated party that subsequently becomes a Related Party may be excluded from the limits and approval process required in this policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-Related Party becomes a Related Party shall subject the material RPT to the requirements of this Policy. This prospective treatment should, however, be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

3. Adjusted Thresholds

The Company may set a threshold lower than the materiality threshold provided in this Policy upon determination by the Board of Directors of the risk of the RPT to

cause damage to the Company and its stockholders. The adjusted threshold, when applicable, shall be duly incorporated in this Policy.

4. Identification and prevention of potential or actual conflicts of interest which may arise out of or in connection with material RPTs

The identification and prevention of potential or actual conflicts of interest which may arise out of or in connection with the material RPTs shall be meticulously implemented. Directors and officers with personal interest in the material RPT shall fully and timely disclose any and all material facts, including their respective interests in the transaction and abstain from 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 majority approval.

5. Guidelines in ensuring arm's length terms

It is imperative that no preferential treatment shall be given to Related Parties that are not extended to non-Related Parties under similar circumstances.

Before the execution of the material RPT, the Board of Directors shall appoint an external independent party to evaluate the fairness of the terms of the transaction. The said external independent party may include, but not be limited to, auditing/accounting firms and third party consultants and appraisers. The independent evaluation of the fairness of the transaction, and its price transparency, ensures the protection of the rights of stockholders and other stakeholders.

To ensure that transactions are engaged in under terms that promote the best interest of the Company and its stockholders, there shall be an effective price discovery mechanism which shall include, but not be limited to, acquiring the services of an external expert, opening the transaction to a bidding process that will involve a minimum of three bidders for price transparency, or publication of the available property for sale.

6. Approval of material RPTs

All individual material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with a 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. For aggregate RPTs done within a twelve (12)-month period that breach the materiality threshold of ten percent (10%) of the Company's total assets, the same board voting procedure as well as the same stockholder voting procedure, if necessary, shall likewise be required to ratify the transaction involving the same Related Party.

Directors with personal interest in the transaction shall abstain from participating in discussions and voting on the same. 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 majority approval.

7. Self-assessment and periodic review of policy

The accounting department shall conduct an annual audit/review of the effectiveness of the Company's system and internal controls governing material RPTs to assess consistency with the board-approved policies and procedures. The resulting audit reports, including exceptions or breaches of limits, shall be communicated directly to the Audit Committee.

The Compliance Officer shall ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting Related Parties. He/she shall assist 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 material RPT policy is kept updated and is properly implemented throughout the Company.

8. Disclosure requirements of material RPTs

The directors, substantial shareholders and officers shall fully disclose to the Board of Directors all material facts related to material 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 meeting where the material RPT will be presented for approval and before the completion or execution of the material RPT.

9. Whistle blowing mechanism

Effective whistleblowing mechanisms consistent with the corporate values and codes of conduct set by the Board of Directors shall be formulated by Management. Such mechanisms should encourage all stakeholders to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable material RPTs, including guidance on how legitimate material concerns should be reported, investigated and addressed by an objective independent internal or external body, senior management and/or the Board itself.

Employees, officers and directors may report their concerns to their immediate superior or any officer or director that they trust without fear of reprimand. Any information that they will provide will be treated in confidence.

The Audit Committee will be provided with the said information for investigation. Should the Audit Committee find merit in the information given them, the matter will be raised to the Board of Directors which will decide on whether to push through with the material RPT or terminate it altogether.

10. Remedies for abusive material RPTs

Abusive material RPTs refer to material RPTs that are not entered into at arm's length and unduly favor a Related Party.

In the event that the Audit Committee is informed about an abusive material RPT, such shall be reported by the Audit Committee to the Board immediately to enable

measures to be taken that would cut losses, or allow recovery of losses or opportunity costs incurred by the Company arising out of and in connection with the abusive material RPT.

The Company will impose penalties to be proposed by Management and approved by the Board on personnel, officers or directors who have been remiss in their duties in handling material RPTs in accordance with Company policies.

It should be noted that, under the Revised Corporation Code, a director or officer of a corporation who is involved and directly benefits from an abusive material RPT 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 such director or officer.

11. Disclosure and regulatory reporting

The Company shall submit the following to the Commission:

- A summary of material RPTs entered into during the reporting year which shall be disclosed in the Company's Integrated Annual Corporate Governance Report to be submitted annually every May 30; and
- Advisement Report of any material RPT filed within three (3) calendar days from the execution of the transaction. The Advisement Report shall be signed by the Company's Corporate Secretary or Assistant Corporate Secretary.

Both of the above disclosures shall include the following information:

- a. Complete name of the Related Party;
- b. Relationship of the parties;
- c. Execution date of the material RPT;
- d. Financial or non-financial interest of the Related Parties;
- e. Type and nature of transaction as well as description of assets involved;
- f. Total assets;
- g. Amount or contract price;
- h. Percentage of the contract price to the total assets of the Company;
- i. Carrying amount of collateral, if any;
- j. Terms and conditions;
- k. Rationale for entering into the transaction; and
- l. The approval obtained (i.e., the names of the directors present, names of approving directors and the corresponding voting percentage obtained for the material RPT.

The Material RPT Policy with accessible link shall be posted on the Company's website within five (5) days from submission to the Commission.

MEDCO HOLDINGS, INC.



Bobby Cheng Sai Chong
Chairman



Pauline S. Tan
Assistant Corporate
Secretary and Compliance
Officer