

 <small>Global Ferronickel Holdings, Inc.</small>	<b>Global Ferronickel Holdings, Inc. Policy on Related Party Transactions</b>	<b>ISSUE DATE:</b> April 29, 2015	<b>REVISION DATE:</b> n.a.
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## I. Introduction

Global Ferronickel Holdings, Inc. ("FNI" or the "Company") and its subsidiaries are committed to the principles of good governance and to the achievement and maintenance of the highest standards of accountability and openness. It is the policy of the Company that all its transactions with its Subsidiaries and affiliates, or with any its officers, employees, substantial shareholders, or members of its Board of Directors ("Related Persons") or close members of the Related Persons, as defined below, be properly identified and reviewed to ensure that Related Party Transactions are disclosed and made on an arm's length basis, consistent with applicable accounting standards, disclosure requirements and principles of good corporate governance.

## II. Purpose

This policy is intended to:

- Provide guidance on what constitute related party transactions;
- Ensure every related party transaction is conducted in a manner to avoid conflict of interest and comply with regulatory and good governance practices;
- Ensure proper review, approval, ratification and disclosure of transactions between the Company and any of its Related Party/ies as required in compliance with legal and regulatory requirements.

## III. Definition of terms

For the purpose of this policy, the following definition of terms will apply:

**Related Party**, as defined by the Philippine Accounting Standards (PAS) 24 on Related Parties, is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity'). The standards emphasize the substance of the relationship and not merely the legal form. The term Related Parties shall include:

- 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 defined 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).

**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. Examples of RPT are:

- loans and other forms of financial assistance
- purchases or sales of goods (finished or unfinished)
- purchases or sales of property and other assets
- rendering or receiving of services
- assumption of financial/operating obligations
- subscription for debt or equity securities

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- leases
- establishment of joint venture entities
- settlement of liabilities on behalf of the entity or by the entity on behalf of that related party
- compensation, benefits (monetary and non-monetary), postemployment benefits, termination benefits and share-based payment of current employees

**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) dependants of that person or that person's spouse or domestic partner.

**Compensation** includes all employee benefits (as defined in PAS 19 Employee Benefits) including employee benefits to which PFRS 2 Share-based Payment applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity.

**Compensation** includes:

- a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;
- b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
- d) termination benefits; and
- e) share-based payment.

**Control** is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

**Key management personnel** are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

**Significant influence** is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

**Parent** is an entity that controls one or more entities.

**Subsidiary** is an entity that is controlled by another entity.

**Joint Venture** is a contractual arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The term "**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.

#### **IV. Guidelines**

1. The Company shall at all times observe and adhere with the provisions of the Corporation Code, its Articles of Incorporation and By-laws, and all other relevant laws, rules and regulations, as may be applicable in the review, approval and disclosure of RPTs. The Company shall at all times observe, uphold and respect the rights of its shareholders, minority and majority

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alike, through this RPT Policy.

2. All RPTs shall be reviewed and approved by the Company's Board of Directors before its commencement. However, if the same is not identified beforehand, it must be subsequently reviewed and ratified by the Board. The Audit Committee shall assist the Board in reviewing RPTs. In reviewing and approval of RPT, the Board shall at all times consider that the RPT is fair and at arm's length transaction and that the RPT is in the best interest of the Company. The Board shall consider all relevant facts and such circumstances such as:
  - a) Related person's interest in the transaction;
  - b) Purpose and timing of the transaction;
  - c) Aggregate value of the RPT;
  - d) The benefits to the Company of entering into the transaction; and
  - e) Any other relevant information regarding the transaction
3. The Audit Committee may establish guidelines to manage and monitor conflicts of interest of Management, Board Directors and shareholders, including misuse of corporate assets and abuse in RPTs.
4. Directors and key management personnel shall disclose their interest in transactions and any other conflicts of interest. The Company requires directors and key management personnel to abstain and/or inhibit themselves from participating in discussions on a particular agenda when they are conflicted.
5. Company shall ensure that the review and approval of Material/Significant RPT carried out by its subsidiaries are conducted in accordance with this Policy.
6. The following shall be deemed pre-approved RPTs which shall not require or approval by the Board:
  - a) Any transaction with a Related Party where the rates or charges involved are determined by competitive bids, in accordance with Vendor Relations Policy of the Company;
  - b) Any transaction with a Related Party in the ordinary course of business of consumer goods or consumer services, or fees are based on a fixed or graduated scale which is publicly quoted or applied consistently to all customer or class of customers;
  - c) Compensation to a director or an executive officer in connection with his or her duties to Company or any of its subsidiaries or affiliates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business, subject to the guidelines issued and approved by the Compensation Committee;
  - d) Charitable contributions by the Company where the Related Party is an employee or director, if the aggregate amount involved does not exceed PhP 1M;
  - e) Any transaction with similar terms available to all employees generally;
  - f) Banking-related service and transactions with a Related Party, if terms are generally the same as or similar to offers of other banks in the ordinary course of business;
  - g) Share transactions such as dividend, repurchase, right offerings, available to all shareholders on a pro-rate ownership basis; and
  - h) Any transaction with a Related Party involving the rendering of service as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.
7. The Company shall set thresholds and categories for Disclosure and Approval of RPTs. The aggregate amount of RPTs within any twelve (12) month period shall be considered for purposes of applying these thresholds.

#### Related Party Transaction

- Less than One percent (1%) of the Total Assets of Parent or Subsidiary requires approval of the CEO or President;
- One percent (1%) of Total Assets and above of Parent or Subsidiary requires Board approval;
- Fifteen percent (15%) of Total Assets and above of Parent and Subsidiary requires approval of concerned entity's Shareholders.

#### Disclosure

- Ten percent (10%) of Total Assets and above (SEC's prescribed threshold level for materiality in financial statements reporting or disclosure)

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8. The Company shall comply with all disclosure requirements of RPT as required under the applicable law, rules and regulations, and Philippine Financial Reporting Standards. The Company shall comply with PAS 24's required disclosures of relationships between the Company and its Subsidiaries irrespective of whether there have been transactions between them, transactions and outstanding balances, including commitments, in the consolidated and separate individual financial statements. It shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the Company's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.

#### V. Review

The Related Party Policy may be amended at any time in order to reflect the requirements of applicable law, rules and regulations, and/or actions taken by the Company's Board of Directors or Shareholders.

#### VI. Effectivity

This Related Party Transactions Policy was approved by the Board of Directors at its meeting held on April 29, 2015. It shall take effect on April 29, 2015.



*Global Ferronickel Holdings, Inc.*