

	Global Ferronickel Holdings, Inc. Policy on Material Related Party Transactions	ISSUE DATE:	April 29, 2015
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I. Introduction

Global Ferronickel Holdings, Inc. (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 transparency. It is the policy of the Company that all its transactions with its subsidiaries and affiliates, or with any of its officers, employees, substantial shareholders, or members of its board of directors, or close members of the related persons as defined below, be identified and reviewed to ensure that material related party transactions are made on an arm's length basis and disclosed, consistent with applicable accounting standards, principles of good corporate governance and disclosure requirements.

II. Purpose

This policy is intended to:

- Provide guidance on what constitutes related party transactions and material related party transactions;
- Ensure every related party transaction is conducted in a manner that avoids conflict of interest and complies with regulatory and good governance practices;
- Ensure proper review, approval, ratification, and disclosure of transactions between the Company and any of its related parties.

III. Definition of terms

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

Abusive Material Related Party Transaction shall mean material related party transactions that are not entered at arm's length and unduly favor a related party.

Affiliate is an entity linked directly or indirectly to the Company through any one or a combination 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 the management and policies of the entity, or vice-versa.

Associate is 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.

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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Compensation includes all employee benefits, as defined in Philippine Accounting Standards (PAS) 19 Employee Benefits, including employee benefits to which Philippine Financial Reporting Standards (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. 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.

Fair and at arm's length transaction 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.


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

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.

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.

Material Related Party Transaction is any related party transaction, either individually, or in aggregate over a twelve-month period with the same related party, amounting to ten percent (10%) or higher of the Company's total assets based on its latest audited financial statement.

Materiality Threshold is ten percent (10%) of the Company's total assets based on its latest audited financial statement. The total assets shall pertain to its total consolidated assets.

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Parent is an entity that controls one or more entities.

Related Party covers the Company'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 Company. It also covers the Company's 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.

As defined under PAS 24 on Related Parties, a Related Party is a person or entity that is related to the entity preparing its financial statements. The standards emphasize the substance of the relationship and not merely the legal form. Related Parties shall include:

- a) A person or a close member of that person's family is related to the Company if that person:
 - i. has control or joint control over the Company;
 - ii. has significant influence over the Company; or
 - iii. is a member of the key management personnel of the Company or of a parent of the Company
- b) An entity is related to the Company if any of the following conditions applies:
 - i. The entity and the Company 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 Company 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 Company.
 - 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 Registry is a record of the organizational and structural composition of the company and its related parties.

Related Party Transaction (RPT) is a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. Examples 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
- leases

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- 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), post-employment benefits, termination benefits and share-based payment of current employees

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 is the power to participate in the financial and operating policy decisions of an entity, but has no control or joint control over those policies. Significant influence may be gained by share ownership, statute or agreement.

Subsidiary is an entity that is controlled by another entity.

Substantial Shareholder is any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

IV. Guidelines

1. The Company shall at all times adhere to its Articles of Incorporation, By-laws, the Revised Corporation Code, and other rules and regulations in the review, approval, and disclosure of RPTs. The Company shall at all times respect the rights of its shareholders, minority and majority alike, through this policy.
2. All RPTs shall be reviewed and approved by the Company's board before their commencement. However, if they are not identified beforehand, they must be subsequently reviewed and ratified by the board. The Audit Committee shall assist the board in reviewing RPTs. In the review and approval of RPT, the board shall be guided by the best interest of the Company at all times. The board shall consider all relevant facts 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, Risk and Related Party Transaction Committees may establish guidelines to manage and monitor conflicts of interest among the management, board, and shareholders, including misuse of corporate assets and abuse in RPTs.
4. Directors and key management personnel shall fully and timely disclose all material facts, including their respective interests in the material RPTs and any other conflicts of interest. 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. The Company requires directors and key management personnel to abstain or inhibit themselves from discussion, approval, and management of any transaction or item on a particular agenda when they are conflicted. If they refuse to abstain, their attendance and their votes shall not be counted for purposes of assessing the quorum and determining majority approval, respectively.

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5. The Company shall ensure that the review and approval of material or 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 review or approval by the board:
 - a) Any transaction with a Related Party where the rates or charges involved are determined by competitive bids;
 - b) Any transaction with a Related Party in the ordinary course of business of consumer goods or consumer services where the 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 the 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 services and transactions with a Related Party, if terms are generally the same as or similar to the offers of other banks in the ordinary course of business;
 - g) Share transactions such as dividend, repurchase, and right offerings, available to all shareholders on a pro-rata 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-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 the approval of the president;
- One percent (1%) of the total assets and above of parent or subsidiary requires board approval;
- Fifteen percent (15%) of total assets and above of parent and subsidiary requires the approval of the concerned entity's shareholders.

Approval of Material RPTs


- All individual material RPTs shall be approved by at least two-thirds (2/3) vote of the board, with at least a majority of the independent directors voting to approve the material RPT. In case the majority of the independent directors' vote is not secured, the material RPT may be ratified by a vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock. For aggregate RPTs within a twelve-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 that meets and exceeds the materiality threshold covering the same Related Party.

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

Disclosure

- For RPTs involving ten percent (10%) of the total assets and above (SEC's prescribed threshold level for materiality in financial statements reporting or disclosure), the Company shall submit the following to the SEC:
 - a) A summary of material RPTs entered into during the reporting year disclosed in the Company's Integrated Annual Corporate Governance Report (I-ACGR) and submitted every May 30;
 - b) Advisement Report (attached as Annex "A") of any material RPT filed within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative.
 - c) At the minimum, the disclosures in both (a) and (b) above shall include the following information:
 - i. Complete name of the Related Party;
 - ii. Relationship of the parties
 - iii. Execution date of the material RPT;
 - iv. Financial or non-financial interest of the related parties;
 - v. Type and nature of transaction as well as a description of the assets involved;
 - vi. Total assets ;
 - vii. Amount or contract price;
 - viii. Percentage of the contract price to the total assets of the Company;
 - ix. Carrying amount of collateral, if any;
 - x. Terms and conditions;
 - xi. Rationale for entering into transactions; and
 - xii. The approval obtained (i.e., names of directors present, name of directors who approved the material RPT and the corresponding voting percentage obtained).
8. The Company shall comply with all disclosure requirements of RPT as required under the applicable law, rules and regulations, and PFRS. 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 ultimate controlling party.
 9. Following SEC Memorandum Circular No. 10 Series of 2019, the management and the board shall review and update the Related Party Registry every quarter to capture organizational and structural changes in the Company and its Related Parties.
 10. 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 shall

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appoint an external independent party to evaluate the fairness of the terms of the material RPTs. An external independent party may include auditing/accounting firms and third party consultants and appraisers. The independent evaluation of the fairness of the transparent price ensures the protection of the rights of shareholders and other stakeholders. The board shall provide guidance for an effective price discovery mechanism to ensure that transactions are engaged in terms that promote the best interests of the Company and its shareholders. The price discovery mechanism may include acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.

11. The internal audit shall conduct a periodic 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 in limits, shall be communicated directly to the Audit, Risk and Related Party Transaction Committees.
12. The Company's Compliance Officer shall ensure that the Company complies with rules and regulations and is informed of regulatory developments affecting Related Parties. The Compliance Officer shall aid in the review of the Company's transactions and identify any potential material RPT that would require review by the board. Observing due diligence, the Compliance Officer shall ensure that this policy is updated and implemented throughout the company.
13. This policy incorporates the applicable provisions in the Company's Whistle Blowing Policy which provides for effective whistleblowing mechanisms consistent with the corporate values and code of conduct. The board through this policy encourages all stakeholders to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable material RPTs. Any legitimate material concerns should be reported to, and investigated and addressed by, the Audit, Risk and Related Party Transaction Committees, and discussed at a regular or special board meeting.
14. The Audit, Risk and Related Party Transaction Committees shall recommend and the Company shall implement measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Company arising from abusive material RPTs. The Audit, Risk and Related Party Transaction Committees shall recommend to the board penalties and the manner of imposing the same on personnel, officers or directors, who have been remiss in their duties in handling material RPTs in accordance with company policies.

V. Review

This policy may be amended at any time to reflect the requirements of applicable law, rules and regulations, or actions taken by the Company's board or shareholders.

VI. Effectivity

This policy was approved by the Board of Directors on April 29, 2015, and subsequently amended on October 28, 2019 and October 31, 2019.


MARIO A. NEVADO
 Compliance Officer


JOSEPH C. SY
 Chairman