

San Miguel Pure Foods Company Inc.
Policy on Related Party Transactions

A. Definition of Related Parties

The term “Related Parties” shall mean San Miguel Pure Foods Company Inc. and its controlling shareholders, joint ventures, subsidiaries, affiliates and associates (each, a “Company”), as well as officers and directors, including their spouses (either or both legitimate and/or common law), children and dependent siblings and parents, and that of interlocking director relationships by members of the Board of Directors of the Company.

A party is considered to be related to the Company if it/he has the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence.

B. Coverage and Materiality Threshold

The following related party transactions (“RPT”) will be considered material and thus covered by this Policy on Related Party Transactions (this “Policy”):

1. Mergers and acquisitions between Related Parties other than sale and purchase transactions made in the ordinary course of business;
2. Loans or advances to and from a Related Party exceeding Philippine Pesos: One Billion (P1,000,000,000.00) per transaction or series of transactions; and
3. Engagement of services of a Related Party outside of the ordinary course of business with fees exceeding Philippine Pesos: Two Hundred Fifty Million (P250,000,000.00) per engagement or series of engagements;

Provided, that for (2) and (3) above, the loan or advance to and from, or engagement of services of, individual directors, including their spouses (either or both legitimate and/or common law), children and dependent siblings and parents, at whatever amount, which shall be conducted at arm’s length and at market rate, will be considered material and thus covered by this Policy.

For purposes hereof, any RPT not expressly provided herein shall not be covered by this Policy and therefore shall not be subject to review by the RPT Committee (“Committee”) and separate approval by the Board.

C. Guidelines to Ensure Arm's Length Terms

All RPT shall be entered into on an arm's length basis and thus accounted for at market prices normally charged to unaffiliated customers or parties for similar goods or services.

In the review of material RPT as set out in Section B of this Policy, the Committee shall consider the following factors:

1. The terms of the transaction;
 - Whether the terms of the transaction are no less favorable than those generally available to non-related parties under the same or similar circumstances
2. The extent of the Related Party's interest in the transaction;
 - Whether the transaction would present an improper conflict of interest or special risks or contingencies for the Company or any of its subsidiaries or affiliates, or the counterpart Related Party taking into account the size of the transaction and the overall financial position of the counterpart Related Party
3. The purpose, aggregate value and timing of the transaction; and
4. Any material information or other factors the Committee deems relevant.

D. Conflicts of Interest

In order to identify, prevent or manage potential or actual conflicts of interest, every director and employee, including officers and managers, shall declare in writing his business interests to the Company on an annual basis, in the form prescribed by the Company.

E. Review by the RPT Committee

The Committee shall review all covered RPT as provided in Section B above in accordance with the principles of transparency, integrity and fairness, to ensure that they are at arm's length, the terms are fair, and they will inure to the best interest of the Company and its subsidiaries or affiliates and their shareholders, including minority shareholders.

If the RPT passes the review of the Committee, the Committee shall endorse the same to the Board of Directors for final approval.

Any member of the Committee or Board of Directors who has an interest in the RPT under review shall immediately inform the Committee or Board of Directors of the

circumstance and abstain from participating in the discussion and from voting thereon. However, the presence of such member may be counted in determining the presence of a quorum at the meeting of the Committee or Board of Directors.

F. Shareholder Approval

The Company ensures that the rights of minority shareholders are protected at all times, especially from abusive actions by, or in the interest of controlling shareholders. Accordingly, the policies and processes of the Company cater to the best interest of all its shareholders, including minority shareholders, and other stakeholders. As such, all transactions, including RPT determined by the Committee, which require shareholders' approval in accordance with law and regulations, will be submitted to all shareholders, including minority shareholders, for approval. The Company encourages disinterested shareholders to decide on the matter.

Non-compliance with any of the provisions of this Policy shall result in the nullification or revocation of any agreement or contract involved in the execution of the RPT. A director, officer, or other Related Party is subject to the corresponding procedures and penalties under the Company's Code of Ethics and relevant laws, as applicable.

G. Disclosure of Related Party Transactions

RPT are disclosed in the Company's financial statements, annual reports, and other applicable filings pursuant to the relevant rules and issuances of the Securities and Exchange Commission, Philippine Stock Exchange and other relevant regulatory bodies. The disclosure includes, but is not limited to, the name of the Related Party, relationship with the Company for each RPT, and the nature and value of the RPT. Such disclosure is also made publicly-available by the Company, for the benefit of all shareholders and other stakeholders, through the company website and such other media channels as the Company may deem appropriate.