MATERIAL RELATED PARTY TRANSACTIONS POLICY

(Amended on April 5, 2022)

I. POLICY ON RELATED PARTY TRANSACTIONS

It is the policy of RFM Corporation ("RFM" or the "Company") that all transactions between the Corporation and related parties shall be entered into under terms which are "fair and at arm's length", and for the benefit and best interest of the Company and its shareholders as a whole. All Related Party Transactions ("RPTs") shall be conducted with transparency and fairness and shall be subject to appropriate approval. There shall be a timely and accurate disclosure of RPTs in compliance with laws, rules and regulations.

II. DEFINITION OF TERMS

For purposes of this Related Party Transactions Policy (the "Policy"), the following definitions shall apply:

Abusive Material RPT – refers to a material RPT that is not entered into at arm's length basis and unduly favors a Related Party.

Affiliate – refers to an entity linked directly or indirectly to the Company through any one or a combination of any of the following:

i) 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;
ii) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
iii) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and the entity;
iv) 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.

"Arm's Length" – Fair and at "arm's length" refers to transactions in an open and unrestricted market between willing parties who are knowledgeable, informed, and who act independently of and without regard to any relationship with each other.

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

Control – refers to the control of a person or an entity over the Company if and only if the person or entity possesses all of the following:

i.) power over the Company;
ii.) exposure or rights to variable returns from its involvement with the Company; and
iii.) the ability to use power over the Company to effect the amount of the Company's returns.

Material Related Party Transaction ("Material RPT") – refers to 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 the Company's total consolidated assets based on its latest audited financial statements.

Materiality Threshold – refers to ten percent (10%) of the Company's total consolidated assets based on its latest audited financial statements.

Related Party or Related Parties – refers to the Company's directors, officers and substantial shareholders, and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, who have control, joint control or significant influence over the Company. It also includes the Company's subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influence or managed by a person who is a related party.

Related Party Registry – refers to the record of the organizational and structural composition, including any change thereon, of the Company and its related parties.

Related Party Transaction ("RPT") – refers to a transfer of resources, services, or obligations between the Company and a Related Party, regardless of whether a price is charged. It should be interpreted broadly to include not only transaction entered into with Related Parties, but also outstanding transactions entered with an unrelated party that subsequently becomes a Related Party.

Significant Influence – refers to the power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

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

III. SCOPE AND COVERAGE

This Policy shall cover the review, approval and reporting of transactions which may be entered into between the Company or any of its subsidiaries, associates, affiliates, joint venture, directors and officers and the general guidelines to be observed in relation to Material RPTs.

IV. MATERIALITY THRESHOLD

This Policy shall cover all RPTs meeting the Materiality Threshold. It also includes transactions amounting to ten percent (10%) or more of the Company's total consolidated assets that were entered into with an unrelated party that subsequently becomes a Related Party in the event of any alterations to the terms and conditions or an increase in the exposure level pertaining to such transactions after the non-related party becomes a Related Party.

V. IDENTIFICATION OF RELATED PARTIES

The Company's related parties are the persons and entities that meet the definition of "Related Party or Related Parties" as provided in Section II hereof, and in accordance with the Material RPT Rules.

VI. GUIDELINES TO ENSURE ARM'S LENGTH TERMS

The Company shall provide appropriate procedures to ensure that the RPTs entered into are at arm's length terms. The Company shall likewise make certain that there is no preferential treatment or favorable advantage given to a Related Party that is not extended to a non-related party under similar circumstances.

Moreover, the Company will implement an effective price discovery mechanism to ensure that Material RPTs are engaged into at terms that promote the best interest of the Company and its stakeholders. The price discovery mechanism may include, but is not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.

Before the execution of the Material RPT, the Company's Audit Committee and/or Board of Directors should appoint an external independent party to evaluate the fairness of the terms of the Material RPT. An external independent party may include, but is not limited to, 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.

VII. IDENTIFICATION AND PREVENTION OR MANAGEMENT OF POTENTIAL OR ACTUAL CONFLICTS OF INTEREST

Directors and officers shall fully and timely disclose any potential or actual conflict of interest which may arise form or in connection with Material RPTs, including any and all material facts, and their respective personal or financial interest, direct or indirect, in the Material RPT. They shall not participate in the discussion or decision making process, and shall abstain from voting on the approval of the transaction.

The Company may adopt such other policies which are deemed necessary to ensure that potential or actual conflict of interest that may arise from or in connection with Material RPTs are properly identified, prevented or managed in accordance with the Material RPTs rules and regulations.

VIII. APPROVAL OF MATERIAL RPTs

The Company's Audit Committee is tasked to review all individual Material RPTs of the Company and which transactions shall be endorsed by the said Committee to the Board of Directors for ratification or approval.

All individual Material RPTs shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the Independent Directors voting to approve the Material RPTs. In case that a majority of the Independent Directors' vote is not secured, the Material RPTs may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a twelve (12) – month period that meets or breaches the materiality threshold and covering the same Related Party shall require the same Board approval as mentioned above.

Directors with personal interest in the Material RPT 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 approval

The review, approval, and disclosure of Material RPTs shall be governed by the relevant provisions of the Revised Corporation Code, the Company's Articles of Incorporation, By-Laws, Manual of Corporate Governance, Philippine Accounting Standards, and other relevant laws, rules, regulations and issuances.

IX. SELF-ASSESSMENT AND PERIODIC REVIEW OF POLICY

The Company's 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 Committee.

The Company's Compliance Officer shall be responsible for ensuring that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting Related Parties. The Compliance Officer shall likewise aid in the review of the Company's transactions and identify any potential Material RPT that would require review by the Audit Committee and the Board of Directors. Moreover, he shall ensure that the Company's Material RPT policy is kept updated and properly implemented throughout the Company.

X. DISCLOSURE OF MATERIAL RPTs BY DIRECTORS, OFFICERS AND SUBSTANTIAL STOCKHOLDERS

Directors, officers and substantial shareholders 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.

XI. DISCLOSURE REQUIREMENT OF MATERIAL RPTs TO THE REGULATORS

The Company shall ensure the full and timely disclosure of Material RPTs to the relevant government agencies as required by applicable laws, rules and regulations.

In accordance with the Material RPT Rules, the Company shall submit:

(a) an Advisement Report on Material RPTs within three (3) calendar days after the execution of the transaction.

(b) a summary of Material RPTs entered into during the reporting year in the Company's Integrated Annual Corporate Governance Report (I-ACGR).

The abovementioned disclosures shall contain the following minimum information:

- Complete name of the Related Party;
- Relationship of the Parties;
- Execution date of the MRPT;
- Financial or non-financial interest of the Related Parties;
- Type and nature of transactions as well as a description of assets involved;
- Total consolidated assets;
- Amount or contract price;
- Percentage of the contract price to the total assets of the Company;
- Carrying amount of collateral, if any;
- Terms and Conditions;
- Rationale for entering into the transaction; and
- The approval obtained (i.e. names of directors present, name of directors who approved the MRPT and the corresponding voting percentage obtained).

XII. WHISTLE BLOWING MECHANISM

The Company shall implement its existing Whistleblowing Policy and other whistleblowing mechanisms consistent with the corporate values and code of conduct set by the Board of Directors.

Stakeholders are encouraged to communicate legitimate concerns about illegal, unethical or questionable Material RPTs. Such legitimate concerns may be reported by the stakeholders to the Corporate Secretary, Investor Relations Office, Management, or the Board.

XIII. REMEDIES FOR ABUSIVE MATERIAL RPTs

The Company shall adopt and implement measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Company arising out of or in connection with Abusive Material RPTs. Such measures may include, but are not limited to, the discontinuation or invalidation of the transaction, as maybe applicable and in instances allowed by law, and/or the filing by the Company of appropriate actions in the court(s) of competent jurisdiction or other appropriate fora against any party involved in the Abusive Material RPT.

The Board of Directors shall ensure that senior management addresses legitimate issues on Material RPTs that are raised and that whistleblowers are protected against any form of retaliation.

JOSE MA. A. CONCEPCION III
Chairman/President & CEO

ENRIQUE OLIVER I. REY-MATIAS
Compliance Officer