

Metro Retail Stores Group Inc.
Amended Policy on Related Party Transactions to Comply with
SEC Memorandum Circular No. 10 Series of 2019

A. Purpose of this Policy

Related Party Transactions may constitute a potential conflict of interest that may be detrimental or prejudicial to the Company and its stakeholders¹. Thus, in order to ensure that a Related Party Transaction will inure to the best interest of the Company and its stakeholders, it is the policy of Metro Retail Stores Group, Inc. ("MRS GI" or the "Company") that Related Party Transactions are to be conducted on an arm's length basis and that their terms are fair, with any consideration paid or received by the Company in connection with any such transaction being on terms no less favorable than terms available to any unconnected third party under the same or similar circumstances.

The purpose of this policy is to set out the procedures by which the Company may enter into a Related Party Transaction.

B. Definitions

"Related Party Transaction" is a transaction between the Company and any "Related Party".

"Related Party" covers MRS GI's directors, officers, senior managers, substantial shareholders, and their respective 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 MRS GI. It also covers MRS GI's principal stockholder or parent, subsidiaries, affiliates, associates, 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" of the Company is any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

"Material Related Party Transaction" 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 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.

"Significant Influence" – The power to participate in the financial and operating policy decisions of the Company, but has no control or joint control over those policies.

"Control"- A person or an entity controls MRS GI if and only if the person or entity has all of the following:

- Power over MRS GI;
- Exposure, or rights, to variable returns from its involvement with MRS GI; and
- The ability to use its power over MRS GI to affect the amount of MRS GI's returns.

¹ Stakeholders – refer to those who will be affected by MRS GI's acts, resolutions, transactions, policies, and programs. Covered are stockholders, directors, officers, employees, customers, creditors, suppliers, government agencies and instrumentalities, and the communities where it operates.

“Affiliate”- refers to an entity linked directly or indirectly to MRS GI 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 an entity of at least ten percent (10%) or more of the total outstanding voting stock of MRS GI, or vice versa;
- Interlocking directorship or officership, except in cases involving independent directors as defined by law;
- Common stockholders owning at least ten percent (10%) of the total outstanding voting stock of MRS GI and the entity; or
- Management contract or any arrangement granting power to MRS GI to direct or cause the direction of management and policies of the entity, or vice-versa.

“Associate” – An entity over which MRS GI holds twenty percent (20%) or more of the total voting power, directly or indirectly, or which MRS GI has significant influence.

C. General Guidelines

All transactions between MRS GI and a Related Party are to be conducted at arm’s length, at fair market values, and must always be fair and reasonable under the circumstances.

D. Disclosure of Related Party Transactions by Directors, Officers, and Senior Managers

It is the responsibility of each director, officer, or senior manager to promptly notify the Board, through the Audit and Risk Committee, of any proposed Related Party Transaction as soon as they become aware of it to ensure that potential conflicts of interest are disclosed and brought to the attention of Management.

E. Approval Procedures of Related Party Transactions

1. All Related Party Transactions that do not reach the Materiality Threshold and are not considered as Material Related Party Transactions shall be approved by the Audit and Risk Committee before Management will carry out and implement such transaction/s.

The Audit and Risk Committee shall review the proposed Related Party Transaction and determine whether or not the said transaction shall benefit the Company and if the price/consideration, terms, and conditions of the transaction are at arm’s length and at fair market value.

However, the following Related Party Transactions shall be considered as pre-approved, can be commenced and implemented right away, and do not require the prior review and approval of the Audit and Risk Committee:

- a. Related Party Transactions whose contract price/consideration do not exceed the amount of Two Hundred Million Pesos (₱200,000,000.00) per individual transaction or in the aggregate over a 12-month period with the same Related Party.
- b. The sharing of administrative services between the Company and a Related Party on a cost basis, where the cost of the services is identifiable and allocated to the parties involved in a fair and equitable basis.
- c. Any transaction involving a Related Party where the price/consideration involved is determined by a competitive bid or fixed by law or governmental authority.
- d. Compensation of directors and employment of executive officers as approved by the Nomination and Compensation Committee.

e. Any transaction with a Related Party being made in the ordinary and regular course of doing business, regardless of amount, provided that such transaction is on substantially the same terms as those prevailing at the time for comparable products or services with unrelated parties

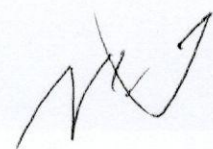
2. For Material Related Party Transactions that cross the Materiality Threshold either individually or in aggregate over a 12-month period with the same Related Party, the following steps and processes shall be followed and observed:
 - a. The Audit and Risk Committee shall review the proposed Material Related Party Transaction and determine whether or not the said transaction shall benefit the Company and if the price/consideration, terms, and conditions of the transaction are at arm's length and at fair market value.
 - b. The Audit and Risk Committee shall appoint an external independent third party who will be tasked to evaluate the fairness and reasonableness of the proposed price/consideration, terms, and conditions. The independent evaluation will ensure the protection of the rights of the stakeholders.
 - c. After the fairness and reasonableness of the proposed price/consideration, terms, and conditions have been validated and affirmed by the external independent third party and other factors have been considered by the Audit and Risk Committee, the Audit and Risk Committee shall make the appropriate recommendation to the Board of Directors the proposed Material Related Party Transaction for its action. Those proposed Material Related Party Transactions that have not been validated and affirmed by the external independent third party shall be disapproved by the Audit and Risk Committee and shall not be carried out and implemented.
 - d. All Material Related Party Transactions that are approved and endorsed by the Audit and Risk Committee shall be further approved by at least 2/3 vote of the Board of Directors with the unanimous concurrence of all independent directors. If both the 2/3 vote of the Board and the unanimous vote of all the independent directors cannot be obtained, the proposed Material Related Party Transaction shall be referred to, and approved by, the vote of the stockholders owning or representing at least 2/3 of the total outstanding capital stock of the Company.
3. Only upon the full and strict compliance with these Approval Procedures shall a Proposed Related Party Transaction be considered approved and to be implemented and carried out by Management in accordance with the approved price/consideration, terms, and conditions.
4. Any member of the Audit and Risk Committee and the Board who has a potential conflict of interest² in a particular Related Party Transaction presented for approval shall inhibit himself from voting to maintain credibility and integrity of the process.

F. Other General Provisions

1. Loans. The Company shall not make any personal loans³ to the directors, officers, senior managers, or shareholders with more than five percent (5%) of the total voting shares.

² Conflict of Interest means a situation that has a potential to undermine the impartiality or objectivity of an individual because of the possibility of a clash between the individual's own personal interest and the interest of the Company and a Related Party.

³ Personal loans shall exclude salary/housing/car loans and other loan benefits extended by the Company to all employees generally.



The Company shall not lend money to, or borrow money from, a Related Party unless done on market terms and conditions (arm's length basis and fair terms).

Lending money to a Related Party shall not exceed more than five percent (5%) of the Company's total stockholders' equity.

2. Disclosure Requirements. The Company shall disclose this Policy as well as its Whistle-Blowing Policy in its website.

A summary of all Material Related Party Transactions entered into by the Company during the reporting year shall be disclosed in the Company's Integrated Annual Corporate Governance Report or I-ACGR.

An Advisement Report shall be filed by the Company with the Securities and Exchange Commission within three (3) calendar days after the execution date of a Material Related Party Transaction, to be signed by the Corporate Secretary or any authorized representative.

3. Review by External Auditor. The Company's independent external auditor shall be required to review all Material Related Party Transactions included in the financial statements to provide assurance as to the accuracy of the information reported.
4. Duty of Compliance Officer. The Company's Compliance Officer shall ensure compliance with this Policy on Related Party Transactions and SEC Memorandum Circular No. 10 Series of 2019, and their amendments and/or supplements.

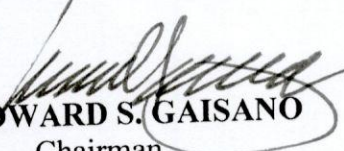
G. Policy Review

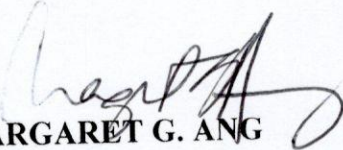
The Audit and Risk Committee may review and assess the adequacy of this policy as the need arises and to recommend to the Board for approval the needed changes.

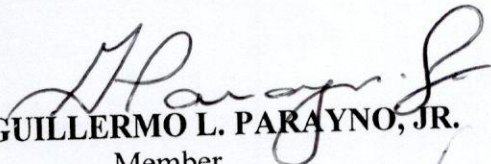
H. Policy Violations

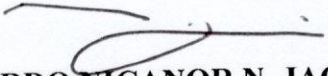
Any material breach or violation of this Policy shall merit a penalty as may be determined by the Board of Directors who have no conflict of interest.

Signed and adopted by the members of the Corporate Governance Committee on Sept. 5, 2019 in Mandaue City.


EDWARD S. GAISANO
Chairman

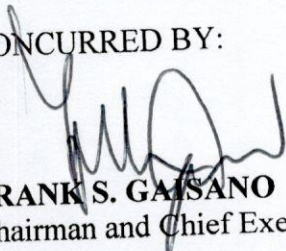

MARGARET G. ANG
Member



GUILLERMO L. PARAYNO, JR.
Member



RICARDO NICANOR N. JACINTO
Member


MANUEL C. ALBERTO
Member

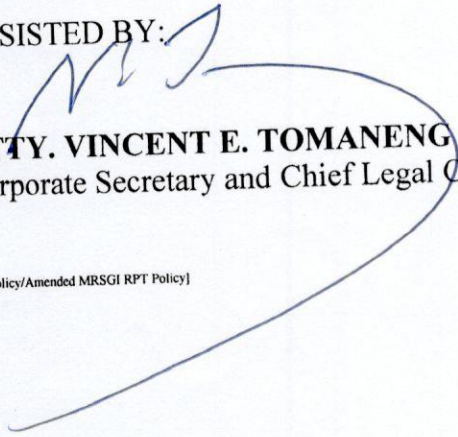
CONCURRED BY:


FRANK S. GAISANO
Chairman and Chief Executive Officer


JACK S. GAISANO
Director


ATTY. TARA TSARINA PEREZ-RETUYA
Compliance Officer

ASSISTED BY:


ATTY. VINCENT E. TOMANENG
Corporate Secretary and Chief Legal Counsel

[vet/policy/Amended MRSGI RPT Policy]