

RELATED PARTY TRANSACTION POLICY

PACIFIC ONLINE SYSTEMS CORPORATION (the Company) is committed to the highest standards of ethics in compliance with all applicable laws, rules, and regulations as it conducts its business as a good corporate citizen. This commitment and standard of conduct governs POSC's relationships with its customers, external providers, shareholders, competitors, the communities it operates in, and with employees themselves at every level of the organization.

The Codes which the Company adopted include policies and guidelines that are consistent with the principles and values which the Company promotes when performing services for, or on behalf of, the Company. The Codes set out the behavior that directors, officers, employees and external providers should adhere to in the conduct of day-to-day undertakings.

I. Purpose

The purpose of the policy is to provide guidelines that would ensure the integrity and transparency of Related Party Transactions (RPT) and ensure that all transactions are always to the interest of the Company and in particular of its minority shareholders and other stakeholders.

II. Definition of Terms

“Related Parties” – are entities and individuals that has the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operational decisions. Related Parties shall cover the Company's subsidiaries, controlling shareholders, joint ventures, subsidiaries, affiliates, directors and officers (including their spouses, children and dependent siblings and parents), and that of interlocking director relationships by members of the Board.

“Material transactions” – are transactions reaching the set threshold amount as recommended by Management and approved by the Board of Directors.

III. COVERAGE AND MATERIALITY THRESHOLD

It is the Company's policy that transactions with related parties are made at terms equivalent to prevailing market rates and at arm's length basis.

The Management shall present material transactions entered into by the Company with related parties to the Related Party Transactions Committee for review prior to Board approval and Management execution.

1. The following transactions are classified as material Related Party Transactions (RPT) subject to the review of the RPT Committee prior to Board approval and Management execution:
 - a. mergers and acquisition between related parties;
 - b. loans or advances to and from a related party exceeding Five Million Pesos (Php 5,000,000.00) per transaction or series of transactions; and
 - c. engagement of services of a related party outside of the ordinary course of business with fees exceeding One Million Five Hundred Thousand Pesos (Php 1,500,000.00) per engagement or series of engagements.

2. Notwithstanding the thresholds provided above defining material RPTs subject to the review of the Committee, transactions identified by Management or the Chairman of the RPT Committee as sensitive or otherwise material may be submitted to the Committee for review.

3. Management shall conduct a periodic assessment on the following items:
 - Collectability of receivables from related parties and the need to provide allowance for doubtful accounts for such receivables
 - Market and financial risks faced by related parties
 - Guarantees issued to or received from related parties
 - Financial and economic soundness of RPTs (e.g. receivables and payables, cash placements and loans, investments in shares of stock, management / service fees, etc.)

Full disclosure of the details, nature, extent and all other material information on transactions including outstanding balances with related parties for an understanding of the potential effect of the relationship on the financial statements. This shall be stated in the Company's financial statements, and its quarterly and annual reports to the SEC and PSE. The financial reports are available on the corporate website and readily accessible to the public.