



FAR EASTERN UNIVERSITY

Documented Information:

RELATED PARTY TRANSACTION POLICY

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I. Introduction

The Board of Far Eastern University, Inc. (FEU Inc. or the Company) has adopted the following Related Party Transactions (RPT) Policy (or Policy) to regulate transactions between FEU Inc. and its Related Parties (as defined below). This Policy was framed based on the requirements of the Securities and Exchange Commission (SEC) Memorandum Circular No. 10 Series of 2019 – *Rules on Material Related Party Transactions for Publicly-Listed Companies*.

The Board of Trustees, thru the Audit Committee, shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interest of the Company's shareholders and other stakeholders. On the other hand, senior management shall implement appropriate controls to effectively manage and monitor material RPTs on a per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with the company's policy and SEC's regulations.

II. Coverage

The Policy shall cover all related party transactions including but not limited to the following:

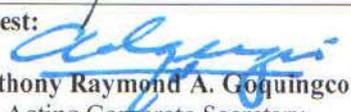
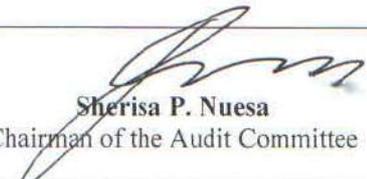
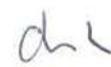
1. Intercompany loans and advances
2. Lease arrangements/contracts
3. Purchases and sale of assets
4. Services such as management service and shared-service

III. Definition of Terms

Related parties - covers FEU Inc.'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 FEU Inc. It also covers FEU Inc.'s parent, subsidiary, fellow 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.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

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

Prepared By	Reviewed By	Approved By
 Glenn Z. Nagal Comptroller	 Juan Miguel R. Montinola Chief Finance Officer	
Attest:  Anthony Raymond A. Goqingco Acting Corporate Secretary	 Sherisa P. Nuesa Chairman of the Audit Committee	 Aurelio R. Montinola III Chairman of the Board
<i>NOTE: The position 'Compliance Officer' is currently vacant due to the demise of the former incumbent.</i>		



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Affiliate - refers to an entity linked directly or indirectly to FEU Inc. 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 a company of at least ten percent (10%) or more of the outstanding voting stock of FEU Inc., 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 FEU Inc. and the entity; or
- Management contract or any arrangement granting power to FEU Inc. to direct or cause the direction of management and policies of the entity, or vice-versa.

Associate - An entity over which FEU Inc. holds twenty percent (20%) or more of the voting power, directly or indirectly, or which FEU Inc. has significant influence.

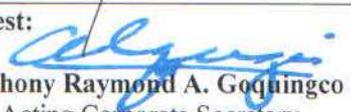
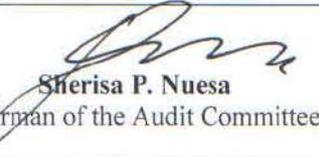
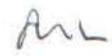
Significant Influence - The power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies.

Control - A person or an entity controls FEU Inc. if and only if the person or entity has all of the following:

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

Related party transactions - a transfer of resources, services or obligations between FEU Inc. and a related party, regardless of whether a price is charged. 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.

Material Related Party Transactions - Any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to the materiality threshold set in this Policy.

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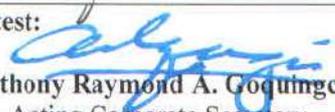
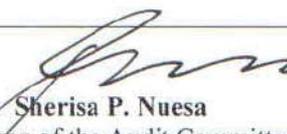
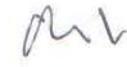
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Materiality Threshold – For purposes of review and reporting of material RPTs, the following materiality threshold shall apply:

For Internal Review of Audit Committee and Approval by Board of Trustees	<p><u>Quantitative factor:</u></p> <p>3% of FEU Inc.'s consolidated gross revenue based on its latest financial statements;</p> <p>And/Or</p> <p><u>Qualitative factors:</u></p> <p>a) When RPT is outside normal course of business or operations; or b) When RPT may pose significant risk to FEU Group; or c) When RPT may lead to a conflict of interest for any member of the Board, substantial shareholder or officer.</p>
For Disclosure and Reporting of Material RPTs to the SEC as per SEC Memorandum Circular No. 10 Series of 2019	<p>Ten percent (10%) of FEU Inc.' consolidated total assets based on its latest audited financial statement for individual RPTs or for aggregate RPT transactions within a twelve (12) month period that breaches the said materiality threshold.</p> <p>Transactions amounting to the materiality threshold set in this Policy that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in the policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the material RPT to the requirements of this Material RPT Policy. The prospective treatment should, however, be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.</p>

Related Party Registry - A record of the organizational and structural composition, including any change thereon, of the company and its related parties.

FEU Group – consist of Far Eastern University, Inc. and its Related Parties as defined in this Policy.

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IV. General Principles

Identification of related parties

1. The Company shall clearly identify persons and companies that are considered as the Company's related parties. The Management/Board of Directors shall quarterly review and update the Related Party Registry to capture organizational and structural changes in the company and its related parties.

Guidelines on arms-length terms

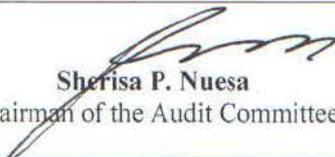
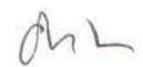
2. RPTs are allowed provided that these are done in accordance with the arm's length principle. In applying the arms-length principle, reference can be made to relevant guidelines and methods on transfer pricing and arms-length principle set by regulatory bodies.

Disclosure of material RPTs and conflict of interest to the Board of Trustees

3. The members of the board, substantial shareholders, and management/officers shall fully disclose to the Board of Directors all material facts related to material RPTs that cross the materiality threshold set in this Policy for Internal Review of Audit Committee and Approval by Board of Trustees 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. At the minimum, the disclosure shall include the following:
 - a. Complete name of the related parties;
 - b. Relationship of the parties;
 - c. Execution date of the related party transaction;
 - d. Type and nature of the transaction as well as description of the assets involved;
 - e. Amount or contract price;
 - f. Rationale for entering into the transaction.

See Section 4 on Policy for Internal Review of Audit Committee and Approval by Board of Trustees.

Directors and officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interests in the material RPT and abstain from the discussion, approval and management of such transaction or matter affecting the Company. In case they refuse to abstain,

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their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining majority approval.

Review of material RPTs by the FEU, Inc. Audit Committee

4. For material RPTs that cross the materiality threshold set in this Policy for Internal Review of Audit Committee and Approval by Board of Trustees, the Management shall disclose such material RPTs for review by the FEU Inc.'s Audit Committee, prior to approval of FEU Inc.'s Board of Trustees. Further, the Chief Executive Officer, President, or any member of the Audit Committee may request that an RPT, regardless of amount, be reviewed by the Audit Committee if such RPT meet any of the qualitative factors affecting materiality threshold as defined in this policy.

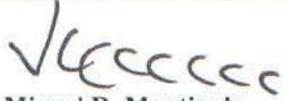
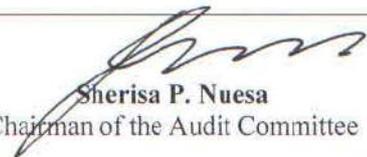
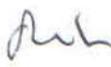
*Furthermore, the Board of Trustees, before the execution of a material RPT, should appoint an external independent party to evaluate the fairness of the terms of the material RPTs. An external independent party may include, but is not limited to, auditing/accounting firms and third party consultants and appraisers. The independent evaluation of the fairness of the transparent price ensures the protection of the rights of shareholders and other stakeholders.

5. In the review of material RPTs, the Audit Committee shall consider the following factors:
 - a. Terms of the transaction;
 - b. Aggregate value of the transaction;
 - c. Whether the transaction with the Related Party is proposed to be entered into (or was entered into) on arm's length basis;
 - d. The purpose and potential benefits of the transaction to FEU Inc.;
 - e. Any possible conflict of interest or risks or contingencies for FEU Inc. or abusive RPT;
 - f. Any material information or other factors that the Audit Committee deems relevant.

Approval of material RPTs by the FEU, Inc. Board of Trustees

6. 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 RPT. In case that a majority of the independent directors' vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock.

For aggregate RPT transactions within a twelve (12) month period that breaches the materiality threshold set in this Policy, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

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Whistle-blowing mechanism

- The Company has an existing whistle blowing mechanisms consistent with the corporate values and codes of conduct set by the board of directors. The policy encourages all stakeholders to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable material RPTs. The current whistle blowing policy includes guidance on how legitimate material concerns should be reported, investigated and addressed by an objective independent internal or external body, senior management and/or the board itself.

Remedies for abusive RPTs

- RPTs which are found to be not at arms-length and unduly favor a related party based on the results of an investigation shall be reported to the Board, who shall recommend measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Company arising out of or in connection with the abusive RPT. The Board shall also recommend the imposition of penalties on personnel, officers or directors who have been remiss in their duties in handling material RPTs in accordance with company policy.

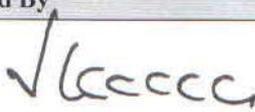
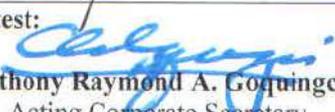
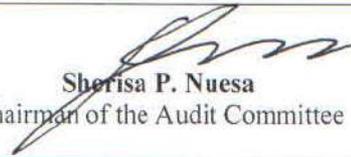
Disclosure and Reporting of Material RPTs to the SEC

- The Company shall comply with all the disclosure and reporting requirements of the SEC. Further, as required by (SEC) Memorandum Circular No. 10 Series of 2019 – Rules on Material Related Party Transactions for Publicly-Listed Companies, for material RPTs that cross the materiality threshold set in this Policy for Disclosure and Reporting of Material RPTs, the Company shall submit the following to the SEC:
 - A summary of material related party transactions entered into during the reporting year which shall be disclosed in the company's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every May 30;
 - Advisement Report of any material RPT shall be filed within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by FEU Inc.'s Authorized Signatory for the material related party transaction

V. Self- Assessment and Periodic Review of Policy

Internal Audit

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

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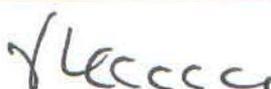
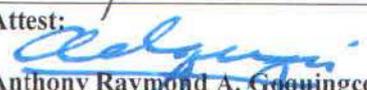
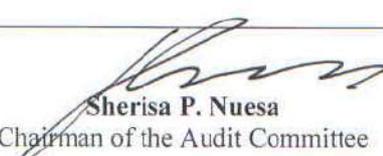
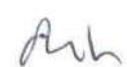
resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee.

Compliance Officer

The Company's Compliance Officer shall ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. He/she shall aid in the review of the Company's transactions and identify any potential material RPT that would require review by the Board. He/she shall ensure that the Company's material RPT policy is kept updated and is properly implemented throughout the company.

VI. Effectivity

This policy shall take effect upon approval of the Board of Trustees.

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