

Related Party Transactions (RPTs)

We disclose, review, and approve related party transactions, in accordance with the principles of transparency 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 corporation and its subsidiaries or affiliates and their shareholders.

The RPTs are disclosed in our financial statement (page 204), annual reports, and other applicable filings in accordance with the relevant rules and issuance of the SEC and other applicable regulatory bodies. The disclosure includes, but is not limited to, the name of the related party, relationship with the corporation for each RPT, and the nature and value for each RPT. Such disclosure is also made publicly available by the corporation, for the benefit of all shareholders and other stakeholders, through our website and such other media channels as applicable.

Shareholders, including minority shareholders, and other stakeholders are provided with proper guidelines and procedures for right of action and remedies that are readily accessible in order to redress the conduct of the corporation (e.g. Facebook page, Twitter account, e-mail account, and hotline numbers), as necessary.

The independent directors form the independent committee that is tasked to review and monitor material RPTs, among others, to ensure our best interest, our shareholders', and all other stakeholders', and that the RPTs are executed with fair and transparent terms prior to endorsement to the Board for approval.

Non-compliance with any of the provisions of the policy on RPT shall result in the nullification of any agreement or contract involved in the execution of the RPT. A director, officer, employee, or Related Party is subject to the corresponding procedures and penalties under our Code of Conduct and relevant laws, as applicable.

In 2015, members of the Board agreed to vote in accordance with the decision of the three independent directors in resolving a matter on voting preferred shares to further exercise independence and integrity at the Board level.

[Source: Globe Telecom 2015 Annual & Sustainability Report (ASR), p. 47]

Our Policy on RPTs and disclosures thereof are also posted on our corporate website for the easy reference of our customers and stakeholders (<http://www.globe.com.ph/corporate-governance/related-party-transactions>).

H. Transactions with Related Parties

Globe Telecom and Innove, in their regular conduct of business, enter into transactions with their major stockholders, AC and Singtel, venturers and certain related parties. These transactions, which are accounted for at market prices normally charged to unaffiliated customers for similar goods and services, include the following:

Entities with joint control over Globe Group – AC and Singtel

- Globe Telecom has interconnection agreements with Singtel. The related net traffic settlements receivable (included in “Receivables” account in the consolidated statements of financial position) and the interconnection revenues earned (included in “Service revenues” account in the consolidated statements of comprehensive income) are as follows:

(In Thousand Pesos)	2015	2014	2013
Traffic settlements receivable – net	₱22,824	₱79,191	₱201,216
Interconnection revenues	725,635	784,965	921,540
Interconnection costs	50,346	112,976	116,477

- Globe Telecom and Singtel have a technical assistance agreement whereby Singtel will provide consultancy and advisory services, including those with respect to the construction and operation of Globe Telecom’s networks and communication services (see Note 25.6 of the FS), equipment procurement and personnel services. In addition, Globe Telecom has software development, supply, license and support arrangements, lease of cable facilities, maintenance and restoration costs and other transactions with Singtel.

The details of fees (included in repairs and maintenance under the “General, selling and administrative expenses” account in the consolidated statements of comprehensive income) incurred under these agreements are as follows:

(In Thousand Pesos)	2015	2014	2013
Technical assistance fee	₱67,907	₱160,534	₱163,004
Maintenance and restoration costs and other transactions	57,551	63,695	61,841
Software development, supply, license and support	7,069	19,642	16,681

The outstanding balances due to Singtel (included in the “Accounts payable and accrued expenses” account in the consolidated statements of financial position) arising from these transactions are as follows:

(In Thousand Pesos)	2015	2014	2013
Technical assistance fee	₱57,967	₱135,877	₱35,775
Maintenance and restoration costs and other transactions	8,985	10,882	20,695
Software development, supply, license and support	-	-	4,014

- Globe Telecom earns subscriber revenues from AC. The outstanding subscribers receivable from AC (included in “Receivables” account in the consolidated statements of financial position) and the amount earned as service revenue (included in the “Service revenues” account in the consolidated statements of comprehensive income) are as follows:

(In Thousand Pesos)	2015	2014	2013
Subscriber receivables	₱12,215	₱9,662	₱14,761
Service revenues	19,338	18,990	14,107

- Globe Telecom reimburses AC for certain operating expenses. The net outstanding liabilities to (included in “Accounts payable and accrued expenses” account in the consolidated

statement of financial position) and the amount of expenses incurred (included in the “General, selling and administrative expenses” account in the consolidated statements of comprehensive income) are as follows:

(In Thousand Pesos)	2015	2014	2013
General, selling and administrative expenses	₱48,743	₱37,135	₱7,768
Accounts payable and accrued expenses	50	755	–

Joint Ventures in which the Globe Group is a Venturer

- Globe Telecom has preferred roaming service contract with BMPL. Under this contract, Globe Telecom will pay BMPL for services rendered by the latter which include, among others, coordination and facilitation of preferred roaming arrangement among JV partners, and procurement and maintenance of telecommunications equipment necessary for delivery of seamless roaming experience to customers. Globe Telecom also earns or incurs commission from BMPL for regional top-up service provided by the JV partners. The net outstanding liabilities to BMPL related to these transactions amounted to ₱3.11 million and ₱2.37 million as of December 31, 2015 and 2014, respectively. Balances related to these transactions (included in “General, selling and administrative expenses” account in the consolidated statements of comprehensive income) amounted to ₱18.68 million, ₱23.76 million and ₱3.76 million, as of December 31, 2015, 2014 and 2013, respectively.
- In October 2009, the Globe Group entered into an agreement with BPI Globe BankKO for the pursuit of services that will expand the usage of GCash technology. As a result, the Globe Group recognized revenue amounting to ₱8.96 million, ₱6.13 million and ₱0.54 million in 2015, 2014 and 2013, respectively. The related receivables amounted to ₱7.47 million and ₱14.86 million in 2015 and 2014, respectively.

Transactions with the Globe Group Retirement Plan (GGRP)

- In 2007, Globe Telecom, Innove and GXI pooled its plan assets for single administration by the GGRP, which was created for the management of the retirement fund. The decisions of the GGRP are made through collective decision of the Board of Trustees.

The plan is funded by contributions as recommended by the independent actuary on the basis of reasonable actuarial assumptions. These assumptions and the funded status of the pension plan are disclosed in Note 18.2.

The funded status for the pension plan of Globe Group as of December 31, 2015 and 2014 amounted to ₱3,063.12 million and ₱2,321.20 million, respectively (see Note 18.2).

The fair value of plan assets by each class held by the retirement fund, on a pooled basis follows:

	2015	2014
	<i>(In Thousand Pesos)</i>	
Cash and cash equivalents	₱192,982	₱143,746
Investment in fixed income securities	1,199,764	1,129,892
Investment in equity securities	1,755,411	1,636,204
Loans and receivables	968,782	968,000
Liabilities	(968,782)	(968,000)
Balance at end of year	₱3,418,157	₱2,909,842

All equity and debt instruments held, except for investment in preferred shares of HALO Group, debt securities issued by private corporations and long-term negotiable certificates of deposit, have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

Loans and receivables consist of interest and dividend receivables, receivable on securities sold to brokers and loan granted by the plan to BHI.

Liabilities pertain to interest and trust fee payables, accrued professional fees and loan granted to the plan by Globe Telecom.

- As of December 31, 2015 and 2014, the pension plan assets of the retirement plan include shares of stock of Globe Telecom with total fair value of ₱31.20 million and ₱26.32 million, and shares of stock of other related parties with total fair value of ₱144.07 million and ₱111.55 million, respectively. Gains arising from these investments amounted to ₱11.75 million, ₱12.91 million and ₱8.34 million in 2015, 2014 and 2013, respectively.
- In 2008, the Globe Group granted a short-term loan to the GGRP amounting to ₱800.00 million with interest at 6.20%. Upon maturity in 2009, the loan was rolled over until September 2014 with interest at 7.75%. Further, in 2009, the Globe Group granted an additional loan to the retirement fund amounting to ₱168.00 million which bears interest at 7.75% and is due also in September 2014.

On September 16, 2014, the maturity of the outstanding balance of loan receivable from GGRP amounting to ₱968.00 million was extended to September 11, 2017 and the interest rate was reduced to 5% per annum effective on September 11, 2014. Interest income amounted to ₱49.07 million, ₱68.02 million and ₱76.26 million in 2015, 2014 and 2013, respectively (see Note 19).

The retirement plan utilized the loan to fund its investments in BHI, a domestic corporation organized to invest in media ventures. BHI has controlling interest in Altimax Broadcasting Co., Inc. (Altimax) and Broadcast Enterprises and Affiliated Media Inc. (BEAM), respectively.

- On August 13 and December 21, 2009, the Globe Group granted five-year loans amounting to ₱250.00 million and ₱45.00 million, respectively, to BHI at 8.275% interest. The ₱250.00 million loan is covered by a pledge agreement whereby in the event of default, the Globe Group shall be entitled to offset whatever amount is due to BHI from any unpaid fees to BEAM from the Globe Group. The ₱45.00 million loan is fully secured by a chattel mortgage agreement dated December 21, 2009 between Globe Group and BEAM (see Note 25.5). Interest income amounted to ₱8.04 million, ₱11.30 million and ₱13.72 million in 2015, 2014 and 2013, respectively (see Note 19 of the attached Notes to the Consolidated Financial Statements).

On August 13, 2014, the maturity of the outstanding balance of loan receivable from BHI amounting to ₱158.62 million was extended to August 13, 2017 and the interest rate was reduced to 5% per annum effective August 14, 2014 (see Note 11 of the Attached Notes to the Consolidated Financial Statements).

- On February 1, 2009, the Globe Group entered into a memorandum of agreement (MOA) with BEAM for the latter to render mobile television broadcast service to Globe subscribers using the mobile TV service. As a result, the Globe Group recognized an expense (included in "Professional and other contracted services") amounting to ₱190.00 million in 2015 and ₱155.00 million in 2014 and 2013. Effective January 1, 2015, BEAM charged an increased service fee rate to Globe Group as a result of an amendment to the MOA.
- On October 1, 2009, the Globe Group entered into a MOA with Altimax for the Globe Group's co-use of specific frequencies of Altimax's for the rollout of broadband wireless access to the Globe Group's subscribers. As a result, the Globe Group recognized an expense (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounting to ₱90.00 million in 2014 and 2013.
- On October 1, 2009, the Globe Group entered into a MOA with Altimax for the Globe Group's co-use of specific frequencies of Altimax's for the rollout of broadband wireless access to the Globe Group's subscribers. As a result, the Globe Group recognized an expense (included in "General, selling and administrative expenses" account in the consolidated statements of comprehensive income) amounting to ₱24.85 million in 2015 and ₱40.88 million in 2014 and 2013.

Transactions with Yondu

As a result of Globe Telecom's sale of its controlling stake in Yondu, transactions are recognized in the consolidated statement of financial position starting September 16, 2015.

The Globe Group has a VAS sharing agreement with Yondu. Under the agreement, Yondu is entitled to a 30% share on revenue (included in the "Service revenues" account of the parent company statements of comprehensive income) for providing mobile contents to Globe and TM subscribers. The Globe Group's payout to Yondu on mobile content transactions for the period September 16, 2015 to December 31, 2015 amounted to ₱78.85 million.

Yondu also provides various enterprise solutions-based services to the Globe Group for network, platform and applications development under its Business Process Outsourcing Unit (BPO) and mobile content. The Globe Group's related expenses for the period September 16, 2015 to December 31, 2015 amounted to ₱39.32 million, out of which ₱1.49 million were capitalized.

The outstanding balances of receivable and payables resulting from transactions with Yondu amounted to ₱74.23 million and ₱373.54 million, respectively, as of December 31, 2015. Dividends receivable amounting to ₱266.49 million was recognized in the consolidated financial statements as of December 31, 2015.

Transactions with other related parties

Globe Telecom has money market placements and bank balances, and subscriber receivables (included in "Cash and cash equivalents" and "Receivables" accounts in the consolidated statements of financial position, respectively) and earns service revenues (included in the "Service revenues" account in the consolidated statements of comprehensive income) from its other related parties namely, Ayala Land Inc., Ayala Property Management Corporation, Bank of the Philippine Islands, Manila Water Company, Inc., Integrated Microelectronics, Inc., Stream Global Services, Inc., HR Mall Inc., Honda Cars, Inc., Isuzu Automotive Dealership, Inc., Accendo Commercial Corp., Affinity Express Philippines, Inc., Alveo Land Corp., Asian IOffice Properties, Inc., Avida Land Corp., Avida Sales Corporation, Ayala Hotels, Inc., Ayala Plans, Inc., Ayala Systems Technology, Inc., Cebu Holdings, Inc., Makati Development Corp., myAyala.com, Inc., North Triangle Depot Commercial Corp., PSI Technologies, Inc., Roxas Land Corp, Serendra, Inc., Station Square East Commercial Corp., Ten Knots Development, KHI ALI Manila, Inc., Lagoon Development Corp., Subic Bay Town Center, Inc., Ayala Aviation Corporation, Laguna AAA Water Corp., Liveit Solution, Inc., Liveit Investments, Ltd., Integreon, Inc., Arvo Commercial Corp., Amaia Land Corp., Michigan Power, Philippine Intergrated Energy Solutions, Inc., Southcrest Hotel Ventures, Inc., Bonifacio Hotels and Crestview E-Office.

The balances with other related parties are recorded under the following accounts:

(In Thousand Pesos)	2015	2014	2013
Cash and cash equivalents	₱1,621,045	₱1,385,635	₱166,074
General, selling and administrative expenses	208,351	171,873	346,280
Property and Equipment	59,417	64,300	60,437
Revenues	509,715	479,923	439,702
Accounts payable and accrued expenses	23,527	15,454	72,440
Subscriber receivables (included in "Receivables" account)	204,226	218,837	212,391

The balances under "General, selling and administrative expenses" and "Property and equipment" accounts consist of expenses incurred on rent, utilities, customer contract services, other miscellaneous services and purchase of vehicles, respectively.

These related parties are either controlled or significantly influenced by AC.

Transactions with Key Management Personnel of the Globe Group

The Globe Group's compensation of key management personnel by benefit type are as follows:

(In Thousand Pesos)	2015	2014	2013
Short-term employee benefits	P185,000	P237,100	P157,272
Share-based payments	31,282	9,649	15,151
Post-employment benefits	52,960	30,466	18,090
	P269,242	P277,215	P190,513

There are no agreements between the Globe Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Globe Group's retirement plans.

The Globe Group has no non-interest bearing short-term loans to its key management personnel in 2015 and 2014, respectively.

The summary of balances arising from related party transactions for the relevant financial year (in thousands) are presented in the next pages:

2015

	Amount/Volume		Outstanding Balance				Terms	Conditions
	Revenues	Cost and Expenses	Property and Equipment (Note 7)	Cash and Cash Equivalents (Note 30)	Amounts Owed by Related Parties	Amounts Owed to Related Parties		
Entities with joint control over Globe Group								
AC	₱19,338	₱48,743	₱-	₱-	₱12,215	₱50	Interest-free, settlement in cash	Unsecured, no impairment
Singtel	675,289	132,527	-	-	22,824	66,952	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities								
BMPL	-	18,681	-	-	-	3,113	Interest-free, settlement in cash	Unsecured, no impairment
BPI Globe BankO	8,965	-	-	-	7,468	-	Interest-free, settlement in cash	Unsecured, no impairment
Associate								
Yondu	40,961	39,317	-	-	318,711	373,538	Interest-free, settlement in cash	Unsecured, no impairment
Other related parties								
GGRP	49,071	-	-	-	968,000	-	3 years, 5%, settlement in cash	Unsecured, no impairment
BHI	8,041	-	-	-	158,620	-	3 years, 5%, settlement in cash	The ₱250.00 million is covered by a pledge agreement while the ₱ 45.00 million is fully secured by chattel mortgage agreement
BEAM	-	190,000	-	-	-	-	Interest-free, settlement in cash	-
Altimax	-	24,847	-	-	-	-	Interest-free, settlement in cash	-
Key management personnel	-	269,242	-	-	-	-		Unsecured, no impairment
Others	509,715	208,351	59,417	1,621,045	204,226	23,527	Interest-free, excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
Total	₱1,311,380	₱931,708	₱59,417	₱1,621,045	₱1,692,064	₱467,180		

2014

	Amount/Volume			Outstanding Balance			Terms	Conditions
	Revenues	Cost and Expenses	Property and Equipment (Note 7)	Cash and Cash Equivalents (Note 30)	Amounts Owed by Related Parties	Amounts Owed to Related Parties		
Entities with joint control over Globe Group								
AC	₱18,990	₱37,135	₱-	₱-	₱9,662	₱755	Interest-free, settlement in cash	Unsecured, no impairment
Singtel	671,989	243,871	-	-	79,191	146,759	Interest-free, settlement in cash	Unsecured, no impairment
Jointly controlled entities								
BMPL	-	23,765	-	-	-	2,367	Interest-free, settlement in cash	Unsecured, no impairment
BPI Globe BankO	6,812	-	-	-	7,160	-	Interest-free, settlement in cash	Unsecured, no impairment
Associate								
BTI	504,671	5,000	-	-	4,443,956	80,334	Loan receivable - 20 years, 9.60% to 11.55%; lease capacity provisioning - interest-free, settlement in cash	Unsecured, no impairment
Other related parties								
GGRP	68,015	-	-	-	968,000	-	3 years, 5%, settlement in cash	Unsecured, no impairment
BHI	11,304	-	-	-	158,620	-	3 years, 5%, settlement in cash ,	The ₱250.00 million is covered by a pledge agreement while the ₱ 45.00 million is fully secured by chattel mortgage agreement.
BEAM	-	155,000	-	-	-	-	Interest-free, settlement in cash	-
Altimax	-	40,880	-	-	-	-	Interest-free, settlement in cash	-
Key management personnel	-	277,215	-	-	-	-	Interest-free, excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
Others	479,923	171,873	64,300	1,385,635	218,837	15,454	Interest-free, excluding cash and cash equivalents, settlement in cash	Unsecured, no impairment
Total	₱1,761,704	₱954,739	₱64,300	₱1,385,635	₱5,885,426	₱245,669		