



**EAGLE CEMENT CORPORATION
CORPORATE GOVERNANCE POLICIES**

Approved and adopted by the Board of Directors on 02 May 2019

I. RIGHTS OF SHAREHOLDERS

Eagle Cement Corporation (the "Corporation") recognizes that the backbone of its success and operations is comprised of its shareholders and investors. As such, the Corporation places great importance on the welfare of its shareholders and always seeks to ensure that the rights of each of its shareholder are always protected. Therefore, the following provisions are manifestations of these principles, for the guidance of parties within and without the Corporation.

A. The Board of Directors of the Corporation shall be committed to respecting the following rights of the shareholders as mandated by the Revised Corporation Code of the Philippines and the Corporation's Articles of Incorporation:

1. Right to Vote

Shareholders shall have right to vote on all matters that require their consent or approval pursuant to the relevant provisions of the Revised Corporation Code, as well as the Articles of Incorporation, By-Laws and all resolutions adopted by the Board.

The common shares of the Corporation have full voting rights. Each common share entitles the holder to one (1) vote. The directors of the Corporation are elected by the shareholders at the meeting of the annual shareholders. Cumulative voting is allowed whereby a shareholder may cumulate his votes by giving one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares. Voting rights cannot be exercised with respect to shares declared delinquent, treasury shares, or if the shareholder has elected to exercise his appraisal rights.

Preferred shares issued by the Corporation are non-voting. However, under the Revised Corporation Code, non-voting shares are nevertheless entitle to vote on the following instances: (i) amendment of the articles of incorporation of the Corporation, (ii) adoption and amendment of by-laws, (iii) sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the property of the Corporation, (iv) incurring, creating or increasing bonded indebtedness, (v) increase or decrease of capital stock, (vi) merger or consolidation of the Corporation with another corporation or corporations, (vii) investment of corporate funds in another corporation or business in accordance with the Corporation Code, and (viii) dissolution of the Corporation.

2. Right of Inspection over Corporate Books and Records

Shareholders shall have the right to inspect the records of all business transactions of the Corporation and the minutes of any meeting of the Board and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. However, such right may be restricted or denied by the Board:

- a. If the requesting shareholder improperly used information secured from prior examination;
- b. If the requesting shareholder is not acting in good faith;
- c. If the requesting shareholder does not have a legitimate purpose for inspecting the records;
- d. If the Board determines it necessary to safeguard the rights and legitimate interest of the Company such as when the records to be inspected contain sensitive or

- confidential information or are covered by a confidentiality or non-disclosure obligation which will be breached by the Company if such records were made available for inspection; or
- e. For any other purpose or reason recognized under the Revised Corporation Code and jurisprudence.

3. Right to Information

Shareholders shall have the right to information which is required to be disclosed by the Corporation pursuant to the Revised Corporation Code, the Securities Regulation Code, and all other applicable laws or regulations.

4. Right to Make Proposals on Meetings

Shareholders, whether majority, minority or foreign, has the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.

5. Appraisal Right

Shareholders shall have the right to appraisal, or the right to dissent and demand payment corresponding to the fair value of their shares, in accordance with and in the instances provided under Section 80 of the Revised Corporation Code, to wit:

- a. In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any shareholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
- c. By the dissenting shareholders, when the Corporation enters into a merger or consolidation; or
- d. In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.

6. Right to Financial Statements

Shareholders shall have the right to be furnished with the most recent financial statement of the Corporation, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the directors are required to present to the shareholders a financial report of the operations of the Corporation for the preceding year, which shall include financial statements duly signed and certificate by an independent certified public accountant.

7. Right to Dividends

Shareholders shall have the right to dividends, subject to the provisions of the Revised Corporation Code, as well as the Articles of Incorporation, By-Laws and Dividend Policy adopted by the Board.

In relation to such right, the Corporation shall endeavor to comply with the legal requirement of declaring dividends in case the retained earnings of the Corporation shall exceed one hundred percent (100%) of its paid-in capital stock; Provided, however, that the retention may exceed one hundred percent (100%) in the following instances:

- a. When the retention is justified by a definite corporate expansion project duly approved by the Board;
- b. When the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or
- c. When it can be clearly shown that the retention is necessary under special circumstances, such as when there is a need for a special reserve for probable contingencies that must be met by the Corporation.

B. Denial of Pre-Emptive Right – There shall be no pre-emptive rights with respect to:

1. shares of stock to be issued, sold or otherwise disposed of by the Corporation;
2. the issuance of any class of shares in payment of a previously contracted debt or equity-linked debt, or shares issued in exchange for property needed for corporate purposes;
3. the issuance of shares out of unissued capital stock or from any increase in the authorized capital stock of the Corporation;
4. re-issuance or disposition of treasury shares; and
5. any other issuance or disposition of the shares of the Corporation.

C. The Board shall ensure that basic shareholder rights are disclosed, not only in the Manual on Corporate Governance, but also on the Corporation's website.

D. The Board shall be transparent and fair in the conduct of the annual and special shareholders' meetings of the Corporation. The shareholders are to be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the shareholder's favor.

E. It is the duty of the Board to promote the rights of the shareholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

F. The Board shall take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the shareholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

G. The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.

- H. The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be available on the Company website within five business days from the end of the meeting.
- I. The Corporation shall have an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO shall be present at every shareholders' meeting.
- J. The Office of the Corporate Secretary shall address concerns of stockholders and potential disputes between the corporation and stockholders.

II. BOARD OF DIRECTORS AND OFFICERS

A. SCREENING, NOMINATION AND ELECTION OF DIRECTORS¹

1. Any stockholder, whether a majority or minority stockholder, shall have the right to nominate candidates for seats in the Board of Directors, provided, the nominee possesses all the qualifications and none of the disqualifications of Directors, as prescribed in the Company's By-Laws and relevant laws.
2. All nominations shall be signed by the nominating stockholder together with the acceptance and conformity by the would-be nominees, shall be in writing, and shall be served personally or mailed to the Nomination and Remuneration Committee to ensure receipt within fifteen (15) calendar days from the announcement of the date of scheduled meeting for the election of Directors. Such nomination shall be addressed to the Nomination and Remuneration Committee, and personally served or mailed to the principal office of the Corporation.
3. Such nominees shall be further subject to screening by the Nomination and Remuneration Committee, which shall prepare a Final List of Candidates.
4. The Nomination and Remuneration Committee, in evaluating the suitability of individual board members and promoting diversity in the composition of the board, should consider whether the nominees are fit and proper, as well as other relevant qualifications of every candidate nominated for election, such as:
 - a. Physical/mental fitness;
 - b. Relevant educational and professional background;
 - c. Personal track record;
 - d. Experience/training;
 - e. Willingness to serve;
 - f. Interest to remain engaged and involved without undue prejudice to race, gender, ethnic origin, religion, age, or sexual orientation.
5. For the re-election of incumbent directors, the Nomination and Remuneration Committee shall also consider:

¹ Articles 3.2, 4.3.b, 5.2.d, 7.4.c(ii), and 9, Eagle Cement Corporation (ECC) Manual on Corporate Governance.

- a. The results of the most recent self-assessment and peer evaluation of the Board, as well as the Shareholder feedback of the director concerned, if either are available;
 - b. Director's attendance record in meetings;
 - c. Participation in Board activities.
6. A current or former partner or employee of the Company's current external auditing firm will not be qualified for nomination as a member of the Board.
7. The committee may utilize the services of external search firms or other external sources in evaluating the nominees to the Board.

B. REMUNERATION OF DIRECTORS²

1. The Board of Directors shall have the sole authority to determine the amount, form and the structure of the fees and other compensation of the Directors ensuring that the level of compensation should fairly pay for the scope of work required.
2. Each Director shall be entitled to a reasonable per diem, as may be determined by the Board.
3. No Director shall participate in discussions or deliberations involving his own remuneration.
4. All fixed and variable compensation that may be paid, directly or indirectly, to the Directors and top four management during the preceding year shall be disclosed to stockholders in the Company's annual reports.

C. EVALUATION³

1. The Board shall conduct an annual self-assessment and peer-evaluation in order to evaluate performance during the preceding year. The self-assessment and peer-evaluation forms shall be provided any time prior to the annual shareholders meeting.
2. The annual self-assessment and peer evaluation shall focus on qualitative performance, and shall be based on the following criteria:
 - a. *Accountability and governance* (i.e. Effectiveness of Board meetings, effectiveness of individual directors in meetings).
 - b. *Board operations* (i.e. length of meetings; availability of written record of Board policies and decisions; organization of annual Board calendar; presence and compliance with the Board manual; training and development of company management; procedure for Board training and development; effectiveness of committee structure).
 - c. *Compliance with legal responsibilities* (i.e. degree of information of Board; Board knowledge of articles, by-laws, and policies; effectiveness of review of articles, by-

² *Id.*
³ *Id.*

laws, and policies; presence and compliance with policies on Board ethics and conflict of interest).

- d. *Financial Overview* (i.e. financial policies are reviewed and updated; capital and operating budgets are reviewed and approved annually; Board receives and reviews financial reports regularly; procedure for annual audit).
 - e. *Planning* (i.e. mission and vision of company; presence and approval of annual business plan; information on the business and market environment).
 - f. *Relation with management* (i.e. effectiveness on focus on goals and results and delegation of day-to-day decisions, methods, to management; provision of personnel guidelines).
3. The results of the annual self-assessment and peer evaluation shall be consolidated and discussed by the Corporate Governance Committee, which shall provide a report thereon, prior to discussion by the Board and notation.

D. RETIREMENT⁴

1. Elected members of the Board shall serve for a one-year term, and until their successors are elected.
2. No person eighty-five (85) years of age or older shall be eligible for election, re-election, appointment, or re-appointment as a member of the Board.

E. SUCCESSION PLANNING PROGRAM

An effective succession planning program for directors, key officers and management ensures achievement of the Company's vision and mission.

The Company shall have a management development program which identifies, evaluates and assesses individuals who, in the future, can potentially succeed in top key management positions. To this end, the Company shall adhere to the following process:

1. Continuous identification of mission critical and key positions in the Company;
2. Develop the competencies required for the key positions as primary criteria for selection;
3. Identify and assess internal candidates for key and critical positions. All candidates shall undergo a comprehensive and fair assessment for competency, achievement and potential.
4. Conduct continuous leadership and other relevant trainings to ensure a continuous pipeline of successors for key positions.
5. Prepare a succession map which contains the key and critical positions and the possible candidates for each position. There shall be an annual assessment to ensure that the succession map is updated and to consider the changing external environment factors thereby aligning business strategy.
6. Ensure that all stakeholders are committed to the development of the pool of candidates by spending time and resources to achieve the same.

⁴ Article 5.2.c, ECC Manual on Corporate Governance.

7. Develop a monitoring and evaluating system on the implementation of the succession plan.

The Management shall periodically report to the Nomination and Remuneration Committee on the progress of the Management Development Program.

III. DISCLOSURE POLICIES

1. The reports or disclosures required under the Corporation's Corporate Governance Manual and related Policies shall be prepared and submitted to the Board by the responsible committee or officer.
2. All material information about the Corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders shall be disclosed publicly and in a timely manner, in accordance with existing laws, rules, and regulations.
3. All disclosed information shall be released in accordance with the Consolidated Listing and Disclosure Rules of the Philippine Stock Exchange (PSE), as well as through the annual report.
4. The Board shall always commit to the full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate mechanisms of the PSE for listed companies and submissions to the Securities and Exchange Commission (SEC), for the interest of its stockholders and other stakeholders.
5. The Corporation shall comply with the requirements of SEC Memorandum Circular No. 4 on Sustainability Reporting Guidelines for Publicly-Listed Companies dated 15 February 2019, starting with its 2019 Annual Report for submission in 2020.

IV. INSIDER TRADING

The Company shall follow the provisions of the Securities Regulations Code on insider trading and shall implement policies and procedures to prevent the unauthorized disclosure or misuse of material, non-public information in securities trading to ensure adherence to the principles of good corporate governance.

All Directors, officers and employees of the Company who are considered as "insiders", as defined under the Securities Regulations Code, while in possession of material non-public information, as defined under Chapter VII of the Securities Regulations Code, including any other person who learns of such material non-public information, are prohibited from either buying/selling the Company's securities or to engage in any other action to take advantage of, or pass on to others, such information.

Any change in the shareholdings of the Company's officers and directors resulting from open market transactions are reported to the Securities and Exchange Commission, the Philippine Stock Exchange, and Philippine Dealing & Exchange Corp. within prescribed deadlines.