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SECURITIES AND EXCHANGE COMMISSION

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SEC Registration Number

E A G L E C E M E N T C O R P O R A T I O N

(Company's Full Name)

2 / F S M I T S C O R P O R A T E C E N T E R ,
N O . 1 5 5 E D S A , B A R A N G A Y W A C K - W A C K ,
M A N D A L U Y O N G , C I T Y

(Business Address: No. Street City/Town/Province)

Atty. Maria Farah Z.G. Nicolas-Suchianco

(Contract Person)

(02) 5301-3453

(Company Telephone Number)

1 2 3 1
Month Day
(Fiscal Year)

Related Party Transactions Policy

(Form Type)

0 6 1 8
Month Day
(Annual Meeting)

Securities registered pursuant to
Sections 8 and 12 of the SRC or
Sections 4 and 8 of the RSA

(Secondary License Type, If Applicable)

MSRD

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Not Applicable

Amended Articles Number/section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number


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REVISION HISTORY		
Rev. No.	Effective Date	Details of Revision
00	03 May 2018	Initial Release
01	01 August 2019	Inclusion of Material Related Party Transactions Policy

1. INTRODUCTION

This policy aims to:

- a. Define related party relationships and transactions and set out the guidelines, categories and thresholds that will govern the review and approval of these transactions by the Board of Directors (Board) and/or ratification by the Shareholders; and
- b. Ensure that related party relationships have been accounted for and disclosed in accordance with Philippine Accounting Standards 24 on Related Party Disclosures (“PAS 24”) and the Rules of the Securities and Exchange Commission (“SEC” or the “Commission”) on Material Related Party Transactions (as amended on 01 August 2019).

2. STATEMENT OF POLICY

This Policy requires that all transactions between Eagle Cement Corporation (the “Corporation” or “Company”), its subsidiaries, affiliates and other related entities or persons (as defined in item 3) are made on an arm’s length basis.


The Audit and Related Party Transaction Committee (the “Committee”) is responsible to vet the propriety of Related Party Transactions (RPTs) in accordance with the transaction threshold provided in item 5.3 hereof, and submit the same for Board approval.

The Board shall review and approve all material RPTs (as defined in item 3), as well as any renewal or material changes in the terms and conditions of material RPTs previously approved (as amended on 01 August 2019).

3. DEFINITIONS

3.1 **Related party** – a person or entity that is related to the entity that is preparing its financial statements, also referred to herein as the ‘reporting entity’.

- a. Related parties cover the reporting entity’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 the reporting entity.
 - i. Reporting entity’s directors include the executive, non-executive, and independent directors.
 - ii. Reporting entity’s officers include, but not limited to: the President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Compliance


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Officer, Corporate Secretary, Chief Risk Officer, Chief Audit Executive, and all other officers provided in the reporting entity's by-laws.

- iii. Reporting entity's substantial shareholders shall include any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security. A person shall be deemed to have an indirect beneficial ownership interest in any security which is:
 - (1) held by members of his immediate family sharing the same household;
 - (2) held by a partnership in which he is a general partner;
 - (3) held by a corporation in which he is a controlling shareholder;
 - (4) subject to any contract, arrangement or understanding which gives him voting power or investment power with respect to such securities.

- b. Related parties also cover reporting the reporting entity'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.
 - i. Parent company of the reporting entity shall refer to the entity that exercises control over the reporting entity, including the ultimate parent of the reporting entity. A person or an entity controls a reporting entity if and only if the person or entity has all of the following:
 - (1) Power over the reporting entity;
 - (2) Exposure, or rights, to variable returns from its involvement with the reporting entity; and
 - (3) The ability to use its power over the reporting entity to affect the amount of the reporting entity's returns.
 - ii. Subsidiary shall refer to an entity that is controlled, directly or indirectly, by the reporting entity.
 - iii. Fellow subsidiary of the reporting entity includes entities under the control of the reporting entity's parent company.
 - iv. Associate shall refer to an entity over which the reporting entity holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the reporting entity has significant influence.
 - v. Affiliate shall refer to an entity linked directly or indirectly to the reporting entity through any one or a combination of any of the following:
 - (1) 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 the reporting entity, or vice-versa;
 - (2) Interlocking directorship or officership, except in cases involving independent directors as defined under the Securities Regulations Code (SRC) and its implementing rules and regulations;
 - (3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the reporting entity and the other entity; or
 - (4) Management contract or any arrangement granting power to the reporting entity to direct or cause the direction of management and policies of the other entity, or vice-versa (as amended on 01 August 2019).

3.2 Significant influence – the power to participate in the financial and operating policy and purchasing decisions of an entity, but has no control or joint control of those policies. Significant influence may be gained by share ownership, statute or agreement (as amended on 01 August 2019).

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3.3 **Related party transactions** – a transfer of resources, services or obligations between a reporting entity 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 *(as amended on 01 August 2019)*.

3.4 **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 ten percent (10%) or higher of a company's total assets based on its latest audited financial statements. If the reporting entity is a parent company, the total assets shall pertain to its total consolidated assets *(as amended on 01 August 2019)*.

3.5 **Related Party Registry** – a record of the organizational and structural composition, including any change thereon, of the company and its related parties *(as amended on 01 August 2019)*.

4. DISCLOSURE OF RELATED PARTY TRANSACTIONS BY DIRECTORS AND OFFICERS

4.1 All directors and officers of the Corporation and its subsidiaries are required to promptly disclose any business and family-related transactions to the Corporation and/or its subsidiaries to ensure that potential conflicts of interest and related party transactions are surfaced and brought to the attention of the management and the Committee.

4.2 The Corporation also ensures that its independent directors hold no conflict of interest with the Corporation.


4.3 Independent directors are required to submit to the Corporate Secretary a letter of confirmation stating that they hold no interest in companies affiliated with the Corporation and the management or controlling shareholders of the Corporation and its suppliers and clients at the time of their election or appointment and/or reelection as independent directors.

4.4 The Corporation requires directors and members of the key management team to abstain and/or inhibit themselves from participating in discussions on a particular agenda when they are conflicted.

5. IDENTIFICATION, REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

5.1 Prior to the commencement of a related party transaction that exceeds the Management's approval threshold as provided in item 5.3, the Management shall send a report to the Committee. The RPTs can and shall be discussed further in the Committee meetings. The report should cover the following:

- a. The terms, business purpose, benefits and other details of the related party transaction;
- b. The nature of the relationship of the party or parties involved in the transaction in relation to the Corporation;
- c. The description of the transaction, including the affected periods to be disclosed in the financial statements, including the amounts, and such other information necessary for

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better understanding of the effect of the proposed transaction in the financial statements, which may include the amounts due to or from related parties to the transaction, if any, and the terms and manner of settlement.

5.2 The Committee shall review all the information reported by Management and shall consider all of the relevant facts and circumstances available, including but not limited to the following:

- a. The terms of the transaction, which should be fair and to the best interest of the Corporation and no less favorable than those generally available to non-related parties under the same or similar circumstances;
- b. The aggregate value of the related party transaction;
- c. Availability of other sources of comparable products or services;
- d. Extent of the Related Party's interest in the transaction;
- e. Whether the related party transaction would present an improper conflict of interests or special risks or contingencies for the Corporation, or the Related Party taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the nature of any proposed relationship;
- f. Any other relevant information regarding the transaction.

5.3 The vetting—before their commencement—and approval of related party transactions shall be in accordance with the thresholds provided below:

Transaction/Contract Value	For Vetting by and Approval of
Below PhP 200 Million	Management
PhP 200 Million and above	Vetted by the Committee, for approval of the Board

5.4 RPTs vetted by the Committee shall be submitted and presented to the Board for approval in accordance with the provisions of Item 6 of this Policy, before the execution of such RPTs (as amended on 01 August 2019).


5.5 The Board may, at objections, require that a related party transaction that it has approved, be also submitted to the stockholders for consideration and ratification.

6. MATERIAL RELATED PARTY TRANSACTIONS POLICY

6.1 **Related Parties** – The Related Party Transactions Officer shall prepare and keep a Related Party Registry which shall include the related parties of the Corporation. The Management shall perform a quarterly review and update of the Related Party Registry to capture organizational and structural changes in the Corporation and its related parties.

6.2 **Coverage of Material RPT Policy** – The provisions of this item 6 shall cover all transactions meeting the materiality threshold as defined in item 3.4above.

Provided, that, transactions amounting to ten percent (10%) or more of the total assets 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 this material RPT Policy.

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Provided, however, that any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the nonrelated party becomes a related party shall subject the material RPT to the requirements of this material RPT Policy. Provided, finally, that that such transactions shall, in all instances, be conducted on an arm's length basis.

6.3 **Adjusted Thresholds** – The Board may, from time to time, set a threshold lower than the materiality threshold provided in items 3.4 and 5.3 above upon determination of the risk of the RPT to cause damage to the Corporation and its shareholders. The adjusted threshold, when applicable, shall be deemed incorporated in this policy.

6.4 **Identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with material RPTs** – The Management and the Board shall identify and prevent or manage any potential or actual conflicts of interest which may arise out of or in connection with the material RPTs.

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 Corporation. In case of refusal to abstain, 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.

6.5 **Guidelines in ensuring arm's length terms** – All transactions with related parties shall be made on an arm's length basis.


a. The Management and the Board shall ensure that no preferential treatment shall be given to related parties that are not extended to non-related parties under similar circumstances.

b. Before the execution of the material RPT, the Board shall 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.

c. The Board may utilize price discovery mechanisms to ensure that transactions are engaged into at terms that promote the best interest of the Corporation and its shareholders. The price discovery mechanism may include, but is not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.

6.6 **Approval of material RPTs** – All individual material RPTs shall be approved by at least two-thirds (2/3) vote of the Board, 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 of ten percent (10%) of the Corporation's total assets, the same board

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approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

- 6.7 Self-assessment and periodic review of material RPT Policy** – The internal audit shall conduct a periodic review of the effectiveness of the Corporation's system and internal controls governing material RPTs to assess consistency with the board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Committee.

The Corporation's Compliance Officer shall ensure that the Corporation 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 Corporation'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 Corporation.

- 6.8 Disclosure requirement of material RPTs** – The members of the Board, substantial shareholders, and officers shall fully disclose to the Board all material facts related to material RPTs as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the Corporation. 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.

- 6.9 Whistle blowing mechanisms** – All stakeholders are encouraged to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable material RPTs. Legitimate material concerns may be reported through the following channels:


Reporting Channels:

1. Face-to-face meeting
2. E-mail: exe.ofc@eagle-cement.com.ph
3. Telephone: (02) 5301-3453 loc. 106
4. Cell phone: 0917 8776608
5. Mail: 2/F SMITS Corporate Center
155 EDSA, Brgy. Wack-Wack, Mandaluyong City

Or to the Audit and Related Party Transaction Committee

Attention to: The Related Party Transaction Officer
2/F SMITS Corporate Center
155 EDSA, Brgy. Wack-Wack, Mandaluyong City

All transactions reported by a whistle-blower shall be investigated and addressed by an objective independent internal or external body, the Corporation's senior management and/or the Board itself.

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6.10 **Remedies for abusive material RPTs** – The objective independent internal or external body, the Corporation’s senior management and/or the Board, as the case may be, shall impose upon the Corporation’s personnel, officers or directors who have been remiss in their duties in handling material RPTs in accordance with company policies, such penalties as may be necessary to cut losses and allow recovery of losses or opportunity costs incurred by the Corporation arising out of or in connection with abusive material RPTs, without prejudice to filing of appropriate charges to recover such losses.

Abusive material RPTs refer to material RPTs that are not entered at arm's length basis and unduly favor a related party.

Pursuant to Sections 26 and 27 of the Revised Corporation Code, an interested director or officer of a corporation shall be disqualified from being a director, trustee or officer of any other corporation on the basis of a final judgment rendered by a court of competent jurisdiction against the interested director or officer for abusive material RPTs. The disqualification shall be for a period of at least one (1) year or more, as may be determined by the SEC.

The imposition of the foregoing penalties shall be without prejudice to any other administrative penalties that may be imposed by the Commission, and/or civil or criminal penalties, as may be provided by the Revised Corporation Code of the Philippines, SRC, and other related laws (as amended on 01 August 2019).

7. DISCLOSURE


7.1 Related party transactions will be disclosed in the relevant financial reports of the Corporation as required under PAS 24 on Related Party Disclosures and other or updated applicable disclosure requirements.

7.2 The Corporation shall submit to the SEC a summary of material RPTs entered into during the reporting year which shall be disclosed in the Corporation's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every May 30.

7.3 Advisement Report of any material RPT shall be filed to the SEC within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Corporate Secretary or authorized representative.

7.4 At a minimum, the disclosures in both items 7.2 and 7.3 above shall include the following information:

- a. complete name of the related party;
- b. relationship of the parties;
- c. execution date of the material RPT;
- d. financial or non-financial interest of the related parties;
- e. type and nature of transaction as well as a description of the assets involved;
- f. total assets (consolidated assets, if reporting entity is a parent company);
- g. amount or contract price;
- h. percentage of the contract price to the total assets of the reporting entity;
- i. carrying amount of collateral, if any;


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- j. terms and conditions;
- k. rationale for entering into the transaction; and
- l. the approval obtained (i.e., names of directors present, name of directors who approved the material RPT and the corresponding voting percentage obtained) (as amended on 01 August 2019).

8. REVIEW OF THE POLICY

The Committee shall periodically review this Policy and may recommend amendments to this Policy as it deems appropriate.

The foregoing Policy was originally adopted and approved by the Board of Directors on 03 May 2018, and amended on 01 August 2019.

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SIGNATURE

Pursuant to the requirements of SEC Memorandum Circular No. 10 Series of 2019, the Corporation has duly caused this Related Party Transactions Policy to be signed on its behalf by the undersigned hereunto duly authorized.


RAMON S. ANG
Chairman


FABIOLA B. VILLA
Compliance Officer

Date: 28 OCT 2019