

# Consistency

The 2020 Annual and Sustainability Report





Our cement is held to the highest standards of strength, elasticity, hardness, and workability. Consistency is critical—it must be able to perform at all times, in all conditions. The same can be said of the Company that stands proudly behind it.

2020 was a challenging year for the cement industry, but Eagle Cement, built on a solid foundation and supported by strong pillars of sustainability, has performed consistently well and is ready to rebuild.

Consistency

The 2020 Annual and Sustainability Report

GRI 102-1, GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-6, GRI 102-9  
About the Company

Eagle Cement Corporation (Eagle Cement or the Company) is a fully-integrated company primarily engaged in the business of manufacturing, marketing, selling and distributing cement. Eagle Cement is the fourth largest cement player in terms of sales volume in the Philippines since 2014. It started its commercial operations in 2010.

Eagle Cement was incorporated and registered with the Securities and Exchange Commission (SEC) on June 21, 1995. The Company's common shares are listed on the Philippine Stock Exchange (PSE) via initial public offering on May 29, 2017. Eagle Cement is a 60.21%-owned subsidiary of Far East Holdings, Inc. (formerly Far East Cement Corporation).

The competitive strength of Eagle Cement is founded on its end-to-end production strategy, which seamlessly integrates critical raw material sourcing with modern manufacturing technology resulting in one of the most efficient cement manufacturing operations in the country. Eagle Cement owns the single largest integrated plant in terms of annual cement output in the Philippines, through its primary cement production facility located in Brgy. Akle, San Ildefonso, Bulacan. The Bulacan Cement Plant consists of three integrated production lines with a combined annual cement production capacity of 7.1 million metric tonnes (MMT) or approximately 180 million bags per annum. This is inclusive of the 12 million bags of cement per annum produced by its grinding and packaging facility in Limay, Bataan. The cement plant is strategically located near demand-centric areas and in close proximity to its raw materials.

The Company offers Type 1P or bagged cement and Type 1 or bulk cement products. Type 1P is sold under "Eagle Cement Advance" brand and is used for general construction applications such as floorings and plastering as well as the production of concrete products like hollow blocks, culverts and concrete pipes. Meanwhile, Type 1 is sold under "Eagle Cement Strongcem" brand and is used for cement and concrete applications that require higher compressive and early strength development such as concrete slabs, foundations and matting in high-rise buildings and infrastructures like roads and bridges. Eagle Cement currently distributes its products only in the Luzon region, particularly in National Capital Region and in Regions I, II, III and IV-A.

Eagle Cement has two wholly-owned subsidiaries, namely, South Western Cement Corporation (SWCC) and KB Space Holdings, Inc. (KSHI). SWCC is primarily engaged in the business of manufacture and sale of cement and its by-products and owns mineral rights in Malabuyoc, Cebu. KSHI is a land-holding company that owns several parcels of prime commercial land in Mandaluyong City, Metro Manila.

GRI 102-16  
Vision

Our vision is to be no. 1 in the building materials industry and to improve people's quality of life through our products.

Mission

We will achieve this by being efficient, flexible, innovative, and compliant in observing strict safety and quality standards as we create a lasting brand.

## Values



D Discipline

- We strive to cultivate a workplace in which unified set of standards are set for everyone in the organization to meet.
- We commit to abide by legal and statutory requirements and strictly adhere to the Company's rules and regulations in everything we do.



I Integrity

- We conduct all aspects of our business with honesty and honor
- We hold ourselves and each other accountable all the time.
- We always act for the Company's best interests as if we are its owner.



R Respect for People

- We will treat all people with courtesy, dignity, and respect.
- We foster a culture where people are empowered to communicate fearlessly to build trust.
- We encourage directness and candor so that people and ideas thrive.



E Excellence

- We strive to deliver our best in everything that we do.
- We drive change and continuous improvement with vigor, believing that there is always a better way.



C Customer Focus

- We are consistent and driven in delivering outputs to our internal and external customers by meeting or exceeding their needs and expectations with a high sense of urgency.



T Teamwork

- We recognize and value that everyone contributes to the success of the team.
- We bring together our knowledge, experience, and skills to achieve common goals and to maximize our individual contributions.

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*Holding together, standing apart*



# EAGLE CEMENT BY THE NUMBERS

**1** Cement Plant  
in San Ildefonso, Bulacan

**1** Grinding Plant  
in Limay, Bataan

**4** Distribution Centers  
(Cavite, Batangas, Parañaque and Pangasinan)

**5** Regions Served  
(NCR, Regions I, II, III, and IV)

**18** Areas of Distribution

- Aurora
- Bataan
- Batangas
- Bulacan
- Cagayan Valley
- Cavite
- Isabela
- Laguna
- Mindoro
- NCR
- Nueva Ecija
- Nueva Vizcaya
- Pampanga
- Pangasinan
- Quezon Province
- Rizal
- Tarlac
- Zambales

**4th** Largest Cement Player in the Philippines



Integrated Production Lines in a single plant



Million Metric Tonnes  
(180 Million cement bags)  
Total Annual Cement Capacity

*\*including Grinding Plant in Limay, Bataan*



Million Metric Tonnes  
Total Annual Clinker Capacity

**₱49.7Bn** Total Assets

**₱13.9Bn** Net Sales

**₱10.9Bn** Total Liabilities

**₱5.6Bn** EBITDA

**₱38.7Bn** Total Stockholders' Equity

**₱3.4Bn** Net Income

# PERFORMANCE HIGHLIGHTS

Financial Highlights  
(in Million Php)

## Net Sales

2020 **13,906**

2019 **19,824**

2018 **16,522**

## EBITDA

2020 **5,571**

2019 **7,932**

2018 **6,823**

## EBIT

2020 **4,524**

2019 **6,979**

2018 **6,112**

## Net Income

2020 **3,391**

2019 **6,015**

2018 **4,798**

# FINANCIAL HIGHLIGHTS

(in Million Php, except as indicated)

## Financial Position

### Cash and other Financial Assets

2020	16,169
2019	17,656
2018	16,359

### Total Assets

2020	49,659
2019	49,055
2018	45,464

### Total Interest Bearing Loans

2020	6,296
2019	7,354
2018	8,322

### Total Liabilities

2020	10,945
2019	11,724
2018	12,643

### Stockholder's Equity

2020	38,715
2019	37,331
2018	32,821

## Statement of Cash Flow

	2020	2019	2018
Net cash provided by operating activities	4,910	7,137	4,691
Net cash used in investing activities	(5,764)	(3,419)	(2,872)
Net cash provided by (used in) financing activities	(4,602)	(2,953)	(2,398)
Net increase in cash and cash equivalents	5,472	761	(562)
Capital Expenditure	1,599	2,380	2,582

## Financial Ratios

Current Ratio	4.14	4.40	4.17
Debt to Equity*	0.16	0.20	0.25
Net Debt to Equity	(0.26)	(0.27)	(0.24)
Return on Equity	0.09	0.17	0.15
Return on Assets	0.08	0.14	0.12

\*total interest bearing loans/equity

## Stock Information

Stock Price (Php/share)	14.48	14.86	15.46
52-week high	16.10	16.38	16.30
52-week low	5.90	14.00	13.90
Market Capitalization	72,400	74,300	77,300
Earnings per share	0.68	1.17	0.92
Book value per share	7.74	6.87	5.96

## Operating Highlights

Annual Cement Capacity (in MMT)	7.1	7.1	7.1
Annual Clinker Capacity (in MMT)	4.2	4.2	4.2
Integrated Production Lines	3	3	3
Distribution Centers	4	4	4
Regions Served	5	5	5

# SUSTAINABILITY HIGHLIGHTS

## Social Indicators



### Total Employees

2020	1,298
2019	2,751
2018	882

### Direct

2020	516
2019	517
2018	444

### Through Contractors

2020	782
2019	2,234
2018	438

### Fatalities

2020	0	2019	0	2018	1
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### Social Development and Management Program spending (in Million Php)

2020	4.98
2019	8.51
2018	7.79

### Corporate Social Responsibility spending (in Million Php)

2020	37.98
2019	19.31
2018	1.73

## Economic Value Distribution

in Million Php	2020	2019	2018
Direct economic value distributed	12,019	17,345	14,983
Operating costs	7,654	11,206	9,385
Employee wages and benefits	658	621	541
Dividends given to stockholders and principal and interest payments to loan providers	1,580	2,941	2,398
Taxes given to government	2,083	2,547	2,641
Investments to community	43	30	17

## Environmental Indicators

Water consumption (in cu.m.)	138,401	289,550	301,964
Fuel consumption** (in liters)	3,872,151*	5,361,853	5,671,663
Diesel	3,856,669	5,328,839	5,636,917
Gasoline	15,482	33,023	34,746
Reduction in GHG Emission (in TCO <sub>2</sub> e)	904,929	996,345	911,049
Clinker replacement (in TCO <sub>2</sub> e)	895,824	979,000	895,095
Solid wastes (in kg)	459,670	281,929	763,049
Planted area (in hectares)	137	130	116
% Recycled input materials	7.03%	7.17%	6.68%

\*restatement of information from 2020 SEC Form 17-A (Annual Report)

\*\*net of third-party haulers' diesel consumption

# EAGLE CEMENT MILESTONES

## 1995

Eagle Cement was incorporated in the Philippines and was registered with the SEC on June 21, 1995.

## 2006

Eagle Cement was registered with Board of Investments (BOI) as a new producer of cement on a pioneer status with non-pioneer incentives in December 2006.

## 2007

In October 2007, Eagle Cement started the construction of its first integrated production line (Line 1) in Bulacan with a total annual cement and clinker capacity of 2.6 MMT and 1.4 MMT, respectively.

## 2012

The Company launched its Eagle Cement Strongcem brand in the market in February 2012.

## 2011

This year marks Eagle Cement's first full-year commercial operations of Line 1.



## 2015

Eagle Cement acquired KB Space Holdings, Inc. in August 2015.

## 2014

In order to elevate the quality standards of Eagle Cement's operations and products to meet the requirements of its customers and stakeholders—while taking into account that quality is consistently improved as needed—the Company was awarded in June 2014 the ISO 9001 certification for the implementation of the Quality Management System. During the same year, Eagle Cement acquired the Limay Grinding Plant in Bataan.

## 2017

Eagle Cement launched the Eagle Cement Exceed brand in the market. On May 29, 2017, the Company debuted on the Philippine Stock Exchange via initial public offering under the ticker symbol "EAGLE".



## 2020

Despite the COVID-19 pandemic, Eagle Cement still posted a net profit of P3.4 billion, as it was able to recover in the second half of the year amid more relaxed lockdown restrictions imposed by the government. This year also marks the Company's 25th year of incorporation and a decade of commercial operations.



## 2010

In July 2010, the Eagle Cement Advance brand was launched in the market and made its mark in the cement industry. The Company's Line 1 was fully commissioned in November 2010. It was also granted an income tax holiday by the BOI for the Bulacan Cement Plant in December.



## 2013

Three years after the start of commercial operations of Line 1, Eagle Cement started the construction of its second fully-integrated production line (Line 2) in the same facility, adding 2.0 MMT of annual cement capacity. The Company also completed and commissioned its Waste Heat Recovery (WHR) facility in September 2013 with an equivalent power generation capacity of 6.8-megawatts, allowing a reduction in power consumption costs.



## 2016

In July 2016, Eagle Cement commenced its Line 2 commercial operations. During the same year, Eagle Cement started building its third integrated production line (Line 3) in Bulacan. In November, the Company was awarded with ISO certification for the implementation of Integrated Management System (IMS) for the Manufacture of Portland Cement and Blended Hydraulic Cement with Pozzolan. South Western Cement Corp. was acquired by the Company in December.



## 2019

Eagle Cement registered the highest sales volume since it started its commercial operations with the full-year contribution of its Line 3 in Bulacan.



## 2018

Eagle Cement's Line 3 started its commercial operations in May 2018 and was fully commissioned in December 2018. This line added 2.0 MMT bringing the Bulacan plant's total annual cement capacity to 7.1 MMT by end-2018.



## In a year like no other, we have delivered a resilient financial performance thanks in no small part to the extraordinary efforts of our employees.

Dear Fellow Shareholders,

In March 2020, the coronavirus spun of control, rendering countries unprepared for the disruption and dislocation that followed. The pandemic sharply altered economies, creating long-lasting economic damage and pushing millions of families below the poverty line. Philippine GDP contracted by 9.5%, its worst level since World War II.

Despite this, the Company's resilience and consistency in delivering results allowed us to bring this extremely challenging year to a fruitful close.

The scale of the crisis reminded us of how we can be helpful to our country and how we can use our business to lift the incomes, opportunities, and hopes of all Filipinos.

We mobilized quickly to respond to the urgent needs of our host and neighboring communities and extended financial help to our business partners wherever possible. The crisis has had unprecedented and severe impacts on all aspects of how we communicate, work, produce, trade, consume and live. Yet we embraced work from home and, during the peak of the construction season, shut down our plant production, limiting our operations to service only critical projects, complying with the government's directives to curb the spread of the virus.

We continue to promote a circular economy as we carry on with our business operations under the new normal, implementing health and safety protocols beyond what is mandated.

Eagle Cement made a firm commitment to leverage our financial strength and solid business fundamentals. Cash flow was preserved through a combination of actions to improve working capital, and this will help lead us to recovery towards the second half of the year following the gradual resumption of economic activities.

Despite the pandemic, we stayed true to our mission of improving the quality of life of Filipinos through our products. Our capacity upgrades in Bulacan in the second quarter of 2021 will allow us to scale up on this mission.

Expansion will allow us to meet the growing cement requirements of the market. This will also enable us to cater to the expected growth in demand as infrastructure projects ramp up once the recovery gathers pace.



*This pandemic has given us a much clearer vision of how we view our business—as an eagle sees from high above—and how we must now place greater focus on shared success for all.*





In the context of sustainability, it's more relevant than ever to continuously embed environmental, social, and governance best practices in our operations.

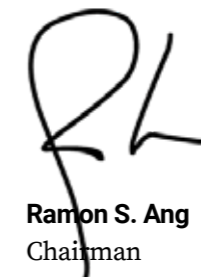
Our sustainability efforts will be about resilience, so that we are prepared for external threats. It will also be inclusive and help in the recovery phase; we will create jobs and locate our facilities in areas that can benefit from our presence.

This approach combined with our strong operational execution have worked well for us, allowing us to weather these unforeseen events and create long-term value for our shareholders.

With the reopening of sectors of the economy in phases, work now focuses on the immediate future and the need to mitigate the impacts of the pandemic.

In a year like no other, we have delivered a resilient financial performance thanks in no small part to the extraordinary efforts of our employees. To all our stakeholders, my sincerest thanks for your overwhelming support. Our second decade of operations will be more successful with your unwavering commitment.

This pandemic has given us a much clearer vision of how we view our business—as an eagle sees from high above—and how we must now place greater focus on shared success for all. And as the challenges facing us have been significant, so too are the opportunities that lie ahead of us in the hope of a safer, brighter, and stronger future together.



**Ramon S. Ang**  
Chairman



#### President's Report

### **In 2020, our character may have been tested but we remain positive and consistent in everything that we do.**

Our Company entered the year with a strong start until the global order took a huge turnaround due the unforeseen COVID-19 crisis which brought immeasurable impact to all. This year may have been a complete standstill for some, but not in the case of Eagle Cement, as we remain true to our commitment of improving the quality of life of the Filipinos and aid the country towards recovery.

While manufacturing activities across most sectors, including the cement industry, were crippled in-line with the government's directives of stringent lockdown amid the pandemic, we have taken our lead in order to help contain the spread of the virus and extend help to our business partners and the community where we operate. We swiftly reverted to remote work setup for our head office employees while numerous COVID-19 health and safety protocols were implemented for our people in our production site. We likewise provided the basic needs of our people and ensure sufficient food supply for the entire quarantine period.

*Built on solid foundation and strong pillars of sustainability, we have come out stronger in 2020 and we will continue to do so as we start another decade of sustainable growth now and in the future.*

At the height of the containment, we attended immediately to our host community and neighboring barangays' most critical needs by providing food packs to over 21,000 families, economically displaced during the lockdown. We also provided them with free water supply, and hygiene products such as bath soaps and hand sanitizers to address the health and hygiene needs.

Prior to the resumption of our production operations in June, we ensured that our plant and offices are conducive under the new normal. We have implemented safe and healthy measures across the organization. Shuttle services are provided for all employees without company issued and private vehicles.

We have likewise partnered with St. Lukes Medical Center Bonifacio Global City to conduct a monthly RT-PCR testing for our workforce, third party contractors and select residents of the community. In 2020, we have spent ₱34.3 million for testing. We have invested ₱74.5 million for the construction of quarantine facilities with 40 rooms and isolation facilities with 34 rooms. These initiatives are beyond the government's mandated guidelines for the reopening of business operations.

Growth can happen even in the most dire of situations, and so does with our business. Despite the pandemic, Eagle Cement still capped a year with profits, posting a net income of ₱3.4 billion. We generated ₱13.9 billion of net sales while EBITDA amounted to ₱5.6 billion. Our margins were sustained at favorable levels.

In ways we have never imagined, the year 2020 has turned out to still be the best year yet in terms of our manufacturing operations. As soon as our cement production recommences, we remain focused on improving our processes, thus, bringing down our cost of operations to cushion the effects of the pandemic.

Our financial strength and operating strategy enabled us to maintain an optimal and healthy financial condition which aids us in withstanding any external adversities and allows us to thrive under an increasingly challenging environment. Our financial position remains robust and well-capitalized, with total assets growing by 1% to ₱49.7 billion. Total liabilities dropped by 7% to ₱10.9 billion while stockholder's equity rose by 4% to ₱38.7 billion. The Company maintained its gearing ratios within our loan covenants, with debt-to-equity ratio registering at 0.28x while financial debt to equity ratio stood at 0.16x, giving us more flexibility to support our investment plans. Meanwhile, current ratio stood at 4.14x while return on equity ended at 9%.

We continue to hold solid leadership positions in our key markets, which remains to be the center of most construction activities in the country. We also remain as the preferred cement supplier of infrastructure and real estate players in the country, supplying the cement requirements of big infrastructure projects such as the Skyway 3 and MRT-7.

**₱1.6Bn** Capital Expenditure

**₱72.4Bn** Market Capitalization

**₱34.3M** RT-PCR Testing

**₱74.5M** Isolation and quarantine facilities

**0.16x** Financial DE ratio

**9%** Return on Equity

For 2020, we revised our capital expenditures (capex) and operating expense budgets by trimming non-critical projects and activities. However, our expansion-related investments continued. We disbursed ₱1.6 billion total capex for the year, majority of which are allocated for our Bulacan expansion.

Our second half performance in 2020 showed strong pace of recovery in most of our markets and we expect that demand will continue to recover and open markets for the additional supply that will be brought on stream as our new grinding facility in Bulacan is completed before the second quarter ends.

Our fifth cement mill will expand the annual cement output by 1.5 million metric tonnes (MMT) to 8.6 MMT, solidifying our stronghold as the single-largest cement plant in the Philippines. This will be supported by our third packhouse, fifth cement silo and other additional facilities that are also currently being constructed.

Our stock performance tells a similar story, as we closed the year at ₱14.5 per share, coming from a historical low of ₱5.9 during the early days of the strict lockdown. At the end of 2020, our market capitalization stood at ₱72.4 billion.

In the sustainability front, our commitment has earned us numerous recognitions, which includes our first citation in Corporate Governance, our seventh consecutive win in PMIEA and our second award from PH-EITI. These awards encourage us to further advance our environmental, social and governance commitments to be at par with, if not exceed, global sustainability standards.

The visibility of the global recovery remains limited. Barring any negative surprises, we remain optimistic that with our solid pace of recovery, we are on track to deliver another exceptional year even if the pandemic still persists.

In closing, I would like to express our utmost gratitude to our employees and management team for their invaluable dedication, strength and contributions; our customers and business partners for their continued trust, loyalty and solid commitment; our host and neighboring communities for a strong partnership; to our directors for your guidance; and to all our stakeholders for your steadfast support amid this pandemic.

Built on solid foundation and strong pillars of sustainability, we have come out stronger in 2020 and we will continue to do so as we start another decade of sustainable growth now and in the future.



**John Paul L. Ang**  
President & CEO



**Moving together  
towards the future**

Sustainability Report



GRI 102-46, GRI 102-50, GRI 102-54

## REPORT BOUNDARY

This is Eagle Cement Corporation's third year of reporting on the economic, social and governance (ESG) performance of our Bulacan Plant and Head Office from January 1 to December 31, 2020. This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. Eagle Cement will track progress from the baseline data gathered from 2018 report. An overview of the relevant GRI indicators we have reported on can be found in the GRI index on pages 73-78 .

## SUSTAINABILITY AT EAGLE CEMENT

Sustainability is always at the core of our business operations, and will remain to be a driving factor in Eagle Cement. Our sustainability journey has progressed from being a vision to giving us a true sense of purpose to our people, planet and profit. Our strong commitment to sustainability has been inherent to us even prior to this reporting.

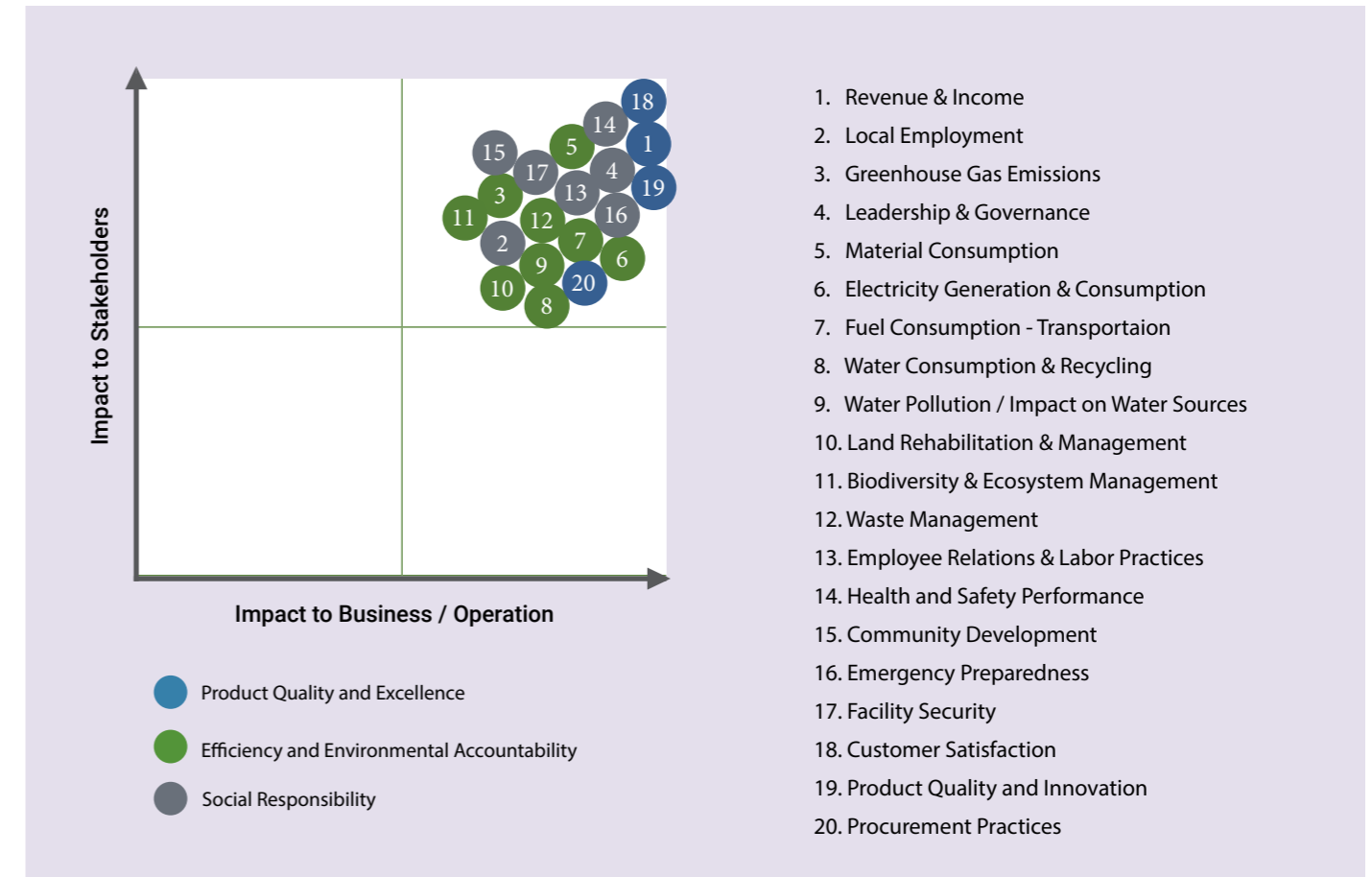
Eagle Cement is guided by our vision to improve the Filipinos' quality of life through products that last for generations. Just as our vision keeps us grounded to our roots and steers us in difficult times, it guides our pursuit for sustainable growth in better times. Despite the many challenges posed by the global pandemic in 2020, the Company remains to be an exemplar of sustainability. Our quest to sustain growth is anchored on a mission to continue creating a better future for Filipinos and lies in our belief that recognizing our very existence depends on a sustainable environment and society.

The resiliency and sustainability of our business have been recognized for seven consecutive years by the 2020 Presidential Mineral Industry and Environmental Award (PMIEA) Selection Committee, in acknowledgement of our initiatives to enforce sustainable development practices in our mining operations amid the new normal. Prior to this, we have been a Titanium Achievement Awardee for four successive years since 2014 and a Platinum Achievement Awardee from 2018. This recognition is a reflection of our unwavering commitment to deliver more positive impact and value to the community by continuously mitigating the impact brought about by our operations even in the midst of challenges we faced this year. We remain hopeful that this award further inspires our employees and business partners to work towards building a stronger and more resilient Eagle Cement, fully understanding the need to maintain responsible and sustainable practices within the organization.



GRI 102-47

## MATERIALITY: WHAT MATTERS MOST TO OUR STAKEHOLDERS



Guided by the GRI Standards, Eagle Cement recognizes the principle of materiality to determine which relevant topics are sufficiently important to our business and all our stakeholders that are essential to report on them.

The objective of Materiality Assessment is to identify issues and aspects of the business that are most relevant for stakeholders and to drive our sustainability reporting and action plans. In 2020, a survey was sent to all key department managers, section heads and staff.

Sustainability topics material to the Construction Materials Industry were obtained from the GRI publication entitled "Sustainability Topic for Sectors: What do stakeholders want to know?". The identified topics were evaluated by the assessors in terms of impact on business growth, brand, reputation and impact to stakeholders, in the perspective of Eagle Cement.

The survey generated a materiality matrix that identified the criticality of topics depending on their impact on our business and stakeholders. The resulting matrix aligns with Eagle Cement's Sustainability Framework and its pillars of product quality and excellence, efficiency and environmental accountability, and social responsibility.

Emerging among the most material aspects for stakeholders and subsequently critical for our business is to deliver superior value to our customers. Given the emergence of the Coronavirus disease (COVID-19), it is also relevant to give more attention on health and safety amid the new normal. In addition, generating revenue and income are likewise gaining importance to help sustain the business and distribute economic value to our stakeholders. With the unprecedented impact posed by the global pandemic, leadership and governance are viewed with increasing interest. Apart from this, our stakeholders need to know that we produce innovative and high-quality products while efficiently consuming raw materials. And just as equally significant for our stakeholders is creating social value not just for our people but also for the community and all our stakeholders and prioritizing safety of our facility.

## OUR SUSTAINABILITY FRAMEWORK: BLUEPRINT FOR THE FUTURE

Eagle Cement has curated a sustainability framework that is built upon solid foundation and focused on three sustainability pillars: product quality and excellence, efficiency and environmental accountability, and social responsibility. With these pillars as the cornerstone of our business, we are able to weather through the impact of the global pandemic and challenges in the industry in 2020. We remain consistent on holding ourselves accountable to all stakeholders including our customers, shareholders, employees, business partners as well as the communities and the planet where we operate.

Our framework is anchored on our core corporate values and aligned with the United Nations Sustainable Development Goals (UN SDGs) to keep us highly focused on initiatives that are impactful, effective and relevant to all our stakeholders. This is our promise and blueprint towards achieving the targets we set for ourselves: We are fully-committed in contributing to the Philippines' long-term economic, social and environmental goals. We continue to future proof our business while creating a sustainable shared value for our customers and stakeholders, community and environment.

### Product Quality and Excellence

It is our promise to our customers that we produce only high-quality cement products that adhere to and exceed the Philippine National Standards (PNS) and international standards.

### Efficiency and Environmental Accountability

In continually expanding our facilities to meet the increasing demands of the Philippine market, we focus on production efficiency without sacrificing environmental responsibility and accountability.

### Social Responsibility

In creating value for our customers and shareholders, we also commit to make a difference and contribute to our community through sustainable socio-civic projects that uplift the quality of life.



## STAKEHOLDER ENGAGEMENT: BUILDING THE FUTURE TOGETHER

An integral part of our working framework for sustainability is engaging our stakeholders within the process. In the past year, we have strengthened the platforms through which we were able to collaborate with our stakeholders, both internally and externally, as this is a core approach in our journey towards sustainability.

Engaging in a dialogue and value co-creation with our stakeholders is a vital process for understanding their real issues, requirements and expectations of us, and for sustaining good relationships with them. It helps us align with shared objectives, resolve conflicts, respond well to their interests and needs and encourages viewpoints across our business ecosystem. It acts as our compass in order to make our sustainability targets on all fronts more achievable.

Eagle Cement operates in a sustainable way across our value chain, addressing what is material to our stakeholders effectively. Our Value Chain and Stakeholder Engagement show different phases of our operations: Mining, Processing, Packaging and Distribution, and Sales; corresponding stakeholder groups concerned, their issues and our engagement methods and initiatives meant to address these concerns; and our performance for each Sustainability Pillar.

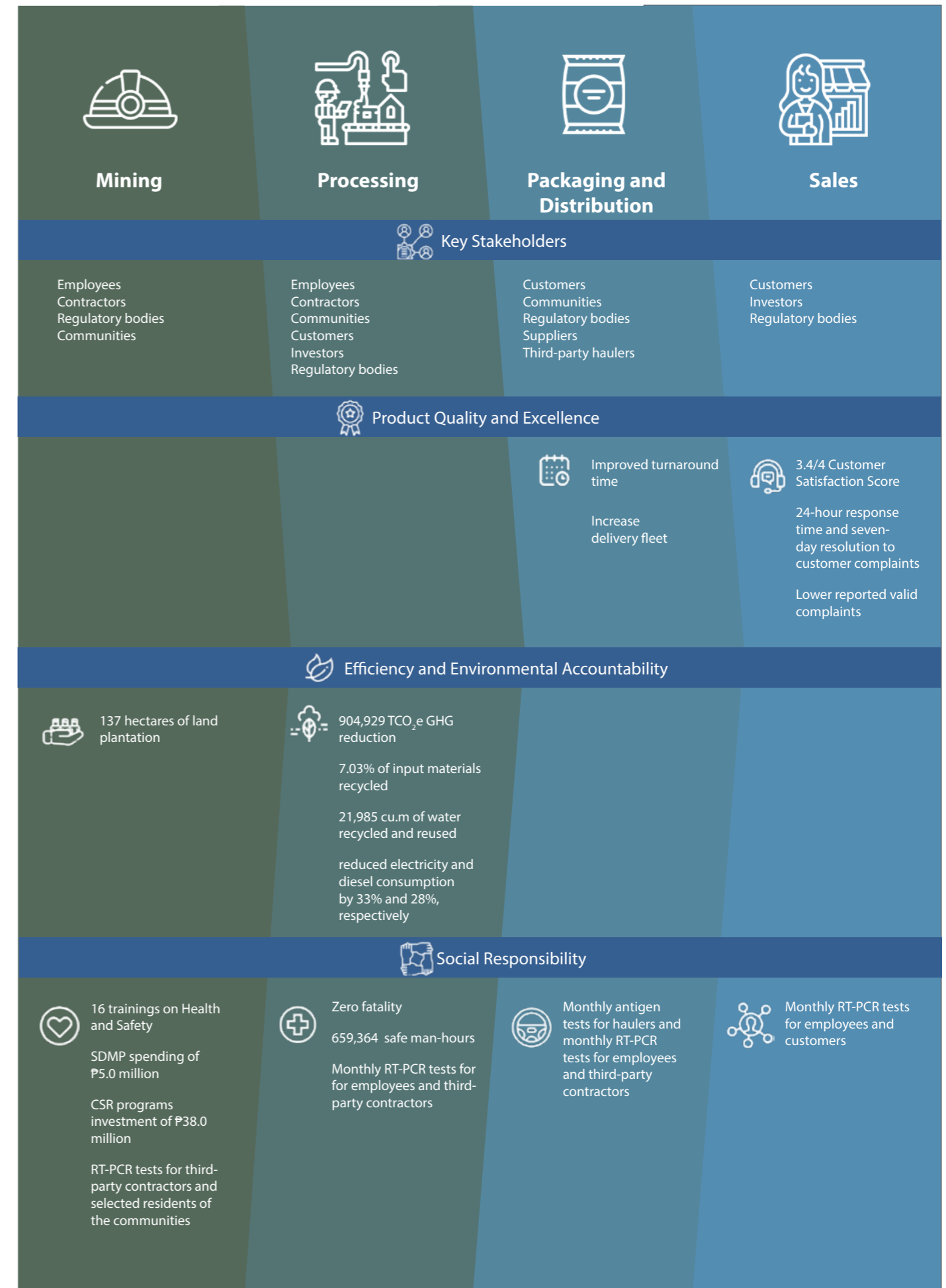
Stakeholder Engagement GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44

Stakeholders	Engagement Method	Key Concerns	Company's Response
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Monthly huddles</li> <li>• Mill around</li> <li>• Town hall meetings</li> <li>• Performance evaluations</li> <li>• Dialogue time</li> <li>• Training sessions</li> <li>• Monthly health and safety canteen inspection</li> <li>• Awareness on Anti-Sexual Harrasment and Data Privcay policies and other company policies</li> <li>• CEO hour</li> </ul>	<ul style="list-style-type: none"> <li>• Health and safety concerns</li> <li>• Skills development</li> <li>• Training implementation due to pandemic</li> <li>• Work from home set-up</li> <li>• Work-life balance</li> <li>• COVID-19 cases monitoring</li> <li>• Compliance with Anti-Sexual Harrasment Act of 1995 (RA 7877) and Data Privacy Act of 2012 (RA 10173)</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Physical Examination (APE)</li> <li>• Audiometry test</li> <li>• Replaced with other engagement activity: E-wellness programs and Bubble Sports Tournament</li> <li>• Adapted E-Learning (Teams, Zoom, WebEx and other online platforms)</li> <li>• Quarterly bloodletting programs</li> <li>• Safety reward system</li> <li>• Monthly RT-PCR test for all employees</li> <li>• Central health and safety committee meeting</li> <li>• Annual Emergency Response Team (ERT) First Aid and use of Automated External Defibrillators (AED) training</li> <li>• Health and safety inspection</li> <li>• Competency-based profiling</li> <li>• Semi-annual ERT Firefighting training</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Regular computation of available credit line and credit line utilization</li> <li>• Periodic virtual engagements with third-party accredited haulers</li> <li>• Daily call confirmation to customers and dealers delivery sites</li> <li>• Daily planning and allocations of dispatch volume per dealer</li> <li>• Daily and monthly business review of dispatch per dealers</li> <li>• Year-end engagement with the dealers</li> <li>• Weekly virutal meetings/ updates</li> </ul>	<ul style="list-style-type: none"> <li>• Credit management</li> <li>• Processing of rebates</li> <li>• Delayed deliveries</li> <li>• Stock-outs</li> <li>• Limitations of plant utilization due to COVID-19 lockdown</li> <li>• Price and product quality</li> </ul>	<ul style="list-style-type: none"> <li>• Automation of monthly rebates computation in RAMCO (new system)</li> <li>• Provision of timely and accurate rebates and incentives</li> <li>• Allocation of packhouse in terms of cement finished goods resources to be aligned with dealer requirements</li> <li>• Mandatory requirement for accredited haulers to follow the Company's standard design</li> <li>• Implementation of COVID-19 health and safety measures</li> <li>• Provision of antigen tests for customers prior to plant visit</li> </ul>

Stakeholders	Engagement Method	Key Concerns	Company's Response
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Regular site visits by Area Sales Managers (ASM) and Technical Sales Managers (TSM)</li> <li>• Timely response and seven-day resolution to customer complaints</li> <li>• Monthly procurement update on purchase request/purchase order (PR/PO) processing time</li> </ul>	<ul style="list-style-type: none"> <li>• Suspended commercial operations from March to June 2020 due to Enhanced Community Quarantine (ECQ)</li> <li>• Limited physical engagement with customers due to the pandemic</li> </ul>	<ul style="list-style-type: none"> <li>• TSM to conduct customer visit if deem necessary</li> <li>• Cross-functional system</li> <li>• Effective negotiation</li> </ul>
<b>Communities and local barangays</b>	<ul style="list-style-type: none"> <li>• Quarterly Information, Education and Communication (IEC) Program on SDMP, CSR, Health, Safety and Environment</li> <li>• Annual SDMP meetings</li> <li>• Quarterly plant visits</li> <li>• Quarterly Barangay Technical Working Group (BTWG) meeting</li> <li>• Basic firefighting training/ orientation</li> </ul>	<ul style="list-style-type: none"> <li>• Dust and natural flooding</li> <li>• Domestic water availability</li> <li>• COVID-19 awareness</li> <li>• Projects delayed due to budget allocation</li> <li>• Health and nutrition programs</li> <li>• Mud during rainy season</li> <li>• Blasting vibrations</li> <li>• Safety and emergency awareness</li> </ul>	<ul style="list-style-type: none"> <li>• Purchased two units of road sweeper</li> <li>• Provision of water tapping</li> <li>• Conducted COVID-19 awareness on early detection and prevention</li> <li>• Realignment of SDMP budget to assist the communities during the pandemic</li> <li>• Relief operations for 2,000 families affected by the Taal volcanic eruption</li> <li>• Construction of covered court at Gabihan Parish in Brgy. Gabihan</li> <li>• Turnover of medicines and wheelchairs to Brgy. Talbak</li> <li>• Safety and emergency response training and orientations</li> <li>• Support of Eagle Cement Fire Response Team to Barangay Fire Brigade</li> </ul>
<b>Contractors</b>	<ul style="list-style-type: none"> <li>• Full implementation of project bidding</li> <li>• Issuance of contract per project duly reviewed and approved</li> <li>• Conduct project coordination meetings as required in the contract to efficiently monitor progress and compliance to timetable</li> <li>• Conduct Supplier Performance Evaluation</li> <li>• Timely issuance of Certificate of Final Acceptance (CFA)</li> </ul>	<ul style="list-style-type: none"> <li>• Improved Health, Environment, Safety and Security (HESS) badge policies and guidelines</li> <li>• Mandatory conduct of antigen tests during pandemic</li> <li>• Ensure timely project completion</li> <li>• Ensure compliance to correct number of manpower to finish the project on time as per contract</li> </ul>	<ul style="list-style-type: none"> <li>• Safety orientation and awareness</li> <li>• Emergency drills and response training</li> <li>• Implementation of penalty for project delay due to contractor</li> <li>• Prompt payment settlement</li> </ul>

Stakeholders	Engagement Method	Key Concerns	Company's Response
<b>Regulatory bodies</b>	<ul style="list-style-type: none"> <li>Monthly, quarterly, annual and special reports</li> <li>Quarterly audit and inspection of Multipartite Monitoring Team (MMT)</li> <li>Environmental Management Bureau (EMB) meeting</li> <li>COVID-19 data report required by the Department of Labor and Employment (DOLE)</li> <li>Securities and Exchange Commission (SEC)/ Philippine Stock Exchange (PSE) compliance</li> </ul>	<ul style="list-style-type: none"> <li>Submission of the required reports to government entities</li> <li>Safety incidents, risks and hazards</li> <li>New Memorandum Circular 2020-003 (Data transmission of CEMS)</li> <li>Regulatory penalties</li> <li>Compliance to all other regulatory requirements and reports</li> </ul>	<ul style="list-style-type: none"> <li>Participation to the Sixth Cycle of Philippine Extractive Industries Transparency Initiative (PH-EITI) reporting</li> <li>Continuous submission of mandatory and timely reports to MGB, Board of Investments (BOI), Bureau of Internal Revenue (BIR), SEC and PSE</li> <li>Monthly submission of COVID-19 data</li> <li>Monthly submission of work accident/illnesses report using DOLE revised form (WAIR-A form)</li> <li>Timely submission of all required corporate disclosure</li> <li>Installation and configuration of server in compliance to MC 2020-003</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>Annual Stockholders' Meeting (virtual)</li> <li>Quarterly analysts' briefing</li> <li>One-on-one investor Meetings/Group Investor Meetings (as requested)</li> <li>Plant visits</li> <li>Investor conferences and non-deal roadshows</li> <li>Press releases</li> <li>SEC/PSE disclosures (Annually, Quarterly, Monthly or as needed)</li> <li>Company website</li> <li>Email correspondence</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder return</li> <li>Delays in Line 4</li> <li>Market liquidity</li> <li>Threats of imported cement</li> <li>Entry of new competitors</li> </ul>	<ul style="list-style-type: none"> <li>Dividend payments</li> <li>Capacity expansion in Bulacan plant</li> <li>Increasing market share</li> <li>Offering competitive pricing and high-quality cement</li> </ul>

## VALUE CHAIN

















## Sustainable Development Goals (SDGs) Alignment










As we focus on creating shared value, we make sure that our actions align with and contribute to the 17 Sustainable Development Goals (SDGs) set by the United Nations. Given that we are still reeling from the unprecedented impact of the COVID-19 crisis, it is more relevant to continue focusing more on where we can make significant contributions to these goals whether through collaborative partnership with our stakeholders, or in other ways where we can create a lasting impact to the society.



Goals	Direct Relevant SDGs	Specific SDG Target	Indicators
Product Quality and Excellence			
Produce only high-quality cement products that adhere to and exceed the Philippine National Standards and International Standards.		9.1 Develop quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being, with a focus on affordable and equitable access for all	 91% spending on local suppliers
		9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes	 Adherence to PNS and International Standards

Goals	Direct Relevant SDGs	Specific SDG Target	Indicators
Efficiency and Environmental Accountability			
In continually expanding our facilities to meet the increasing demands of the Philippine market, we focus on production efficiency without sacrificing environmental responsibility and accountability.		6.4 Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity	
		7.3 Double the global rate of improvement in energy efficiency	21,985 cu.m. of water recycled and reused
		12.2 Achieve the sustainable management and efficient use of natural resources	1,472,170 liters of diesel reduced
		12.4 Achieve the environmentally sound management of chemicals and all wastes	17,541 liters of gasoline reduced
		12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse	
		12.6 Adopt sustainable practices and to integrate sustainability information into their reporting cycle	
		13.2 Integrate climate change measures into national policies, strategies and planning	69 tonnes of hazardous waste treated
		15.2 Promote the implementation of sustainable management of all types of forests, restore degraded forests and substantially increase afforestation and reforestation	460 tonnes of solid wastes disposed through sanitary landfill
		15.5 Take urgent and significant action to protect and prevent the extinction of threatened species.	2,316,811 GHG emissions (in tonnes CO <sub>2</sub> e)
		15.b Mobilize significant resources to finance sustainable forest management to advance such management, including for conservation and reforestation	137 ha. of land planted
	17.17 Encourage and promote effective public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships	five-year partnership with the Philippine Eagle Foundation until 2022	

Goals	Direct Relevant SDGs	Specific SDG Target	Indicators
Social Responsibility			
In creating value for our customers and shareholders, we also commit to make a difference and contribute to the community through sustainable projects that uplift the quality of life.		2.2 End all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under five years of age	 120-day feeding program for 250 malnourished children Two farming cooperatives supported Distributed food packs to 2,000 families affected by the Taal volcanic eruption
		2.3 Double the agricultural productivity and incomes of small-scale food producers, through other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and nonfarm employment	Provided 21,000 food packs to host and neighboring barangays affected by the ECQ Provided livelihood for 25 members of Akle Farmers Producers Cooperative
		3.1 Reduce the global maternal mortality ratio	Provided 25 participants in Health Programs conducted 25 pregnant women supported through monthly check up at community clinic
		3.3 End the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis and other communicable diseases	653 patients benefitted from medical and dental missions Distributed 1,000 boxes of face masks and 500 face shields to Brgy. Akle and Brgy. Talbak
		3.4 Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being	Provided RT-PCR tests to 370 residents of Brgy. Akle and Brgy. Talbak
		3.8 Achieve universal health coverage, including access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines	
		4.3 Ensure equal access for all men and women to affordable and quality technical, vocational and tertiary education, including university	 111 students granted scholarship through SDMP Donated 25 units of used desktop computers
		4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	

Goals	Direct Relevant SDGs	Specific SDG Target	Indicators
Social Responsibility			
		4.3 Ensure equal access for all men and women to affordable and quality technical, vocational and tertiary education, including university	construction of a two-classroom building in Alagao Elementary School
		4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	donated a two-classroom building to Talbak Elementary School
		4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all	1,608 total training hours for direct employees
		4.b Substantially expand globally the number of scholarships available to developing countries	60 residents of Brgy. Akle attended the COVID-19 awareness seminar Two-day training workshop for 19 science teachers of San Ildefonso National High School and Talbak High School
		5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	 26% of managerial positions are held by women
		8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services	 516 direct employees 782 employed through contractors 659,364 safe man-hours
		8.4 Improve progressively global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation	
		8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities and equal pay for work of equal value	
		8.8 Protect labor rights and promote safe and secure working environments for all workers	Two emergency response trainings for community
		11.5 Significantly reduce the number of deaths and the number of people affected by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations	 205 employees attended the Annual Anti-corruption training
		16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels	26% of managerial positions are held by women



## PRODUCT QUALITY AND EXCELLENCE

GRI 103-1, GRI 103-2, GRI 103-3

### Making our profits count

Eagle Cement remains a practitioner of circular economy by monitoring the percentage of our economic value distributed to our stakeholders. Amid the pandemic, we continue to carry on with our business operations under the new normal, implementing health and safety protocols beyond what is mandated.

Our ability to sustainably generate value helps provide employment and business opportunities for our stakeholders. This creates a ripple effect to support the overall economic health and growth not only for the community where we operate but the society at large.

#### Economic Performance (in Million Php) GRI 201-1, GRI 102-48

Indicators	2020*	2019	2018
Direct economic value generated	<b>13,906</b>	19,824	16,522
Direct economic value distributed	<b>12,019</b>	17,345	14,983
Operating costs	<b>7,654</b>	11,206	9,385
Employee wages and benefits	<b>658</b>	621	541
Dividends given to stockholders and principal and interest payments to loan providers	<b>1,580</b>	2,941	2,398
Taxes given to government	<b>2,083</b>	2,547	2,641
Investments to community	<b>43</b>	30	17
Direct economic value retained	<b>1,887</b>	2,479	1,539

\*restatement of information from 2020 SEC Form 17-A (Annual Report)

In 2020, Eagle Cement generated lower revenues versus the prior year after a strong start was disrupted by the implementation of lockdown measures amid the COVID-19 pandemic that began in mid-March of the year. Of the total revenues, 86% was distributed back to the economy.

Meanwhile, the government taxes paid by Eagle Cement, amounting to about ₱2.1 billion, helped fund public services and support government programs for the people and revitalize the overall economy. As we continue to promote good governance and transparency, we ranked top 16 on the Top 500 Annual Income Tax Returns (AITR) filers for return period 2019 released last May 19, 2020 by the Department of Finance (DoF).

At the same time, the Company has been conferred with the Excellence Reporting under Non-Metallic Mining Category for two consecutive years by the Philippine Extractive Industries Transparency Initiative (PH-EITI) during the Transparency Awards 2020 held virtually last November 26, 2020. This annual award-giving ceremony organized by the Department of Finance's PH-EITI aims to recognize outstanding performance and achievement in the implementation and promotion of extractives transparency in the country. Eagle Cement won over 17 non-metallic mining projects that participated in PH-EITI's sixth report (FY 2018) entitled "Synergizing Transparency for Sustainability."



In addition, the donations and direct contributions to social programs, amounting to ₱43.4 million, support significant initiatives to help build sustainable communities. The Company strictly complies with the efficient utilization of the Social Development and Management Program (SDMP) budget within the given period mandated by the Mines and Geosciences Bureau (MGB).

The Company continues to support our workforce despite the pandemic by distributing ₱657.8 million to all our employees through wages and benefits.

At the end of the year, we were able to retain ₱2.6 billion of economic value. We continue to make substantial contribution to the economy as we continue to scale up our capacity. The Company's Bulacan expansion, which will add 1.5 MMT to our current annual cement output of 7.1 MMT, is underway and will be completed by the second quarter of 2021. This expansion not only provides employment opportunities to our business partners but likewise help create job opportunities especially to those who have lost their jobs due to the pandemic. Apart from this, it will also help address the increasing demand for cement in the country.



This investment continues to be supported by our capital strength, an increased capacity to invest and the confidence that our operating plans will deliver extraordinary levels of shareholder value. We will remain prudent in deploying our balance sheet to create long-term value and shared prosperity.

Organically, we will continue to enhance returns by extracting value from our existing assets through asset optimization efforts while continuously looking for opportunities that will strategically complement our business to continuously create long lasting positive economic, environment and social impact.

GRI 102-9, GRI 103-1, GRI 103-2, GRI 103-3, GRI 204-1

### Responsible Procurement Practices

Eagle Cement, as a Company, is built on a strong commitment to shared social progress, environmental stewardship and business success that is anchored on a balanced development model that is respectful of the environment, people and the communities where we operate. We recognize that the scope of our social commitment encompasses not only our business, but the entire supply chain. The value creation structure of our Company is manifested throughout the manufacturing process undertaken, from the sourcing of raw materials to product distribution up to after sales service. This is made possible by observing responsible and sustainable procurement practices such as conducting supplier accreditation, maintaining a good and healthy vendor-supplier relationships and transacting with local suppliers.

The Company deals with suppliers and business partners that behave in an economically, environmentally and socially responsible manner aligned with our goals and objectives. To achieve this, the Company has a supplier accreditation process in place, centralized under the Procurement Department, to ensure transparency and fair-trading practices. Suppliers are subject to accreditation based on their good and corporate standing, expertise, reliability and compliance with all government ESG regulations, quality of products or services, technical competence, competitive pricing and customer service.

The evaluation process focuses on establishing suppliers' capability to sustain excellent performance and support long-term relationship with the Company. Alongside this, environmental performance is given utmost attention to properly comply with the Environmental Compliance Certificate issued to the Company to conduct our operations. This is an accreditation criterion for our suppliers with potentially significant environmental impacts such as raw material suppliers, mining and technical services, haulers and shipping vessels providers. We require suppliers to have sufficient resources to ensure timely delivery, provide high quality products and services and efficient after sales service. Suppliers are re-assessed annually to determine whether or not to continue our business dealings with them.

Eagle Cement's vendor-supplier relationships are managed by professionals with the necessary knowledge and capabilities to ensure supply chain quality, reliability and compliance with all regulations for mutually beneficial efficiencies that support our business goals.

During the strict pandemic-induced lockdown in late March, one of the challenges faced by the Company is the limited storage areas where we can stock up the incoming supplies that were procured prior to the containment as we cannot consume yet while our operation is halted until June. Meanwhile, we ensured that refrigerators were delivered on time to store the needed food requirements of the plant-based employees and third-party contactors and likewise supplied their basic needs during the stringent quarantine period.

At the same time, we stood by our host and neighboring communities and acted to help local partners and contractors to sustain their businesses. We processed payments in advance in order to assist our suppliers for them to be able to deliver our operational requirements in a timely manner. We also procured and ensured that delivery of enough relief goods was not hampered so we can immediately distribute them to the communities to help support them while their livelihood is affected during the entire containment.



Even before the easement of the restrictions, Eagle Cement has a plan in place to prevent interruptions in the supply of goods and services in times of unexpected circumstances that may affect the Company and our supply chain. We have secured contracts with bag suppliers to ensure available stock at supplier warehouse for ready delivery to support plant requirements as soon as our operations resume.

We also encourage our suppliers and business partners to be part of our sustainability journey. In line with this, we conduct a quarterly customer survey in order to monitor and improve our performance. Apart for this, we communicate our policies to all our suppliers by sending out a memo on our Code of Ethics to urge suppliers to strive to be better in every aspect of ESG, such as improving performance in the environment, quality, labor safety, and human rights, and refraining from biased business dealings.

Meanwhile, Eagle Cement employees are required to disclose annually any business and family-related transactions to ensure that potential conflict of interest are properly managed.

In compliance with the law and appropriate ethical standards, the Company promotes integrity and creates a strong corporate culture within the organization.

Finally, we help stimulate the nation's economy and ensure stable financial health for related industries through engaging in transactions with local providers. In 2020, 91% of the services, consumables and materials provided and used in our operations were sourced locally to create a more positive local business environment.

Looking ahead, we will continue to source and develop reliable and feasible alternative materials to improve the supply chain system and properly handle sustainable materials used in our operations.

GRI 102-2, GRI 103-1, GRI 103-2, GRI 103-3

### Delivering highest quality and standards

Eagle Cement's two major product lines both offer the highest quality certified by national standards and testing laboratories.

#### Eagle Cement Strongcem (Type 1)

With application in roads and bridges, industrial facilities, high-rise buildings, precast concrete product manufacturing, poles and spun concrete piles, and the like, this brand of ready-mix concrete exceeds the high level of compressive strength required by the Philippine National Standards (PNS 07) and American Society for Testing Materials (ASTM C150). Eagle Cement Strongcem offers flexibility to modify concrete properties based on our customers' requirements in terms of strength and workability. This type of cement is available in bulk and one-tonner bag. As a testament to product quality, Eagle Cement Strongcem is being used in concrete designs of up to a high of 12,000 PSI.



#### Eagle Cement Advance (Type 1P)

Used by individual home builders, masons, contractors, architects, engineers, and concrete product producers, concrete hollow block makers for general concrete construction and concrete products, this innovative product is the right mixture of quality and value. Eagle Cement Advance is a general-purpose cement that exceeds the Philippine National Standards (PNS 063) and American Society for Testing and Materials (ASTM C595). It is composed of clinker, gypsum and highly reactive cementitious material which enhances mortar and concrete characteristics from fresh to hardened state.



### Consistent Product and Quality Control

To ensure consistency of the quality of our products, the Quality Department conducts daily periodic sampling to verify compliance to established quality parameters from the quarry to the cement dispatching operations. A Quality Control Chemist provides mill certificates to customers through haulers before the cement products are dispatched for deliveries. The weekly test results are shared with the Sales & Marketing Department.

For the product quality and availability, the Customer Complaints Team informs the concerned departments of the issues raised by the customers. The Sales & Marketing Department verifies these complaints, and if needed, the Quality Department conducts product sampling for laboratory testing. Once complaints are validated, investigations are conducted, and preventive actions are implemented to avoid recurrence.

Eagle Cement also conducts testing of trial mix for its customers to suit their desired concrete mix requirements.

We provide appropriate product labeling and sufficient information on our products in addition to customer orientation. It also includes emergency procedures in response to the product hazards and risks when instructions are not followed, and remedies if such incidents occur.

The Company also constructed a concrete laboratory located in Parañaque City to provide parallel and faster testing of cement samples and design mixes. It houses facilities for investigating the effects of chemical and environmental exposure on concrete as well as capabilities for assessing a number of distress mechanisms, including chemical reactions and other climactic effects.



Eagle Cement continuously improves its standard operating procedures, raw material and product testing methods, and the competencies of its people. We plan to expand our testing capacity through the purchase of additional laboratory equipment and apparatus. We consistently improve our employees' skills and competence through training programs provided by the American Concrete Institute. In 2020, we spent a total of ₱4.1 million for research and development.

### Providing exceptional customer experience

Eagle Cement guarantees that it goes above and beyond meeting customer expectations by providing them with exceptional experience with our brand, products and services. To a significant extent, this aspect determines our capability to strengthen our existing business relationship, increase our customer base and eventually preserve the sustainability of our business.

For us, providing customer delight is not just attending to their needs and concern at the moment but establishing a strong trusting rapport with them to keep their loyalty and retain with our brands. It is notable that majority of our customers are exclusive to our brand.

Customer feedback is crucial way to measure the level of satisfaction of the products and services that we deliver. At the same time, it serves as defining element of the sustainability of our business. In this context, we have been conducting our Annual Customer Satisfaction (CSAT) survey for seven consecutive years that aims to assess how our customers perceives our Company and identify areas for improvement to be able to deliver a workable action plan. The key sales manager of the respective area is responsible for performing the customer satisfaction surveys that covers the following areas: product, services in both head office and plant and after sales services.

In 2020, we obtained a Customer Satisfaction Score of 3.3 out of 4.0, indicating a strong degree of satisfaction from our customers. Building on what we have gathered and understand from our customers' feedback, we have improved more on our marketing programs. Thus, in the first quarter of 2021, we have launched truck program, signages, billboards, and GCQ promo for bagged cement while rebates program lock-in for one year for our bulk cement.

Eagle Cement also offers a Customer Complaints Helpdesk where we ensure a quick 24-hour service level for responding and set a standard for providing a resolution within seven days. Out of the total complaints reported in 2020, 21% of these are valid complaints, of which majority of the concerns are on bag breakages and wrong quantity or underload. The Company resolved these concerns by consistently reminding haulers to properly handle the cement bags to avoid breakages, improving queuing system and allocating exclusive loading bays for key customers.

Apart from this, we conduct an Annual Dealers' Meeting for key customers to discuss the plans for the current year and provide resolutions on all issues and concerns raised. However, in 2020, we have postponed this event due to the pandemic. In lieu of this activity, we have established a remote communication with them through different online platforms.

Customers are also encouraged to raise issues through our Regional or Area Sales Managers (RSM/ASM) and Technical Sales Managers (TSM) who conduct weekly site visits and actively gather customer feedback and study market dynamics. Immediately after the relaxation of the lockdown, we have resumed site visit with strict observation of health and safety protocols. All our sales team undergoes a monthly RT-PCR test to ensure the safety of both our team and our customers.

Customer concerns on the service provided by the Company are reviewed by cross-functional teams for root causes to design and implement corrective actions and prevent recurrence of the problem. With comprehensive training and continuing education in the field of quality assurance, we ensure that our high-quality standards are consistently maintained and continually enhanced.

We guarantee our customers consistent cement quality and uninterrupted deliveries of cement even during varying levels of quarantine. Future developments which include the completion of the fifth finish mill, third packhouse, and additional warehouses, as well as the improvement of our delivery system will help address supply concerns. Aside from the site visits, we engaged deeply and meaningfully with our customers and value chain partners to support them wherever possible through frequent communication done remotely through telecons.



In terms of logistics, we have four distribution centers in Parañaque, Cavite, Batangas and Pangasinan, servicing Luzon market. These are complemented by a fleet network of approximately 140 cargo trucks, 330 trailers, and 80 bulk carriers operated by over 40 haulers supporting the selling and marketing activities of our Company. We will continue to take advantage of our scale and distribution strategy to drive business efficiency, and grow our brands through strong marketing initiatives and innovation.



Meanwhile, we have required all haulers and logistics vendors to undergo a monthly antigen test, and supplied sufficient face masks and alcohol to all sites and depot and purchased UV cabinets and air ionizer for logistics plant and warehouse offices. We likewise implemented social distance queuing and minimal contact transactions. We use online platforms for paperless transactions with dealers and haulers and vendor engagements. To ensure unhampered distribution of products, we require all haulers to secure IATF ID pass for their truck personnel and we heighten our community relations specifically with barangays in all our areas to align with the implementation of varying levels of quarantine measures.

We also enhanced mentorship and training of personnel to work with minimal supervision, re-assigned warehouse personnel in rotation to plant operations to support plant logistics requirements. Moreover, the focus of logistics leaders shifted from purely operational efficiency to improving employee morale, by encouraging support group system within the team.

To properly protect the information entrusted to us by our customers, Eagle Cement has a Data Privacy Policy in compliance with the Data Privacy Act of 2012. During the reportable period, there are no detected leaks of information or personal data breaches.

Eagle Cement will continuously improve our products, supply chain, and marketing strategies as customers anticipate our Company to offer innovations aimed at increasing customer satisfaction. Even with the pandemic, we work closely with all our customers, contractors and suppliers to ensure we can safely service their needs. We remain committed to continue providing our products and services to our customers in the safest and most convenient way possible.

**Continuous marketing and branding efforts**

Strong brands begin with an in-depth understanding of our customers and key stakeholders to meet their needs and requirements. At Eagle Cement, we believe that our brand name and our reputation are essential corporate assets that aid in distinguishing our products and services from those of our competitors and in turn contribute to our drive to recruit and retain talented employees.

Since our inception in 2010, Eagle Cement has quickly established a strong brand equity. As a result of our marketing efforts, our brand is now widely recognized and has become synonymous with strength, durability, reliability, and world-class quality cement products, challenging the existing players with well-known multinational brands.

Embedding sustainability into our core operations has earned our brand the market's continuing trust, as we remain to be one of the preferred cement suppliers of big players in the property and construction sectors.

Among the ongoing major projects being supplied by Eagle Cement are power plants and big-ticket public infrastructure projects such as the MRT-7 (NCR-Bulacan) and the Skyway Stage 3 (NCR).



The breadth of our product and market reach, coupled with our execution-oriented values and our reputation for superior service and consistency empower us to fully capitalize on opportunity in the industry. We keep our loyal brand following by working on several brand-building activities through the following channels: radio, digital and online press releases, billboards, signages, website, and social media. The Company engages with a third-party agency to creatively execute our marketing projects.

Apart from these, we synergize and strengthen partnership with industry influencers and key opinion leaders through sponsorships and industry-related events. Despite the pandemic, our customers still rewarded us with strong brand preference. Thus, we continue to invest in retaining and rewarding brand loyalty by offering incentives and rewards.



As a way of showing appreciation to our top customers, we offer rewards program that runs throughout the year, such as one dubbed Fly High, featuring sponsored vacation trips to London, Tokyo, Seoul and Boracay for 20 qualified dealers in 2020. However, these rewards were converted to credit memo due to travel restrictions in the wake of the pandemic.

In 2020, the Company has no reported complaints on product marketing and labelling.



**EFFICIENCY AND ENVIRONMENTAL PERFORMANCE**

At Eagle Cement, we recognize that our mining activities and operations have an unavoidable impact on the environment. Thus, we strive to minimize this impact by operating in a responsible way and adhering to the highest standards in managing the use of natural resources.

Since we are primarily engaged in the production and distribution of cement, environmental stewardship is a critical aspect of the way we create and deliver value as our very business is dependent on the continued availability of natural materials, now and in the future.

Eagle Cement takes full responsibility and accountability for the ecosystem impacts of our direct operations by protecting more our environment and the community where we operate. In 2016, we have obtained ISO 14001 certification, which enables us to manage our environmental responsibilities in a systematic manner that significantly contributes to the environmental pillar of our sustainability framework.

The established quarry operating standards of Eagle Cement are guided by the international mining standards to ensure that best practices are executed. In fact, the Company currently holds ISO Certifications for Quality Management System (ISO 9001), Environmental Management System (ISO 14001), and Occupational Health and Safety Management System (OHSAS 18001).

As we work hard to add new capacities and grow our business, we will not compromise on what is required of us as a responsible corporate citizen who cares for the wider community and the environment. We are therefore equally committed to conserve energy and raw materials, reduce our CO<sub>2</sub> emissions, and protect biodiversity. We ensure that our business operation is in harmony with the environment and is committed to reducing the environmental impact of the entire supply chain and contributing to a sustainable society.

After a decade of commercial operations, we remain committed towards the protection of our environment and stay focused in creating a sustainable environment scalable for all.

GRI 103-1, GRI 103-2, GRI 103-3

**Protecting our natural wealth**

**Ensuring responsible materials consumption**

Limestone and shale, the primary raw materials used in the cement manufacturing process, are sourced from our own reserves pursuant to our mineral rights. While limestone is an abundant natural resource, transforming limestone into lime to produce cement causes over 60% of our industry's GHG emissions.



Currently, Eagle Cement's extensive limestone reserves are sufficient enough to support our current operations and future expansion. However, we remain committed to ensure that we efficiently utilize our deposits and prolong the life of our reserves. Thus, using alternative materials is vital to our environmental strategy. We constantly look for opportunities to cushion our environmental impact in which our facilities operate.

**Material Consumption (in metric tonnes)** GRI 301-1, GRI 301-2

Material	2020	2019	2018
Limestone	3,753,621	5,392,817	4,187,193
Pozzolan	619,904	640,358	415,576
Silica	137,770	338,939	404,981
Coal Imported	218,205	309,617	224,478
Coal local	204,246	295,243	280,252
Gypsum Synthetic	105,120	222,135	157,959
Fly Ash	220,209	185,105	94,755
Imported Clinker	-	184,671	52,386
Shale	48,627	164,737	350,076
Gypsum Natural	45,210	106,918	89,032
Iron Ore	54,798	79,696	57,769
Bottom Ash	-	440	64,914
Scombro	-	-	17,984
<b>TOTAL</b>	<b>5,407,709</b>	<b>7,920,676</b>	<b>6,397,355</b>
<b>TOTAL RECYCLED</b>	<b>380,138</b>	<b>567,600</b>	<b>427,030</b>
<b>% Recycled input materials</b>	<b>7.03%</b>	<b>7.17%</b>	<b>6.68%</b>

We identified the use of by-products of other industries as alternative raw materials for cement production such as fly ash, bottom ash, and synthetic gypsum to replace the excessive consumption of virgin raw materials such as pozzolan and natural gypsum. These initiatives consequently reduce mining activities and therefore contribute to resource, conservation and lower carbon footprint. Conducting more researches on alternative materials and new technology will provide green solutions for the cement industry.

High carbon fly ash and low carbon fly ash are utilized on raw mills and finish mills. A new fly ash dosing system has been installed in Finish Mill 3 to incorporate fly ash on the cement composition. With this technology, we increased our total fly ash consumption by 19% from 2019's figure, despite the challenges in logistics due to COVID-19-related restrictions.

In 2021, we will install new flow meters for our high carbon fly ash dosing facility at raw mill lines 2 and 3. This will help improve the control of material flow by Quality Department in order to maximize the addition rate from 2% to 5%.

**Energy and Fuel Efficiency**

The cement manufacturing operations is one of the most energy intensive industrial processes in the world. Therefore, Eagle Cement rely heavily on fuel and electricity to operate.

The Company employs dry process in its production, which is more energy efficient when coupled with a WHR facility as heat from the kiln can be converted to energy, which can be used for the cement plant.

**Fuel Consumption (in liters)** GRI 302-1, GRI 302-2, GRI 102-48

Items	2020	2019	2018
<b>Diesel</b>			
Third-party haulers	5,855,455	9,042,746	8,049,041
Crusher Lines 1 & 2	1,512,000	1,943,740	2,541,186
Finish Mill 4	1,174,609	1,489,854	432,132
Finish Mill 3	359,734	602,787	1,727,278
Pyro Line 3	238,891	466,057	155,468
Pyro Line 2	176,533	247,612	188,684
Fleet (plant diesel tank)	83,247	210,034	45,010
Fleet (gas station outside)	128,812	174,791	139,585
Pyro Line 1	109,606	127,874	179,789
Generator Sets	73,236	66,081	106,253
<b>Gasoline</b>			
Fleet	15,482	33,023	34,746
<b>TOTAL</b>	<b>9,727,605</b>	<b>14,404,599</b>	<b>13,581,119</b>
TOTAL DIESEL	3,856,669	5,328,830	5,497,332
TOTAL (less third-party haulers)	3,872,151*	5,361,853	5,532,078

\*Restatement of information from 2020 SEC Form 17-A (Annual Report)

In 2020, the COVID-19-related restrictions have caused the plant to run on lower utilization rate, leading to a reduction on electricity and diesel consumption by 33% and 28%, respectively. In addition, the Company maintains a clinker exit temperature of 120° Celsius to hot gas generation to reduce diesel consumption.

**Electricity Consumption (in MWh)**

GRI 102-48, GRI 302-1, GRI 302-3, GRI 302-4

Facility	2020	2019	2018
Bulacan Plant Site	314,183	469,681	386,341
Head Office	47	173	117
<b>TOTAL</b>	<b>314,230</b>	<b>469,854</b>	<b>386,458</b>
Energy Intensity (kWh/tonnes of cement)	87.41	99.38	94.87

In spite of the pandemic, the plant ran more efficiently in 2020, as our specific energy consumption improved to 87.41 kWh/tonne cement, 12% lower compared to 2019's level. Close monitoring of parameters on a daily and monthly basis by Operations Committee (OPCOM) is being done in order to discuss deviation. Root cause analysis is also conducted to prevent complex and recurring issues.

Any significant increase in the price of coal, electricity and the uncertainty of coal supply may adversely affect the business, prospects, financial condition and operations of the Company. Inefficient consumption of fuel, energy and non-renewable resources may increase greenhouse gas (GHG) emissions and contribute to air pollution.

Eagle Cement implements sustainable programs to ensure efficient energy and fuel consumption and regularly monitors optimum levels of consumption.



Meanwhile, the decrease in diesel consumption of our third-party haulers in 2020 is mainly driven by the implementation of quarantine restrictions imposed by the government relative to COVID-19 pandemic, which subsequently affected our cement dispatches and deliveries. The decline was also attributable to delivery optimization as we maximize the capacity to load our trucks to direct delivery customers and warehouse replenishments.

The Company has a plant-wide implementation of a "No Engine Idling" policy to limit air pollution and prevent unnecessary fuel use since trucks stay at the plant for an average of 19 hours per delivery. We provided a drivers' lounge to encourage compliance to the policy.

However, in light of the pandemic, the drivers were not allowed to use the drivers' quarters to implement physical distancing and health and safety protocols.

For our vehicle fleet, Eagle Cement allows minimum of two employees for each trip from head office to our Bulacan Plant to maximize trips. We also maintain a database on vehicle mileages to ensure that they operate at optimal fuel efficiency. However, during the pandemic, health and safety protocols are strictly observed.

There are new technologies that can be explored, tested, and customized to tailor fit the specific requirements of our operations in order to lessen fuel and electricity consumption.

In order to curtail our reliance to the grid for our power and energy requirements, we installed a WHR Facility which utilizes excess heat from the cement kiln production line to generate electricity. The facility further enhances the operating efficiency of the Company which translates to lower costs of fuel and energy consumption of the cement plant.



Our initiative translated to an overall power cost reduction of 3% to 9,071 MWh in 2020. This is slightly lower in terms of reduction compared to 2019 due to minimal utilization of WHR Facility. On the other hand, its efficiency has increased in terms of average gross power production to 3.88MW from 3.34MW a year earlier.

The Company will continue to invest in facilities to further reduce fuel consumption. The success of hot gas duct going to Finish Mill 3 will be replicated with the installation of split duct that will allow the supply of hot gas to Finish Mill 4. This will lessen its dependency on hot gas generators which heavily rely on diesel.



**GHG Emissions**  
(in tonnes CO<sub>2</sub>e) GRI 305-1, GRI 305-2, GRI 305-4

Facility	2020	2019	2018
<b>Scope 1</b>			
Bulacan Plant	2,092,636	3,057,437	2,444,929
Head Office	380	543	453
<b>Scope 2</b>			
Bulacan Plant	223,761	334,413	275,076
Head Office	34	123	83
<b>TOTAL</b>	<b>2,316,811</b>	<b>3,392,516</b>	<b>2,720,541</b>
GHG Intensity (TCO <sub>2</sub> e /tonnes of cement produced)	0.64	0.72	0.67

**GHG Reduction (in tonnes CO<sub>2</sub>e)** GRI 305-5

Program	2020	2019	2018
Waste heat recovery	6,460	13,312	14,749
Reforestation	220	347	207
Clinker Replacement	895,824	979,000	895,095
Hot Gas Duct (from Cooler Line 2) supplied to Finish Mill 3	2,425	3,686	998
<b>TOTAL</b>	<b>904,929</b>	<b>996,345</b>	<b>911,049</b>

**Stack Emissions (in mg/Nm3)\*** GRI 305-7

Equipment	Nitrogen Oxide (Nox)			Sulfur Oxide (SOx)			Particulate Matter (PM)		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Raw Mill 1	55	55	95	362	362	206	9	9	47
Raw Mill 2	60	60	91	330	276	235	8	8	23
Raw Mill 3**	109	104	-	309	85	-	6	8	-
Clinker Cooler 1	24	24	159	<2	<2	13	4	4	46
Clinker Cooler 2	46	52	127	23	14	161	7	8	17
Clinker Cooler 3**	59	149	-	19	4	-	3	4	-
Coal Mill 1	50	50	163	<2	21	171	17	17	8
Coal Mill 2	62	59	45	12	17	88	80	4	4
Coal Mill 3**	85	85	-	16	43	-	4	5	-
Cement Mill 3	28	28	83	9	7	2	28	50	8
Cement Mill 4	52	33	25	3	9	6	85	108	30
DENR Regulatory Limit	500			700			150		

\*Maximum stack emissions of each equipment in 2020, based on isokinetic testing conducted by a DENR-accredited third-party contractor  
\*\*started operations in 2019

Eagle Cement was able to reduce its GHG by 905K tonnes of CO<sub>2</sub>e in 2020. We have invested in programs that resulted in reduction of GHG emissions. Among these initiatives are the production of electricity through our WHR Facility, clinker replacement, use of hot gas duct, and carbon sequestration through our mine forest program.

We will continue to lessen our GHG emissions by actively implementing energy-saving and operating efficiency improvement measures at each level of our production process.

Eagle Cement considers the use of alternative materials for our cement mix as a vital environmental strategy for the reduction of GHG emissions in the long-run. With our thrust on use of alternative fuels, we relentlessly strive to reduce consumption of fossil fuels by substituting them with wastes from other industries such as fly ash, bottom ash, and synthetic gypsum. Incorporating these materials in our process reduce GHG emissions by using less clinker which in turn leads to less mining activities and preservation of natural resources.

Our plant operations emit various types of air pollutants such as sulphur dioxide (SO<sub>2</sub>), nitrogen oxide (NOx) and dust, which are efficiently managed in compliance with DENR's regulatory and permit discharge limits.

Dust can be generated during the extraction and hauling of limestone. With the increased activities particularly from hauling trucks, un-cemented roads can yield heavy dust particulates that can be hazardous to residents living within the areas. Controlling and managing our fugitive dust emissions generated through our mining operations are our main focus since these raise concerns from the residents of our host community and neighboring barangays. We maintain an open and active dialogue with them to address their concerns and present to them our collective efforts in order to minimize the negative impact of our operations.



To show our ongoing commitment to protect our community and the environment, Eagle Cement has a comprehensive air quality management program so as to identify the limits of pollution parameters in the ambient air in and around our plant. We have invested in the Continuous Emission Monitoring System (CEMS), data acquisition and handling system, and installation of closed-circuit television to provide and transmit real-time images and data on criteria pollutants from the stacks in all our three integrated production lines. We regularly monitor our air pollutants emissions and analyze trends through this system to ensure that levels are within the regulatory limit.

Apart from this system, dust control measures include the enclosures of crushing areas and conveyors, road watering, as well as the installation of water spraying systems. We also conduct monthly visual audit of dust collectors in the plant to self-assess their efficiency and raise the issues to area owners for their action. We also implemented a speed limit of 20 kph in our area of operations to suppress heavy dust particulates. All these efforts form part of our compliance with the Clean Air Act.

In 2020, the results of the ambient air monitoring showed that we remain compliant and well within the DENR's regulatory limits.

We have lined up projects that would help minimize NOx emissions such as the installation of Tertiary Air Duct and relocation of Precal injection point.

Eagle Cement continuously seeks innovative solutions for process improvements. In August 2020, the Company commissioned two units of mechanical street sweeper to reduce road dust and to improve the overall air quality in the plant. As a result, lesser fugitive dust from the roads were observed compared to previous years.

By continuously managing our air emissions effectively, we can minimize the impact on local communities and the environment.





**Water Consumption** GRI 303-1

Water is increasingly becoming a scarce natural resource and the stability of water supplies will likely become a more pressing social concern. For Eagle Cement, sustainable water management means obtaining freshwater resources or discharging treated wastewater without negatively impacting aquatic ecosystems.

**Water Consumption (in cu.m.)** GRI 303-3, GRI 303-5

Facility	2020	2019	2018
Bulacan Plant Site	137,262	288,228	300,944
Head Office	1,139	1,322	1,020
<b>TOTAL</b>	<b>138,401</b>	<b>289,550</b>	<b>301,964</b>
Water recycled and reused	21,985	29,216	42,475

Eagle Cement sources most of our water requirements from deep wells. Hence, there is a possibility that water extraction could exceed the water replenishment and potentially lead to water supply depletion. In 2020, the stoppage of production due to COVID-19-related lockdown resulted in a substantial reduction in water consumption by 52%.

As the soil erosion continues to occur in the quarry site during blasting operations, this increases the sediment yields of the receiving body of water. Especially during blasting operations, earth moving and ground clearing continue to contribute to solids being carried off to the surface water. With this, we understand that heavy equipment used during these activities may contribute to the deterioration of water quality downstream.

To ensure the protection of water quality in our site, we carry out a periodic monitoring through a DENR-accredited third party. Parameters include TSS (total suspended solids), Oil and Grease, temperature and pH level. The results are validated during MMT (Multi-partite Monitoring Team) meeting and included in the compliance monitoring and verification report. The factors that influence the quality of water are the quarrying activities such as blasting operations, hauling of materials and maintenance of heavy equipment.



We conduct regular maintenance of settling ponds and drainage systems to prevent contamination of nearby tributaries.

Although water supply remains stable, the Company has contingency protocols and programs in place so the plant will be able to receive water from alternative sources. Meanwhile, we are conducting research studies on deep wells to determine their life span considering the average rate of water withdrawal. The data gathered will help in the effective management of water resources.

Moving forward, we plan to put up a water system that can harvest rainwater from our quarry sites. Once completed by the end of 2021, the system will reduce the plant's dependency on groundwater extraction by up to 40%, thereby prolonging the life of the deep wells.

**Waste Management**

Waste management is one of the most pressing global issues that requires shared action in order to transition to a circular economy, in which resources are circulated without creating wastes. Eagle Cement understands that wastes pose a wide range of risks to the environment. While zero waste is an ambitious target for now, we are taking cardinal steps in minimizing our waste footprint to protect and preserve our natural wealth. Waste management forms part of our wide environmental management system, with our business operations certified to ISO 14001.

We therefore consider it essential to maximize recovery, reduction, recycling, reusing, and re-purposing of our waste materials, while considering refusal of single-use plastics. We believe in the waste management hierarchy and consider reduction of waste as the best and easiest option to handle solid wastes to make significant strides toward eliminating plastic wastes.

We recognize that our people are our biggest asset in taking part in our journey to zero waste and we have created opportunities to encourage them to contribute to our efforts, while reinforcing the principle that every individual action leads to collective impact. As a first step, we ban the use of plastic bags in the plant's canteen and grocery store effective August 21, 2020. This is part of our new program, "Ban on Single-use Plastic," and applies to all employees, contractors and guests in the plant.

**Total weight of waste by type and disposal method (in kg, except as indicated)** GRI 306-2, GRI 306-3, GRI 306-4

Waste Type	Material	2020	2019	2018	Disposal Method (all via Third Party Treater-accredited by the regulatory body)
Hazardous Wastes	used lead acid batteries	-	1,260	2,750	Chemical Fixation/Immobilization
	alkali waste	3,342	-	442	Chemical Fixation/Immobilization
	acid waste	102	-	-	Chemical fixation/immobilization
	busted fluorescent lamp	-	342 (pcs)	400 (pcs)	Mercury Recovery Technology
	other mixed resins	-	2,389	5,300	Chemical Immobilization
	used oil	57,148	27,614	1,050	Recycling Constituting Disposal
	oil contaminated container	-	4,937	1,400	Chemical Immobilization
	contaminated containers	8,680	335	300	Decontamination
	pathological waste and infectious clinic waste	126	8	100	Encapsulation
	electronic waste	-	563	1,500	Stabilization/Encapsulation
pharmaceutical drugs	30	-	-	Physicochemical and thermal treatment	
<b>TOTAL HAZARDOUS WASTE</b>		<b>69,428</b>	<b>37,106</b>	<b>12,842</b>	
Solid Wastes		459,670	281,929	763,049	Sanitary Landfill

In 2020, Eagle Cement's operations generated around 460 tonnes of residual wastes and 69 tonnes of hazardous wastes. The increase in solid wastes generated during the year was due to the ongoing construction of our expansion in Bulacan which resumed immediately after the easing of the COVID-19-related lockdown.

Solid wastes are collected regularly and are segregated in the Materials Recovery Facility (MRF). The solid wastes are transferred to sanitary landfill, in accordance with the Ecological Solid Waste Management Act (RA 9003). Meanwhile, hazardous wastes need to be processed and transported by a DENR-accredited Treatment, Storage, and Disposal (TSD) facilities vendor.

In compliance with RA 6969: Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, the Company has a Hazardous Waste Policy which provides guidelines on how to responsibly manage hazardous wastes. The policy details the process of segregation, labeling, storage, transport, treatment, and disposal of hazardous wastes. It also provides the necessary training for employees directly involved in handling hazardous wastes.

There have been concerns raised by the residents of the local communities on maintaining landfills in their areas. We recognize that the existing landfill facilities closure or reaching full capacity without an alternative area may result to increase in costs as we may need have to look for other ways to safely manage our solid wastes. Thus, we maintain an open communication with the community, local and national agencies and regulatory bodies to keep abreast of ongoing concerns and actions regarding solid waste management for all communities.

Eagle Cement explore new approaches to solid waste management, including recycling. We also continuously improve our processes at each level of production as well as thoroughly sort our wastes at the time of discharge to generate more value from waste, thus reducing the volume disposed of. For instance, the generated scrap woods are segregated and donated to schools to be repurposed as tables and chairs. Dedicated bins for Polyethylene terephthalate (PET) bottles are visible also in the plant to encourage proper segregation and recovery of items that can still be reused or recycled.

The Reduce, Reuse and Recycle movement offers a host of ideas and options we may consider as we explore ways to approach solid waste management.

**Land Rehabilitation and Biodiversity** GRI 304-2, GRI 304-3, GRI 304-4

The very raw materials that are being used in the cement plant are being sourced from our quarry sites. It is indeed crucial that these land operations resources are dealt with careful planning and responsible management, taking into account the possible impact of our operations to our environment. To reduce the potential impact of our assets on the land, Eagle Cement requires our operations to, at a minimum, comply with relevant rules and regulations. We take full responsibility and accountability for the ecosystem impacts of our direct operations by protecting more land than we use.

The respect for environment and care for our local communities drive us to pursue consistent and meaningful programs that enable us to operate without jeopardizing our ecosystems. Among these programs involve rehabilitating our idle lands and buffer zones with the aim of minimizing our impact and providing alternative livelihood to our farmers - a sector which is hardly hit by the pandemic.

The Philippine Mining Act (RA 7942) mandates the Company to rehabilitate mined-out areas through implementing progressive rehabilitation in our quarry for gradual restoration. Pursuant to Eagle Cement's Mine Forest Program and in support to the Greenhouse Gas Reduction Program of the DENR, we entered in an agreement with Akle Farmers Producers Cooperative with the intention of planting trees, pursuing care and maintenance of previous planting sites within our mining claims and providing livelihood opportunities for inclusive growth. This partnership not only promotes carbon sequestration and biodiversity in the area, but also provides employment for 25 farmers, and in turn benefit their families as well. This forms part of our long-term drive to minimize the impact of our operations on the environment.



In 2020, we were able to plant 10,700 trees in a total area of 7.56 hectares, of which 6.06 hectares and 1.50 hectares were planted with Mahogany and Bamboo, respectively, reaching a total of 22,082 trees nurtured in a total of 18.33 hectares of land since we began this initiative in 2019. In just a span of two years, the bamboo plantation is now turning into a young lush forest.

In addition, a 500-square meter nursery has been completed last May 2021. This houses endemic species to be used for progressive rehabilitation of mined-out areas.



As the Company continues to strive to protect and promote its biodiversity, the partnership with Community Environment and Natural Resources Office (CENRO) Baliwag regarding deputizing forest guards is underway.

**Area Distribution (in hectares)**

Area Type	2020	2019	2018
Tenements (MPSA 181)	169.37	169.37	169.37
Disturbed (active mining site, industrial site, admin, access roads)	70.58	70.58	66.63
Unused (idle land within MPSA 181)	98.79	98.79	102.74
Planted Area (including the area outside MPSA 181)	137.36	129.79	115.57
National Greening Project Area (apart from the planted area)	123.05	123.05	123.05

\*MPSA - Mineral Production Sharing Agreement

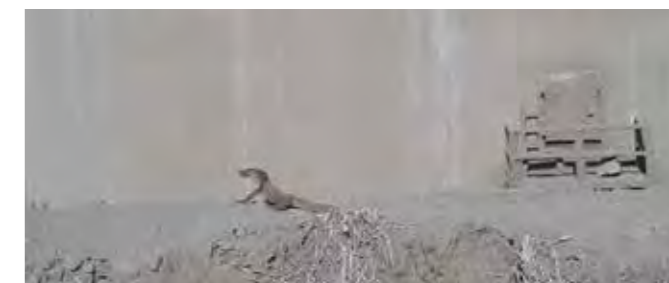
By virtue of Proclamation No. 237, the month of June every year is declared as the Philippine Environment Month to give time and effort towards the protection, enhancement and development of the country's environment. Meanwhile, Arbor Day in the Philippines has been institutionalized to be observed every 25th of June throughout the country by planting trees and ornamental plants and other forms of relevant activities.



As an environmental steward, Eagle Cement remains committed not only in protecting the environment but also in helping the local communities in promoting awareness on several climate issues faced by the world today through our Information and Education Campaign (IEC). On June 10, 2021, scholars of the Company from Brgy. Akle and Brgy. Talbak attended a small talk on the importance of trees in our surroundings.



On June 19, 2021, 51 volunteers, comprised of employees and contractors, joined the tree planting activity in celebration of the Arbor Day. A total of 654 trees of various species such as Banaba, Bamboo, Molave, Alibangbang, Narra, Tan-ag and Guyabano were planted at the quarry progressive rehabilitation site.



Meanwhile, Eagle Cement does not have operational sites near areas of high biodiversity. Nonetheless, we commissioned a group of environmental experts to conduct a biodiversity assessment covering terrestrial flora and fauna in the general location of our quarry sites in San Ildefonso, Bulacan.

The assessment revealed several species of plants and animals belonging to the International Union for Conservation of Nature (IUCN) Red List of 2016 and the national conservation list, including Is-is (Ficus ulmifolia), Malak-malak (Palaquium philippinense), Malasaging (Aglaia edulis), and Narra (Pterocarpus indicus). Aiming to minimize disturbances to the nearby flora and fauna especially during blasting operations, we allocate buffer zones in our quarry and mining sites, particularly during blasting activities. We also plan to propagate those identified IUCN red species found near the site as part of our conservation program.

Apart from the mandated biodiversity conservation initiatives, we strengthen our partnership with the Philippine Eagle Foundation (PEF) by pledging continued care and support to Viggo, Eagle Cement's adopted Philippine Eagle within the PEF's conservation program.



Viggo is an official ambassador for the conservation of the species. Since becoming sexually mature recently, he has successfully established a bond with his caretaker as his “human surrogate mate” through sexual imprinting. This enables PEF to collect sperm samples from Viggo for its artificial insemination breeding program. As such, Viggo plays a significant role in safeguarding the species from extinction as he is one of the Philippine Eagle Center’s (PEC) potential semen donors.

Furthermore, Viggo is the first captive-bred Philippine Eagle trained to perch on a gloved fist. He continues his flight training to be one of the featured eagles in the flight demonstrations at the PEC. We have been providing essential benefits such as food, enclosure maintenance, and veterinarian and keeper care annually for Viggo since 2017, and will continue to do so until 2022.

Meanwhile, on May 4, Mines and Geosciences Bureau Central Office issued a Memorandum Order no. 2020-003, encouraging the submission of compliance reports and other related documents thru electronic mail as a precaution to the possible spread of the COVID-19 under the new normal.

In-line with Eagle Cement’s Annual Environmental Protection and Enhancement Program (AEPEP) and CSR, we provided technical assistance to MGB-Region, most especially in this time of pandemic, in accordance with its adoption of the submission of compliance reports and other documents through the use of digital platform. Through a Memorandum of Agreement (MOA) signed last October 14, 2020 with MGB Region 3, we donated a computer server and developed a software to cater to the needs of the region in terms of submission of reportorial requirements. The turn-over ceremony of the hardware to be used for the digital platform was held last October 27, 2020.



### Climate-related Risks and Opportunities

Climate change and its associated potential threats on businesses’ operations, assets, and infrastructure are becoming significantly important on a global scale and, thereby, prompting a greater sense of urgency for corporates, including Eagle Cement, to make a bold move in addressing climate-related risks. We acknowledge these risks as a challenge and at the same time these generate opportunities for us to rethink how we can improve more our strategies to future-proof our Company, leading to a more resilient and sustainable company. We believe that demonstrating how we are positioned to respond to climate change may strengthen our relationships with our stakeholders.

At Eagle Cement, we recognize that climate resilience and preparedness are essential part of our sustainable progress and we take these into account in our strategic decision-making. The Company has an Enterprise-wide Risk Management (ERM) System implemented across the organization and regularly monitored by the management. The system employs an integrated approach to risk management, and it is designed to enable robust risk management processes through which we identify, assess, monitor and manage the risks we assume in conducting our business activities.

Given the potential climate-related risks that may affect our operations in many forms, oversight and management of climate change is embedded into our governance structure. The Company’s Risk Oversight Officer oversees monitoring and evaluation of climate-related risks, with assessments and recommendations reviewed and approved by the management, the Board Risk Oversight Committee (BROC) and the Board of Directors (BOD). The BROC assists the board in the oversight of the ERM system to ensure the effective management of sustainability issues and create shared value for all our stakeholders.

The Company identifies and assesses operational hazards and climate-related risks at each level of our processes and production that may result in major and prolonged operational disruptions at our Bulacan Plant, in addition to implementing mitigation and resiliency measures to ensure the safety of our people and uninterrupted service to our customers.

Metrics used to assess climate-related risks and opportunities complements the operational resiliency in terms of systems, process dependencies and redundancies that will speed up recovery to shorten downtimes.

In the short-term, climate change may cause extreme weather conditions that may disrupt our operations in our only production site located in Bulacan and may adversely impact our ability to deliver our products and services to our customers. Increase in temperature can also affect our supply chain, and may lead to water scarcity and power supply interruption. Natural disasters, including, but not limited to, floods, earthquakes typhoons, and extreme droughts that may also cause facility damage, road blockages, prolonged power interruption, and supply chain interruptions.

On the other hand, medium- and long-term risks stem from possible climate-related regulations such as expanded rehabilitation and reforestation requirements and stringent limits on greenhouse gas emissions, particularly air emissions such as NOx, which may affect the operational processes, leading to higher production costs, and market competitiveness.

A proactive approach has been implemented to alleviate the impact by working closely with industry and national agencies and placing internal performance targets to focus and increase efforts in reforestation and rehabilitation programs. In particular, the Company will start the construction of a water harvesting facility to utilize the rainwater in the quarry pit is naturally collected in the quarry to minimize extraction of groundwater for process equipment and domestic use.

The Company sets targets on energy and fuel efficiency in addition to the reduction of GHG emissions as part of our strategy to manage climate-related risks. We continue to adopt best practices to reduce our own carbon footprint and integrate resiliency into our business operations.

As an additional precaution, Eagle Cement also maintains an appropriate insurance coverage on our properties, assets and operations and covering such risks are usually carried by companies engaged in similar businesses and using similar properties in the same geographical areas where it operates. These initiatives will enable us to hasten the recovery period and resumption of operations should any disruptions occur.

We also take into consideration different climate-related scenarios including a 2°C or lower scenario in our strategy. We closely monitor regulatory developments in connection with climate change and sustainability and contribute to selected initiatives. We regularly monitor global scientific researches to keep track of news, trends, and forecasts related to the climate issue, enabling timely decisions to be made.

To reduce dependency on expensive external power providers, the Company installed a WHR Facility in our Bulacan Plant. This energy reduction strategy significantly lowers carbon and heat emissions from the usage of non-renewable energy sources such as coal.

Eagle Cement has a Hazard-Aspect Identification, Risk-Impact Assessment and Determination of Control (HIRADC) in place which provides a method for the identification of environmental aspects, health and safety hazards and control of risks-impacts arising from all business activities, products and services that has significant impact on the environment and our stakeholders.

We also acknowledge that climate-related health risks are also becoming more significant over the years. This growing concern signals the Company to increase focus on building better understanding and management of these risks.

Meanwhile, cities and communities’ climate-related mitigation solutions such as flood-control structures allow us to directly contribute to our nation’s building resilience by providing high-quality cement to construct the structures needed.

Eagle Cement recognizes the reputational risks coming from the increasing number of investors who are now looking into the Company’s ESG performance as a high-weight criterion in their investment decision-making process. Thus, we believe in the importance of providing greater transparency on our climate-related risks and opportunities management approach on our business and operations.



## SOCIAL RESPONSIBILITY

### Creating value for our society

We, at Eagle Cement, recognize that in order to realize a sustainable society, we cannot act alone. We are committed to caring for those who contribute to our successful sustainability journey, whether through respecting human rights across our operations and supply chain, empowering people's access to equal opportunities, supporting more sustainable supply chain practices, or giving back to communities through our initiatives. We are undertaking strategic steps that emphasize a balance between the environment, human rights and local communities under the principle of giving the highest priority to life, safety and compliance with laws, regulations, social standards and ethics to ensure sustainable development and make success scalable not only for our community but for all our stakeholders.

Even during the pandemic, we do not waiver from our strong focus of prioritizing the welfare of our people and our community. In fact, we have magnified our societal role to safeguard them and provide assistance whenever necessary.

GRI 103-1, GRI 103-2, GRI 103-3

#### Caring for our People

Our commitment to social responsibility begins with our most valuable asset: our people. We cultivate an inclusive culture with equal opportunities for our people by respecting and fostering acceptance of diversity in its many forms such as age, gender, race, ethnicity, nationality, religion, beliefs, disability, birthplace, sexual orientation, values, and workstyles

and provide our people with growth-enabling and safe work environment. This is supported by our non-discrimination and diversity practices that are embedded in our Code of Ethics, stating that equal employment opportunity for all applicants and employees.

We believe that this diversity, in harmony with our corporate values, will positively improve our competitive strength and the commitment of our employees, thus, increasing the overall performance of our Company. The management cascades and ensures a firm implementation of all policies embedded in the Company's Code of Ethics.

As of end-2020, Eagle Cement employed a total of 516 personnel with an average age of 36 years old and an average length of service of 4.3 years. Given the nature of our business, our workforce remains highly dominated by male workers at 75.3%.

#### Employee Breakdown by Contract Type GRI 102-7, GRI 102-8, GRI 102-48

Contract Type	2020		2019		2018	
	Male	Female	Male	Female	Male	Female
Regular	371	115	318	95	293	86
Probationary	7	11	29	12	10	7
Project-based	9	3	50	13	37	11
<b>Total</b>	<b>387</b>	<b>129</b>	<b>397</b>	<b>120</b>	<b>340</b>	<b>104</b>

Breaking down employee numbers by contract type, majority of the workforce are regular employees while only 3% and 2% of the total are comprised of probationary employees and project-based employees, respectively.

#### Employee Breakdown by Position and Age Group GRI 102-8, GRI 405-1, GRI 102-48

	Male			Female		
	< 30 years	30 - 50 years	> 50 years	< 30 years	30 - 50 years	> 50 years
<b>2020</b>						
Top Management	-	6	5	-	2	2
Senior Management	-	2	7	-	-	2
Middle Management	-	18	15	1	7	4
Specialist/Supervisors	9	57	27	16	14	3
Rank and File	136	94	11	56	20	2
Consultant	-	-	-	-	-	-
<b>TOTAL</b>	<b>145</b>	<b>177</b>	<b>65</b>	<b>73</b>	<b>43</b>	<b>13</b>
<b>2019</b>						
Top Management	-	2	2	-	1	-
Senior Management	-	8	7	-	2	3
Middle Management	1	12	22	-	4	5
Supervisors	19	56	32	12	13	2
Rank and File	153	74	9	50	26	2
<b>TOTAL</b>	<b>173</b>	<b>152</b>	<b>72</b>	<b>62</b>	<b>46</b>	<b>12</b>
<b>2018</b>						
Top Management	-	2	2	-	1	-
Senior Management	-	6	6	-	3	2
Middle Management	-	6	6	-	5	2
Supervisors	15	50	50	11	12	1
Rank and File	123	71	71	42	23	2
<b>TOTAL</b>	<b>151</b>	<b>137</b>	<b>52</b>	<b>53</b>	<b>44</b>	<b>7</b>

Of the total number of employees, 42.3% were below 30 years old, 42.6% were 30 to 50 years old while the remaining balance of 15.1% represents those aged 50 years old and above.

#### Employees of Contractors by Place of Origin

Place of Origin	Male			Female		
	2020	2019	2018	2020	2019	2018
Host Community (Brgy. Akle)	150	497	286	7	27	5
Other areas in Bulacan	446	1,004	142	23	48	-
Areas outside Bulacan	148	634	5	8	24	-
<b>TOTAL</b>	<b>744</b>	<b>2,135</b>	<b>433</b>	<b>38</b>	<b>99</b>	<b>5</b>

Eagle Cement's operations is supported by a total of 782 employees, hired through our contractors. However, during the year, there is a notable decline on the number of workers as the Company suspended the construction activities in the plant to adhere to the government's mandate of hard lockdown. At Eagle Cement, local hiring is our priority. As such, 80% of the total originates from Bulacan, of which 20% are from Brgy. Akle, our host community.

**Employee Hiring and Turnover****New Hires** GRI 202-1

Facility	2020		2019		2018	
	Male	Female	Male	Female	Male	Female
Bulacan Plant	8	4	14	19	7	15
Head Office	14	13	88	16	46	18
<b>TOTAL</b>	<b>22</b>	<b>17</b>	<b>102</b>	<b>35</b>	<b>53</b>	<b>33</b>
<b>GRAND TOTAL</b>	<b>39</b>		<b>137</b>		<b>86</b>	
Ratio of lowest paid employee against minimum wage	<b>134%</b>		<b>119%*</b>		<b>119%</b>	

\*restatement of information from 2019 SEC Form 17-A (Annual Report)

The Company ensures job security and did not lay-off any direct employees during the pandemic. In fact, we hired 39 additional manpower to our workforce. Starting monthly salary in the Company is 134% better than the minimum wage set by law in Metro Manila.

In light of the pandemic, we continue the recruiting process efficiently by implementing digital approaches to selected steps of the recruitment process, such as online virtual job interviews to protect the health and safety of our employees and applicants.

The Recruitment team also runs a cadetship program to prepare high-potential employees of qualified technical personnel trained specifically for Eagle Cement processes and operations.

**Employee Turnover**

Facility	2020		2019		2018	
	Male	Female	Male	Female	Male	Female
Bulacan Plant	29	2	10	14	8	8
Head Office	11	9	56	9	36	10
<b>TOTAL</b>	<b>40</b>	<b>11</b>	<b>66</b>	<b>23</b>	<b>44</b>	<b>18</b>
<b>Attrition Rate</b>	<b>3.1%</b>		<b>10.0%</b>		<b>5.8%</b>	

Despite the pandemic, we were able to bring down our attrition rate to 3.1% from 10.0% in 2019.

**Rewards and Compensation**

Eagle Cement provides compensation and benefits in accordance with the national labor laws. We also have a performance incentive program in place at corporate, department and individual levels, with fair and attractive financial rewards to enable us to attract and retain outstanding talent.

The Company offers a competitive benefits package for all employees, including attractive rewards and recognition program which focuses on performance at all levels (corporate, departmental and individual). The foreground of Human Resources and Organizational Development Department (HRODD) is to stimulate employee engagement and offers competitive perks, flexibility and benefits with above-average compensation and benefits packages to ensure retention of outstanding employees and to attract the right talents.

To ensure a competitive compensation structure, we regularly review our compensation package based on data analyses and benchmarks. In doing so, we take internal factors and market requirements equally into account. The system is based on defined criteria, such as job requirements, and performance.

**Availment of Benefits** GRI 401-2

List of Benefits	% of employees who availed for the year	
	Female	Male
SSS	27	24
PhilHealth	5	4
Pag-ibig	9	6
Parental leaves	5	3
Vacation leaves	76	77
Sick leaves	53	34
Medical Benefits (aside from PhilHealth)	-	2

**Parental Leaves** GRI 401-3

Indicators	Male			Female		
	2020	2019	2018	2020	2019	2018
Total number of employees that were entitled to parental leave	387	397	340	129	120	104
Total number of employees that took parental leave	14	6	17	7	17	1
Total number of employees that returned to work in the reporting period after parental leave ended	14	6	17	7	17	1
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	<i>To be computed by end 2021*</i>	6	17	<i>To be computed by end 2021*</i>	17	1
Return to work rate	100%	100%	100%	100%	100%	100%
Retention rate	<i>To be computed by end 2021*</i>	6	100%	<i>To be computed by end 2021*</i>	17	100%

\*Retention can only be evaluated 12 months after the employees' parental leave

**Employee Engagement**

Our sustainable growth relies on the caliber, behavior, and involvement of our people. Our goal is to ensure an emotionally and mentally engaged workforce most especially during the pandemic.

Open communication between the management and employees are maintained through regular monthly huddles, quarterly updates, performance reviews and feedback, team building sessions, CEO speaks, D-time, organizational climate, organizational climate surveys, annual strategic planning and established grievance mechanisms.

The Company holds an annual sportsfest. Due to the pandemic, the annual event did not take place in 2020. However, Eagle Cement has a gym in both head office and plant that is open for use by schedule provided that everyone follows health and safety measures. The said gyms are also disinfected daily or every after use.

**Employee Training and Development**

For Eagle Cement, we believe that sustainable HR management means investing in our people to ensure they have equal opportunities to learn and grow in their careers through their work experience and continued development, training and reskilling. As such, Eagle Cement provides a holistic training and development approach with an objective of aligning the aspirational needs of our people with the Company's goal of sustained growth.

This approach begins with new hires orientation program as part of the on-boarding process. All new employees attend a two-day orientation including a visit to our Bulacan plant to help them form a common ground of understanding about the Company's business operations, values and objectives and discuss our Code of Ethics.

We also provide a Cement Technology Course for all new hires which aims to educate them with technical knowledge on the cement manufacturing processes from quarrying of raw materials up to the packing of our cement products.

Eagle Cement ensures equal training and development opportunities to all employees. This is based on the Individual Development Plan (IDP) of each employee set during the start of the year. Training programs may be done internally or may be conducted by external training providers.

Aside from formal training sessions, the Company also conducts the following development opportunities for our employees: employee coaching and mentoring, job shadowing, on-the-job training, and job rotations.

**Training Hours by Gender** GRI 404-1

Contract Type	Male			Female		
	2020	2019	2018	2020	2019	2018
Average Training Hours	3.9	16.3	6.3	3.1	11.2	8.3
Total Training Hours	890	896	2,116	718	516	856

**Training Hours by Position** GRI 404-1

Contract Type	Average			Total		
	2020	2019	2018	2020	2019	2018
Top Management	4	2	5	66	12	16
Senior Management	2	9	7	34	56	84
Middle Management	4	20	10	106	160	356
Supervisors	3	14	6	129	272	732
Rank and File	3	14	7	667	912	1,784
<b>Total</b>	<b>16</b>	<b>59</b>	<b>35</b>	<b>1,002</b>	<b>1,412</b>	<b>2,972</b>

Throughout the year, we continue to deliver on our commitment to our people. Training hours in 2020 increased by 14% compared with 2019 figure. The accessibility of virtual formats allows us to offer more training opportunities to more employees during the year despite the restrictions of the pandemic.



The Company provides employee key training on problem-solving, process optimization, and testing and calibration for quality assurance.

Training modules include:

- 8-Discipline of Problem Solving. This provides the necessary skill of identifying, correcting, and eliminating recurring problems, leading to product and process improvement
- DMAIC. This gives strategies to improve, optimize, and stabilize its existing processes
- ISO 17025: 2017 Foundation Course. This provides a standard for testing and calibration services.

Moreover, Eagle Cement conducts Resource Modelling and Geostatic Training, an advanced level course for our geologists to improve resource estimation and classification approach to ensure that they accurately measure available reserves and supply for sustainable operations.

Aside from formal training sessions, Eagle Cement also conducts employee coaching and mentoring, job shadowing, on-the-job training and job rotations. These activities ensure that the learning of employees is not limited to classroom setups.

**Key Trainings** GRI 205-2, GRI 404-2

Program/Training Title	Program Description
New Hires Orientation	Two-day orientation for new members of the organization for them to know more about the Company, its vision, mission, values and how the Company operates.
Anti-Corruption	Roll out of Anti-Corruption Policy to familiarize Eagle Cement employees on the different policies such as Anti-Bribery and Anti-Corruption.
Train the Trainers	Provides adequate training to aspiring trainers
RAMCO Training	Training and orientation conducted by RAMCO to Eagle Cement employees to familiarize with different RAMCO Modules such as Book-keeping.
	Book-keeping
	Contract Workers Management System (CWMS)
	Enterprise Asset Management
	Fixed Assets
	Global Tax Solution
	Manage Inventory
	Management Accounting
	Payable Management
	Production
	Receivable Management
Sales and Shipping	
Supplier Management	

**Maintaining excellent labor-management relations**

Sound and stable labor-management relations are critical foundation for achieving continuous corporate growth. We firmly believe in the principles of human rights and as such, fully adhere to the country's labor laws which are founded on these rights. We endeavor to maintain an open, transparent and mutual relationship with our labor force through communication channels for a harmonious work environment. We have a dedicated Industrial Relations Officer whose primary responsibility is to ensure that labor practices are carried out across the organization and expectations and concerns of our workforce are addressed amicably.

Although there are no employee unions in the Company, we still remain conscientious of the welfare of our employees and implement new policies that affects them. We ensure that these are properly communicated through various channels such as department meetings, official memos and emails before implementation to give employees enough time to learn and adjust to the new regulations.

We keep our employees informed and made aware of labor laws and human rights, engaging their support to ensure that these are complied with at all times.

As such, there have been no reported incidents of harassment, bullying, or cyber-bullying in 2020.

**Safety is our priority**

GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-6, GRI 403-7

Eagle Cement consistently contributes to society's enhancement of health and safety management standards through numerous activities and communication on Occupational Health and Safety (OHS) matters, especially when faced with unprecedented situation such as the COVID-19 pandemic. We believe that a safe and secure workplace requires the same steadfast commitment to the highest standards that have aided our Company thrive amid the challenging health conditions.

We are pleased to have a strong health and safety culture, whereby our employees are highly encouraged to take an active role in their own operational health and safety, protect themselves, their colleagues and the Company's assets at all times. We expect everyone on our sites, including contractors and visitors, to strictly comply with the same safety requirements as our direct employees, and to meet our safety training standards.

To institutionalize the organization-wide focus on OHS, Eagle Cement has established a Health & Safety Committee, composed of the following members: manufacturing and non-manufacturing, production Manager, maintenance manager, environment, health & safety manager, employee representatives, security and medical personnel, safety personnel and representatives of our contractors.

The committee oversees the safety performance of the Company and work closely and proactively with the production and maintenance management to resolve day-to-day health and safety issues. We established an effective safety management system at each of our facility to guarantee the integrity of our equipment, structures, processes and protective systems, as well as the monitoring and review of critical controls.

Occupational health and emergency services available at the plant are the following:

- 24/7 clinic that is manned by a part-time physician and three full-time nurses
- two units of ambulance
- first-aid kits located on strategic areas
- automated external defibrillator (AED)
- two units of 6,000 liters-capacity fire trucks
- fire hydrant system



In addition, OHS system initiated the following activities:

- Installation of signages on-site to communicate hazards and convey safety reminders and instructions
- Provision of Personal Protective Equipment (PPEs) depending on the hazard and intended use
- Preparation and proper dissemination of Incident Flash Report and provision of recommendations to avoid reoccurrence of such and correct similar findings on other areas, aspects and practices
- Promotion of safe work practices through award programs such as Safety Steward of the Month for employees with exceptional performance on health and safety
- Provision of safety devices such as machine guards, railings and platforms, emergency stop buttons, emergency pull cords, fire alarm systems, fire extinguishers and others
- Conducts safety audits and walkthrough where findings are being communicated and corrected at a specified time

- Encourage employees to report hazards through Total Productive Maintenance (TPM) Tagging, where findings are categorized as red for Safety and 5S, yellow for improvements and blue for general repair
- Conducts Health Awareness and Programs for employees, contractors, and select members of the community
- Monthly email communication on safety topic and weekly health alert to all employees and discussion during safety meetings.
- Conducts Emergency Response Trainings (ERT) on fire extinguishing and basic firefighting for the barangay response team
- Conducts safety awareness IECs for barangay officials and youth in our host community and neighboring barangays

**Injuries and Accidents** GRI 403-9, GRI 403-10

Safety Parameters	2020	2019	2018
Number of employees in the Health and Safety committee	10	43	37
Total Man-hours	5,566,282*	8,486,302	8,238,526
Safe Man-Hours	659,364*	3,951,123	3,492,237
Lost time accidents	2	7	2
Number of occupational injuries	41*	47	21
Number of occupational ill-health	3*	208	21
Incidence Rate	7.37	5.54	0.56
Severity Rate	32.52	21	139.47
Lost days	181	176	6,007
Fatalities	-	-	1
Work-related fatalities	-	-	1

*\*Restatement of information from 2020 SEC Form 17-A (Annual Report)*

Our safety culture initiatives support long-term sustainable change that promotes the elimination of fatalities and serious injuries. Based on our safety parameters, Eagle Cement has achieved a strong safety performance despite challenging conditions, as we have recorded zero fatality and made good progress toward our zero work-related illnesses and injuries goals for our employees and contractors. Even with these numbers, we will not be complacent, instead we will continue to heighten our efforts on safety for our people and for our business in general, and promote measures supporting independent health management for employees in-line with work styles that are becoming the new normal.

In mid-March of the year, the country proceeded into a state of lockdown, effectively halting most business activities, including the cement industry, to prevent the rapid spread of the COVID-19. In response to the pandemic, we mobilized quickly to ensure healthy and safety of our people while ensuring business continuity.

Overnight, our head office employees swiftly switched to a new paradigm of work from home and adopted digital technology seamlessly.

Our dedicated teams have done an outstanding job on designing and implementing these changes that has allowed us to resume production operations in June immediately after the strict containment measures were lifted by the government.

Prior to resumption of operations, Eagle Cement has taken extensive health and safety measures way beyond what is mandated by the government that include Reverse Transcription Polymerase Chain Reaction (RT-PCR) testing, for all our direct and outsourced employees, third-party contractors as well as the select residents of our host community in Brgy. Akle. We partnered with St. Lukes Medical Center BGC to conduct the RT-PCR tests and conducted a training on May 15, 2020 for all company nurses and doctors prior to the start of testing.



In July, we have allowed 50% of our employees back to the head office in July while the remaining 50% remains on a work from home setup. We have fully re-opened our head office sometime in November, after ensuring that our work environment is conducive to do so. Only those who tested negative were allowed to report back to the plant and head office.



As a continuous precautionary health measures to curb the spread of the virus, we will intensify our testing by conducting at least 1,000 RT-PCR tests for our employees, contractors, distributors and haulers every month. In 2020, we have disbursed ₱34.3 million for the testing.



We have spent ₱74.5 million in 2020 for the construction of isolation and quarantine facilities with 34 and 40 rooms, respectively, in the event that tests of employees yield positive results for the presence of the virus. Regular sanitation of testing, isolation and quarantine facilities, staff and guests house in the plant are properly observed.



Moreover, rigid social distancing and sanitation practices introduced in response to the virus have become the "new normal" in the Company and with our business partners. Temperature check and health declaration forms are required upon entry. Face masks, face shields and alcohol are likewise provided to everyone. Similar protocols have been implemented for safe and superior customer engagements. Socially distanced floor marking and directional signages are visible in all our work sites while acrylic dividers are likewise placed in between work stations. Shuttle services are provided to employees without company issued and private vehicles with a strict observance of safety protocols.



We have increased spotlight on promoting health initiatives and conducted COVID-19 awareness training sessions to address all concerns of employees, contractors and residents of our community. We also disseminated information about the virus through emails and constantly reminding everyone the importance of observing healthy and safety guidelines. In particular, we send out a COVID-19 preventive measures alert via email to all our employees.

In partnership with the Philippine Red Cross, we continue our commitment in helping our fellow Filipinos through our Blood Letting Activity. The activity follows the COVID-19 safety protocols, including RT-PCR tests for the Philippine Red Cross team.

Meanwhile, Eagle Cement celebrated World Diabetes Day in November with the theme "Sugar Mo, I-Check Natin" through series of activities which includes blood sugar level test, awareness and consultation with our guest speaker, Dr. Benedict Salandanan.



**Attendance on Health and Safety Training Programs** GRI 403-5

Topics	Employees	Contractors	Community	Date conducted in 2020
Firefighting Training	7	27	-	February 28
Permit To Work (PTW) & Risk Assessment Training	16	32	-	February 8 & 26
Use of GRAE 3 Gas Detector Training	9	-	-	February 12
ISO 45001 Awareness Training	246	-	-	February 19, 20, 21, 22 & 28
Work at Height Refresher Training (Feb 15)	-	27	-	February 15
Hazards Identification, Risk Assessment & Reporting Training	138	-	-	March 12 & 13
First Aid Training for burns	-	28	-	March 14
Refresher Firefighting Training	16	-	-	April 23 & 24
Firefighting Training	18	-	-	July 25
Occupational First Aid/EAD Training	14	-	-	October 1-4
Information, Education & Communication - Basic Firefighting Training at Brgy. Talbak	-	-	27	August 28
Basic rope access/ Resuce Training	5	-	-	July 19
Rope Access Training	4	-	-	November 1
LOTOTO Training	103	31	-	October 28, 29, 30, November 3, 4, 6 & 7
Mechanical Safety Training	6	-	-	October 30, November 3 & 6
Electrical Safety Training	4	-	-	October 29, November 3



In 2020, we have conducted 16 health and safety trainings, attended by 1,596 participants, composed of employees, third-party contractors and residents of local community.



We also administered Safety Orientation, specialized training and lectures specifically for Health and Safety improvement and procedures, Emergency Response Training (ERT) and the mandatory eight-hour Occupational Safety and Health Seminar to employees and contractors.

There are also toolbox meetings, shift turn-over meetings and huddle meetings where people regularly discuss issues and improvements on safety and health as well as updates on the safety performance of the Company.

**Number of participants in Safety Drills Conducted** GRI 403-5

Drills	Frequency			Number of Attendees		
	2020	2019	2018	2020	2019	2018
Cave in, Landslide and Medical Emergency	2	2	2	33	30	33
Earthquake	2	2	2	444	284	302
Earthquake and Oil Spill	2	1	-	444	346	-
Fire	3	2	2	31	58	64
Oil Spill	3	1	1	455	10	17
Oil Spill and Fire	2	1	1	25	15	17
Typhoon, Thunderstorm and Flooding	-	-	1	-	-	13

The crisis did not prevent us from conducting 14 safety drills trainings among our employees, third-party contractors and residents of our community.



**Workers Covered by Occupational Health and Safety System** GRI 403-8

Type of Employment	2020	2019	2018
Regular	430	474	423
Outsourced	493	465	1,243
Third-party	751	1,573	806
<b>TOTAL</b>	<b>1,674</b>	<b>2,512</b>	<b>2,472</b>

The 67% decline of the number of workers covered by our OHS system was due to the lower requirements of our business operations in view of the pandemic.

Meanwhile, Eagle Cement has Electrical Safety and Accident in the Workplace Policies which are available in our Company website.

**Facility Security**

The function of our Security Department is to provide 24/7 protection to Company's personnel, assets, information, operations, value and reputation against any intentional and malicious threats from local terrorists, insurgents and criminals.

Proactive and reactive measures against these threats are achieved through synchronized and integrated employment of multi-agency security components consisting of our local Eagle Cement Security supported by the Armed Forces of the Philippines, the Philippine National Police, Barangay Public Safety Officers of our host barangay and other stakeholders. These measures are done in compliance with the Rule of Law and with respect to the upholding of Human Rights.

The orchestrated and integrated procedures and actions of the Security Department denied the threats from waging major depredation activities or atrocities against the Company and our host community and neighboring barangays for the past 10 years, thereby shaping a secure and stable environment conducive for the sustained productivity and growth of Eagle Cement. We will continue to carry out mandatory activities required for safety and security of our facilities and offices in the larger interest of our people.

Meanwhile, the department timely disseminates security updates by sending a Security Digest News report via email to all employees.

GRI 103-1, GRI 103-2, GRI 103-3  
**Caring for our neighbors**

As a responsible corporate citizen and a member of our community, our thrust on achieving a positive impact on people and the society extends beyond our operations. We remain fully committed in contributing to the sustainable progress and development of our host and neighboring barangays with over 6,000 total population.



We continuously work to maintain the trust of our stakeholders through our business activities, as well as through a range of Social Development Management Program (SDMP) and Corporate Social Responsibility (CSR) programs. Eagle Cement invests in initiatives that highlight the ways that our very existence contributes to society.

Eagle Cement not only addresses issues of interest to our community but also conducts various programs through a range of SDMP and CSR activities tailored fit to their needs to empower and help them accelerate their progress in the same magnitude of our Company's growth. We actively engage in a range of social contribution activities in addition to business activities toward the shared vision of realizing a sustainable community.



We recognize that stakeholder engagement is a crucial step in determining the success of any SDMP and CSR project, we maintain linkages and close coordination with stakeholders and community. As such, Eagle Cement has proactively engaged with the Barangay Technical Working Group (BTWG) composed of local government unit (LGU) officials, medical professionals and barangay health workers (BHWs), school institutional heads, livelihood cooperatives and groups and church leaders to get their valuable insights, to determine their interests and needs and be able to proposed programs/projects/activities (P/P/As) for the benefit of the community and their represented sectors.

At the onset of the crisis, we remain committed with our social responsibility and in fact this pushed us to go even further, ramping up our support to help their recovery. Our commitment to sustainability continues to be a strong foundation for our COVID-19 response and recovery. We remain key enablers for our community to survive and thrive in the prolonged economic disruption. We also pivoted our programs to align with the government's mandate to support communities disproportionately affected by the pandemic.

Eagle Cement expended the total required SDMP spending of ₱5.0 million in 2020 while we also deployed ₱38.0 million for all our CSR activities, 211% higher than what was allocated in 2019.

The Company has a grievance mechanism in place, covered and registered in our Integrated Management System (IMS) Procedures under "Handling of Community Complaint," to address community needs, issues and concerns. There has been no filed complaint in 2020.

**Major SDMP Areas** GRI 203-2, GRI 413-1

SDMP Breakdown	Key Programs	Impact	2019 Total Investment	2020 Total Investment
Health	Community Clinic	Improved health conditions of 6,000 patients in the community clinic	1,098,760	1,146,000
	Feeding program	Improved nutrition status of 120 undernourished children to normal		-
	Maternal Health Care			-
	Aid to Senior Citizens			-
	Garbage truck donation			800,000
Livelihood	Supported local farmers through the provision of farm implements	Improved yield of farmers	450,000	200,000
Education	Scholarship and construction of classrooms		963,000	749,500
Human Resource Development	Skills training for women on food processing		378,784	150,000
Livelihood	Assistance to farmers and women cooperative		450,000	200,000
Pandemic Assistance	Food packs and house construction materials		-	1,938,599
Infrastructure	Road concreting	Constructed farm-to-market road	2,995,450	-
<b>Grand total (in Php)</b>			<b>5,885,994</b>	<b>4,984,099</b>


Our CSR priorities are aligned with our social investment theme, FLIGHT, which focus areas are determined by local community needs and priorities. Eagle Cement undertakes these programs that aim to make a long-term positive impact on the lives of the people in our community and as the Company grows, we would like the community to grow with us as well.

Eagle Cement's Mining and Sustainability Department (MSD) spearheads the SDMP and CSR programs under a six-pronged umbrella of categories:

 **Family and Community**

These programs bring families and communities together, closer and stronger through value formation, community building, environmental programs and community outreach.

- Relief operations related to COVID-19 pandemic
- Relief operations for 2,000 families at 12 evacuation centers affected by Taal volcanic eruption
- Distribution of milk to 304 senior citizens of Brgy. Akle
- RT-PCR tests for the community
- 120-day feeding program to the 250 malnourished children

 **Livelihood and Employment**

These programs enable community members to increase their earning capabilities and provide with means of employment.

- Re-aligned to COVID-19 pandemic assistance

 **Infrastructure Support**


Construction initiatives such as road concreting, classroom building, water system and other facilities that will benefit the communities, including cement donations.

- Construction of a Talbak Training Center
- Construction of covered court at Gabihan Parish
- Ground breaking for the construction of the eight-classroom building at Gabihan High School
- Construction of a perimeter fence of Municipal Training Center located in Brgy. Pala-pala
- Construction of a two-classroom building at Alagao Elementary School
- Donation of a two-classroom building for Talbak Elementary School

 **Growth and Development**

Human and community growth and development such as youth development programs, capacity building and improvement of community facilities such as health center, sports and recreational facilities.

- Two-day teachers' training workshop for 19 Science teachers

 **Health and Emergency Response**

We bring ways to provide accessible medical care to the communities and capacitate them to handle emergencies.

- Weekly community clinic at Brgy. Akle
- Turnover of medicines and wheelchairs to Brgy. Talbak
- Turnover of medical supplies and pandemic essentials to Brgy. Talbak
- Provision of face masks and face shields
- Provision of medicines, vitamins, hand soaps and alcohol

 **Technology and Education**

This covers education-related and scholarship programs.

- Scholarship Program
- Donation of 25 units of desktop computers to Akle, Narra, and Talbak Elementary School
- Donation of used Intermediate bulk containers (IBC) tank
- Donation of used tires for Talbak Elementary School

**Family and Community**

Amid the eruption of Taal Volcano in January 2020, which affected most towns in Batangas and even the neighboring provinces, Eagle Cement administered a two-day relief goods operations from January 31 to February 1 with a total of 28 volunteers comprised of employees and contractors of the Company. The group distributed water, blankets, biscuits and canned goods to 2,000 families in 12 evacuation centers located in the towns of Lemery, Nasugbu, Laurel, San Luis, Ibaan and Batangas City.



Eagle Cement is fully-committed to take necessary measures in order to curb the spread of COVID-19. We give our utmost priority to protect the health and safety of our employees, their families, our clients and partners, and our community in Bulacan and we remain committed to support them during this crucial time. Thus, the Company reallocated some of our fund to COVID-19 related initiatives.

As our country grapples amid the COVID-19 global pandemic, Eagle Cement has taken its lead in order to help contain the spread of the virus and extend help to our business partners and the community where we operate.

Along with the on-going assistance efforts, we led another relief operations in response to COVID-19 with the help of the Armed Forces of the Philippines, employee volunteers of the Company and local government units of San Ildefonso, Bulacan. We distributed over 21,000 food packs, containing rice and canned goods, to 21,000 families, including frontliners. In addition, we continue to address the health and hygiene needs of the residents by providing free water supply, and hygiene products such as bath soaps and hand sanitizers.



We also conducted a COVID-19 awareness program which was attended by 60 residents from Brgy. Akle that aims to educate them on how to protect themselves by following health and safety protocols to help contain the spread of the virus.



As the pandemic continues to threaten the livelihood of Filipinos in the margins of society, Eagle Cement supports its communities anew as we launched a 120-day feeding program for the children of our host community, Brgy. Akle and neighboring barangays of Alagao and Talbak in San Ildefonso and the town of Dona Remedios Trinidad (DRT).



The program ran from August 2020 until February 2021, this helped 250 children through a weekly distribution of Nutribun packs along with meals, vitamins and milk packages. This initiative is aligned with the teachers' mission of shaping the values and aspirations of children. Feeding program was done in coordination with barangay health workers and mother leaders to ensure that proper safety protocols are followed during distribution. We also set up a regular monitoring system, as well as baseline and end-line evaluations to measure the program's results. By the end of the 120-day program, results showed that 80% of the 250 children reached the normal health status from being stunted.

Meanwhile, Eagle Cement donated two garbage trucks, one for Brgy. Akle and one for Brgy. Gabihan both in San Ildefonso to assist the community in the collection and management of their solid wastes which will be transported directly to the designated sanitary landfills.

In November 2020, typhoon Ulysses battered Central Luzon, including Bulacan, which damaged bridges, houses, hospitals and schools in the area. In the wake of its onslaught, the Company administered clearing operations and calamity assistance to affected barangay in Bulacan. Eagle Cement also provided roofing materials to the residents of Brgy. Akle for houses that were impacted by the typhoon. Distribution of relief goods, restoration of damaged roads through backfilling and rationed water were also done to help them rebuild their lives and communities.



**Infrastructure Support**

Eagle Cement donated a two-classroom building to Talbak Elementary School, together with 100 pieces of chairs, eight wall fans and two teacher's tables for each classroom. The turnover ceremony happened last January 10, 2020, which was officiated by Father Andy Rivera of Gabihan Parish.



In partnership with the Municipality of San Ildefonso, Bulacan, a ground breaking ceremony was held for the construction of an eight-classroom building at Gabihan High School to address the limited secondary schools in the community. The nearest school is located in Población which is far and highly populated which is not conducive for learning.



Additionally, Eagle Cement built a covered court at Gabihan Parish to be used by the parishioners of Gabihan Church and the students enrolled in Gabihan High School for their school activities such as sportsfest, foundation week, first Sunday mass and more.



Furthermore, the Company constructed a two-classroom building at Alagao Elementary School to address classroom shortage in the community. Prior to the pandemic, the school holds classes in the covered gym.



**Development and Impact of Infrastructure Developments** GRI 203-1

	2020 Infrastructure Projects	Amount	Beneficiaries	Impact
1	Two-story Livelihood Center	500,000	100 members of Women's Group	provision of livelihood and training center and a place where they can sell their merchandise
2	Covered court at Brgy. Gabihan	3,839,285	3,000 residents of Brgy. Gabihan	for school events and sports-related activities for the youth
3	Six units classroom at Gabihan School	13,500,000	3,000 residents of Brgy. Gabihan	access to education, as the nearest secondary schools are located in the town, 15 km away from the community
4	Construction of canteen in Akle Elementary School	870,000	800 students of Akle Elementary School	clean and safe foods for Akle Elementary School students
5	Two-classroom building in Alagao	2,169,751	200 students of Alagao Elementary School	Conducive learning environment for Alagao Elementary School students
6	Retaining wall and riprap at Narra Elementary School	1,000,000	250 students of Narra Elementary School	Safety of students, teachers and visitors of Narra Elementary School
7	Perimeter fence at Pala-pala (LGU Training Center)	3,860,000	500 LGU employees of San Ildefonso	safety and security of LGU personnel (prevent unauthorized access)
8	Road re-blocking from Akle to Alagao	20,000,000	6,000 residents of Brgy. Akle, Alagao and nearby communities	safe roads for residents and motorists
	<b>TOTAL (in Php)</b>	<b>45,739,037</b>		

**Growth and Development**

In 2020, Eagle Cement conducted a two-day training workshop for 19 Science teachers of San Ildefonso National High School and Talbak High School last February 22 and 23. The training was facilitated by the Mind Museum Movers wherein they showcase the contribution of science in daily activities by expressing confidence in being ingenious and creative in rising up to the challenge of limited teaching resources. As part of the program, the Science teachers were given a complimentary tour on February 29, at the Mind Museum located in Bonifacio Global City, Taguig to initiate and bolster science engagement in elevating aspects of individual, community and national life to inspire solutions to real-world problems.



In response to emergency trainings, basic firefighting was organized for the members of Barangay Emergency Rescue Team (BERT) to equip participants with the necessary skills to identify what causes fire, how to put out fire, and how to use fire extinguisher in times of emergency. To further implement the trainings provided to BERT, the Company conducted a fire drill last September 4, with 25 attendees at Sitio Sinambalan, Brgy. Akle. Fire drills and training will be conducted regularly to continue to be vigilant and further improve the skills of each member.



These activities were conducted to address the community health issues, especially during the crisis, and to improve the well-being of local residents by working together and actively participate in providing health care services within their area. Monitoring of their status and free medicines were also provided to maintain the health and safety of the residents. Continuously extending health services even during the pandemic shows how Eagle Cement cares for our community.

Amid the pandemic, the Company turned over pandemic essentials, various medicines and wheelchair to Brgy. Talbak, DRT last June 20 and 30, August 24, September 30 and November 27. This activity helps the Barangay Health Center to continue its operations and assistance in the community and provide medical care to patients.



Moreover, Eagle Cement distributed adult milk to 304 senior citizens of Brgy. Akle on June 30 to help them strengthen their body and boost their immune system against the virus.



After the basic firefighting training, COVID-19 awareness seminar was also given to the frontliners of Brgy. Talbak, namely members of BERT, Brgy. Captain and Council. As leaders and representatives of the community, they should be mindful on the know-how in preventing the virus and to be knowledgeable on the basic protocols to properly handle situations when there are reported cases in their area.

#### Health and Emergency Response

For the first and fourth quarters of 2020, Eagle Cement conducted a Weekly Community Clinic at Akle Health Center with a total of 653 outgoing patients coming from our host and neighboring barangays were provided with prescribed medicines to improve their well-being and boost their immune system especially during this crisis.

In view of the rising COVID-19 cases and strict quarantine measures relative to the pandemic, the Weekly Community Clinic was put on hold from March to August 2020 to prevent the widespread transmission of the virus. However, in lieu of this activity, Eagle Cement distributed hand soaps, alcohol, sanitizers and medicines to the residents of Brgy. Akle, Bulacan to help protect themselves against the virus. In September 2020, the Company resumed its Weekly Community Clinic following the easing of quarantine protocols in Bulacan to give the residents of nearby communities an access to medical services as hospitals in the area are not accepting walk in patients due to increasing COVID-19 patients.

Eagle Cement provides honorarium to its resident doctor, Corazon Eguia, who attends to patients with the help of six volunteers barangay health workers during free clinics and medical missions.

Lastly, the Company provided RT-PCR tests for select residents of the community in order to help the government's drive to control the spread of the virus. A total of 370 residents were randomly selected per sitio. The testing which was conducted last June 7 and 10, all yielded negative results.



#### Technology and Education

We work to implement community engagement plans and empower the youth with quality education and skills for personal and professional development. Eagle Cement released its annual SDMP scholarship allowance for Brgy. Akle and Talbak last November 19 and 25 for the school year 2019-2020. Due to the pandemic and delays in the start of classes, budget for the first semester was also re-allocated to COVID-19 assistance.



In addition, the Company donated 25 units of used desktop computers to various schools in Bulacan last August 28. Of the total, nine units were given to Akle Elementary School, eight units were donated to Narra Elementary School, and eight units were provided to Talbak Elementary School. Provision of used IBC tank and used tires were also donated to Talbak Elementary School. These contributions were given to improve the learning system through the use of computer server and developed software to enhance the knowledge of the students in using modern technologies and be able to get along with the fast-paced progress in education setting.

GRI CONTENT INDEX FOR "IN ACCORDANCE" – CORE OPTION

GRI 102-55

Disclosure		Page numbers and/or direct answers	Omission
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General Disclosures			
GRI 102: General Disclosures 2016			
Organizational profile			
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GRI 102-2	Activities, brands, products, and services	3, 38	
GRI 102-3	Location of headquarters	3, 201	
GRI 102-4	Location of operations	3, 201	
GRI 102-5	Ownership and legal form	91	
GRI 102-6	Markets served	3, 7	
GRI 102-7	Scale of the organization	53	
GRI 102-8	Information on employees and other workers	53, 54	
GRI 102-9	Supply chain	37	
GRI 102-10	Significant changes to the organization and its supply chain	-	None
GRI 102-11	Precautionary Principle or approach	-	None
GRI 102-12	External initiatives	-	Not applicable [No such initiatives]
GRI 102-13	Membership of associations	-	Not disclosed
Strategy			
GRI 102-14	Statement from senior decision-maker	13-16	
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GRI 102-16	Values, principles, standards, and norms of behavior	4	
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GRI 102-32	Highest governance body's role in sustainability reporting	President & CEO	
GRI 102-33	Communicating critical concerns	96	
Stakeholder Engagement			
GRI 102-40	List of stakeholder groups	27-29	
GRI 102-41	Collective bargaining agreements	-	None
GRI 102-42	Identifying and selecting stakeholders	26	
GRI 102-43	Approach to stakeholder engagement	26	
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Disclosure		Page numbers and/or direct answers	Omission
Reporting Practice			
GRI 102-45	Entities included in the consolidated financial statements	All operations of Eagle Cement Corporation	
GRI 102-46	Defining report content and topic Boundaries	23	
GRI 102-47	List of material topics	24	
GRI 102-48	Restatements of information	10, 35, 43, 59	
GRI 102-49	Changes in reporting	-	None
GRI 102-50	Reporting period	23	
GRI 102-51	Date of most recent report	June 2019	
GRI 102-52	Reporting cycle	Annual	
GRI 102-53	Contact point for questions regarding the report	201	
GRI 102-54	Claims of reporting in accordance with the GRI standards	23	
GRI 102-55	GRI content index	73-78	
GRI 102-56	External assurance	-	Not Applicable

Topic	Disclosure	Topic	Page numbers and/or direct answers	Omission
Economic performance				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	35	
	GRI 103-2	The management approach and its components	35	
	GRI 103-3	Evaluation of the management approach	35	
GRI 201: Economic Performance 2016	GRI 201-1	Direct economic value generated and distributed	35	
	GRI 201-2	Financial implications and other risks and opportunities due to climate change	Mitigating activities are in place when calamities due to climate change occurs	
GRI 202: Market Presence 2016	GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	55	
	GRI 202-2	Proportion of senior management hired from the local community	-	Not Applicable
GRI 203: Indirect Economic Impacts 2016	GRI 203-1	Infrastructure investments and services supported	70	
	GRI 203-2	Significant indirect economic impacts	65	
GRI 204: Procurement Practices 2016	GRI 204-1	Proportion of spending on local suppliers	37	

Topic	Disclosure	Topic	Page numbers and/or direct answers	Omission
<b>Compliance</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	88	
	GRI 103-2	The management approach and its components	88	
	GRI 103-3	Evaluation of the management approach	88	
GRI 205: Anti-corruption 2016	GRI 205-1	Operations assessed for risks related to corruption	None	
	GRI 205-2	Communication and training about Anti-corruption policies and procedures	58, 93	
	GRI 205-3	Confirmed incidents of corruption and actions taken	There were no such incidents	
GRI 206: Anti-competitive Behavior 2016	GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Monopoly is against the values of the Company	
<b>Environment</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	42	
	GRI 103-2	The management approach and its components	42	
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GRI 301: Materials 2016	GRI 301-1	Materials used by weight or volume	43	
	GRI 301-2	Recycled input materials used	43	
GRI 302: Energy 2016	GRI 302-1	Energy consumption within the organization	43	
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	GRI 302-3	Energy Intensity	43	
	GRI 302-4	Reduction of energy consumption	43	
GRI 303: Water 2018	GRI 303-1	Interactions with water as a shared resource	47	
	GRI 303-2	Management of water discharge-related impacts	-	Not applicable. No significant water discharge
	GRI 303-3	Water withdrawal	47	
	GRI 303-4	Water discharge		No significant water discharge
	GRI 303-5	Water consumption	47	

Topic	Disclosure	Topic	Page numbers and/or direct answers	Omission
GRI 304: Biodiversity 2016	GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	49	
	GRI 304-2	Significant impacts of activities, products, and services	49	
	GRI 304-3	Habitats protected or restored	49	
	GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	50	
GRI 305: Emissions 2016	GRI 305-1	Direct (Scope 1) GHG Emissions	45	
	GRI 305-2	Energy indirect (Scope 2) GHG Emissions	45	
	GRI 305-4	GHG intensity	45	
	GRI 305-5	Reduction of GHG emissions	45	
	GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	45	
GRI 306: Effluents & Waste 2016	GRI 306-2	Waste by type and disposal method	48	
	GRI 306-3	Waste generated	48	
	GRI 306-4	Waste diverted from disposal	48	
GRI 307: Environmental Compliance 2016	GRI 307-1	Non-compliance with environmental laws and regulations	There were no significant non-compliance with environmental laws	
GRI 308: Supplier Environmental Assessment 2016	GRI 308-1	New suppliers that were screened using environmental data	Key suppliers	
<b>Labor Practices &amp; Employee Relations</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	53	
	GRI 103-2	The management approach and its components	53	
	GRI 103-3	Evaluation of the management approach	53	
GRI 401: Employment 2016	GRI 401-1	New employee hires and employee turnover	55	
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	55	
	GRI 401-3	Parental leave	56	
GRI 402: Labor/Management Relations 2016	GRI 402-1	Minimum notice periods regarding operational changes	Minimum notice periods regarding operational changes is implemented	

Topic	Disclosure	Topic	Page numbers and/or direct answers	Omission
GRI 403: Occupational Health and Safety 2018	GRI 403-1	Occupational Health and Safety management system	58	
	GRI 403-2	Hazard identification, risk assessment, and incident investigation	58	
	GRI 403-3	Occupational health services	58	
	GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	58	
	GRI 403-5	Worker training on occupational health and safety	62, 63	
	GRI 403-6	Promotion of worker health	58	
	GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	58	
	GRI 403-8	Workers covered by an occupational health and safety management system	63	
	GRI 403-9	Work-related injuries	59	
	GRI 403-10	Work-related ill health	59	
GRI 404: Training & Education 2016	GRI 404-1	Average hours of training per year per employee	57	
	GRI 404-2	Programs for upgrading employee skills and transition assistance programs	57-58	
GRI 405: Diversity & Equal Opportunities 2016	GRI 405-1	Diversity of governance bodies and employees	54, 92	
	GRI 405-2	Ratio of basic salary and remuneration of women to men		The ratio of salary is based on performance and position and not on gender
GRI 406: Non-discrimination 2016	GRI 406-1	Incidence of discrimination and corrective actions taken	There were no such incidents	
GRI 407: Freedom of Association & Collective Bargaining 2016	GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	None	
GRI 408: Child Labor 2016	GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	None	
GRI 409: Force or Compulsory Labor 2016	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	None	
GRI 410: Security Practices 2016	GRI 410-1	Security personnel trained in human rights policies or procedures	All our security personnel are outsourced and are regularly trained by agency on human rights topics	

Topic	Disclosure	Topic	Page numbers and/or direct answers	Omission
GRI 411: Rights of Indigenous Peoples 2016	GRI 411-1	Incidents of violations involving rights of indigenous peoples		Not Applicable
GRI 412: Human Rights Assessment 2016	GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	None	
<b>Community Development</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	53	
	GRI 103-2	The management approach and its components	53	
	GRI 103-3	Evaluation of the management approach	53	
GRI 413: Local Communities 2016	GRI 413-1	Operations with local community engagement, impact assessments, and development programs	64, 65	
<b>Customer Service</b>				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	38	
	GRI 103-2	The management approach and its components	38	
	GRI 103-3	Evaluation of the management approach	38	
GRI 416: Customer Health & Safety 2016	GRI 416-1	Assessment of the health and safety impacts of product and service categories	None	
	GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	None	
GRI 417: Marketing & Labeling 2016	GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	None	
	GRI 417-3	Incidents of non-compliance concerning marketing communications	None	
GRI 419: Socioeconomic Compliance 2016	GRI 419-1	Non-compliance with laws and regulations in the social and economic area	None	





Rising to the challenge—  
and to recognition

Corporate Governance

## Board of Directors



**Ramon S. Ang**  
*Chairman*

Ramon S. Ang, 67, Filipino, is the Chairman of the Board of Directors of the Corporation since his first election on October 5, 2007. He is also the Chairman of the Board of San Miguel Brewery Inc., South Western Cement Corporation, San Miguel Brewery Inc., San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation and Philippine Diamond Hotel & Resort, Inc. He is the Chairman of the Board and Chief Executive Officer (CEO) of SMC Asia Car Distributors Corp., and concurrently the President of, and Chief Operating Officer (COO) of SMC Global Power Holdings Corp. and Far East Holdings, Inc.; Chairman of the Board and President of San Miguel Holdings Corp., San Miguel Equity Investments Inc., San Miguel Properties, Inc., SEA Refinery Corporation, San Miguel Aerocity Inc., KB Space Holdings, Inc. He holds, among others, the following positions in other publicly listed companies: Vice Chairman, President and COO of San Miguel Corporation (SMC); President and CEO of Top Frontier Investment Holdings Inc. and Petron Corporation; President of Ginebra San Miguel, Inc.; Chairman of the Board of San Miguel Brewery Inc. and San Miguel Brewery Hong Kong Limited (listed on the Hong Kong Stock

Exchange) and Petron Malaysia Refining & Marketing Bhd. (a publicly listed company in Malaysia); and Vice Chairman of the Board, President and CEO of San Miguel Food and Beverage, Inc. He is the President of San Miguel Northern Cement, Inc. and President and CEO of Northern Cement Corporation. He is also the sole director and shareholder of Master Year Limited and the Chairman of the Board of Privado Holdings, Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation, President and COO of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang has held directorships in various domestic and international subsidiaries of SMC in the last five years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University.



**John Paul L. Ang**  
*Director*

John Paul L. Ang, 41, Filipino, is the President and Chief Executive Officer (CEO) of the Corporation. He was first elected as director of the Company on November 30, 2010. He is the Chairman of the Executive Committee, and is currently a member of the Audit Committee. He is also the President and CEO of South Western Cement Corporation, and is a director of San Miguel Corporation, Petron Corporation, KB Space Holdings, Inc. and Buildnet Construction, Inc. He previously served as the Chief Operating Officer and General Manager from 2008 to 2016 of Eagle Cement and Managing Director from 2003 to 2007 of Sarawak Clinker. He also served as the Purchasing Officer of Basic Cement from 2002 to 2003. He has a Bachelor of Arts Degree in Interdisciplinary Studies, Minor in Economics and Finance from the Ateneo de Manila University.



**Manny C. Teng**  
*Director*

Manny C. Teng, 48, Filipino, is the General Manager and the Chief Operating Officer of the Corporation. He was first elected as a director of the Company on June 21, 1995. He is also currently a member of the Executive Committee. Mr. Teng has served as President of the Corporation for seven years from 2009 to 2016. For the past 10 years, Mr. Teng held various positions in the following companies: Technical Services Manager, Beverage Group of Ginebra San Miguel, Inc.; Technical Service Manager, Beverage group of San Miguel Beverages; Product Development Manager, Non-Alcoholic Beverages International of San Miguel Beverages; Project Group of Centech Consultancy; Purchasing Head of Cement Management Corporation; and Purchasing Officer of Standard Construction and Rebuilding Corporation. He has a Bachelor of Science degree in Chemical Engineering from the University of Santo Tomas.



**Monica L. Ang-Mercado**  
*Director*

Monica L. Ang, 32, Filipino, is the Chief Finance Officer (CFO) and Treasurer of the Corporation. She is concurrently the Executive Vice-President for Business Support Group since 2012 and the Risk Oversight Officer of the Corporation. She was first elected as Director of the Corporation on June 3, 2013. She is currently a member of the Related-Party Transaction, Board Risk Oversight and Executive Committees of the Corporation. She is also the Chairperson of Buildnet Construction, Inc. and a Director, CFO and Treasurer of South Western Cement Corporation. She is also a Director of the following companies: KB Space Holdings, Inc., A5 Wagyu, Inc., Q-Tech Alliance Holdings, Inc., and Premier Capital Venture Corporation. She has a Bachelor of Science degree in Management, Minor in Enterprise Development from the Ateneo de Manila University.



**Manuel P. Daway**  
*Director*

Manuel P. Daway, 74, Filipino, was first elected as a director of the Corporation on February 13, 2017, effective on March 31, 2017. Concurrent as Vice-President for Operations, he is also responsible for expansion projects of the Company. In January 2018 he was assigned as Adviser at the executive office. Prior to joining Eagle Cement, Mr. Daway held the following positions in various corporations, namely: Project Director of CEMA Consultancy, an engineering and construction corporation; Vice-President for External Relations of Lafarge Cement Services Philippines Inc.; and Vice-President for Operations of Lafarge/Republic Cement Corporation. Mr. Daway is a licensed Professional Electrical Engineer and holds a Bachelor of Science degree in Electrical Engineering from the Mapua Institute of Technology.



**Mario K. Surio**  
*Director*

Mario K. Surio, 74, Filipino, has been a director of the Corporation since his first election on January 14, 2011. He is currently the Adviser of the Related Party Transactions and Board Risk Oversight Committees of the Corporation. He currently holds, among others, the following positions in other companies: Technical Consultant for the Office of the President and Chief Operating Officer of San Miguel Corporation; Vice-Chairman and Director of Private Infrastructure Development Corporation -Tarlac-Pangasinan-La Union Expressway (PDIC/TPLEX); Director of South Luzon Expressway (SLTC/SLEX), Ginebra San Miguel, Inc., and San Miguel Yamamura Packaging Corp. In the past 10 years, Mr. Surio served as the President of Philippine Technologies, Inc. Cement Management Corporation and CEMA Consultancy Services, Inc. He also became the Assistant Quality Control Head, Quality Control Head, Production Manager and Plant Manager of Northern Cement Corporation and a Laboratory Technician and Physical Tester for Republic Cement Corporation. Mr. Surio is a licensed Chemical Engineer with a Bachelor of Science degree in Chemical Engineering from the University of Santo Tomas.



**Luis A. Vera Cruz, Jr.**  
*Director*

Luis A. Vera Cruz, Jr., 70, Filipino, was first elected as director of the Corporation on February 23, 2017. He is currently a member of the Related-Party Transaction Committee of the Corporation. Mr. Vera Cruz is currently Of Counsel at Angara Abello Concepcion Regala & Cruz, a Legal Consultant of San Miguel Corporation, Corporate Secretary of Chemical Industries of the Philippines, Inc., and a Director of Philippine Resources Savings Banking Corporation and Cyber Bay Corporation. He previously served as Co- Managing Partner at Angara Abello Concepcion Regala & Cruz and Director of ACCRA Holdings, Inc. Mr. Vera Cruz holds a Master of Laws from Cornell University, a Bachelor of Laws Degree from the University of the Philippines, and a Bachelor of Science degree in Business Administration Degree from the University of the Philippines.



**Melinda Gonzales-Manto**  
*Independent Director*

Melinda Gonzales-Manto, 69, Filipino, was first elected as an independent director of the Corporation on December 22, 2016. She is the Lead Independent Director of the Corporation, the Chairperson of the Audit Committee, and a member of the Corporate Governance and the Related-Party Transaction Committees. She currently holds the following positions in other companies: Independent Director of Petrogen Insurance Corporation, Director and Vice-President of Linferd & Company, Inc., Director and Vice-President of ACB Corabern Holdings Corporation, Independent Director and Chairperson of the Audit Committee of the Bank of Commerce, and Resident Agent of several multinational companies doing business in the Philippines. She was formerly a partner of SGV & Co., Assurance and Advisory Business Services Division from 1974 to 2009, and previously served as Board Member of the Philippine Retailers Association from 2000 to 2009, and as an independent member of the board of directors of the GSIS Family Bank from 2011 to 2016. She is a certified public accountant and holds a Bachelor of Science degree from the Philippine School of Business Administration. She completed the Management Development Program at the Asian Institute of Management.

**Ricardo C. Marquez**  
*Independent Director*

Ricardo C. Marquez, 60, Filipino, was first elected as an independent director of the Corporation on February 13, 2017. He is the Chairman of the Board Risk Oversight Committee and a member of the Audit Committee. He is currently a Director of the Public Safety Mutual Benefit Fund, Inc. and San Miguel Pure Foods Company, Inc. He previously held various positions in the Philippine National Police, eventually being promoted to Chief of the Philippine National Police. He also served as the Chairman of Public Safety Mutual Benefit Fund Inc. from July 2015 until June 2016. He has undergone various trainings and programs from the Institute of Corporate Directors, Harvard Kennedy School, and the Federal Bureau of Investigation National Academy, among others. He holds a master's degree in Management from the Philippine Christian University and a Bachelor of Science Degree from the Philippine Military Academy.

**Martin S. Villarama, Jr.**  
*Independent Director*

Martin S. Villarama, Jr., 75, Filipino, was first elected as an independent director of the Corporation on February 13, 2017. He is also the Chairman of the Related-Party Committee and a member of the Audit and Corporate Governance Committees. He is the Court-appointed liquidator of Uniwide Group of Companies and currently a member of the Board of Advisers of San Miguel Brewery Hongkong Ltd., and a member of the Association of Retired Justices of the Supreme Court of the Philippines and BIR Tennis Club. He was the 166th member of the Supreme Court and served as a Supreme Court Justice from 2009 to 2016. He started his career in the Judiciary in 1986, when he was appointed as Regional Trial Court Judge of Pasig City. He was also a lecturer at the Philippine Judicial Academy from 2007 to 2009. He obtained his Bachelor of Laws degree from the Manuel L. Quezon University after completing a Bachelor of Science degree in Business Administration from De La Salle University.

**Jose P. Perez**  
*Independent Director*

Jose P. Perez, 74, Filipino, was first elected as an independent director of the Corporation in February 13, 2017. He is also the Chairman of the Corporate Governance Committee and a member of the Board Risk Oversight Committee. He is currently a member of the Board of Advisers of San Miguel Brewery Hongkong Ltd., and an Independent Director of Bloomberry Resorts Corporation, San Miguel Yamamura Packaging Corporation, and San Miguel Infrastructure Corporation – SLEX. He is also the current Dean of the College of Law of Manuel L. Quezon University. He served as a Justice of the Supreme Court from 2009 to 2016. He started his career in the Supreme Court in 1971 as a legal assistant. He rose from the ranks and became Assistant Court Administrator, Deputy Court Administrator, and Court Administrator. He holds a Bachelor of Laws Degree and Political Science Degree both from the University of the Philippines.

## EXECUTIVE OFFICERS

**John Paul L. Ang**  
President & Chief Executive Officer

**Manny C. Teng**  
General Manager & Chief Operating Officer

**Monica L. Ang-Mercado**  
Chief Finance Officer/Treasurer/Executive Vice-President for Business Support Group/Risk Oversight Officer

**Manuel P. Daway**  
Vice-President for Operations

## MANAGEMENT COMMITTEE

**Erwin Alberto C. Dearos**  
Vice-President for Logistics

**Girely T. Hernandez**  
Assistant Vice-President for Human Resources and Organizational Development

**Marlon P. Javarro**  
Assistant Corporate Secretary, Assistant Vice-President for Finance, and Related Party Transaction Officer

**Mercedes V. Jorquia**  
Chief Audit Executive

**Eduardo S. Uy**  
Vice-President for Sales and Marketing

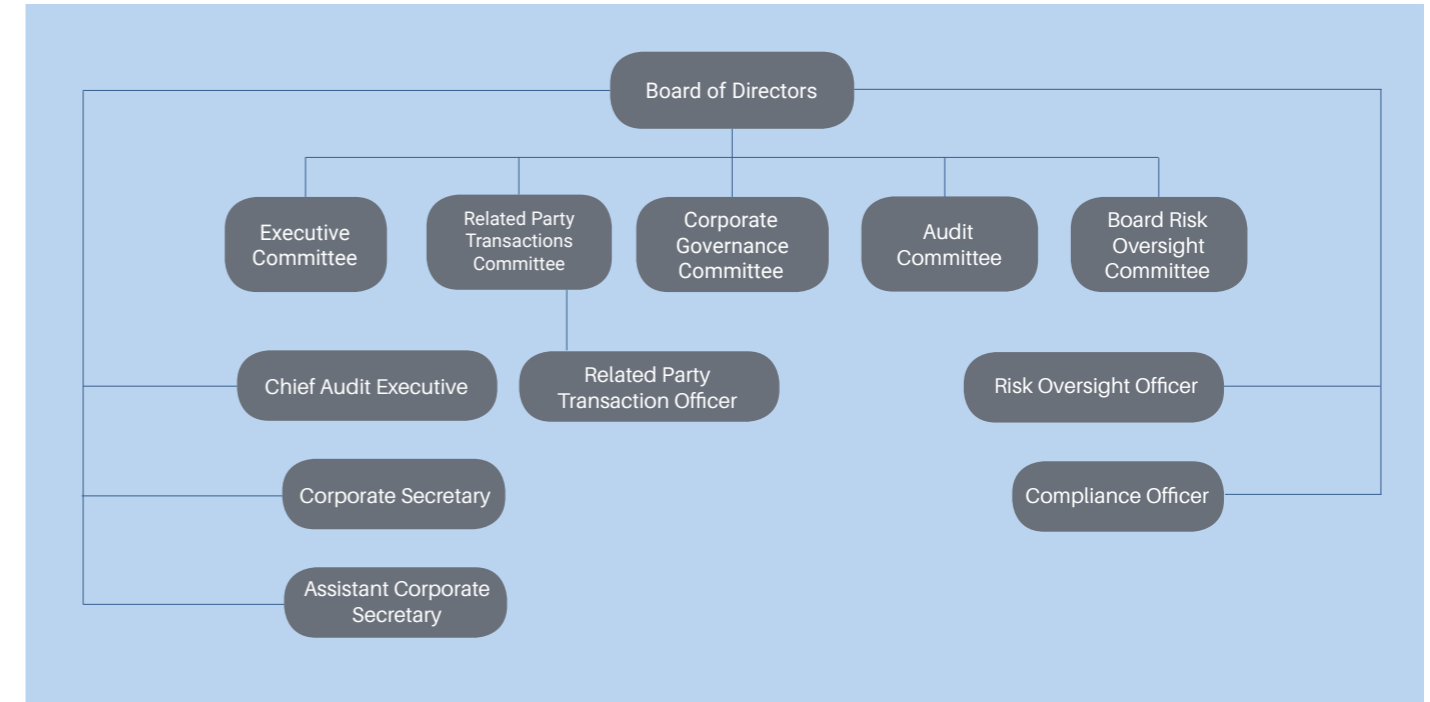
**Fabiola B. Villa**  
Compliance Officer, Senior Vice-President for Legal Services and Data Protection Officer

## CORPORATE SECRETARY

**Maria Farah Z.G. Nicolas-Suchianco**

GRI 102-18

## EAGLE CEMENT CORPORATE GOVERNANCE STRUCTURE



Eagle Cement Corporation (“Eagle Cement” or “the Company” or “the Corporation”) adheres to the highest standards of corporate governance in order to serve the best interest of the investing public and its stakeholders. The Board of Directors and Management of Eagle Cement commit themselves to the principles of transparency, accountability, fairness and integrity and to follow the best practices contained in the Code of Corporate Governance and the Manual of Corporate Governance of the Company, and acknowledge that the same may guide the attainment of the Company’s corporate goals.

The Board and the Management of the Company believe that sound and effective governance is fundamental to the Company’s sustainability and achievement of strategic goals. Building this solid foundation of good governance is vital as Eagle Cement further expands its business and its geographic reach in the country, enabling the Company to create long-lasting value for its shareholders and stakeholders.

## RIGHTS OF SHAREHOLDERS

### 1. Right to Vote

Shareholders 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 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 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 nonvoting. However, under the Revised Corporation Code, non-voting shares are nevertheless entitled 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.

In 2020, the right of stockholders to vote in the 2020 Annual Stockholders' Meeting was exercised through voting in absentia by way of ballots sent in advance on/or before a set deadline, via proxy, and through remote communication, in accordance with the Securities and Exchange Commission Memorandum Circular No. 6-2020, and related issuances.

### 2. Right of Inspection over Corporate Books and Records

Shareholders 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.

### 3. Right to Information

Shareholders have the right to information pursuant to the Revised Corporation Code, the Securities Regulation Code, and other applicable laws or regulations.

The Corporation regularly updates in its website and discloses with the Philippine Stock Exchange Edge (PSE Edge), relevant and material information and reports concerning the Corporation's business.

### 4. Right to Make Proposals on Meetings

Shareholders, whether majority, minority or foreign, have 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.

Prior to holding the Annual Stockholders' Meeting, shareholders are apprised of the rationale of each meeting agenda item. Shareholders are likewise encouraged to send their questions in advance via e-mail.

### 5. Appraisal Right

Shareholders 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, as follows:

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 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 certified in accordance with this Code, and the rules the Commission may prescribe. The Corporation's consolidated financial statements are disclosed with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) and posted on the Company website within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.

### 7. Right to Dividends

Shareholders 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 complies 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.

The Corporation has a transparent and specific dividend policy which may be accessed through the Company's website. Dividends are paid within 30 days after declaration and approval. At the regular meeting of the Board of Directors held on April 7, 2021, the Board of Directors approved the amendment of the existing Dividend Policy of the Corporation, increasing the amount of dividend that may be declared by the Board from 50% up to 100% of the audited net income of the previous year.

### 8. Denial of Pre-Emptive Rights

Under the Company's Amended Articles of Incorporation as approved by the shareholders on February 2017, the shareholders have no pre-emptive rights with respect to any issuance or disposition of the shares of the Corporation.

## STAKEHOLDER RELATIONS

### 1. Annual Stockholders' Meeting (ASM)

The Company encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least twenty-eight days before the meeting.

The Notice of the 2020 ASM was first communicated to shareholders through publication in the business section of two newspapers of general circulation, and online publication in the company website, on June 16, 2020.

Since the COVID-19 pandemic gripped the country in 2020, the ASM for said year was conducted via remote communication and was livestreamed through the Company website. The Shareholders' Right to Vote was also exercised in absentia by sending advance ballots, through proxy, or via remote communication.

Below is a summary of measures undertaken to promote shareholder participation, notwithstanding the risks posed by the COVID-19 pandemic:

a. For the convenience and safety of shareholders, the 2020 ASM was conducted through livestreaming via the Company website.

b. The information statement explains the voting and vote tabulation procedure.

c. Shareholders cast their vote on all resolutions through the use of ballots, via proxy, or through remote communication.

d. Representatives of the external auditor, Reyes Tacandong & Co. and Rizal Commercial Banking Corporation (RCBC), were virtually present.

e. The Notice of the 2020 ASM was published twenty-six (26) days before the meeting. SEC requires the last publication of the Notice of Meeting (print and on-line) be made no later than twenty-one (21) days prior to the scheduled ASM.

f. Questions for the ASM were sent by shareholders in advance.

g. The results of the votes taken during the 2020 ASM were timely disclosed with the SEC and PSE and posted on the Company website within the same day. Minutes of the ASM was also made available through the Company website.

## 2. Investor Relations

The Corporation has an Investor Relations Officer (IRO) to ensure constant engagement with its shareholders. The IRO is present at every shareholders' meeting of the Corporation. The Company addresses various information requirements of the investment community through the following:

### a. Company Website

All disclosures, stock information, and other information on corporate matters are posted on the Company website.

### b. Analysts' Briefing

Eagle Cement conducts an analysts' briefing on its financial and operating results every quarter. Notice of Analysts' Briefing is disclosed at least three trading days prior to the scheduled briefing pursuant to PSE Disclosure Rules.

### c. Investor Conferences, Non-Deal Roadshows, One-on-One/ Group Meetings, and Conference Calls

To ensure transparency and accuracy of information, and provide access to management, the Investor Relations (IR) Department, together with the Chief Finance Officer (CFO), President, and members of the management, meets with investment fund managers, as well as institutional investors, to discuss in detail the Company's core businesses, key investment highlights, business updates and strategic plans through one-on-one meetings, group meetings, conference calls, investor conferences, and non-deal roadshows.

### d. Press Releases/Media Briefing

Eagle Cement discloses to the PSE and SEC any and all material information, significant news, and important updates in connection with its business operations on a timely manner pursuant to PSE Disclosure Rules and SEC Rules. The Corporation conducts press briefing with media personnel as necessary.

### e. Plant Visits

Eagle Cement accommodates requests from the investment community and media to visit its cement plant in Brgy. Akle, San Ildefonso, Bulacan. The IR Department coordinates these requests with the plant.

## DISCLOSURE AND TRANSPARENCY

### 1. Ownership Structure GRI 102-5

Stockholders with at least 5% shareholdings as of December 31, 2020 are as follows:

Title of Class	Shareholder	Beneficial Owner	Number of Common Shares	Percent
Common	Ramon S. Ang	Ramon S. Ang	1,317,857,139	26.36%
Common	Far East Holdings, Inc.*	Ramon S. Ang	3,010,714,288	60.21%
Common	PCD Nominee Corp. (Filipino)	Various Shareholders	502,430,758	10.05%

\* formerly Far East Cement Corporation and 100%-owned by Ramon S. Ang

### 2. External Auditor's Fee

The Company paid the external auditors the following fees for the last three years for professional services rendered:

Services (in Php)	2020	2019	2018
Audit and other audit related fees	3,700,000	3,500,000	3,395,000
Tax Fees	120,000	-	-
Others	1,500,000	-	-

### 3. Audited Financial Statements

The Audited Financial Statements (AFS) as of December 31, 2020 was released on May 11, 2021. SEC Memorandum Circular No. 5 Series of 2021, grants corporation with domestic operations an extension to file its Annual Report until May 17, 2021, for the year ended December 31, 2020.

### 5. Related Party Transactions (RPT)

For the summary of the Company's RPTs as of December 31, 2020, please see Note 19 of the 2020 AFS.

## BOARD OF DIRECTORS

### Composition GRI 405-1

The Board is composed of eleven directors with a collective working knowledge, experience, or expertise that is relevant to the Company's industry. The Board ensures that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

NAME	POSITION
Ramon S. Ang	Chairman
John Paul L. Ang	Director, President & Chief Executive Officer
Manny C. Teng	Director, General Manager & Chief Operating Officer
Monica L. Ang	Director, Chief Finance Officer, Treasurer, Executive Vice-President for Business Support Group & Risk Oversight Officer
Manuel P. Daway	Director & Vice-President for Operations
Mario K. Surio	Non-Executive Director
Luis A. Vera Cruz, Jr.	Non-Executive Director
Melinda Gonzales-Manto	Lead Independent Director
Ricardo C. Marquez	Independent Director
Martin S. Villarama, Jr.	Independent Director
Jose P. Perez	Independent Director

Differences in age, skills, industry experience, background, gender, competence and knowledge, and other distinctions between and among directors were considered and balanced in determining optimum board composition.

### Independent Directors

The Company has four independent directors who constitute at least one-third of the eleven members of the Board. Majority of the members of the Board of Directors are non-executive directors.

## Meetings and Attendance

The Board of Directors held five board meetings in 2020, with the following record of attendance of each of the directors:

Director	Meetings Attended/Held	Percentage
Ramon S. Ang	5/5	100%
John Paul L. Ang	5/5	100%
Manny C. Teng	5/5	100%
Monica L. Ang	5/5	100%
Manuel P. Daway	5/5	100%
Mario K. Surio	5/5	100%
Luis A. Vera Cruz, Jr.	5/5	100%
Ricardo C. Marquez	5/5	100%
Melinda G. Manto	5/5	100%
Martin S. Villarama, Jr.	5/5	100%
Jose P. Perez	5/5	100%

**Annual Continuing Training of the Board** GRI 102-27

To ensure that the Company is headed by competent working board and management, Eagle Cement provides an annual continuing training to its directors and key officers. On December 18, 2020, the Board of Directors and key officers of the Company participated in a Corporate Governance Executive Briefing on Crisis Management and Anti-Corruption Program. The corporate governance training was conducted by the Center for Global Best Practices, a SEC-accredited Corporate Governance training provider.

Corporate Governance Programs Attended in 2020			
Director	Program	SEC Accredited Training Provider	Date of Training
Ramon S. Ang	Corporate Governance In-House Training	Center for Global Best Practices	December 3, 2020
John Paul L. Ang	Corporate Governance In-House Training	Center for Global Best Practices	December 18, 2020
Manny C. Teng	Corporate Governance In-House Training	Center for Global Best Practices	December 18, 2020
Monica L. Ang	Corporate Governance In-House Training	Center for Global Best Practices	December 18, 2020
Manuel P. Daway	Corporate Governance In-House Training	Center for Global Best Practices	December 18, 2020
Mario K. Surio	Corporate Governance In-House Training	Center for Global Best Practices	December 18, 2020
Luis A. Vera Cruz, Jr.	Corporate Governance In-House Training	Center for Global Best Practices	December 18, 2020
Ricardo C. Marquez	Corporate Governance Seminar	SGV & Co.	September 25, 2020
Melinda G. Manto	Corporate Governance In-House Training	Center for Global Best Practices	December 18, 2020
Martin S. Villarama, Jr.	Corporate Governance In-House Training	Center for Global Best Practices	December 18, 2020
Jose P. Perez	Corporate Governance In-House Training	Center for Global Best Practices	December 3, 2020
Marlon P. Javarro	Corporate Governance In-House Training	Center for Global Best Practices	December 18, 2020
Fabiola B. Villa	Corporate Governance In-House Training	Center for Global Best Practices	December 18, 2020
Mercedes V. Jorquia	Corporate Governance In-House Training	Center for Global Best Practices	December 18, 2020

**Performance Evaluation** GRI 102-28

In compliance with the Code of Corporate Governance for Publicly Listed Companies (PLCs), the Corporation engaged the Good Governance Advocates and Practitioners of the Philippines (GGAPP) as an external facilitator to assess the performance and the effectiveness of the Board, the committees and the key officers of the Company. GGAPP is an association of good governance advocates and practitioners from various publicly-listed companies, the public sector and other organizations, who have come together to promote and assist in the development of good governance in the country.

The following is based on the results of the 2020 Board Assessment as conducted by the GCAPP:

- a. The Board Committees have the right size and composition for their specific functions;
- b. The types of committees are appropriate considering the size and needs of the Company;
- c. The members of the Board are properly assigned to the committees based on their expertise and strengths;
- d. The Board Committees regularly review and update their respective Committee Charters, the Manual on Corporate Governance, and recommend appropriate changes or improvements to the Board, in compliance with rules, applicable laws, and best practices; and
- e. The Committee members are aware of the mandate of their committees and ensure faithful execution of their duties and responsibilities.

In recognition of the Company's adherence to the best corporate governance practices, Eagle Cement was conferred with its first Golden Arrow Award (1-arrow recognition) by the Institute of Corporate Directors (ICD) on 19 February 2021. The Golden Arrow Award is given to publicly-listed and insurance companies for achieving at least 80 points in the 2019 ASEAN Corporate Governance Scorecard Assessment. The Company was the sole cement company recipient of this award.



**Remuneration of the Board and Executive Officers**

Article III, Section 10 of the By-laws of the Corporation provides that by resolution of the Board, each director shall receive a reasonable per diem allowance for his/her attendance at each meetings of the Board. As compensation, the Board shall receive and allocate an amount of not more than 10% of the net income before income tax of the Corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

In 2020, each director received a per diem of thirty thousand pesos per attendance at Board meetings of the Corporation. For the attendance at every Board Committee meeting, the Committee Chairperson received fifteen thousand pesos, while the Committee members received ten thousand pesos each.

The aggregate compensation paid or incurred during the last three fiscal years, as well as those estimated to be paid in the ensuing fiscal year, to the Corporation's CEO and senior executive officers are as follows:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
(in Million Php)					
CEO and the (4) four most highly compensated executives	2020	₱29.5	₱5.7	₱1.6	₱36.8
	2019	₱23.0	₱7.8	₱2.0	₱32.8
	2018	₱22.8	₱5.2	₱1.5	₱29.5
All other officers and Directors as a group unnamed	2020	₱26.1	₱4.6	₱2.8	₱33.5
	2019	₱29.8	₱12.9	₱2.6	₱45.3
	2018	₱18.7	₱4.7	₱0.5	₱23.9
<b>TOTAL</b>	2020	₱55.6	₱10.3	₱4.4	₱70.3
	2019	₱52.8	₱20.7	₱4.6	₱78.1
	2018	₱41.5	₱9.9	₱2.0	₱53.4



## BOARD COMMITTEES

### Executive Committee

The Executive Committee is composed of three members, all of whom are members of the board of directors.

Designation	Name	Date of First Appointment
Chairman	John Paul L. Ang	February 13, 2017
Member	Monica L. Ang	February 13, 2017
Member	Manny C. Teng	February 13, 2017

### Corporate Governance Committee

The Corporate Governance Committee is a standing committee of the Board of Directors constituted for the purpose of assisting the Board of Directors in the performance of its corporate governance responsibilities. It also ensures compliance with and proper observance of corporate governance principles and practices.

The Committee is composed of three members, all of whom are independent directors, including the Chairman.

Designation	Name	Date of First Appointment
Chairman (ID)	Jose P. Perez	July 15, 2020
Member (ID)	Martin S. Villarama, Jr.	July 15, 2020
Member (ID)	Melinda Gonzales-Manto	February 13, 2017

The Corporate Governance Committee Charter is available for download through the Company's website.

### Audit Committee

The Audit Committee is a standing committee of the Board of Directors constituted for the purpose of assisting the Board of Directors in the oversight of the senior management in establishing and maintaining an adequate, effective, and efficient internal control framework of the Company.

The Committee ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Committee is composed of four members, three of whom are independent directors, including the chairman, as follows:

Designation	Name	Date of First Appointment
Chairman (ID)	Melinda Gonzales-Manto	February 13, 2017
Member (ID)	Martin S. Villarama, Jr.	August 7, 2017
Member (ID)	Ricardo C. Marquez	July 15, 2020
Member (ED)	John Paul L. Ang	July 15, 2020

The Audit Committee Charter is available for download through the Company's website.

### Related Party Transaction Committee

The Company has a separate Related Party Transaction Committee composed of four members two of whom are independent directors, including the chairman, as follows:

Designation	Name	Date of First Appointment
Chairman (ID)	Martin S. Villarama, Jr.	July 15, 2020
Member (ID)	Melinda Gonzales-Manto	July 15, 2020
Member (NED)	Luis A. Vera Cruz, Jr.	July 15, 2020
Member (ED)	Monica L. Ang	July 15, 2020
Adviser	Mario K. Surio	July 15, 2020

### Board Risk Oversight Committee

The Company has a separate Board Risk Oversight Committee composed of three members two of whom are independent directors, including the chairman, as follows:

Designation	Name	Date of First Appointment
Chairman (ID)	Ricardo C. Marquez	June 21, 2018
Member (ID)	Jose P. Perez	June 21, 2018
Member (ED)	Monica L. Ang	June 21, 2018
Adviser	Mario K. Surio	July 15, 2020

The BROC Committee Charter is available for download through the Company's website.

## COMPANY POLICIES GRI 103-1, GRI 103-2, GRI 103-3

### Related Party Transactions (RPT) Policy

The Policy defines related party relationships and transactions and set out the guidelines, categories, and thresholds that govern the review, approval, and ratification of these transactions by the Board of Directors or Shareholders to ensure that the related party relationships have been accounted for and disclosed in accordance with the Philippine Accounting Standards 24 on Related Party Disclosures ("PAS 24") and the Rules of the SEC on Material Related Party Transactions.

The Policy requires that all related party transactions between Eagle Cement, its subsidiaries, affiliates, and other related entities or persons are made on an arm's length basis.

The Related Party Transaction Committee is responsible for vetting the propriety of Related Party Transactions in accordance with transaction thresholds, and submit the same for Board approval.

The RPT Policy may be downloaded through the Company's website.

### Whistleblowing Policy GRI 102-33

Eagle Cement has a Whistle-blowing Policy that is intended to encourage and enable employees and partners in business to raise suspected wrongdoings within the Company.

The Policy provides who could be whistleblowers, the matters that are reportable, the procedures for whistle blowing, as well as the rights and responsibilities of the whistleblowers.

### Anti-Fraud Policy

Eagle Cement has an Anti-Fraud Policy that sets out the Company's rules on the prohibition, reporting and investigation of suspected fraud, corruption, misappropriation and other similar irregularities committed by the employees, officers and members of the board. The term "fraud" as used in the Policy, refers generally to any intentional act committed to secure an unfair or unlawful gain including, but not limited to, fraud, corruption, theft and other similar irregularities that reflect actual or potential:

- Misrepresentation in the Company's publicly released financial statements or other public disclosures;
- Misappropriation or theft of the Company's assets such as cash, inventories, corporate certificate, plant blueprints, material documents, equipment, tools or supplies;
- Unlawfully obtained revenue, expenses and assets or unlawful avoidance of costs and expenses;

- Claiming reimbursement for fictitious expenses;
- Commercial bribery or bribery of a government official or other violation of anti-corruption laws; or
- Improper payment schemes such as employees or Directors of Eagle Cement seeking or accepting from, paying or offering to, suppliers or business partners, kickbacks or gifts intended to or which may appear to influence business judgment.

### Gifts and Gratuity Policy

Eagle Cement has Gifts and Gratuity Policy under which employees and officers are prohibited from requesting, accepting, or offering any form of gifts or gratuities in connection with any corporate expenditure, sale of goods or services from all vendors, suppliers, customers, co-employees, contractors, consultants, potential employees, politicians, potential vendors or suppliers and any other individual or organization.

Gifts and gratuities include, but are not limited to, cash, tickets to events, sports and entertainment in general, paid vacations, electronic equipment, liquor, food, substantial favors and other items of value given by co-employees and third parties (e.g. vendors, suppliers, customers, contractors, consultants, potential employees, politicians, potential vendors or suppliers, and any other individual or organization to employees or officers with whom they transact, whether directly or indirectly, in relation to the Company's business dealings, and regardless of the place where such gifts are offered to or received by an employee or officer).

Other Company Policies may be downloaded through the Company's website.

### Manual on Corporate Governance (MCG)

The Company's Manual on Corporate Governance was approved and adopted by the Board of Directors on February 13, 2017. It may be accessed through the Company's website.

### Code of Ethics

The Company's Code of Ethics provides an outline of the general expectations and sets the standards and rules by which employees are expected to conduct themselves. The principles and standards apply to all Eagle Cement employees, executive officers, management personnel, and members of the board.

Employees and members of the board are also required to disclose annually any business and family-related transactions to ensure that potential conflict of interest is brought to management's attention.

The Code of Ethics may be downloaded through the Company's website.



Holding together,  
standing apart

Financial Review

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The following discussion and analysis relate to the consolidated financial position and results of operations of the Group and should be read in conjunction with the accompanying audited consolidated financial statements and related notes. The audited consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards ("PFRS"). PFRS includes statements named PFRS and Philippine Accounting Standards, including Interpretations issued by the PFRS Council.

The financial information appearing in this report and in the accompanying audited consolidated financial statements is presented in Philippine pesos, the Group's functional and presentation currency, as defined under PFRS. All values are rounded to the nearest million pesos, except when otherwise indicated.

### **Key Components of Results of Operations**

#### ***Revenues***

ECC generates revenue from the sale of cement (via cement bags or bulk cement). ECC sells majority of its products to dealer clients (via cement bags) but demand for bulk cement from institutional clients also account for a significant portion of total sales.

#### ***Cost of Goods Sold***

Cost of goods sold represents the accumulated total of all costs used to produce cement which has been sold. It comprises variable and fixed and semi-variable expenses such as, electricity consumption, fuel consumption, raw materials, packaging materials, repairs and maintenance expenses, personnel expenses, depreciation and depletion of assets utilized in production of cement and clinker, expenses related to moving, storing, feeding of raw materials in the plant, and all other expenses directly identifiable to cement production.

Expenses related to personnel, equipment and other services involved in the sales, distribution, and warehousing activities of cement at points of sales does not form part of cost of sales. These are included in operating expenses. Freight expenses of finished products between plants and points of sale and freight expenses from points of sales to the facilities of the customers are included as part of distribution expenses.

#### ***Operating Expenses***

Operating expenses consist of administrative and selling and distribution expenses. Administrative expenses include the costs of the employees (salaries and benefits), taxes and licenses, security services and depreciation of non-production related assets. Selling and distribution expenses comprise of, but not limited to, freight cost, warehousing fees, advertising and promotion and handling.

#### ***Finance Costs***

Finance costs mainly consist of interest expense incurred in relation to the Term Loan and Facility and Security Agreement (TLFSA) entered into with various banks to finance the construction of the third production line.

#### ***Interest Income***

Interest income basically comprise interest income earned from short-term placements cash deposits and finance lease agreement with its haulers.

#### ***Other Income – Net***

Other income comprises of foreign exchange gain, fair value adjustment on investment properties, gain on sale of property and equipment, gain or loss on sale of investments and dividend income.

#### ***Income Taxes***

Income taxes includes current and deferred income tax. Current income tax expense pertains to regular corporate income tax of the Parent Company. The statutory income tax rate of the Parent Company is 30% and the income tax at effective tax rate was 23.39% , 17.01% and 23.77% in CY 2020; CY 2019, and CY 2018, respectively, after taking into consideration the increase (decrease) in income tax resulting from: income exempt from ITH (income tax holiday) covered activities, non-deductible interest expense, interest income subjected to final tax, and dividend income exempt from income tax. On July 31, 2017, the Bureau of Investments (BOI) approved the application of the Parent Company as an expanding producer of cement in Bulacan on a nonpioneer status. In May 2018, the Group started commercial operations of Line 3. On October 2, 2020, BOI granted the deferment of ECC's ITH entitlement for the taxable year 2020 for the expansion project covered by BOI CR 2017-278 on account of the adverse effects of the COVID-19 (Corona virus disease) pandemic resulting in the firm not being able to fully enjoy the ITH incentives granted to it. The ITH entitlement shall expire on April 30, 2022.

### **RESULTS OF OPERATIONS (2020 VS. 2019)**

Eagle Cement Corporation (EAGLE or "the Company") registered a net profit of ₱3.39 billion, 44% lower than the ₱6.01 billion it made in 2019 after a strong start in 2020 was disrupted by the implementation of lockdown measures amid the COVID-19 pandemic that began in mid-March of the year.

The Company reached net sales of ₱13.91 billion, 30% lower than the ₱19.82 billion it recorded last year as COVID-19 related restrictions led to a sharp contraction in cement demand. Of the total net sales, 83% were derived largely from Type 1P or bagged cement while the remaining 17% represents Type 1 or bulk cement. Following the easing of restrictions in the second half, the Company grew its net sales by 35% during the period versus the first semester of the year.

Cost of goods sold consequently dropped by 26% to ₱8.21 billion, reflecting the decline in sales volume, coupled with the nonconsumption of imported clinker and lower prices of coal.

Gross profit registered at ₱5.70 billion, a 34% decrease from the ₱8.67 billion in the same period last year, with margin registering at 41%

Operating expenses decreased by 15% to ₱1.59 billion from ₱1.87 billion last year led lower by the 33% drop in freight costs resulting from the lower sales volume.

Finance costs dropped by 13% to ₱430.70 million owing to the partial repayment of loan related to the Term Loan Facility and Security Agreement (TLFSA).

Interest income dropped by 56% to ₱333.75 million mainly due to the decrease in the interest rate in the financial market with the interest rate cut(s) imposed by the Bangko Sentral ng Pilipinas.

Other income surged by to 130% ₱412.79 million as a result of fair value adjustments on investment properties and of dividend income from the investment in redeemable perpetual security.

Income tax expense decreased by 16% to ₱1.04 billion attributable to the lower taxable income resulting from the decrease in net sales during the period.

These movements resulted in an earnings before interest, tax, depreciation and amortization (EBITDA) of ₱5.57 billion, maintaining an EBITDA margin at 40%.

Meanwhile, net income margin registered at 24%.

For the fourth quarter alone, EAGLE reported net sales of ₱3.94 billion, 13% lower relative to the same quarter in 2019. Gross profit similarly declined by 19% to ₱1.58 billion. Meanwhile, EBITDA went down by 25% to ₱1.36 billion.

The table below summarizes the consolidated results of operations of the Group for the years ended December 31, 2020, 2019 and 2018, presented in absolute amounts as a percentage of net sales.

	For the Year Ended December 31				
	2020	2019	2018	% of Change	
	(in Millions of Philippine Pesos, except percentages)			2020 vs 2019	2019 vs 2018
Net Sales	13,906	19,824	16,522	-30%	20%
Cost of Goods Sold	8,209	11,153	9,311	-26%	20%
Gross Profit	5,697	8,671	7,211	-34%	20%
Operating Expenses	1,586	1,872	1,568	-15%	19%
Income from Operations	4,111	6,799	5,643	-40%	20%
Finance costs	431	496	366	-13%	36%
Interest Income	334	764	548	-56%	39%
Other income – net	413	180	470	129%	-62%
Income Before Income Tax	4,427	7,248	6,294	-39%	15%
Income Tax Expense	1,036	1,233	1,496	-16%	-18%
Net Income	3,391	6,015	4,798	-44%	25%

Calculation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

	For the year ended	
	December 31, 2020	December 31, 2019
Net income	₱3,391,392,558	₱6,014,901,093
Add:		
Income tax expense	1,035,711,238	1,232,614,482
Depreciation and amortization	1,047,083,967	952,698,422
Finance costs	430,696,047	495,685,474
Less:		
Interest income	333,746,012	763,982,413
EBITDA	₱5,571,137,798	₱7,931,917,058

## FINANCIAL CONDITION

The financial position of the Company for the year ended December 31, 2020 remains solid and well-capitalized, with total assets growing by 1% to ₱49.66 billion.

Current assets decreased by 8% to ₱18.91 billion as a result of the decrease in revenues.

Noncurrent assets on the other hand increased by 8% to ₱30.75 billion resulting from the revaluation gains on land and investment properties.

Current liabilities dropped by 3% to ₱4.56 billion owing to subsequent payments to various suppliers and the decrease in income tax payable.

Noncurrent liabilities also declined by 9% to ₱6.38 billion as a result of repayments made to the TLFS.

Consequently, total liabilities dropped by 7% to ₱10.94 billion while stockholder's equity rose by 4% to ₱38.71 billion.

EAGLE remains compliant with its loan covenants, with debt to equity ratio registering at 0.28x while financial debt to equity ratio stood at 0.16x. The current gearing gives the Company more flexibility to support its investment plans. Meanwhile, current ratio stood at 4.14x while return on equity ended at 9%.

## Summary of Consolidated Statements of Financial Position

	December 31			
	2020	2019	Increase/(Decrease)	Percentage of Change
	(in Millions of Philippine Pesos, except percentages)			
Current Assets	18,914	20,659	-1,745	-8%
Noncurrent Assets	30,745	28,396	2,349	8%
<b>Total Assets</b>	<b>49,659</b>	<b>49,055</b>	<b>604</b>	<b>1%</b>
Current Liabilities	4,563	4,699	-136	-3%
Noncurrent Liabilities	6,381	7,026	645	-9%
<b>Total Liabilities</b>	<b>10,945</b>	<b>11,724</b>	<b>-780</b>	<b>-7%</b>
<b>Equity</b>	<b>38,714</b>	<b>37,331</b>	<b>1,383</b>	<b>4%</b>
<b>Total Liabilities and Equity</b>	<b>49,659</b>	<b>49,055</b>	<b>604</b>	<b>1%</b>

## Company Performance and Profitability and Liquidity

### Key Performance Indicators

#### Relevant Financial Ratios

The table below shows the comparative key performance indicator of the Company:

Financial KPI	Formula	2020	2019	2018
Current/liquidity ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	4.14	4.40	4.17
Solvency ratio	$\frac{\text{Net income before depreciation}}{\text{Total liabilities}}$	0.41	0.59	0.44
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.28	0.31	0.39
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	1.28	1.31	1.39
Return on asset ratio	$\frac{\text{Net income before interest expense after tax}}{\text{Average total assets}}$	0.08	0.14	0.12
Return on equity ratio	$\frac{\text{Net income}}{\text{Average total equity}}$	0.09	0.17	0.15

#### Capital Expenditure

EAGLE's total capital expenditure in 2020 amounted to ₱1.60 billion. Of that amount, 16% was disbursed for plant machinery and equipment, 77% was spent on the construction of Finish Mill 5, Packhouse 3 and Cement Silo 5, while the remaining 7% was accounted for building and improvement, transportation equipment, and furniture, fixtures and office equipment.

### MATERIAL CHANGES IN THE FINANCIAL STATEMENTS

#### CONSOLIDATED STATEMENTS OF INCOME (YEAR-END 2020 VS. YEAR-END 2019)

##### Net Sales – 30% decrease

Attributable to the halting of operations during the first half of the year due to COVID-19 restrictions

##### Cost of Goods Sold – 26% decrease

###### Cost of inventories – 32% decrease

Largely due to the decrease in sales volume and non consumption of imported clinker

###### Utilities – 35% decrease

Decrease in power usage as a result of COVID-19 related restrictions starting in mid-March.

###### Repairs and Maintenance – 24% decrease

Due to the postponement of preventive maintenance activities for three production lines

##### Operating Expenses – 15% decrease

###### Freight, trucking, and handling – 33% decrease

Due to the decrease in sales volume

###### Warehousing fees – 22% decrease

Driven by the drop in sales volume

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (END 2020 vs. END 2019)

##### Current Assets – 8% decrease

###### Financial Assets at FVPL – 555% increase

Pertains to the ₱4.0 billion investment in redeemable perpetual security.

###### Trade and other receivables – 13% decrease

Due to the decrease in trade receivable as result of decline in sales and decrease of interest receivable.

###### Other current assets – 14% decrease

Attributable to the decrease in advances to suppliers caused by application of downpayments for trade-related purchases completely delivered in 2020

##### Noncurrent Assets – 8% increase

###### Investment Properties – 26% increase

Resulted from the ₱262 million gain on change in fair value of investment property of KSHI

###### Property, Plant & Equipment – 8% increase

Mainly from the land revaluation increment and of company's ongoing construction of Finish Mill 5, Cement Silo 5 and Packhouse 3.

##### Current Liabilities – 3% decrease

###### Trade and other payables – 3% decrease

Subsequent payments to trade suppliers.

###### Income tax payable – 19% decrease

Attributable to the decline in revenue and profit before tax.

##### Noncurrent Liabilities – 9% decrease

###### Loans payable – net of current portion – 17% decrease

Related to the ₱1.07 billion repayment of TLFS.

##### Equity – 4% increase

###### Total retained earnings – 16% increase

The ₱3.39 billion net income generated in 2020 was offset by the dividend payment amounting to ₱46.50 million for preferred shareholders.



## EAGLE CEMENT CORPORATION

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 Plant: Bgy. Akle, San Ildefonso Bulacan, Philippines  
 Tel. No.: +632-301-3453  
 www.eaglecement.com.ph

### Liquidity and Capital Resources

#### Cash Flows

The primary sources and uses of cash of the Company for calendar years 2020, 2019 and 2018 were as follows:

	For the years ended December 31		
	2020	2019	2018
	(in Millions of Philippine Pesos, except percentages)		
Cash flows provided by operating activities	4,910	7,137	4,691
Cash flows used in investing activities	-5,764	-3,419	-2,872
Cash flows provided by (used in) financing activities	-4,602	-2,953	-2,398
Net effect of exchange rate changes on cash and cash equivalents	-16	-3	17
Net increase (decrease) in cash and cash equivalents	5,472	761	(562)
Cash and cash equivalents at beginning of year	16,938	16,177	16,739
Cash and cash equivalents at end of year	11,466	16,938	16,177

#### Net Cash Flows Provided by Operating Activities

Net cash flows provided by operating activities was ₱4.91 billion. This was primarily the result of net income before taxes of ₱4.43 billion, adjusted for non-cash items and changes in working capital, including depreciation and amortization of ₱1.05 billion, finance costs of ₱430.70 million, gain on fair value changes in investment properties of ₱262.00 million, income taxes paid of ₱1.08 billion and interest received of ₱383.10 million.

#### Net Cash Flow Used in Investing Activities

The net cash flows used in investing activities amounting to ₱5.76 billion was mainly from the ₱4.00 billion investment in redeemable perpetual security, ₱1.49 billion capital expenditures, the ₱217.00 million additional advances for future investment and the ₱132.06 million additions to intangible assets.

#### Net Cash Used in Financing Activities

The net cash flows used in financing activities amounting to ₱4.60 billion comprised of ₱3.09 billion payments for the redeemed preferred stocks and the accumulated dividends, and ₱1,488.9 million principal and interest payments related to TLFSA.

### “STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS”

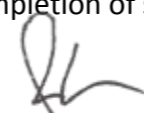
The management of **Eagle Cement Corporation and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

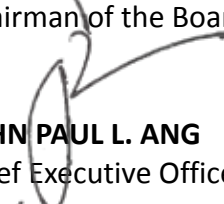
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

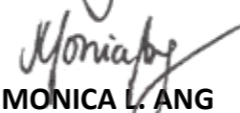
The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements including schedules attached therein, and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**RAMON S. ANG**  
 Chairman of the Board

  
**JOHN PAUL L. ANG**  
 Chief Executive Officer

  
**MONICA L. ANG**  
 Chief Financial Officer

Signed this \_\_\_ day of \_\_\_\_\_, 2021

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 Page: \_\_\_\_\_  
 Book: \_\_\_\_\_  
 Series of \_\_\_\_\_

## INDEPENDENT AUDITORS' REPORT

REPUBLIC OF THE PHILIPPINES )  
 Quezon City ) S.S.

SUBSCRIBED AND SWORN to before me on 27 April 2021 at Quezon City, the following affiants exhibited to me their competent evidence of identity:

Name	Competent Evidence of Identity	Date/Place Issued
Ramon S. Ang	TIN 118-247-275	
John Paul L. Ang	Passport No. 2247864B	22 May 2019/ Manila
Monica L. Ang	Passport No. P4589065A	02 Oct 2017/ Manila

Doc. No. 57;  
 Page No. 13;  
 Book No. 4;  
 Series of 2021.



The Stockholders and the Board of Directors  
 Eagle Cement Corporation and Subsidiaries  
 2/F SMITS Corporate Center  
 155 EDSA Barangay Wack-Wack  
 Mandaluyong City

### Opinion

We have audited the accompanying consolidated financial statements of Eagle Cement Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Eagle Cement Corporation and Subsidiaries as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Accounting for Financial Assets Arising from Public Listing

As discussed in Note 1 to the consolidated financial statements, the common shares of the Parent Company were listed and traded in the Philippine Stock Exchange (PSE) through an Initial Public Offering (IPO) on May 29, 2017. Proceeds from the IPO amounted to ₱7,500.0 million, of which ₱531.6 million was spent for expenses incurred during the IPO and ₱59.0 million for the construction of the Cebu facility. As of December 31, 2020, total unutilized proceeds from IPO amounted to ₱6,909.4 million. This is considered as a key audit matter because the amount of the proceeds from the IPO is substantial in relation to the consolidated financial statements as a whole and due to the PSE's requirement for the validation of the utilization of proceeds from the public listing.

We have performed audit procedures to validate the utilization of the proceeds from public listing. We have also assessed the propriety of recognition, classification, and measurement of the recognized financial assets from the proceeds of the IPO. In addition, we have validated against supporting documents the amount of spending from the IPO proceeds and ascertained the appropriate recording in the Group's consolidated financial statements. We also confirmed the outstanding unutilized amount of proceeds from IPO with the depository bank accounts of the Group and ascertained that bank reconciliation procedures were performed.

#### Capitalization of Property, Plant and Equipment

As discussed in Note 10 to the consolidated financial statements, the Group's property, plant and equipment amounted to ₱25,604.0 million as at December 31, 2020. In 2020, the Group made several acquisitions of machinery and equipment which amounted to ₱254.6 million. Total costs incurred during the year related to the ongoing construction amounted to ₱1,230.5 million. We determined that the property, plant and equipment account is a key audit matter due to the significance of the transactions involved and its carrying amount in relation to the consolidated financial statements as a whole.

We have determined the existence of property, plant and equipment on a sample basis, as well as the completeness and validity of the capitalizable costs incurred in 2020. Further, we have validated the proper classification of major components of property, plant and equipment, and assessed the reasonableness of the estimated useful lives and appropriateness of the depreciation method used, including commencement of depreciation. We also tested the reliability of the Group's accounting information system in capturing the transactions related to property, plant and equipment including the additions, disposals and the computation of depreciation.

#### Revenue Recognition

The Group manufactures, markets, sells and distributes cement products. As discussed in Note 20 to the consolidated financial statements, net sales of the Group amounted to ₱13,906.1 million in 2020. The Group recognizes sales to customers when goods are delivered, the title to the goods has passed to the buyer, and the amount of revenue can be measured reliably.

We determined that the revenue recognition of the Group is a key audit matter because of the inherent risk related to the completeness, occurrence, and accuracy of the revenue recognition arising from the Group's arrangements with its key customers. We have performed an understanding of the revenue cycle and revenue recognition policy and tested the reliability of its accounting information system in capturing transactions related to revenue. Further, we have reviewed the arrangement with the customers vis-à-vis its transaction in 2020 to determine proper revenue recognition. In addition, we have validated against supporting documents the revenue transactions in 2020 and ascertained proper recording in the Group's consolidated financial statements.

#### Accounting for Income Tax

As discussed in Note 28 to the consolidated financial statements, income tax expense of the Group consists of the following:

	2020	2019
Current	₱1,032,478,972	₱1,224,911,672
Deferred	3,232,266	7,702,810

The operations of the Group include business activities that are registered with the Board of Investments (BOI) which provides the Group income tax holiday (ITH) incentives. In 2020, due to the Covid-19 pandemic, the Group experienced a decline in revenues particularly in the first half of the year. Due to this situation, the BOI approved the request of the Group for the deferment of the application of its ITH incentives for the taxable year 2020. This resulted to the activities covered by the ITH incentives in 2020 to be subjected to a regular corporate income tax, and the extension of the ITH incentives for registered activities for another taxable year.

The effect in the computation of current and deferred income tax arising from the deferment of the application of the ITH incentives in 2020 is considered as a key audit matter due to the significant impact on the Group's consolidated financial statements, and judgment involved in the valuation of the recoverability of deferred tax assets due to the change in timing of the expiration of the ITH incentives.

We reviewed all communications of the Group with the BOI regarding the deferment of the application of the ITH incentives. Further, we recomputed the current and deferred income tax computation of the Group. We also reviewed and assessed the timing of the utilization of deductible temporary differences in determining the amounts to be recognized as deferred tax assets.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.



Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

#### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Joseph C. Bilangbilin.

**REYES TACANDONG & Co.**

*Joseph C. Bilangbilin*  
JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1778-A

Valid until September 23, 2022

BIR Accreditation No. 08-005144-011-2020

Valid until January 1, 2023

PTR No. 8534278

Issued January 5, 2021, Makati City

April 7, 2021

Makati City, Metro Manila

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	₱11,466,255,207	₱16,938,492,092
Financial assets at fair value through profit or loss (FVPL)	5	4,703,019,162	717,831,517
Trade and other receivables	6	488,698,028	561,138,328
Inventories	7	1,405,696,412	1,450,894,745
Other current assets	8	850,409,547	990,806,317
Total Current Assets		18,914,078,356	20,659,162,999
<b>Noncurrent Assets</b>			
Investment in an associate	12	75,000,000	75,000,000
Financial assets at fair value through other comprehensive income (FVOCI)	9	103,079,550	101,079,300
Property, plant and equipment	10	25,603,963,422	23,704,326,500
Investment properties	11	1,630,650,604	1,299,237,000
Intangible assets	13	323,388,553	192,048,532
Other noncurrent assets	14	3,008,991,655	3,024,584,898
Total Noncurrent Assets		30,745,073,784	28,396,276,230
		₱49,659,152,140	₱49,055,439,229
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	₱3,283,815,937	₱3,370,627,644
Current portion of loans payable	16	1,060,127,446	1,058,663,109
Current portion of lease liabilities	25	7,648,720	8,061,837
Income tax payable		211,879,633	261,225,325
Total Current Liabilities		4,563,471,736	4,698,577,915
<b>Noncurrent Liabilities</b>			
Loans payable - net of current portion	16	5,235,508,836	6,295,636,282
Lease liabilities - net of current portion	25	36,557,012	43,880,682
Net retirement benefit liability	26	87,944,993	114,190,524
Provision for mine rehabilitation and decommissioning	17	31,233,753	29,869,882
Net deferred tax liabilities	28	989,861,221	542,320,918
Total Noncurrent Liabilities		6,381,105,815	7,025,898,288
Total Liabilities		10,944,577,551	11,724,476,203
<b>Equity</b>			
Capital stock	18	8,000,000,005	8,000,000,005
Additional paid-in capital		6,525,506,098	6,525,506,098
Retained earnings:			
Appropriated		16,000,000,000	7,500,000,000
Unappropriated		8,843,203,656	13,998,311,098
Treasury stock		(3,000,000,000)	-
Other equity reserves		2,345,864,830	1,307,145,825
Total Equity		38,714,574,589	37,330,963,026
		₱49,659,152,140	₱49,055,439,229

See accompanying Notes to Consolidated Financial Statements.

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Years Ended December 31		
		2020	2019	2018
<b>NET SALES</b>	20	<b>₱13,906,139,382</b>	₱19,824,452,081	₱16,522,046,309
<b>COST OF GOODS SOLD</b>	21	<b>8,208,930,134</b>	11,153,024,543	9,310,948,838
<b>GROSS PROFIT</b>		<b>5,697,209,248</b>	8,671,427,538	7,211,097,471
<b>OPERATING EXPENSES</b>	22	<b>1,585,941,759</b>	1,871,981,700	1,568,268,283
<b>INCOME FROM OPERATIONS</b>		<b>4,111,267,489</b>	6,799,445,838	5,642,829,188
<b>FINANCE COSTS</b>	16	<b>(430,696,047)</b>	(495,685,474)	(365,786,275)
<b>INTEREST INCOME</b>	4	<b>333,746,012</b>	763,982,413	547,543,036
<b>OTHER INCOME - Net</b>	23	<b>412,786,342</b>	179,772,798	469,606,448
<b>INCOME BEFORE INCOME TAX</b>		<b>4,427,103,796</b>	7,247,515,575	6,294,192,397
<b>INCOME TAX EXPENSE (BENEFIT)</b>	28			
Current		1,032,478,972	1,224,911,672	1,498,968,804
Deferred		3,232,266	7,702,810	(3,119,463)
		<b>1,035,711,238</b>	1,232,614,482	1,495,849,341
<b>NET INCOME</b>		<b>3,391,392,558</b>	6,014,901,093	4,798,343,056
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Not to be reclassified to profit or loss in subsequent periods</i>				
Revaluation of land (net of deferred tax)	10	994,379,358	-	-
Remeasurement gains (losses) on net retirement benefit liability (net of deferred tax)	26	42,339,397	(25,457,530)	(8,808,816)
Unrealized gains (losses) on financial assets at FVOCI	9	2,000,250	1,066,800	(9,267,825)
		<b>1,038,719,005</b>	(24,390,730)	(18,076,641)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱4,430,111,563</b>	₱5,990,510,363	₱4,780,266,415
<b>Basic/Diluted Earnings Per Share (EPS)</b>	32	<b>₱0.68</b>	₱1.17	₱0.92

See accompanying Notes to Consolidated Financial Statements.

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

	Note	Capital Stock - ₱1 par value		Additional Paid-in Capital		Retained Earnings		Other Equity Reserves		Total Equity
		Common Stock	Preferred Stock	Paid-in Capital	Unappropriated	Appropriated	Revaluation Surplus (Net of Deferred Tax)	Deferred Tax	Cumulative Remeasurement Gains (Losses) on Net Retirement Benefits Liability (Net of Deferred Tax)	
Balances as at December 31, 2019		₱5,000,000,005	₱3,000,000,000	₱6,525,506,098	₱13,998,311,098	₱3,391,392,558	₱1,325,088,000	₱1,066,800	₱-	₱37,330,963,026
Net income		-	-	-	3,391,392,558	-	-	-	-	3,391,392,558
Other comprehensive income		-	-	-	-	-	-	-	-	1,038,719,005
Appropriations	18	-	-	-	(8,500,000,000)	-	-	-	-	-
Redemption of preferred stock	18	-	-	-	-	-	-	-	-	-
Cash dividends declared	18	-	-	-	-	-	-	-	-	-
Balances as at December 31, 2020		₱5,000,000,005	₱3,000,000,000	₱6,525,506,098	₱8,843,203,656	₱(46,500,000)	₱2,319,467,358	₱23,330,422	₱(3,000,000,000)	₱38,714,574,589
Balances as at December 31, 2018		₱5,000,000,005	₱3,000,000,000	₱6,525,506,098	₱9,463,410,006	₱6,448,555	₱1,325,088,000	₱-	₱-	₱32,820,452,664
Net income		-	-	-	6,014,901,093	-	-	-	-	6,014,901,093
Other comprehensive income (loss)		-	-	-	-	-	-	-	-	(24,390,730)
Cash dividends declared	18	-	-	-	-	-	-	-	-	(1,480,000,001)
Balances as at December 31, 2019		₱5,000,000,005	₱3,000,000,000	₱6,525,506,098	₱13,998,311,098	₱(1,480,000,001)	₱1,325,088,000	₱(19,008,975)	₱-	₱37,330,963,026

	Capital Stock - ₱1 par value		Additional Paid-in Capital		Retained Earnings		Revaluation Surplus (Net of Deferred Tax)		Remeasurement Gains on Net Retirement Benefits Liability (Net of Deferred Tax)		Cumulative Unrealized Gains on Financial Assets at FVOCI		Treasury Stock	Total Equity
	Note	Common Stock	Preferred Stock	Paid-in Capital	Appropriated	Unappropriated	Deferred Tax	Deferred Tax	Deferred Tax	Deferred Tax	at FVOCI	Total Equity		
Balances as at December 31, 2017		₱5,000,000,005	₱3,000,000,000	₱6,525,506,119	₱3,500,000,100	₱10,000,182,366	₱1,325,088,000	₱15,257,371	₱9,267,825	₱29,375,301,686	(₱100)	₱29,375,301,686		
Net income		-	-	-	-	4,798,343,056	-	-	-	4,798,343,056	-	4,798,343,056		
Other comprehensive losses		-	-	-	-	-	-	(8,808,816)	(9,267,825)	-	-	(18,076,641)		
Appropriations	18	-	-	-	5,000,000,000	(5,000,000,000)	-	-	-	-	-	-		
Reversal of appropriations		-	-	-	(1,000,000,000)	1,000,000,000	-	-	-	-	-	-		
Sale of treasury stock		-	-	(21)	(100)	100	-	-	-	-	100	79		
Cash dividends declared	18	-	-	-	-	(1,335,115,516)	-	-	-	-	-	(1,335,115,516)		
Balances as at December 31, 2018		₱5,000,000,005	₱3,000,000,000	₱6,525,506,098	₱7,500,000,000	₱9,463,410,006	₱1,325,088,000	₱6,448,555	₱-	₱32,820,452,664	₱-	₱32,820,452,664		

See accompanying Notes to Consolidated Financial Statements.

## EAGLE CEMENT CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		₱4,427,103,796	₱7,247,515,575	₱6,294,192,397
Adjustments for:				
Depreciation and amortization	10	1,047,083,967	952,698,422	710,148,534
Finance costs	16	430,696,047	495,685,474	365,786,275
Interest income	4	(333,746,012)	(763,982,413)	(547,543,036)
Fair value changes in investment properties	11	(262,000,000)	(111,216,000)	(435,811,000)
Dividend income	5	(134,753,962)	(13,065,644)	(12,874,199)
Retirement benefit costs	26	33,230,449	20,778,962	14,461,027
Trading losses (gains) on financial assets at FVPL	5	(20,077,980)	(63,663,740)	19,596,342
Unrealized foreign exchange losses (gains)		18,968,158	4,297,334	(14,057,755)
Loss (gain) on sale of property, plant and equipment	23	(5,976,932)	4,586,716	(2,997,477)
Loss on cancellation of finance lease contracts	23	-	5,021,149	6,164,277
Operating income before working capital changes		5,200,527,531	7,778,655,835	6,397,065,385
Decrease (increase) in:				
Trade and other receivables		73,159,660	(63,095,034)	160,348,960
Inventories		288,454,859	118,561,883	137,054,168
Other current assets		140,396,770	107,058,186	(273,535,109)
Other noncurrent assets		36,521,591	(266,890,082)	(932,307,112)
Increase (decrease) in trade and other payables		(130,554,344)	(2,761,533)	110,753,521
Net cash generated from operations		5,608,506,067	7,671,529,255	5,599,379,813
Income taxes paid		(1,081,824,664)	(1,279,114,639)	(1,445,151,005)
Interest received		383,096,025	742,238,510	537,233,142
Net cash provided by operating activities		4,909,777,428	7,134,653,126	4,691,461,950
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Financial assets at FVPL	5	(4,000,000,000)	(499,999,931)	-
Property, plant and equipment		(1,448,633,399)	(2,265,013,698)	(2,098,149,262)
Deposit for future investment	14	(217,000,000)	(500,000,000)	-
Intangible assets	13	(132,059,137)	-	(106,942)
Deposits on asset purchase		(94,386,948)	(223,725,693)	(8,455,435)
Investment properties	11	(4,167,431)	-	(164,780,000)
Long-term placements	14	-	-	(650,000,000)
Proceeds from sale of:				
Financial assets at FVPL		34,890,335	27,393,089	14,469,670
Property, plant and equipment		3,479,335	13,339,334	3,945,480

(Forward)

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	Years Ended December 31		
Note	2020	2019	2018
Dividends received	P84,753,962	P13,065,644	P12,874,199
Collection of finance lease receivables	25 9,454,619	17,800,607	18,574,487
Net cash used in investing activities	<b>(5,763,668,664)</b>	(3,417,140,648)	(2,871,627,803)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Loans payable	16 <b>(1,068,000,000)</b>	(979,000,000)	(534,000,000)
Interest	<b>(420,914,555)</b>	(481,738,877)	(529,182,558)
Dividends	<b>(91,500,000)</b>	(1,480,000,001)	(1,335,115,516)
Lease liabilities	25 <b>(11,569,276)</b>	(11,893,731)	-
Advances from a related party	<b>(10,000,000)</b>	-	-
Reissuance (acquisition) of treasury stock	18 <b>(3,000,000,000)</b>	-	79
Net cash used in financing activities	<b>(4,601,983,831)</b>	(2,952,632,609)	(2,398,297,995)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(5,455,875,067)</b>	764,879,869	(578,463,848)
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(16,361,818)</b>	(3,339,418)	16,731,621
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>16,938,492,092</b>	16,176,951,641	16,738,683,868
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>P11,466,255,207</b>	P16,938,492,092	P16,176,951,641

See accompanying Notes to Consolidated Financial Statements.

**1. General Information**

**Corporate Information**

Eagle Cement Corporation (ECC or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on June 21, 1995. The Parent Company and its wholly-owned subsidiaries, South Western Cement Corporation (SWCC) and KB Space Holdings, Inc. (KSHI) are collectively referred to herein as “the Group”. SWCC and KSHI are also incorporated in the Philippines and registered with the SEC.

The Parent Company is a 60.21%-owned subsidiary of Far East Holdings, Inc. (formerly Far East Cement Corporation) (the Ultimate Parent Company), an entity incorporated and domiciled in the Philippines. The Parent Company and SWCC are primarily engaged in the business of manufacturing, marketing, sale and distribution of cement products. SWCC is still under the development stage as at April 7, 2021. KSHI will be engaged in property leasing. KSHI has not started commercial operations as at April 7, 2021.

On May 29, 2017, the common stocks of the Parent Company were listed and traded in the Philippine Stock Exchange (PSE) through an Initial Public Offering (IPO) under the trading symbol “EAGLE”.

The registered office address of the Parent Company is 2/F SMITS Corporate Center, 155 EDSA Barangay Wack-Wack, Mandaluyong City.

**Status of Operations**

The Group has the following Mineral Production Sharing Agreements (MPSA) granted by the Philippine Government through the Mines and Geosciences Bureau (MGB) either through direct grant or through deed of assignment.

Grantee/Assignee	MPSA No.	Location	Date of Issuance
<u>Luzon sites:</u>			
ECC	245-2007-III	Dona Remedios Trinidad and San Ildefonso, Bulacan	July 25, 2007
ECC	181-2002-III	Akle, San Ildefonso, Bulacan	December 9, 2002
<u>Cebu sites:</u>			
ECC	100-97-VII	Ginatilan, Cebu	December 29, 1997
ECC	101-97-VII	Ginatilan and Malabuyoc, Cebu	December 29, 1997
SWCC	059-96-VII	Lo-oc, Malabuyoc, Cebu	November 18, 1996
SWCC	060-96-VII	Lo-oc, Malabuyoc, Cebu	November 18, 1996

These MPSAs have a term of 25 years from the issuance date and may be renewed thereafter for another term not exceeding 25 years. The Group started the commercial operations of the Luzon sites in 2010, while the Cebu sites are still under exploration and development stage as at April 7, 2021.

On August 6, 2020, the MGB approved the extension of the terms of the MPSAs 059-96-VII and 060-96-VII from Cebu sites for a period of nine (9) years until November 18, 2030.

### **Approval of Consolidated Financial Statements**

The consolidated financial statements of the Group as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 were approved and authorized for issuance by the Board of Directors (BOD) of the Parent Company on April 7, 2021, upon endorsement by the Audit Committee on the same date.

### **Effect of Covid-19**

On March 16, 2020, the Philippine government declared an enhanced community quarantine (ECQ) covering the island of Luzon due to the pandemic caused by the corona virus (Covid-19). This resulted to a slowdown in the Philippine economy and the temporary closure and stoppage of manufacturing operations of the Company.

On June 5, 2020, the Group resumed commercial operations following the easing of restriction in the markets the Group serves. Along with the resumption of operations, the Group executed an extensive health and safety measures such as conducting of tests, wearing of face shields and imposing strict social distancing. The temporary shutdown of operations resulted in the significant decline in revenues of the Group. However, the Group was able to normalize its operations and regain its market position in the second semester of the year.

The Group uses market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the following valuation techniques:

- Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes to the consolidated financial statements:

- Note 5 - Financial Assets at FVPL
- Note 9 - Financial Assets at FVOCI
- Note 10 - Property, Plant and Equipment
- Note 11 - Investment Properties
- Note 30 - Fair Value Measurement

### **Adoption of Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS, which the Group adopted effective January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

## **2. Summary of Significant Accounting Policies**

### **Basis of Preparation**

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC).

### **Measurement Bases**

The consolidated financial statements are presented in Philippine Peso, the Group’s functional currency. All values are stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for the following:

	Measurement Bases
Financial assets at fair value through profit or loss (FVPL)	Fair Value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair Value
Land, included as part of “Property, plant and equipment”	Revalued Amount
Investment properties	Fair Value

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Under prevailing circumstances, the adoption of the foregoing amended PFRS did not have any material effect on the consolidated financial statements of the Group. Additional disclosures are included in the notes to the consolidated financial statements, as applicable.

#### **Amended PFRS Issued But Not Yet Effective**

Relevant amended PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the financial statements, are summarized below.

Effective January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendments to PFRS 9, *Financial Instruments - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

- Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective January 1, 2023 -

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity’s right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the notes to the consolidated financial statements, as applicable.

#### **Basis of Consolidation**

The consolidated financial statements comprise of the financial statements of the Parent Company and its wholly-owned subsidiaries.

A subsidiary is an entity in which the Parent Company has control. The Parent Company controls a subsidiary if it is exposed, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In assessing control, the Parent Company takes into consideration potential voting rights that are currently exercisable. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company. Subsidiaries are deconsolidated from the date the Parent Company ceases to have control.

All intra-group balances, transactions, income and expenses and unrealized gains and losses are eliminated. The financial statements of the subsidiaries are prepared for the same reporting year using uniform accounting policies as that of the Parent Company.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If there is a loss of control, the Group derecognizes the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. Any investment retained is recognized at fair value.

**Goodwill.** Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the fair value of the net assets acquired, including the amount recognized for non-controlling interest, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill included under the “Intangible assets” account in the consolidated statements of financial position, is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

#### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity or a financial liability or equity instrument of another entity.

**Date of Recognition.** The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

**“Day 1” Difference.** Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data at inception date, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

#### **Financial Assets**

**Initial Recognition and Measurement.** Financial assets, are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at FVPL, includes transaction cost.

**Classification.** The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at FVOCI, and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the Group’s business model for managing the asset and its contractual cash flow characteristics.

**Financial Assets at Amortized Cost.** Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized, impaired and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2020 and 2019, the Group’s cash and cash equivalents, trade and other receivables (except advances to officers and employees), finance lease receivables, Debt Service Reserve Account (DSRA), long-term placements, refundable deposits, deposit in escrow and restricted cash are classified under this category (see Notes 4, 6, 8, and 14).

Cash and cash equivalents include cash on hand, cash in banks, and short-term placements. Short-term placements are highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

**Financial Assets at FVOCI.** For equity instruments that are not held for trading, the Group may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, *Financial Instruments: Presentation*. This option is available and made on an instrument by instrument basis.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in other comprehensive income (OCI) and are presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings.

As at December 31, 2020 and 2019, the Group has quoted investments in equity securities which were irrevocably designated as financial assets at FVOCI because the Group considers these investments to be strategic in nature (see Note 9).

**Financial Assets at FVPL.** Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.



This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not “solely for payment of principal and interest”, and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell. The Group may, at initial recognition, designate a debt instrument meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

This category also includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at December 31, 2020 and 2019, the Group’s investments in listed debt and equity securities and investment in unquoted redeemable perpetual securities are classified under this category (see Note 5).

*Reclassification.* The Group reclassifies its financial assets only when it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new carrying amount.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new carrying amount.

*Impairment of Financial Assets at Amortized Cost and FVOCI.* The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with all debt instruments not held at FVPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation to the asset’s original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Group has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to its customers and the economic environment.

For other debt instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. The Group also considers reasonable and supportable information, that is available without undue cost or effort that is indicative of significant increases in credit risk since initial recognition.

The Group considers a financial asset in default when contractual payments are 30 days past due unless it is demonstrated that the non-payment was an administrative oversight rather than resulting from financial difficulty of the counterparty. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Derecognition.* A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The right to receive cash flows from the asset has expired;
- The Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- The Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

## **Financial Liabilities**

*Initial Recognition and Measurement.* Financial liabilities are recognized initially at fair value, which is the fair value of the consideration received. In case of financial liabilities at amortized costs, the initial measurement is net of any directly attributable transaction costs.

*Classification.* The Group classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2020 and 2019, the Group does not have financial liabilities at FVPL.

**Financial Liabilities at Amortized Cost.** Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process. Financial liabilities at amortized cost are included under current liabilities if payment is due within 12 months after the reporting period. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2020 and 2019, the Group's trade and other payables (except advances from customers and statutory payables), loans payable and lease liabilities are classified under this category (see Notes 15, 16 and 25).

**Derecognition.** A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

**Classification of Financial Instrument between Liability and Equity.** Redeemable preferred shares are classified as equity if it does not exhibit the following contractual obligations to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. Redeemable preferred shares that exhibit characteristics of a liability are recognized at fair value, net of transaction costs, at inception date and presented as a liability in the consolidated statements of financial position.

#### **Offsetting of Financial Assets and Liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

#### **Inventories**

Inventories are valued at the lower of cost and net realizable value (NRV). The cost of raw materials is calculated based on moving average method while the cost of goods in process and finished goods are calculated based on standard costing method. Standard cost is adjusted to reflect actual cost which is principally determined using the moving average method. The cost of finished goods and goods in process comprise raw materials, direct labor and other direct costs and related production overheads. The NRV of raw materials, goods in process and finished goods is the estimated selling price in the ordinary course of business, less the estimated costs of completion and of marketing and distribution.

Cost is determined using the moving average method for spare parts and supplies. The NRV of spare parts and supplies are their current replacement costs. Spare parts are carried as inventory and recognized in profit or loss as consumed. However, major spare parts and stand-by equipment are recorded under "Property, plant and equipment" account in the consolidated statements of financial position when the Group expects to use these for more than one year or if these can be used only in connection with an item of property, plant and equipment.

#### **Other Nonfinancial Current Assets**

Other nonfinancial current assets include prepayments and advances to suppliers.

**Prepayments.** Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and included in profit or loss when incurred. Prepayments that are expected to be realized within 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

**Advances to Suppliers.** Advances to suppliers are amounts paid in advance for the purchase of goods and services. These are carried at face amount in the consolidated statement of financial position and are recognized to appropriate asset account or in profit or loss when the services or materials for which the advances were made are received and delivered. Advances to suppliers wherein the related assets to which the advances were made will be used primarily for the purpose of trading are classified as current assets. Otherwise, these are classified as noncurrent assets.

#### **Property, Plant and Equipment**

Land is accounted for using the revaluation model.

Under the revaluation model, land is initially recorded at cost and subsequently measured at fair value less impairment losses, if any. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded initially in OCI and accumulated to the other equity reserves account in equity. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus.

The following property, plant and equipment are stated at cost less accumulated depreciation, amortization and any accumulated impairment losses:

- Machinery and equipment
- Building and improvements
- Transportation equipment
- Furniture, fixtures and other office equipment

The initial cost of property, plant and equipment comprises its purchase price, after deducting trade discounts and rebates, import duties, non-refundable purchase taxes, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor, any other costs directly attributable in bringing the assets to a working condition for their intended use, costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment. The cost of replacing a component of an item of property, plant and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate items (major components) of property, plant and equipment.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property, plant and equipment:

	Number of Years
Machinery and equipment	5 to 30
Building and improvements	10 to 30 years or remaining lease term whichever is shorter
Transportation equipment	5
Furniture, fixtures and other office equipment	3 to 5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Construction in progress represents properties under construction and is stated at cost. Cost includes costs of construction and other directly attributable costs. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

#### **Investment Properties**

Investment properties pertain to land which is intended to be used for the construction of a building to be held for rental and construction in progress pertaining to development costs for the building. Investment properties are properties held either to earn rental income or for capital appreciation or both, and properties under construction or redevelopment, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognized in profit or loss in the period in which they arise. The carrying amount excludes the costs of day-to-day servicing of the investment properties.

Investment properties are derecognized when either they have been disposed of or the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

For transfers from investment properties to owner-occupied properties or inventories, the cost for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such in accordance with the policy under property, plant and equipment up to the date of change in use.

#### **Investment in an Associate**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is accounted for under equity method. The investment is initially recognized at cost and adjusted to recognize the Group's share in net assets of the associate since the acquisition date. Dividends received by the Group from the associate will reduce the carrying amount of the investment when the right to receive the dividend is established. The Group recognizes its share in net income or loss of the associate in profit or loss. Any change in OCI of the associate is presented as part of the Group's OCI. In addition, where there has been change recognized directly in equity of the associate, the Group recognizes its share in any changes, when applicable, in the consolidated statements of changes in equity.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of the associate are prepared in the same reporting period as the Group.

**Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. Such borrowing costs are capitalized net of any investment income earned on the temporary investment of funds that are surplus pending such expenditure. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**Stripping Costs**

As part of its mining operations, the Group incurs stripping costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine before the production phase commences (development stripping) are capitalized as part of the cost of constructing the mine and subsequently amortized over its useful life using unit-of-production method. The capitalization of development stripping costs ceases when the mine is commissioned and ready for use as intended by management. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping.

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realized in the form of improved access to the ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a 'stripping activity asset', if the following criteria are met:

- a. Future economic benefits (improved access to the ore body) are probable;
- b. The component of the ore body for which access will be improved can be accurately identified; and
- c. The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are recognized in profit or loss as operating costs when incurred.

**Intangible Assets**

Intangible assets include mining rights, computer software, and goodwill.

Intangible assets are stated at cost, which includes purchase price and other direct costs, less accumulated amortization and any impairment in value. Intangible assets are amortized over their useful lives on a straight-line basis and assessed for impairment whenever there is an indication that the mining rights may be impaired. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets with finite useful lives are recognized in profit or loss.

The useful life of intangible assets arising from contractual or other legal rights should not exceed the period of those rights, but may be shorter depending on the period over which the intangible asset is expected to be used by the Group. The useful lives of the intangible assets are as follows:

	Number of Years
Mining rights	25
Computer software	5

When mining rights are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

**Other Nonfinancial Noncurrent Assets**

Other nonfinancial noncurrent assets include deposit on asset purchase, deposit for future investment, and deferred exploration and evaluation costs.

*Deposit on Asset Purchase.* Deposit on asset purchase, measured at face amount less any allowance for impairment, represents advance payments for long term supply of raw materials and advance payments for the purchase of property, plant and equipment.

*Deposit for Future Investment.* Deposit for future investment represents funds paid in advance for future acquisition of the investee's capital stocks which is measured at cost less any allowance for impairment.

*Deferred Exploration and Evaluation Costs.* Deferred exploration and evaluation costs arising from the Group's exploration and evaluation activities are carried at cost less any accumulated impairment losses, if any.

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified mineral resource. These include the following:

- Acquisitions of rights to explore;
- Gathering exploration data through geophysical studies;
- Determining and examining the volume and grade of the resource;
- Surveying transportation and infrastructure requirements; and
- Evaluating the technical feasibility and commercial viability of extracting the mineral resource.

Exploration and evaluation expenditures are deferred as asset when future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further evaluation costs incurred up to the point when a commercial reserve is established.

Deferred exploration and evaluation costs are assessed for impairment before these are reclassified to "Property, plant and equipment" account in the consolidated statements of financial position. Any impairment loss is recognized in profit or loss. If the mining property is found to contain no commercial reserves, the deferred exploration and evaluation costs are charged to profit or loss.

#### **Impairment of Nonfinancial Assets**

The carrying amounts of property, plant and equipment, intangible assets and other nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or CGU are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

#### **Advances from Customers**

Advances from customers consist of amounts received by the Group from its customers as advance collections for the sale of goods. These are recorded at face amount in the consolidated statements of financial position and recognized as revenue in the consolidated statements of comprehensive income when the control over the goods for which the advances were made are transferred and delivered to the customers.

#### **Value-Added Tax (VAT)**

VAT is a tax on consumption levied on the sale, barter, exchange, or lease of goods or properties and services, and on importation of goods in the Philippines. It is an indirect tax, which may be shifted or passed on to the buyer, transferee or lessee of goods, properties or services.

Revenue, expenses, and assets are recognized net of the amount of VAT, except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT payable to the taxation authority is included as part of "Trade and other payables" account in the consolidated statements of financial position.

#### **Deferred Input VAT**

In accordance with Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million is claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on the unpaid portion of availed services, including the use or lease of properties.

Deferred input VAT that are expected to be claimed against output VAT within 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets. Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

#### **Rebates**

The Group provides rebates to certain customers based on the level of their purchases which may be applied against the amount of their existing or future payables to the Group. The rebates granted by the Group are not considered as a variable consideration as defined in PFRS 15. Accordingly, the Group's sales rebates are accounted for separately from the total consideration of the revenue recognized and measured at the amount expected to be claimed by the customer against future sales transactions.

The Group's accrual for sales rebates is included as part of "Trade and other payables" account in the consolidated statements of financial position.

#### **Equity**

*Common Stock.* Common stock is measured at par value for all shares issued and outstanding.

*Preferred Stock.* Preferred stock is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. It is measured at par value for all shares issued. Dividends thereon are recognized as distributions within equity upon approval by the Parent Company's BOD.

*Additional Paid-in Capital (APIC).* APIC represents the proceeds and/or fair value of consideration received in excess of the par value of the shares issued. Incremental costs directly attributable to the issuance of new common stock are recognized as a deduction from APIC, net of any tax effects.

*Retained Earnings.* Retained earnings represent the cumulative balance of net income, net of any dividend declaration.

Unappropriated retained earnings pertain to the unrestricted portion available for dividend declaration. Appropriated retained earnings pertain to the restricted portion which is intended for expansion projects and other significant business activities of the Group.

The Group recognizes a liability to pay dividends when the distribution is authorized and no longer at the discretion of the Group. A corresponding amount is recognized directly in equity.

*Other Equity Reserves.* Other equity reserves comprise of items of income and expense that are not recognized in profit or loss in accordance with PFRS. Other equity reserves of the Group pertain to revaluation surplus on land, cumulative remeasurement gains (losses) on net retirement benefits liability, and cumulative unrealized gains on financial assets at FVOCI.

*Treasury Stock.* Treasury stock represents issued shares repurchased by the Group. The consideration paid, including any directly attributable incremental costs, net of related taxes, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related taxes, is included in equity attributable to the equity holders of the Group.

#### **Revenue Recognition**

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized.

*Sales.* Sales are recognized at a point in time when control of the goods has been transferred, when the products are delivered to the buyer, and the seller has no obligation that could affect the buyer's acceptance of goods.

*Other Income.* Income from other sources is recognized when earned during the period.

The following are the specific recognition criteria for other revenues outside the scope of PFRS 15:

*Interest Income.* Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

*Dividend Income.* Dividend income is recognized when the Group's right to receive payment is established.

#### **Cost and Expense Recognition**

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

*Cost of Goods Sold.* Cost of goods sold is recognized as expense when the related goods are delivered to and accepted by customers.

*Operating Expenses.* Operating expenses constitute cost of administering the business and cost incurred to sell and market the goods. These include advertising and freight and handling, among others. These are expensed as incurred.

#### **Employee Benefits**

*Short-term Benefits.* The Group recognizes short-term employee benefits based on contractual arrangements with employees. Unpaid portion of the short-term employee benefits is measured on an undiscounted basis and is included as part of "Trade and other payables" account in the consolidated statements of financial position.

*Retirement Benefits.* Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of net retirement benefits (costs) is performed annually by a qualified actuary. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

The Group recognizes service costs, comprising current service cost, past service cost and net interest cost in profit or loss.

The Group determines the net interest cost by applying the discount rate to the net defined benefit liability at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

Remeasurements of the net retirement benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI and are not reclassified to profit or loss in subsequent periods.

The net retirement benefit liability recognized by the Group is the aggregate of the present value of the defined benefit obligation reduced by the fair value of plan assets out of which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related net retirement benefit liability.

## **Leases**

The Group assesses whether a contract is, or contains a lease, at the inception of a contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of the asset and whether the Group has the right to direct the use of the asset. The Group recognizes ROU asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low-value assets.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

*Group as a Lessee.* At the commencement date, the Group recognizes ROU asset and lease liability for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

*ROU Assets.* At commencement date of the lease contract, the Group measures ROU assets (presented as part of "Property, plant and equipment" account) at cost. The initial measurement of ROU assets includes the following:

- the amount of the initial measurement of lease liabilities;
- lease payments made at or before the commencement date less any lease incentives received;
- initial direct costs; and
- an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

After the commencement date, the ROU assets are carried at cost less any accumulated amortization and any accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets ranging from two to eight years.

*Lease Liabilities.* At commencement date, the Group measures lease liabilities at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of lease liabilities are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. Lease liabilities are also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

*Group as Lessor.* Finance leases, which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item, are recorded at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease receipts are apportioned between the interest income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Interest income is recognized in profit or loss.

## **Finance Costs**

Finance costs include interest charges and other costs incurred in connection with the borrowing of funds. Finance costs also include any interest expense resulting from adjusting the amortized cost of financial liabilities based on the effective interest method.

All finance costs, other than capitalizable borrowing costs, are recognized in profit or loss in the period they are incurred.

## **Foreign Currency-Denominated Transactions**

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Differences arising on settlement or translation of monetary assets and liabilities are recognized in profit or loss.

## **Income Taxes**

*Current Tax.* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used in the computation are those that have been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and interest in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized to equity or in OCI.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to nonrelated parties in an economically comparable market.

#### **Segment Reporting**

The Group reports separate information about each of its operating segment.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group) and whose operating results are regularly reviewed to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete information is available.

#### **Provisions and Contingencies**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, the estimated future cash flows are discounted using a current pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

*Provision for Mine Rehabilitation and Decommissioning.* Mine rehabilitation costs will be incurred by the Group either while operating or at the end of the operating life of the Group's facilities and mine properties. The Group assesses its provision for mine rehabilitation and decommissioning at each reporting date. The Group recognizes a provision where: it has a legal and constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount of obligation can be made. The nature of rehabilitation activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closing plant and waste sites, and restoring, reclaiming and revegetating affected areas.

The obligation generally arises when the mining asset is installed, or the ground or environment is disturbed at the mining operation's location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it is incurred as a result of the development or construction of the mine.

Changes in the estimated timing of rehabilitation or changes in the estimated future costs are recognized prospectively as an adjustment to the provision for mine rehabilitation and decommissioning and the related mining asset.

Any decrease in the provision for mine rehabilitation and decommissioning and, therefore, any deduction from the asset may not exceed the carrying amount of the related mining asset. Any excess over the carrying amount is recognized in profit or loss.

If the change in estimate results in an increase in the provision for mine rehabilitation and decommissioning and, therefore, an addition to the carrying amount of the mining asset, the Group considers whether there is an indication of impairment of the asset as a whole. If any such indication exists and when the revised estimate for the mining asset (net of rehabilitation provisions) exceeds the recoverable amount, the increase is recognized as expense.

The discounted provision for mine rehabilitation and decommissioning is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic accretion of the discount is recognized in profit or loss as part of finance cost.

Rehabilitation funds committed for use in satisfying environmental obligations are included in "Other noncurrent assets" account in the consolidated statements of financial position.



*Contingencies.* Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

#### **EPS**

Basic EPS is calculated by dividing the net income (less preferred dividends net of tax, if any) for the year attributable to common stockholders by the weighted average number of common stocks outstanding during the year, with retroactive adjustment for any stock dividends or stock splits declared during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common stocks outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

#### **Events After the Reporting Date**

Post year-end events that provide additional information about the Group's financial position at reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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### **3. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the consolidated financial statements requires management to exercise judgments and make accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The judgments and accounting estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant judgments, accounting estimates and assumptions made by the Group:

#### **Judgments**

*Classification of Financial Assets.* Classification and measurement of financial assets depends on the results of the contractual cash flow and the business model tests. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets, and how these risks are managed.

At initial recognition, the Group designated its investments in equity securities either as financial assets at FVOCI (see Note 9) or as financial assets at FVPL, and its investments in debt securities and investment in unquoted redeemable perpetual securities as financial assets at FVPL (see Note 5).

Cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), finance lease receivables, DSRA, long-term placements, refundable deposits, deposit in escrow and restricted cash were classified as financial assets at amortized cost since the Group's primary business model in relation to these assets is to hold the financial assets to collect contractual cash flows solely for principal and interest (see Notes 4, 6, 8, and 14).

*Fair Value Measurement of Financial Instruments.* The fair values of securities that are actively traded in organized financial markets are determined by reference to unadjusted quoted market prices at the close of business on the reporting date.

When the fair values of financial assets recorded in the consolidated statements of financial position cannot be measured based on quoted prices in active market, their fair value is measured using valuation techniques including the Discounted Cash Flow model. The inputs to this model are taken from observable market when possible, but when this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

In accordance with the amendments to PFRS 7, disclosures about the level in the fair value hierarchy are required in which the fair value measurements are categorized for assets and liabilities measured in the consolidated statements of financial position.

Assumptions and methods of determining the fair values of financial instruments are presented in Note 30 to the consolidated financial statements.

*Assessment of Production Start Date.* The Group assesses the stage of development of the mine site to determine the start of production phase or the substantial completion of mining site development or production. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. The criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with construction cost estimate;
- Completion of a reasonable period of testing of the property, plant and equipment; and
- Ability to sustain ongoing production of limestone.

When a mine development project moves into the production phase, the capitalization of certain mine development costs ceases and costs are either capitalized as part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements, mine development, or mineable reserve development. It is also at this point that depreciation or amortization commences.

The Luzon mining sites started their production and commercial operations in 2010. As at April 7, 2021, the Cebu mining sites have not yet started commercial operations.

*Capitalization of Exploration and Evaluation Expenditures.* The Group makes judgments in determining whether there are future economic benefits from either future exploration or sale of mineral reserves to capitalize exploration and evaluation expenditures. The Group further applies estimates and assumptions about future events and circumstances to determine whether an economically viable extraction operation can be established.

Deferred exploration and evaluation costs, presented under “Other noncurrent assets” account in the consolidated statements of financial position, amounted to ₱36.8 million and ₱29.6 million as at December 31, 2020 and 2019, respectively (see Note 14).

*Determination of Finance Lease Commitments - Group as a Lessor.* The Group has lease agreements with its haulers covering certain items of transportation equipment. Based on the evaluation of terms and conditions of the arrangements, the Group has determined that the risks and rewards of ownership of the transportation equipment have been transferred to its haulers. Accordingly, the lease agreements are accounted for as finance leases.

Finance lease receivables amounted to ₱8.0 million and ₱22.7 million as at December 31, 2020 and 2019, respectively (see Note 25).

*Classification of Land as Property, Plant and Equipment and Investment Properties.* The Group determines whether a property qualifies as an investment property or a property, plant and equipment. In making its judgment, the Group considers whether the property is held primarily to earn rentals or capital appreciation or both or used for operations and administrative purposes by the Group.

*Existence of Significant Influence over Armstrong Fly-ash and Logistics Company, Inc. (AFALCI).* Significant influence has been established by the Group over the investee as shown from its participation, through its representative in the investee’s BOD, in the decision making process of the investee’s significant activities. Further, although the Group’s interest is only represented by preferred shares, still, a conversion feature gives the Group a potential voting power in the future, which increases its ability to participate in the overall decision making process of the investee.

Investment in the preferred shares of AFALCI amounted to ₱75.0 million as at December 31, 2020 and 2019 (see Note 12).

### **Estimates and Assumptions**

*Assessment for ECL on Trade Receivables.* The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

The Group has assessed that the ECL on trade receivables is not material because substantial amount of receivables are normally collected within one year while none of the remaining balances are written off or credit impaired as at reporting date. Accordingly, no provision for ECL on trade receivables was recognized in 2020, 2019 and 2018. The carrying amount of trade receivables is ₱360.8 million and ₱428.6 million as at December 31, 2020 and 2019, respectively (see Note 6).

*Assessment for ECL on Other Financial Assets at Amortized Cost.* The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2020, 2019 and 2018. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2020	2019
Cash in banks and cash equivalents	4	₱11,465,131,641	₱16,937,743,033
Long-term placements	14	650,000,000	650,000,000
DSRA	8	347,425,003	362,765,125
Other receivables*	6	110,768,237	109,814,068
Refundable deposits	14	55,912,004	65,162,604
Deposit in escrow	14	42,083,752	44,708,495
Restricted cash	14	28,232,093	27,428,594
Finance lease receivables	25	8,046,261	22,709,613
		<b>₱12,707,598,991</b>	<b>₱18,220,331,532</b>

\*Includes interest receivable, receivable from contractors, advances to related parties, dividends receivable and other receivables

*Determination of NRV of Inventories.* The Group writes down the cost of inventories whenever the NRV of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The Group reviews the lower of cost and NRV of inventories on a periodic basis. NRV represents the estimated selling price of the product based on prevailing prices at the end of the reporting period, less estimated costs to complete production and bring the product to sale. NRV test for spare parts and supplies is also performed annually. The NRV of spare parts and supplies represents the current replacement cost. An increase in allowance for inventory obsolescence and market decline would increase recorded operating expense and decrease current assets.

As at December 31, 2020 and 2019, the cost of inventories is lower than its NRV. The carrying amount of inventories is ₱1,405.7 million and ₱1,450.9 million as at December 31, 2020 and 2019, respectively (see Note 7).

*Estimation of Mineral and Quarry Reserves.* Mineral and quarry reserves are estimates of the amount of minerals that can be economically and legally extracted from the Group's mining and quarry properties. The Group estimates its mineral and quarry reserves based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of minerals to be mined and processed, the configuration of the mineral body, expected recovery rates of minerals, estimated operating costs, estimated climatic conditions and other factors.

Changes in the mineral reserve or resource estimates may impact the carrying amounts of property, plant and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred tax assets, and amortization charges.

The Group also makes estimates and assumptions regarding a number of economic and technical factors, such as production rates, grades, production, and delivery costs and prices. These economic and technical estimates and assumptions may change depending on the quality and quantity of mineral extracted. The Group reviews and updates estimates annually, to reflect actual production, new exploration data or developments, and changes in other assumptions or parameters.

These estimates will change from time to time to reflect mining and quarrying activities, analyses of new engineering and geological data, changes in reserve and mineral resource holdings, modifications of mining and quarrying plans or methods, changes in mineral prices or production costs, and other factors.

Estimated limestone reserves from the Group's Luzon sites is 572.0 million metric tonnes and 574.2 million metric tonnes as at December 31, 2020 and 2019, respectively.

*Estimation of the Useful Lives of Property, Plant and Equipment and Mining Rights.* The Group estimates the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes, and anticipated use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on internal technical evaluation, and experience with similar assets. The Group also amortizes mining rights based on the total term of the quarry permit which is twenty five (25) years pursuant to Republic Act (R.A.) 7942, the Philippine Mining Act of 1995.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and mining rights would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

The Group has not yet started amortization for its computer software as it has only been available for use by the end of 2020.

There is no change in the estimated useful lives of property, plant and equipment and mining rights in 2020, 2019 and 2018.

The carrying amount of property, plant and equipment (excluding land and construction in progress) is ₱19,259.2 million and ₱19,869.3 million as at December 31, 2020 and 2019, respectively (see Note 10). The carrying amount of mining rights is ₱187.5 million and ₱188.2 million as at December 31, 2020 and 2019, respectively (see Note 13).

*Determination of the Revalued Amount of Land (Included under Property, Plant and Equipment account).* The Group has adopted the revaluation model in determining the carrying amount of land. The Group obtained the services of an independent appraiser in determining the fair value of land, and such fair value was determined based on recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of those transactions. The amount and timing of recorded changes in fair value for any period would differ if the Group made different judgments and accounting estimates or utilized a different basis for determining fair value.

The carrying amount of land measured at revalued amount as at December 31, 2020 and 2019 is ₱4,104.4 million and ₱2,683.8 million, respectively (see Note 10).

*Determination of the Fair Value of Investment Properties.* The Group measures its investment properties at fair value. The Group engaged an independent appraiser to assess the fair value of investment properties as at December 31, 2020 and 2019. These were valued by reference to recent market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the properties.

Estimated fair values of investment properties (excluding construction in progress) amounted to ₱1,565.4 million and ₱1,299.2 million as at December 31, 2020 and 2019, respectively (see Note 11).

*Leases – Estimation of the Incremental Borrowing Rate.* The Group uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Group estimates the IBR using available observable inputs (such as the prevailing BVAL interest rates) adjusted for entity-specific estimates, to reflect the terms and conditions of the lease.

The Group has applied incremental borrowing rates ranging from 7.73% to 7.91% for the computation of lease liabilities and ROU assets. Lease liabilities amounted to ₱44.2 million and ₱51.9 million as at December 31, 2020 and 2019, respectively. ROU assets amounted to ₱40.0 million and ₱49.7 million as at December 31, 2020 and 2019, respectively (see Note 25).

*Assessment for Impairment of Nonfinancial Assets.* The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include, among others, the following:

- Significant underperformance of a business in relation to expectations;
- Significant negative industry or economic trends; and
- Significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

No impairment loss on nonfinancial assets was recognized in 2020, 2019 and 2018. The carrying amounts of nonfinancial assets are as follows:

	Note	2020	2019
Property, plant and equipment	10	<b>₱25,603,963,422</b>	₱23,704,326,500
Deposit on asset purchase	14	<b>1,453,042,846</b>	1,643,721,441
Deposit for future investment	14	<b>717,000,000</b>	500,000,000
Intangible assets	13	<b>323,388,553</b>	192,048,532
Prepayments	8	<b>211,329,558</b>	162,543,637
Deferred input VAT	8,14	<b>151,744,805</b>	205,713,521
Advances to suppliers	8	<b>124,895,339</b>	298,469,784
Investment in an associate	12	<b>75,000,000</b>	75,000,000
Deferred exploration and exploration costs	14	<b>36,790,105</b>	29,628,420
Advances to officers and employees	6	<b>9,904,885</b>	7,744,402
Others	8,14	<b>40,095,101</b>	17,518,955

*Assessment of the Recoverability of Deferred Exploration and Evaluation Costs.* Deferred exploration and evaluation costs are capitalized in the period incurred until it has been determined that a property has no sufficient economically recoverable reserves, in which case the costs are written off as impairment losses. The Group reviews the carrying amounts of its mineral property interests whenever events or changes in circumstances indicate that their carrying amounts may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying amount of those assets exceeds its recoverable amount.

No impairment loss on deferred exploration and evaluation costs was recognized in 2020, 2019 and 2018.

*Recognition of Provision for Mine Rehabilitation and Decommissioning.* The cost of mine rehabilitation and decommissioning is uncertain, and cost estimates can vary in response to many factors including estimates of the extent and costs of rehabilitation activities, changes in the relevant legal requirements, emergence of new restoration techniques or experience, cost increases as compared to the inflation rates, and changes in discount rates. The expected timing of expenditure can also change in response to changes in quarry reserves or production rates. These uncertainties may result in future actual expenditure different from the amounts currently provided. As a result, there could be significant adjustments in provision for mine rehabilitation and decommissioning, which would affect future financial results.

Provision for mine rehabilitation and decommissioning is based on estimated future costs of rehabilitating the mine site using information available at the reporting date.

Provision for mine rehabilitation and decommissioning amounted to ₱31.2 million and ₱29.9 million as at December 31, 2020 and 2019, respectively (see Note 17).

*Determination of Retirement Benefits.* The determination of the net retirement benefit liability and expense is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 26 to the consolidated financial statements and include, among others, discount rates and salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded liability in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the net retirement benefit liability.

Net retirement benefit liability amounted to ₱87.9 million and ₱114.2 million as at December 31, 2020 and 2019, respectively. Cumulative remeasurement gain amounted to ₱23.3 million and loss of ₱19.0 million on net retirement benefit liability (net of deferred tax) as at December 31, 2020 and 2019, respectively (see Note 26).

*Recognition of Deferred Tax Assets.* The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets amounting to ₱21.9 million and ₱8.2 million were not recognized as at December 31, 2020 and 2019, respectively. Management believes that the Group will not have sufficient taxable income against which the benefits of the deferred tax assets can be utilized (see Note 28).

Deferred tax assets recognized amounted to ₱38.7 million and ₱60.9 million as at December 31, 2020 and 2019, respectively (see Note 28).

#### 4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	<b>₱1,123,566</b>	₱749,059
Cash in banks	<b>2,084,472,199</b>	1,263,696,434
Short-term placements	<b>9,380,659,442</b>	15,674,046,599
	<b>₱11,466,255,207</b>	₱16,938,492,092

Cash on hand pertains to petty cash fund and revolving funds. Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations.

Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn annual interest at rates ranging from 0.88% to 5.50% in 2020, 3.63% to 7.10% in 2019, and 3.60% to 5.76% in 2018.

Interest income is recognized from the following:

	Note	2020	2019	2018
Cash in banks and cash equivalents*		<b>₱273,048,011</b>	₱703,719,973	₱531,587,068
Long-term placements	14	<b>31,797,173</b>	37,571,500	11,868,342
Financial assets at FVPL	5	<b>28,100,980</b>	20,550,895	1,550,490
Finance lease receivables	25	<b>799,848</b>	2,140,045	2,537,136
		<b>₱333,746,012</b>	₱763,982,413	₱547,543,036

\*Includes interest income from DSRA, deposit in escrow and restricted cash.

#### 5. Financial Assets at FVPL

This account consists of:

	2020	2019
Equity securities	<b>₱4,058,939,455</b>	₱94,305,770
Debt securities	<b>644,079,707</b>	623,525,747
	<b>₱4,703,019,162</b>	₱717,831,517

Financial assets at FVPL are debt, equity, and unquoted redeemable perpetual securities held by the Group for trading purposes.

Debt securities earn annual interest rate ranging from 5.17% to 6.25% in 2020 and 2019. Interest income on debt securities amounted to ₱28.1 million, ₱20.6 million and ₱1.6 million in 2020, 2019 and 2018, respectively (see Note 4).

On July 1, 2020, the Group subscribed to an unquoted perpetual redeemable securities of a related party amounting to ₱4,000.0 million with a distribution rate of 5.0% per annum to be distributed quarterly starting October 1, 2020 (see Note 19).

Dividend income is recognized from the following equity securities:

	Note	2020	2019	2018
Financial asset at FVPL		<b>₱127,945,911</b>	₱6,257,593	₱6,066,148
Financial asset at FVOCI	9	<b>6,808,051</b>	6,808,051	6,808,051
		<b>₱134,753,962</b>	₱13,065,644	₱12,874,199

In 2020 and 2019, trading gains on financial assets at FVPL amounted to ₱20.1 million and ₱63.7 million, respectively. In 2018, trading losses on financial assets at FVPL amounted to ₱19.6 million (see Note 23).

The Group's quoted financial assets at FVPL as at December 31, 2020 and 2019 are carried at fair values based on quoted market or bidding dealer price quotations from active markets as at the reporting period. The fair valuation is classified under Level 1 category.

The Group assessed that the acquisition cost of unquoted redeemable perpetual securities amounting to ₱4,000.0 million is the appropriate estimates of fair value as at December 31, 2020.

#### 6. Trade and Other Receivables

This account consists of:

	Note	2020	2019
Trade:			
Third parties		<b>₱356,433,602</b>	₱426,824,130
Related parties	19	<b>4,395,639</b>	1,776,754
Dividends receivable	19	<b>51,702,013</b>	1,702,013
Receivable from contractors		<b>22,165,263</b>	21,617,282
Advances to officers and employees		<b>9,904,885</b>	7,744,402
Current portion of finance lease receivables	25	<b>7,195,665</b>	14,978,974
Interest receivable		<b>5,580,044</b>	55,729,905
Advances to related parties	19	–	5,000,000
Others		<b>31,320,917</b>	25,764,868
		<b>₱488,698,028</b>	₱561,138,328

Trade receivables are noninterest-bearing and are generally on a 30-day credit term.

Advances to officers and employees are subject to liquidation within a period of seven (7) days after the transaction occurred or through salary deduction.

Other receivables are normally settled throughout the year.

## 7. Inventories

This account consists of:

	2020	2019
Spare parts	<b>₱440,416,296</b>	₱400,600,046
Goods in process	<b>416,690,974</b>	548,193,951
Raw materials	<b>326,940,512</b>	335,886,128
Supplies	<b>188,815,287</b>	138,217,428
Finished goods	<b>32,833,343</b>	27,997,192
	<b>₱1,405,696,412</b>	₱1,450,894,745

Cost of inventories as at December 31, 2020 and 2019 is lower than its NRV. Cost of inventories sold amounted to ₱4,332.9 million, ₱6,371.8 million, and ₱5,112.9 million in 2020, 2019, and 2018, respectively (see Note 21).

## 8. Other Current Assets

This account consists of:

	Note	2020	2019
DSRA	16	<b>₱347,425,003</b>	₱362,765,125
Prepayments for:			
Real property taxes		<b>202,640,975</b>	154,232,773
Insurance		<b>8,688,583</b>	8,310,864
Current portion of deferred input VAT		<b>138,009,998</b>	161,206,347
Advances to suppliers		<b>124,895,339</b>	298,469,784
Others		<b>28,749,649</b>	5,821,424
		<b>₱850,409,547</b>	₱990,806,317

DSRA represents an account maintained with a certain bank for annual principal and interest payments of the Group's loans payable in accordance with the provision of the Term Loan Facility and Security Agreement (TLFSA) (see Note 16). As a requirement, the Group ensures that the outstanding balance of DSRA is at least equal to the interest and the principal due, net of applicable withholding tax, on the immediately succeeding payment date. Withdrawals from DSRA should only be made if the amount outstanding exceeds the required balance, no default is continuing, and a written consent of the security agent is obtained.

Advances to suppliers represent advance payments for purchases of inventories that are applied against subsequent deliveries. The amounts have been outstanding for less than one (1) year from initial recognition.

## 9. Financial Assets at FVOCI

This account consists of quoted equity securities amounting to ₱103.1 million and ₱101.1 million as at December 31, 2020 and 2019, respectively.

Dividend income earned from financial assets at FVOCI amounted to ₱6.8 million in 2020, 2019 and 2018 (see Note 5).

Rollforward analysis of cumulative unrealized gains on financial assets at FVOCI is shown below:

	2020	2019	2018
Balance at beginning of year	<b>₱1,066,800</b>	₱-	₱9,267,825
Unrealized gains (losses) for the year	<b>2,000,250</b>	1,066,800	(9,267,825)
Balance at end of year	<b>₱3,067,050</b>	₱1,066,800	₱-

The Group's financial assets at FVOCI as at December 31, 2020 and 2019 are carried at fair value based on quoted market prices or bidding dealer price quotations from active markets as at the reporting date. The fair valuation is classified under Level 1 category (see Note 30).

## 10. Property, Plant and Equipment

The balances and movements in this account as at and for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020							Total
	At Revalued Amount	At Cost						
	Land	ROU Asset	Machinery and Equipment	Building and Improvements	Transportation Equipment	Furniture, Fixtures, and Other Office Equipment	Construction in Progress (CIP)	
<b>Cost/Revalued Amount</b>								
Balances at beginning of year	₱2,683,828,281	₱59,726,112	₱20,712,637,200	₱3,856,434,116	₱211,211,409	₱223,026,748	₱1,151,172,452	₱28,898,036,318
Additions	-	-	254,555,821	52,132,201	26,480,573	35,617,013	1,230,483,421	1,599,269,029
Revaluation	1,420,541,939	-	-	-	-	-	-	1,420,541,939
Disposals	-	-	(63,408,847)	(31,250)	(15,942,493)	(3,042,546)	-	(82,425,136)
Reclassifications	-	-	338,616,408	(338,616,408)	-	-	-	-
Settlement of construction in progress	-	-	110,234,416	30,982,031	-	-	(141,216,447)	-
Balances at end of year	<b>4,104,370,220</b>	<b>59,726,112</b>	<b>21,352,634,998</b>	<b>3,600,900,690</b>	<b>221,749,489</b>	<b>255,601,215</b>	<b>2,240,439,426</b>	<b>31,835,422,150</b>
<b>Accumulated Depreciation and Amortization</b>								
Balances at beginning of year	-	10,016,520	3,518,177,845	1,387,970,587	137,123,417	140,421,449	-	5,193,709,818
Depreciation and amortization	-	9,696,552	892,372,613	153,160,041	28,003,556	36,794,932	-	1,120,027,694
Disposals	-	-	(63,408,847)	(3,646)	(15,823,745)	(3,042,546)	-	(82,278,784)
Reclassifications	-	-	137,610,620	(137,610,620)	-	-	-	-
Balances at end of year	-	<b>19,713,072</b>	<b>4,484,752,231</b>	<b>1,403,516,362</b>	<b>149,303,228</b>	<b>174,173,835</b>	-	<b>6,231,458,728</b>
<b>Carrying Amounts</b>	<b>₱4,104,370,220</b>	<b>₱40,013,040</b>	<b>₱16,867,882,767</b>	<b>₱2,197,384,328</b>	<b>₱72,446,261</b>	<b>₱81,427,380</b>	<b>₱2,240,439,426</b>	<b>₱25,603,963,422</b>

December 31, 2019								
At Revalued Amount	At Cost							
	Land	ROU Asset	Machinery and Equipment	Building and Improvements	Transportation Equipment	Furniture, Fixtures, and Other Office Equipment	Construction in Progress	Total
<b>Cost/Revalued Amount</b>								
Balances at beginning of year	₱2,633,104,897	₱-	₱19,369,062,888	₱3,825,931,055	₱203,580,445	₱167,825,042	₱458,440,829	₱26,657,945,156
Additions	50,723,384	59,726,112	1,163,071,555	8,308,878	30,896,954	55,201,706	1,011,793,489	2,379,722,078
Disposals	-	-	(116,364,926)	-	(23,265,990)	-	-	(139,630,916)
Reclassifications	-	-	296,867,683	22,194,183	-	-	(319,061,866)	-
Balances at end of year	2,683,828,281	59,726,112	20,712,637,200	3,856,434,116	211,211,409	223,026,748	1,151,172,452	28,898,036,318
<b>Accumulated Depreciation and Amortization</b>								
Balances at beginning of year	-	-	2,814,607,438	1,256,066,267	120,718,264	106,494,997	-	4,297,886,966
Depreciation and amortization	-	10,016,520	801,907,668	131,904,320	38,488,134	33,926,452	-	1,016,243,094
Disposals	-	-	(98,337,261)	-	(22,082,981)	-	-	(120,420,242)
Balances at end of year	-	10,016,520	3,518,177,845	1,387,970,587	137,123,417	140,421,449	-	5,193,709,818
<b>Carrying Amounts</b>	₱2,683,828,281	₱49,709,592	₱17,194,459,355	₱2,468,463,529	₱74,087,992	₱82,605,299	₱1,151,172,452	₱23,704,326,500

The Company recognized the present value of the estimated costs of mine rehabilitation and decommissioning under "Building and improvements" account. Movements in the balances of capitalized costs are as follows:

	2020	2019
<b>Cost</b>		
Balance at beginning and end of year	₱24,984,511	₱24,984,511
<b>Accumulated Amortization</b>		
Balance at beginning of year	14,276,864	10,707,648
Amortization	3,569,216	3,569,216
Balance at end of year	17,846,080	14,276,864
<b>Carrying Amount</b>	₱7,138,431	₱10,707,647

As at December 31, 2020 and 2019, deposit on asset purchase amounting to ₱150.6 million and ₱107.9 million, respectively, were reclassified and included as additions to property, plant and equipment (see Note 14). This transaction is considered as a noncash financial information in the consolidated statements of cash flows.

In 2020, the Group sold, under a finance lease agreement, fully depreciated transportation equipment to a hauler. This resulted to a gain on sale of property, plant and equipment amounting to ₱2.6 million in 2020 (see Note 25). This is considered as a noncash financial information in the consolidated statements of cash flows.

Details of depreciation and amortization are as follows:

	Note	2020	2019	2018
Included in profit or loss:				
Property, plant and equipment		₱1,036,668,299	₱941,962,786	₱709,429,418
ROU assets	25	9,696,552	10,016,520	-
Mining rights	13	719,116	719,116	719,116
		1,047,083,967	952,698,422	710,148,534
Recognized as component of inventories		73,662,843	64,263,788	27,830,885
		₱1,120,746,810	₱1,016,962,210	₱737,979,419

Depreciation and amortization are distributed in the consolidated statements of comprehensive income as follows:

	Note	2020	2019	2018
Cost of goods sold	21	₱914,067,157	₱843,584,896	₱635,591,933
Operating expenses	22	133,016,810	109,113,526	74,556,601
		₱1,047,083,967	₱952,698,422	₱710,148,534

#### Revaluation of Land

The Group engaged an independent appraiser to determine the fair value of its land. The latest appraisal valuation report was dated March 22, 2021 and was estimated using the Sales Comparison Approach. This is a comparative approach to value property that considers the sales of similar or substitute properties and related market data, and that establishes a value estimate by processes involving comparison. This fair valuation is classified under Level 3 category (significant unobservable inputs) (see Note 30).

Considering the foregoing and such factors as property location, desirability, neighbourhood, utility, size, terrain, and time element involved, the following shows the details of the valuation of the Group's land as at December 31, 2020 and 2019:

	2020	2019
Balances at beginning of year	₱2,683,828,281	₱2,633,104,897
Revaluation during the year	1,420,541,939	-
Additions	-	50,723,384
Balances at end of year	₱4,104,370,220	₱2,683,828,281

If these parcels of land were measured using cost model, the carrying amount should have been ₱963.2 million and ₱790.8 million as at December 31, 2020 and 2019, respectively.

Rollforward analysis of revaluation surplus is shown below:

	Note	2020	2019	2018
		Gross of Tax	Deferred Tax Expense	Net of Tax
Balances at beginning of year	18	₱1,892,982,858	(₱567,894,858)	₱1,325,088,000
Revaluation during the year		1,420,541,939	(426,162,581)	994,379,358
Balances at end of year		₱3,313,524,797	(₱994,057,439)	₱2,319,467,358

	Note	2019	2018	
		Gross of Tax	Deferred Tax Expense	Net of Tax
Balances at beginning and end of year	18	₱1,892,982,858	(₱567,894,858)	₱1,325,088,000

	Note	2018	2017	
		Gross of Tax	Deferred Tax Expense	Net of Tax
Balances at beginning and end of year	18	₱1,892,982,858	(₱567,894,858)	₱1,325,088,000

Revaluation surplus on land amounting to ₱1,420.5 million for the year ended December 31, 2020 is a noncash financial information excluded in the consolidated statements of cash flows.

### Construction in Progress

Construction in progress consists of costs incurred in the construction of the following additional facilities and projects of the Group:

	2020	2019
Finish Mill	<b>₱1,409,818,567</b>	₱822,105,683
Cement Silo	<b>182,687,081</b>	120,674,716
Pack House	<b>146,344,751</b>	31,070,292
Additive Storage	<b>99,093,638</b>	–
Others	<b>402,495,389</b>	177,321,761
	<b>₱2,240,439,426</b>	₱1,151,172,452

The remaining contracted capital expenditures for the Group's outstanding construction projects as at December 31, 2020 amounted to ₱592.0 million.

### 11. Investment Properties

The balances and movements in this account are as follows:

	Note	2020	2019
Balance at beginning of year		<b>₱1,299,237,000</b>	₱1,188,021,000
Fair value changes	23	<b>262,000,000</b>	111,216,000
Additions		<b>4,167,431</b>	–
		<b>1,565,404,431</b>	1,299,237,000
Construction in progress		<b>65,246,173</b>	–
		<b>₱1,630,650,604</b>	₱1,299,237,000

The Group did not earn any rental income from its investment properties in 2020, 2019, and 2018.

Direct operating expenses arising from these investment properties amounted to ₱0.7 million, ₱0.6 million and ₱4.8 million in 2020, 2019, and 2018, respectively.

The Group engaged an independent appraiser to determine the fair value of the investment properties as at December 31, 2020. The latest appraisal valuation report was dated March 3, 2021 and was estimated using the Sales Comparison Approach. This approach compares sales of similar or substitute properties and related market data to establish an estimated value. The fair value of investment properties is categorized under Level 3 (significant unobservable inputs) (see Note 30).

Construction in progress amounting to ₱65.2 million pertains to the development cost incurred by the Group for the construction of a building to be held for leasing purposes. This is considered as a non cash financial information in the preparation of the consolidated statements of cash flows since payments made for the construction in progress is through advances from a related party (see Note 19).

### 12. Investment in an Associate

The Group's investment in AFALCI, an associate, amounting to ₱75.0 million as at December 31, 2020 and 2019 represents 100% interest in convertible preferred shares issued in 2015. AFALCI is an entity incorporated and domiciled in the Philippines and is engaged in the manufacturing, processing, sale and distribution of fly-ash, bottom ash, hi carbon and other by-products.

The conversion feature of the preferred shares is exercisable at the option of AFALCI at the end of the fifth year from the issue date. As of April 7, 2021, AFALCI is yet to make a decision on the exercise of the conversion feature of the investment.

The Group has significant influence over AFALCI because of its representation in the BOD of AFALCI and the existence of interlocking key management personnel. Accordingly, AFALCI is determined to be an associate of the Group.

The key financial information of the associate as at and for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Current assets	<b>₱261,257,940</b>	₱354,418,127
Noncurrent assets	<b>404,102,632</b>	487,402,986
Current liabilities	<b>491,249,793</b>	538,910,544
Noncurrent liabilities	<b>44,692,679</b>	250,000,000
Net assets	<b>₱129,418,100</b>	₱52,910,569
Net income (loss)	<b>₱91,426,588</b>	(₱23,522,752)

### 13. Intangible Assets

This account consists of:

	2020	2019
Mining rights	<b>₱187,522,898</b>	₱188,242,014
Computer software	<b>132,059,137</b>	–
Goodwill	<b>3,806,518</b>	3,806,518
	<b>₱323,388,553</b>	₱192,048,532



### Mining Rights

Mining rights represent the Group's legal rights to undertake quarrying activities in the municipalities of San Ildefonso and Dona Remedios Trinidad in Bulacan, and municipalities of Ginatilan and Malabuyoc in Cebu. The balances and movements of mining rights are as follows:

	Note	2020	2019
<b>Cost</b>			
Balance at beginning and end of year		<b>₱194,470,687</b>	₱194,470,687
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>6,228,673</b>	5,509,557
Amortization	10	<b>719,116</b>	719,116
Balance at end of year		<b>6,947,789</b>	6,228,673
<b>Carrying Amount</b>		<b>₱187,522,898</b>	₱188,242,014

The Group assigns to the lenders under TLFSAs its rights and interest under MPSA No. 181-2002-III (see Note 16).

### Computer Software

This account pertains to Enterprise Resource Planning (ERP) system acquired by the Group which is still under development as at December 31, 2020.

### Goodwill

Goodwill amounting to ₱3.8 million was recognized as a result of the acquisition by the Parent Company of 100% ownership in SWCC on December 23, 2016. Total net cash outflow of the Parent Company from acquiring SWCC amounted to ₱385.1 million (net of cash acquired from SWCC amounting to ₱64.9 million).

No impairment loss on intangible assets was recognized in 2020, 2019, and 2018.

### Deposit on Asset Purchase

Deposit on asset purchase amounting to ₱ 1,453.0 million and ₱ 1,643.7 million as at December 31, 2020 and 2019, respectively, represents advance payments for the acquisition of machinery and equipment and long-term deposit for inventory acquisition.

As at December 31, 2020 and 2019, deposit on asset purchase amounting to ₱150.6 million and ₱107.9 million have been applied for acquisitions of property, plant and equipment (see Note 10). Further, in 2020, deposit on asset purchase amounting to ₱130.6 million was applied against deliveries of inventories. These transactions are considered as noncash financial information in the consolidated statements of cash flows.

### Deposit for Future Investment

Deposit for future investment amounting to ₱ 717.0 million and ₱ 500.0 million as at December 31, 2020 and 2019, respectively, pertains to deposit made for future subscription to the common shares of stock of a business entity the Group is planning to venture.

### Long-term Placements

Long-term placements amounting to ₱650.0 million represent a 5-year investment in time deposits bearing an annual average interest of 5.68%. Interest income on long-term placements amounted to ₱31.8 million and ₱37.6 million in 2020 and 2019, respectively (see Note 4).

### Refundable Deposits

Refundable deposits include bill deposits for electric charges of the Group's manufacturing plant which are refundable upon termination of service, and rental deposits related to long-term rentals of office space.

### Deposit in Escrow

Deposit in escrow amounting to ₱42.1 million and ₱44.7 million as at December 31, 2020 and 2019, respectively, pertains to cash in escrow account related to a pending legal case.

### Deferred Exploration and Evaluation Costs

Deferred exploration and evaluation costs pertain to costs incurred for the exploration and development in the Mining Property of the Group.

The balance and movement in the account are as follows:

	2020	2019
Balance at beginning of year	<b>₱29,628,420</b>	₱14,255,710
Additions	<b>7,161,685</b>	15,372,710
Balance at end of year	<b>₱36,790,105</b>	₱29,628,420

Additions to deferred exploration and evaluation costs pertain to costs incurred in drilling, hauling and other ongoing exploration activities. No impairment loss was recognized in 2020, 2019, and 2018.

## 14. Other Noncurrent Assets

This account consists of:

	Note	2020	2019
Deposit on asset purchase		<b>₱1,453,042,846</b>	₱1,643,721,441
Deposit for future investment		<b>717,000,000</b>	500,000,000
Long-term placements		<b>650,000,000</b>	650,000,000
Refundable deposits		<b>55,912,004</b>	65,162,604
Deposit in escrow		<b>42,083,752</b>	44,708,495
Deferred exploration and evaluation costs		<b>36,790,105</b>	29,628,420
Restricted cash		<b>28,232,093</b>	27,428,594
Deferred input VAT - net of current portion		<b>13,734,807</b>	44,507,174
Finance lease receivables - net of current portion	25	<b>850,596</b>	7,730,639
Others		<b>11,345,452</b>	11,697,531
		<b>₱3,008,991,655</b>	₱3,024,584,898

The assets, expenses, and operating and investing cash flows from the deferred exploration and evaluation costs are as follows:

	2020	2019
Total assets	<b>₱36,790,105</b>	₱29,628,420
Total liabilities	<b>382,447,437</b>	302,735,938
Expenses	<b>7,184,304</b>	6,527,447
Net cash used in operating activities	<b>4,770,541</b>	7,559,358
Net cash used in investing activities	<b>2,478,315</b>	2,464,440

#### Restricted Cash

Restricted cash pertains to rehabilitation funds established by the Group and deposited with a local bank for compliance with the Department of Environment and Natural Resources Administrative Order No. 2005-07 for environmental protection and enhancement.

#### 15. Trade and Other Payables

This account consists of:

	Note	2020	2019
Trade:			
Third parties		<b>₱1,269,959,145</b>	₱1,578,043,585
Related parties	19	<b>765,818,446</b>	514,440,591
Accruals for:			
Sales rebates		<b>239,462,478</b>	320,039,049
Utilities	19	<b>201,229,504</b>	164,303,491
Personnel costs		<b>96,389,432</b>	57,473,897
Interests		<b>27,869,348</b>	32,621,107
Outside services		<b>3,070,515</b>	2,835,254
Advances from customers		<b>292,164,095</b>	290,624,867
Retention payable		<b>186,325,792</b>	210,583,594
Advances from a related party	19	<b>65,246,173</b>	10,000,000
Output VAT payable		<b>61,280,938</b>	68,779,302
Dividends payable	18	<b>–</b>	45,000,000
Withholding taxes payable		<b>25,716,254</b>	24,098,098
Others		<b>49,283,817</b>	51,784,809
		<b>₱3,283,815,937</b>	₱3,370,627,644

Trade payables are noninterest-bearing, and are generally settled in varying periods, within one year, depending on the arrangements with suppliers.

Accrual for sales rebates pertains to accrued monthly sales volume incentives granted to customers.

Advances from customers are collections received for inventory purchases to be delivered by the Group within 30 days after collection date.

Retention payable represents retention fees of contractors and is normally settled within one year.

Other payables are noninterest-bearing, and are normally settled within one year.

#### 16. Loans Payable

This account consists of:

	2020	2019
Principal	<b>₱6,319,000,000</b>	₱7,387,000,000
Less unamortized debt issuance costs	<b>23,363,718</b>	32,700,609
	<b>6,295,636,282</b>	7,354,299,391
Less current portion	<b>1,060,127,446</b>	1,058,663,109
Noncurrent portion	<b>₱5,235,508,836</b>	₱6,295,636,282

Debt issuance costs on loan availments are recognized as discount on loans. Amortization of debt issuance costs charged to "Finance costs" account in the consolidated statements of comprehensive income amounted to ₱9.3 million, ₱10.7 million, and ₱11.8 million in 2020, 2019, and 2018, respectively.

The loans are payable in 32 quarterly installments commencing on the 9<sup>th</sup> quarter from availment and will be fully paid on March 2, 2026.

Details of the drawdowns under the TLFSAs are as follows:

Date	Drawdown	Effective Interest Rates	Nominal Interest Rates
February 3, 2016	₱6,000.0 million	5.81%	5.68%
January 11, 2017	2,150.0 million	6.36%	6.21%
April 5, 2017	750.0 million	5.89%	5.74%

The terms and conditions of the TLFSAs are as follows:

*Mortgage Trust Indenture (MTI).* Under the MTI, land, building and machinery and equipment with appraised value of ₱20,397.2 million and carrying amount of ₱14,539.2 million as at December 31, 2020 are held as collateral to secure the loans payable.

*DSRA.* The Group is required to maintain a DSRA equal to the interest and principal due on the immediately succeeding payment date. As at December 31, 2020 and 2019, the DSRA maintained for TLFSAs amounted to ₱347.4 million and ₱362.8 million, respectively. The DSRA is presented under "Other current assets" account in the consolidated statements of financial position (see Note 8).

*Assignment of the MPSA.* The Group assigns to the lenders its rights and interest under MPSA No. 181-2002-III (see Note 13).

The schedule of maturities of the loans of the Group as at December 31, 2020 is summarized as follows:

Year	Amount
2021	₱1,068,000,000
2022	1,201,500,000
2023	1,246,000,000
2024	2,803,500,000
	<b>₱6,319,000,000</b>

### Finance Costs

Details of finance costs charged to consolidated statements of comprehensive income are as follows:

	Note	2020	2019	2018
Interest expense on loans payable		<b>₱416,942,783</b>	₱479,276,268	₱524,854,323
Bank charges		<b>8,556,904</b>	10,994,754	5,175,034
Interest expense on lease liabilities	25	<b>3,832,489</b>	4,110,138	–
Accretion of provision for mine rehabilitation and decommissioning	17	<b>1,363,871</b>	1,304,314	1,247,360
		<b>430,696,047</b>	495,685,474	531,276,717
Less capitalized borrowing costs		–	–	165,490,442
		<b>₱430,696,047</b>	₱495,685,474	₱365,786,275

In 2018, capitalized borrowing costs on the construction of the third production line of the Group's cement manufacturing plant amounted to ₱165.5 million. The rates used to determine the capitalizable borrowing cost range from 5.81% to 6.36%. This transaction is considered as a noncash financial information in the 2018 consolidated statements of cash flows.

### Debt Covenants

The Group's debt instruments contain restrictive covenants which include, among others, use of proceeds, changes in the Group's nature of business and ownership structure, disposition of assets, material advances to stockholders and officers, entering into mergers and consolidations, incurrence of additional debt, and maintenance of certain financial ratios.

Further, the Group is required to maintain a debt-to-equity ratio of not greater than 2.50 and a debt service coverage ratio greater than 1.50 with respect to the next reporting period. As at December 31, 2020, the Group is in compliance with all the requirements of its debt covenants.

### Reconciliation of Loans Payable

The table below details changes in the Group's loans payable, including both cash and noncash changes.

	2020	2019
Balance at beginning of year	<b>₱7,354,299,391</b>	₱8,322,574,321
Payments of principal	<b>(1,068,000,000)</b>	(979,000,000)
Amortization of debt issuance cost	<b>9,336,891</b>	10,725,070
Balance at end of year	<b>₱6,295,636,282</b>	₱7,354,299,391

### 17. Provision for Mine Rehabilitation and Decommissioning

The Group is required under its Environmental Compliance Certificate to perform rehabilitation and decommissioning of its cement manufacturing plant and quarry operation sites. Accordingly, the Group recognized its estimated liability for site rehabilitation and decommissioning. The provision is calculated based on the Group's estimate of expected costs to be incurred to rehabilitate and decommission the sites and is measured at its present value using 4.60% discount rate.

The balance and movements in this account is as follows:

	Note	2020	2019
Balance at beginning of year		<b>₱29,869,882</b>	₱28,565,568
Accretion	16	<b>1,363,871</b>	1,304,314
Balance at end of year		<b>₱31,233,753</b>	₱29,869,882

### 18. Equity

#### Capital Stock

The capital stock of the Parent Company as at December 31, 2020 and 2019 is as follows:

Common stock - ₱1 par value	<b>₱5,000,000,005</b>
Preferred stock - ₱1 par value	3,000,000,000
	<b>₱8,000,000,005</b>

#### Common Stock

Details of the Parent Company's common stock at ₱1.00 par value are as follows:

	2020		2019		2018	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized</b>						
Balance at beginning and end of year	<b>₱5,500,000,000</b>	<b>₱5,500,000,000</b>	₱5,500,000,000	₱5,500,000,000	5,500,000,000	₱5,500,000,000
<b>Issued</b>						
Balance at end of year	<b>₱5,000,000,005</b>	<b>₱5,000,000,005</b>	₱5,000,000,005	₱5,000,000,005	5,000,000,005	₱5,000,000,005

On April 20, 2017, the SEC resolved to render effective the Registration Statement of the Parent Company for the registration of up to five billion capital stock. On May 10, 2017, the PSE approved the Parent Company's application for the initial listing of such shares under the Main Board of the PSE. On May 15, 2017, the SEC issued in favor of the Parent Company a Certificate of Permit to Offer Securities for Sale of the Five Hundred Million (500,000,000) common stock with an Oversubscription Option of up to Seventy-Five Million (75,000,000) common stock at an offer price of fifteen pesos (₱15.00) per share. The Offer Period was from May 16, 2017 to May 22, 2017. On May 29, 2017, the shares of the Parent Company commenced trading in the PSE.

### Preferred Stock

Details of the Parent Company's preferred stock at ₱1.00 par value are as follows:

	2020		2019		2018	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized</b>						
Balance at beginning and end of year	3,000,000,000	₱3,000,000,000	3,000,000,000	₱3,000,000,000	3,000,000,000	₱3,000,000,000
<b>Issued</b>						
Balance at beginning of year	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Redemption	(3,000,000,000)	(3,000,000,000)	—	—	—	—
Balance at end of year	—	₱—	3,000,000,000	₱3,000,000,000	3,000,000,000	₱3,000,000,000

Preferred stock is cumulative, non-participating, non-voting, not convertible to common stock and redeemable at the option of the Parent Company at the end of fifth year from the issue date, at the price of issue value plus all accumulated and unpaid dividends. Subject to the availability of unrestricted retained earnings of the Parent Company, the preferred stockholders shall be paid a cash dividend of 6.00% per annum or such rate as may be fixed by its BOD.

As at December 31, 2019 and 2018, there is no dividend in arrears related to the preferred stock.

On March 13, 2020, the Parent Company's BOD approved the redemption of its preferred stocks amounting to ₱3,000.0 million on June 2, 2020, with a redemption price of ₱3,000.0 million, to be paid upon submission and surrender of the original stock certificates by the preferred shareholders.

### Dividend Declaration

The Parent Company's BOD authorized the declaration of the following cash dividends in 2020, 2019 and 2018:

#### 2020

In June 2020, the Parent Company paid ₱46.5 million dividends to its preferred shareholders upon redemption of the preferred stocks. Dividend per share amounted to ₱0.0155.

#### 2019

Type	Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
Preferred	February 28, 2019	February 28, 2019	April 22, 2019	₱0.015	₱45,000,000
Preferred	February 28, 2019	February 28, 2019	July 22, 2019	0.015	45,000,000
Preferred	February 28, 2019	February 28, 2019	October 21, 2019	0.015	45,000,000
Preferred	February 28, 2019	February 28, 2019	January 20, 2020	0.015	45,000,000
Common	June 18, 2019	July 12, 2019	July 31, 2019	0.26	1,300,000,001
					₱1,480,000,001

#### 2018

Type	Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
Preferred	March 15, 2018	March 15, 2018	April 23, 2018	₱0.015	₱45,000,000
Preferred	March 15, 2018	March 15, 2018	July 23, 2018	0.015	45,000,000
Preferred	March 15, 2018	March 15, 2018	October 22, 2018	0.015	45,000,000
Preferred	March 15, 2018	March 15, 2018	January 24, 2019	0.015	45,000,000
Common	May 3, 2018	May 31, 2018	June 26, 2018	0.23	1,155,115,516
					₱1,335,115,516

### Appropriation of Retained Earnings

Details of appropriated retained earnings as at December 31, 2020 are as follows:

Year of Appropriation	Amount	Project Completion
2020	₱8,500,000,000	To be completed in 2023
2018	5,000,000,000	To be completed in 2023
2016	2,500,000,000	To be completed in 2023
	₱16,000,000,000	

On November 6, 2020, the Parent Company's BOD approved the appropriation of ₱8,500.0 million unrestricted retained earnings to supplement the funding of the fourth manufacturing line in Cebu and other future expansion which is expected to be completed in 2023.

The Parent Company's BOD also approved the appropriation of unrestricted retained earnings amounting to ₱5,000.0 million and ₱2,500.0 million on March 15, 2018 and December 22, 2016, respectively, to supplement the funding of the construction of its production facility in Cebu that is expected to be completed in 2023.

### Other Equity Reserves

Details of the Group's other equity reserves are as follows:

	Note	2020	2019
Revaluation surplus (net of deferred tax)	10	₱2,319,467,358	₱1,325,088,000
Cumulative remeasurement gains (losses) on net retirement benefit liability (net of deferred tax)	26	23,330,422	(19,008,975)
Cumulative unrealized gains on financial assets at FVOCI	9	3,067,050	1,066,800
		₱2,345,864,830	₱1,307,145,825

### 19. Related Party Transactions

The Group has transactions with its related parties in the ordinary course of business. The outstanding balances and amount of transactions with related parties as at and for the years ended December 31, 2020 and 2019 are as follows:

Nature of Relationship	Nature of Transactions	2020		2019	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
<b>Cash and Cash Equivalents</b>					
Entities under common key management with ECC	Cash deposits and investment in short-term placements	₱40,580,613	₱509,891,847	₱1,880,179	₱469,311,234
<b>Unquoted Equity Securities at FVPL (see Note 5)</b>					
Entity under common key management with ECC	Investment in unquoted redeemable perpetual security	₱4,000,000,000	₱4,000,000,000	₱—	₱—
<b>Trade Receivables (see Note 6)</b>					
Entities under common key management with ECC	Sale of inventories	₱27,605,222	₱4,395,639	₱25,322,622	₱1,776,754

Nature of Relationship	Nature of Transactions	2020		2019	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
<b>Dividends Receivable</b> (see Note 6)					
Entities under common key management with ECC	Dividends earned	₱106,808,051	₱51,702,013	₱6,808,051	₱1,702,013
<b>Advances to Officers</b>					
Key management personnel	Cash advances	₱396,399	₱189,135	₱880,130	₱342,973
<b>Advances to Related Parties</b> (see Note 6)					
Ultimate Parent Company	Working capital advances	₱-	₱-	₱-	₱5,000,000
<b>Advances to Suppliers</b>					
Subsidiaries of Ultimate Parent Company	Deposit for inventory acquisition and purchase of services	₱-	₱937,369,570	₱-	₱1,029,268,144
Associate	Deposit for inventory acquisition	-	184,496,290	250,000,000	250,000,000
Entities under common key management with ECC	Purchase of services	448,869	29,472,517	9,972,571	31,988,219
Subsidiaries of Ultimate Parent Company	Purchase of services and equipment	808,430	5,464,053	-	4,655,622
			₱1,156,802,430		₱1,315,911,985
<b>Financial Assets at FVOCI</b> (see Note 9)					
Entities under common key management with ECC	Investments in quoted equity instruments	₱-	₱103,079,550	₱-	₱101,079,300
<b>Refundable Deposits</b>					
Entities under common key management with ECC	Supply of services	₱-	₱54,190,018	₱51,457,542	₱54,190,018
<b>Trade Payables</b> (see Note 15)					
Entities under common key management with ECC	Purchase of raw materials and outside services	₱437,669,566	₱344,368,477	₱709,467,894	₱115,773,952
Subsidiaries of Ultimate Parent Company	Hauling, rental and other services	966,526,064	332,315,115	1,403,492,878	326,471,153
Associate Company	Purchase of goods	427,881,423	89,134,854	389,451,834	72,195,486
			₱765,818,446		₱514,440,591
<b>Accrued Expenses</b> (see Note 15)					
Entity under common key management	Purchase of services	₱1,937,101,529	₱201,229,504	₱2,730,167,121	₱163,766,819
<b>Advances from A Related Party</b> (see Note 15)					
Ultimate Parent Company	Capital expenditure	₱65,246,173	₱65,246,173	₱62,018	₱10,000,000
<b>Loans Payable</b>					
Entity under common key management	Purchase of services	₱66,463,774	₱1,274,247,309	₱76,342,837	₱1,483,759,164
<b>Retirement Benefit Plan</b>					
	Contribution	₱-	₱23,525,414	₱-	₱24,611,175
<b>Personnel Costs</b>					
Key management personnel	Salaries and other employee benefits	₱70,301,991	₱6,832,682	₱63,837,483	₱15,111,150
	Net retirement benefit liability	18,231,928	45,879,468	2,938,744	22,540,557
			₱52,712,150		₱37,651,707

### Terms and Conditions of Transactions and Balances with Related Parties

Trade receivables, trade payables, and advances to and from related parties are unsecured, noninterest-bearing, generally settled in cash, and are collectible or payable on demand. No allowance for impairment losses was provided for trade and other receivables from related parties.

Advances to suppliers, including deposits for inventories, are settled upon delivery of the asset purchased.

## 20. Net Sales

This account consists of:

	2020	2019	2018
Sales	₱14,345,714,589	₱20,478,373,304	₱17,028,418,668
Rebates	(439,575,207)	(653,921,223)	(506,372,359)
	₱13,906,139,382	₱19,824,452,081	₱16,522,046,309

For the years ended December 31, 2020, 2019, and 2018, all sales of the Group pertain to cement products within Luzon area. All sales are recognized upon delivery to customers or at a point at which the Group has no more obligation that could affect the acceptance of goods by the customers.

Rebates are incentives granted to customers depending on their level of purchases at each reporting period. This is not considered as a variable consideration as defined in PFRS 15.

## 21. Cost of Goods Sold

This account consists of:

	Note	2020	2019	2018
Cost of inventories	7	₱4,332,874,496	₱6,371,790,319	₱5,112,930,070
Utilities		1,586,689,375	2,439,322,673	2,122,400,230
Depreciation and amortization	10	914,067,157	843,584,896	635,591,933
Repairs and maintenance		464,463,621	610,853,098	435,535,146
Personnel costs	24	432,396,334	365,736,282	348,739,193
Taxes and licenses		290,833,695	197,199,536	204,409,210
Fuel and oil		83,110,343	171,693,465	181,397,380
Rental	25	62,095,485	104,144,154	224,568,896
Insurance		39,782,426	40,395,966	34,622,600
Others		2,617,202	8,304,154	10,754,180
		₱8,208,930,134	₱11,153,024,543	₱9,310,948,838

## 22. Operating Expenses

This account consists of:

	Note	2020	2019	2018
Freight, trucking, and handling		<b>₱744,213,444</b>	₱1,104,463,869	₱911,200,908
Personnel costs	24	<b>225,361,571</b>	255,341,914	192,304,093
Depreciation and amortization	10	<b>133,016,810</b>	109,113,526	74,556,601
Taxes and licenses		<b>101,491,270</b>	18,000,441	21,504,816
Warehousing fees		<b>63,054,998</b>	81,234,244	50,869,134
Advertising		<b>57,583,819</b>	66,351,860	71,684,892
Corporate social responsibility		<b>41,284,740</b>	354,546	5,038,084
Professional fees		<b>40,365,686</b>	43,622,715	44,272,317
Outside services		<b>38,286,867</b>	49,545,796	42,762,956
Repairs and maintenance		<b>20,536,341</b>	29,330,474	30,274,639
Rental	25	<b>18,030,821</b>	13,413,060	24,611,787
Communication		<b>14,642,205</b>	6,010,684	5,035,647
Transportation and travel		<b>8,632,194</b>	12,635,103	30,354,006
Supplies		<b>8,609,768</b>	10,482,683	12,981,476
Utilities		<b>6,026,698</b>	9,252,853	5,752,239
Representation		<b>1,057,289</b>	3,445,204	2,972,510
Others		<b>63,747,238</b>	59,382,728	42,092,178
		<b>₱1,585,941,759</b>	₱1,871,981,700	₱1,568,268,283

## 23. Other Income - Net

This account consists of:

	Note	2020	2019	2018
Fair value changes in investment properties	11	<b>₱262,000,000</b>	₱111,216,000	₱435,811,000
Dividend income	5	<b>134,753,962</b>	13,065,644	12,874,199
Foreign exchange gains (losses) - net		<b>(20,589,531)</b>	(8,079,105)	16,048,690
Trading gains (losses) on financial assets at FVPL	5	<b>20,077,980</b>	63,663,740	(19,596,342)
Gain (loss) on sale of property, plant and equipment		<b>5,976,932</b>	(4,586,716)	2,997,477
Loss on cancellation of finance lease contracts	25	<b>–</b>	(5,021,149)	(6,164,277)
Others		<b>10,566,999</b>	9,514,384	27,635,701
		<b>₱412,786,342</b>	₱179,772,798	₱469,606,448

## 24. Personnel Costs

This account consists of:

	Note	2020	2019	2018
Salaries and wages		<b>₱492,168,921</b>	₱450,525,945	₱398,059,973
Retirement benefit costs	26	<b>34,239,322</b>	21,510,627	14,853,861
Other short-term employee benefits		<b>165,635,398</b>	176,689,472	143,607,115
		<b>₱692,043,641</b>	₱648,726,044	₱556,520,949
	Note	2020	2019	2018
Included in profit or loss:				
Cost of goods sold	21	<b>₱432,396,334</b>	₱365,736,282	₱348,739,193
Operating expenses	22	<b>225,361,571</b>	255,341,914	192,304,093
		<b>657,757,905</b>	621,078,196	541,043,286
Recognized as component of inventories		<b>34,285,736</b>	27,647,848	15,477,663
		<b>₱692,043,641</b>	₱648,726,044	₱556,520,949

## 25. Leases

### Group as a Lessee

The Group has various lease contracts for its office space, warehouses and heavy equipment with lease terms ranging from two (2) to eight (8) years. The terms of some lease contracts include extension options and variable lease payments.

The carrying amount of the ROU assets (included as component of property, plant and equipment) is as follows (see Note 10):

	2020	2019
Balance at beginning of year	<b>₱49,709,592</b>	₱–
Initial recognition	–	59,726,112
Amortization	<b>(9,696,552)</b>	(10,016,520)
Balance at end of year	<b>₱40,013,040</b>	₱49,709,592

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020	2019
Balance at beginning of year	<b>₱51,942,519</b>	₱–
Initial recognition	–	59,726,112
Accretion	<b>3,832,489</b>	4,110,138
Payments	<b>(11,569,276)</b>	(11,893,731)
Balance at end of year	<b>₱44,205,732</b>	₱51,942,519
Current	<b>₱7,648,720</b>	₱8,061,837
Non-current	<b>36,557,012</b>	43,880,682
	<b>₱44,205,732</b>	₱51,942,519

The Group recognized the following lease-related expenses:

	Note	2020	2019	2018
Variable lease payments		<b>₱77,830,855</b>	₱118,871,259	₱–
Amortization of ROU assets	10	<b>9,696,552</b>	10,016,520	–
Expense related to short-term leases		<b>7,033,529</b>	6,121,117	–
Interest expense on lease liabilities	16	<b>3,832,489</b>	4,110,138	–
Rent expense – PAS 17		–	–	259,162,148
		<b>₱98,393,425</b>	₱139,119,034	₱259,162,148

Consequently, the Group's lease-related expenses are distributed as follows:

	Note	2020	2019	2018
Included in profit or loss:				
Cost of goods sold	21	<b>₱62,095,485</b>	₱104,144,154	₱224,568,896
Operating expenses - rental	22	<b>18,030,821</b>	13,413,060	24,611,787
Operating expenses - depreciation	10	<b>9,696,552</b>	10,016,520	–
Finance costs	16	<b>3,832,489</b>	4,110,138	–
		<b>93,655,347</b>	131,683,872	249,180,683
Recognized as component of inventories		<b>4,738,078</b>	7,435,162	9,981,465
		<b>₱98,393,425</b>	₱139,119,034	₱259,162,148

The total cash outflows for leases in 2020, 2019 and 2018 amounted to ₱96.4 million, ₱136.8 million and ₱259.2 million, respectively.

#### Finance Leases - Group as a Lessor

The Group entered into various lease agreements with its haulers covering certain items of transportation equipment. The lease term is five (5) years and the annual effective interest rates range from 4.26% to 5.29%. The balances and movements of finance lease receivables as at and for the years ended December 31, 2020 and 2019 are as follows:

	Note	2020	2019
<b>Minimum Lease Receivables</b>			
Balance at beginning of year		<b>₱23,531,966</b>	₱45,556,531
Collections		<b>(9,454,619)</b>	(17,800,607)
Reclassification adjustments		<b>(8,652,530)</b>	(5,652,529)
Additions		<b>2,857,143</b>	1,428,571
Balance at end of year		<b>8,281,960</b>	23,531,966
<b>Unearned Interest Income</b>			
Balance at beginning of year		<b>822,353</b>	2,818,451
Accretion	4	<b>(799,848)</b>	(2,140,045)
Additions		<b>213,194</b>	143,947
Balance at end of year		<b>235,699</b>	822,353
		<b>₱8,046,261</b>	₱22,709,613

The accretion of unearned interest income on lease receivable is recorded as part of "Interest income" account in the consolidated statements of comprehensive income.

In 2020, the Group sold, under a finance lease agreement, fully depreciated transportation equipment to a hauler. This resulted to a gain on sale of property, plant and equipment amounting to ₱2.6 million in 2020 (see Note 10). This is considered as a noncash financial information in the consolidated statements of cash flows.

The Group cancelled its finance lease contracts with several haulers and recognized a loss on pretermination amounting to ₱5.0 million in 2019 (see Note 23). The related trucks reacquired were recorded at the deemed cost as at date of termination. This transaction is considered as a noncash financial information in the consolidated statements of cash flows.

Finance lease receivables are classified in the consolidated statements of financial position as at December 31, 2020 and 2019 as follows:

	2020		
	Current	Noncurrent	Total
Gross amount	<b>₱7,412,168</b>	<b>₱869,792</b>	<b>₱8,281,960</b>
Less unearned interest income	<b>216,503</b>	<b>19,196</b>	<b>235,699</b>
	<b>₱7,195,665</b>	<b>₱850,596</b>	<b>₱8,046,261</b>
	2019		
	Current	Noncurrent	Total
Gross amount	₱15,687,472	₱7,844,494	₱23,531,966
Less unearned interest income	708,498	113,855	822,353
	₱14,978,974	₱7,730,639	₱22,709,613

#### 26. Net Retirement Benefit Liability

The Group has a funded, noncontributory defined benefit retirement plan covering substantially all of its qualified regular employees. The retirement benefit is based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The benefit obligation under the defined benefit retirement plan is determined using the projected unit credit method. The benefits to be received by the employees under the Group's defined benefit retirement plan meet the minimum mandated benefit under R.A. No. 7641. Net retirement benefit liability is based on the actuarial valuation report as at December 31, 2020 and 2019.

The components of retirement benefit costs included under "Personnel costs" account (see Note 24) in the consolidated statements of comprehensive income are as follows:

	2020	2019	2018
Current service cost	<b>₱28,266,771</b>	₱17,281,596	₱13,208,037
Net interest cost	<b>5,972,551</b>	4,229,031	1,645,824
	<b>₱34,239,322</b>	₱21,510,627	₱14,853,861

Retirement benefit costs were distributed as follows:

	2020	2019	2018
Included in profit or loss	<b>₱33,230,449</b>	₱20,778,962	₱14,461,027
Recognized as component of inventories	<b>1,008,873</b>	731,665	392,834
	<b>₱34,239,322</b>	₱21,510,627	₱14,853,861

Movements in net retirement benefit liability recognized in the consolidated statements of financial position are as follows:

	2020	2019
Balance at beginning of year	<b>₱114,190,524</b>	₱56,311,997
Retirement benefit costs	<b>34,239,322</b>	21,510,627
Remeasurement losses (gains)	<b>(60,484,853)</b>	36,367,900
Balance at end of year	<b>₱87,944,993</b>	₱114,190,524

The funded status of the retirement plan as at December 31, 2020 and 2019 are as follows:

	2020	2019
Present Value of Defined Benefits Obligation (PVBO)	<b>₱111,470,407</b>	₱138,801,699
Fair Value of Plan Assets (FVPA)	<b>(23,525,414)</b>	(24,611,175)
Net retirement benefit liability	<b>₱87,944,993</b>	₱114,190,524

The following tables present the changes in the PVBO and FVPA:

*PVBO*

	2020	2019
Balance at beginning of year	<b>₱138,801,699</b>	₱78,728,590
Current service cost	<b>28,266,771</b>	17,281,596
Interest cost	<b>7,203,808</b>	5,912,517
Benefit paid	<b>(1,775,076)</b>	–
Remeasurement losses (gains) recognized in OCI:		
Change in financial assumptions	<b>(55,204,407)</b>	43,561,034
Experience adjustments	<b>(5,822,388)</b>	(6,682,038)
Balance at end of year	<b>₱111,470,407</b>	₱138,801,699

*FVPA*

	2020	2019
Balance at beginning of year	<b>₱24,611,175</b>	₱22,416,593
Benefits paid	<b>(1,775,076)</b>	–
Interest income	<b>1,231,257</b>	1,683,486
Remeasurement gains (losses)	<b>(541,942)</b>	511,096
Balance at end of year	<b>₱23,525,414</b>	₱24,611,175
Actual return on plan assets	<b>₱689,315</b>	₱2,194,582

Plan assets consist of the following:

	2020	2019
Investments in:		
Debt instruments	<b>66.52%</b>	69.72%
Unit investment trust fund	<b>29.61%</b>	26.98%
Cash and cash equivalents	<b>0.21%</b>	0.26%
Others	<b>3.66%</b>	3.04%
	<b>100.00%</b>	100.00%

The principal assumptions used in determining net retirement benefit liability are as follows:

	2020	2019
Discount rate	<b>3.73%</b>	5.19%
Future salary increase	<b>6.00%</b>	10.00%

Sensitivity analyses on net retirement benefit liability as at December 31, 2020 and 2019 are as follows:

	Change in Assumption	Effect on Net Retirement Benefit Liability	
		2020	2019
Discount rate	+1.00%	<b>(₱15,546,406)</b>	(₱21,734,696)
	-1.00%	<b>19,588,371</b>	27,635,127
Salary increase rate	+1.00%	<b>₱18,918,562</b>	₱26,017,302
	-1.00%	<b>(15,378,523)</b>	(21,059,746)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring as at the end of the reporting period.

The cumulative remeasurement gains (losses) on net retirement benefit liability recognized in the consolidated statements of comprehensive income are as follows:

	2020		
	Cumulative Remeasurement Gains (Losses) on Retirement Benefit Liability	Deferred Tax Benefit (Expense)	Net
Balances at beginning of year	<b>(₱27,155,679)</b>	<b>₱8,146,704</b>	<b>(₱19,008,975)</b>
Remeasurement gains	<b>60,484,853</b>	<b>(18,145,456)</b>	<b>42,339,397</b>
Balances at end of year	<b>₱33,329,174</b>	<b>(₱9,998,752)</b>	<b>₱23,330,422</b>



	2019		Net
	Cumulative Remeasurement Gains (Losses) on Retirement Benefit Liability	Deferred Tax Benefit (Expense)	
Balances at beginning of year	₱9,212,221	(₱2,763,666)	₱6,448,555
Remeasurement losses	(36,367,900)	10,910,370	(25,457,530)
Balances at end of year	(₱27,155,679)	₱8,146,704	(₱19,008,975)

	2018		Net
	Cumulative Remeasurement Gains (Losses) on Retirement Benefit Liability	Deferred Tax Benefit (Expense)	
Balances at beginning of year	₱21,796,244	(₱6,538,873)	₱15,257,371
Remeasurement losses	(12,584,023)	3,775,207	(8,808,816)
Balances at end of year	₱9,212,221	(₱2,763,666)	₱6,448,555

As at December 31, 2020, the maturity analysis of the undiscounted net retirement benefit liability is as follows:

Year	Amount
More than one year to five years	₱30,597,518
More than five years	46,598,895
	₱77,196,413

As at December 31, 2020 and 2019, the average duration of the net retirement benefit liability is 15.8 years and 17.8 years, respectively.

## 27. Registration with the Board of Investments (BOI)

### Luzon Site

On July 31, 2017, the BOI approved the application of the Parent Company as an expanding producer of cement (Line 3) in Bulacan on a nonpioneer status. The Parent Company's registration with the BOI entitled to provide for the following fiscal and nonfiscal incentives:

- Income Tax Holiday (ITH) for income directly attributable to Line 3 for three (3) years from May 2018 or actual start of commercial operations, whichever is earlier;
- Importation of capital equipment, spare parts and accessories at zero duty;
- Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the requirements as stated in the BOI certificate;
- Importation of consigned equipment for a period of 10 years from date of registration, subject to posting of re-export bond;
- Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing export product and forming part thereof for a period of 10 years from start of commercial operation;

- Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of 10 years from date of registration;
- Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from the date of registration; and
- Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

In May 2018, the Parent Company started commercial operations of the Third Production Line. The Parent Company availed of ITH incentive of ₱511.1 million and ₱171.5 million in 2019 and 2018, respectively.

On November 4, 2020, the BOI granted the deferment of the Parent Company's ITH availment for the current taxable year up to April 2022 due to the adverse effects of the COVID-19 pandemic. Accordingly, the Parent Company's income tax for the current taxable year is computed based on 30% regular corporate income tax. No ITH incentive was availed in 2020.

### Cebu Site

On August 23, 2017, SWCC was registered with the BOI as a new producer of cement on a non-pioneer status but with pioneer incentives (the project being located in a less-developed area) under the heading "All Qualified Manufacturing Activities including Agro-Processing" of the 2017 Investment Priorities Plan under Executive Order No. 226. The SWCC registration with BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

- Income tax holiday (ITH) for six (6) years from May 2020 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration;
- Importation of capital equipment, spare parts and accessories at zero duty under EO No. 22 and its implementing rules and regulations. Only equipment directly needed and exclusively used in its operation shall be entitled to capital equipment incentives.
- Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five years from date of registration but not simultaneously with ITH;
- Importation of consigned equipment for a period of 10 years from the date of registration, subject to posting of re-export bond;
- Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and suppliers and semi-manufactured products used in producing its export product and forming part thereof for a period of 10 years from start of commercial operations;
- Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of 10 years from date of registration;
- Employment of foreign nationals may be allowed in supervisory, technical or advisory positions for five years from date of registration. The president, general manager and treasurer of foreign-owned registered enterprises or their equivalent shall not subject to the foregoing limitations;
- Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; and
- Additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure and facilities.

On August 26, 2020, the BOI approved the request of SWCC for the movement of start of commercial operation and ITH reckoning date of its registered activity from May 2020 to December 2023, due to the delay in the processing of permits in the Cebu site. Accordingly, no tax benefits from ITH incentives have been availed of in 2020.

## 28. Income Taxes

As discussed in Note 27, in 2020, the ITH-registered activity of the Group was subjected to regular corporate income tax (RCIT). The components of income tax as reported in the consolidated statements of comprehensive income are as follows:

	2020	2019	2018
<b>Reported in Profit or Loss</b>			
Current	<b>₱1,032,478,972</b>	₱1,224,911,672	₱1,498,968,804
Deferred	<b>3,232,266</b>	7,702,810	(3,119,463)
	<b>₱1,035,711,238</b>	₱1,232,614,482	₱1,495,849,341
<b>Reported in OCI</b>			
Deferred tax expense (benefit) on:			
Revaluation surplus	<b>₱426,162,581</b>	₱-	₱-
Remeasurement gains (losses) on net retirement benefit liability	<b>18,145,456</b>	(10,910,370)	(3,775,207)
	<b>₱444,308,037</b>	(₱10,910,370)	(₱3,775,207)

The components of the Group's net deferred tax liabilities are as follows:

	2020	2019
<b>Deferred tax assets:</b>		
Net retirement benefit liability	<b>₱26,383,498</b>	₱34,257,158
Provision for mine rehabilitation and decommissioning	<b>9,370,126</b>	8,960,964
Unamortized past service cost	<b>1,471,470</b>	1,839,338
Net unrealized foreign exchange loss	<b>1,390,938</b>	-
Unearned interest income	<b>70,710</b>	246,706
Lease liabilities	-	15,582,756
	<b>38,686,742</b>	60,886,922
<b>Deferred tax liabilities:</b>		
Excess of revalued amount or fair value over cost of property, plant and equipment	<b>994,057,439</b>	567,894,858
Excess of fair value over cost of financial assets at FVPL	<b>20,345,083</b>	14,178,895
Carrying amount of ROU assets	<b>12,003,912</b>	14,912,878
Capitalized mine rehabilitation and decommissioning cost	<b>2,141,529</b>	3,212,294
Unrealized foreign exchange gains	-	3,008,915
	<b>1,028,547,963</b>	603,207,840
<b>Net deferred tax liabilities</b>	<b>₱989,861,221</b>	₱542,320,918

The components of the Group's unrecognized deferred tax assets are as follows:

	2020	2019
Lease liabilities	<b>₱13,261,720</b>	₱-
NOLCO	<b>8,597,999</b>	8,154,632
	<b>₱21,859,719</b>	₱8,154,632

The rollforward analysis of NOLCO as at December 31, 2020 is as follows:

Year Incurred	Amount	Applied/Expired	Balance	Expiry Date
2020	₱7,862,877	₱-	₱7,862,877	2025
2019	7,178,833	-	7,178,833	2022
2018	13,618,285	-	13,618,285	2021
2017	6,384,990	6,384,990	-	2020
	<b>₱35,044,985</b>	<b>₱6,384,990</b>	<b>₱28,659,995</b>	

In accordance with Revenue Regulations (RR) No. 25-2020 which implements R.A. No. 11494, "Bayanihan to Recover as One Act", net operating losses for taxable years 2020 and 2021 are allowed to be carried over for the next five (5) consecutive taxable years immediately following the year of such loss.

The reconciliation between the income tax expense based on statutory income tax rate and effective income tax rate is as follows:

	2020	2019	2018
Income tax at statutory tax rate	<b>₱1,328,131,138</b>	₱2,174,254,612	₱1,888,257,719
Increase (decrease) in income tax resulting from:			
Difference arising from the use of optional standard deduction	<b>(144,593,834)</b>	(261,892,230)	-
Interest income subjected to final tax	<b>(99,883,850)</b>	(228,552,711)	(163,503,579)
Nontaxable income	<b>(78,600,000)</b>	(33,364,800)	(130,743,300)
Nondeductible expenses	<b>55,320,595</b>	97,508,304	69,615,714
Dividend income exempt from income tax	<b>(40,426,189)</b>	(3,919,693)	(3,862,260)
Expired NOLCO	<b>1,915,497</b>	1,661,807	1,133,852
Trading gains (losses) on financial assets at FVPL	<b>142,794</b>	(2,488,682)	3,425,643
Taxable income subject to income tax holiday	-	(511,083,968)	(171,472,607)
Change in unrecognized deferred tax assets	<b>13,705,087</b>	491,843	2,998,159
<b>Income tax at effective tax rate</b>	<b>₱1,035,711,238</b>	<b>₱1,232,614,482</b>	<b>₱1,495,849,341</b>

### Impact of Corporate Recovery and Tax Incentives for Enterprises Act

On March 26, 2020, RA No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act" was signed into law by the President of the Philippines. Under the CREATE Act, the Group's RCIT is subjected to 25% instead of 30% income tax rate. In addition, the minimum corporate income tax (MCIT) is subjected to 1% instead of 2% of gross income for a period of three (3) years. The changes in the income tax rates shall be effective beginning July 1, 2020.

The enactment of CREATE Act is not considered as an adjusting subsequent event in the consolidated financial statements. Accordingly, the Group still used the rate of 30% in the computation of its RCIT.

The table below summarizes the financial impact of the change in income tax rates to the Group's financial statements had CREATE Act been effected in the current and deferred income tax computation as at December 31, 2020:

	Audited Balances (Based on Old Income Tax Rate)	Pro-forma Balances (Based on Revised Income Tax Rate)	Financial Impact Increase (Decrease)
Income tax payable	₱211,879,633	₱125,839,719	(₱86,039,914)
Net deferred tax liability	989,861,221	824,884,351	(164,976,870)
Current tax expense	1,032,478,972	946,439,058	(86,039,914)
Deferred tax expense	3,232,266	5,598,094	2,365,828

## 29. Financial Risk Management Objectives and Policies

The Group's financial instruments consist mainly of cash and cash equivalents, financial assets at FVPL, trade and other receivables (excluding advances to officers and employees), finance lease receivables, DSRA, financial assets at FVOCI, long-term placements, deposit in escrow, restricted cash, refundable deposits, trade and other payables (excluding advances from customers and statutory payables), lease liabilities, and loans payable.

The main financial risks arising from the Group's use of financial instruments include market risks, credit risk and liquidity risk. The Group's BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below.

### Market Risks

The Group is exposed to market risks, primarily those related to foreign currency risk, equity price risk and interest rate risk. Management actively monitors these exposures, as follows:

*Foreign Currency Risk.* Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's foreign exchange risk results primarily from movements of the Philippine Peso against the US Dollar and Euro with respect to foreign currency-denominated monetary financial assets and liability.

The following table shows the Group's US dollar-denominated financial assets and liability and their Philippine Peso equivalent:

	2020		2019	
	US Dollar	Philippine Peso	US Dollar	Philippine Peso
Financial assets:				
Cash and cash equivalents	\$7,588,499	₱368,042,196	\$387,763	₱19,632,441
Deposit in escrow	867,706	42,083,752	883,044	44,708,495
	<b>8,456,205</b>	<b>410,125,948</b>	1,270,807	64,340,936
Financial liability -				
Trade and other payables	120,018	5,820,858	1,295,821	65,607,417
Net US Dollar-denominated financial assets (liability)	<b>\$8,336,187</b>	<b>₱404,305,090</b>	(\$25,014)	(₱1,266,481)

The following table shows the Group's Euro-denominated monetary financial asset and liability and their Philippine Peso equivalent:

	2020		2019	
	Euro	Philippine Peso	Euro	Philippine Peso
Financial asset -				
Cash in banks	€7,674	₱436,727	€8,798	₱494,712
Financial liability -				
Trade and other payables	606	34,487	1,124,437	63,227,093
Net Euro-denominated financial asset (liability)	<b>€7,068</b>	<b>₱402,240</b>	(€1,115,639)	(₱62,732,381)

For purposes of translating the outstanding balances of the Group's financial assets and liability denominated in a foreign currency, the exchange rates applied were ₱48.50 per US \$1 and ₱56.91 per €1 as at December 31, 2020 and ₱50.63 per US \$1 and ₱56.23 per €1 as at December 31, 2019.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Group's income before tax. There is no other impact on the Group's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
<b>December 31, 2020</b>	<b>+0.89</b>	<b>₱7,419,207</b>
	<b>-0.89</b>	<b>(7,419,207)</b>
December 31, 2019	+0.64	(₱16,009)
	-0.64	16,009

The following table demonstrates the sensitivity to a reasonably possible change in the Euro exchange rate, with all other variables held constant, of the Group's income before tax. There is no other impact on the Group's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
<b>December 31, 2020</b>	<b>+0.99</b>	<b>₱6,997</b>
	<b>-0.99</b>	<b>(6,997)</b>
December 31, 2019	+1.18	(₱1,316,454)
	-1.18	1,316,454

*Equity Price Risk.* Equity price risk is the risk that the Group will incur economic losses due to adverse changes in a particular stock or stock index. The Group's equity price risk arises from its financial assets at FVPL and financial assets at FVOCI.

The Group's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

The table below sets forth the impact of changes in PSE index (PSEi) in the Group's unrealized gain or loss on its financial assets at FVPL and financial assets at FVOCI in 2020 and 2019:

	2020		2019	
Changes in PSEi	<b>33.21%</b>	<b>(33.21%)</b>	14.59%	(14.59%)
Financial assets at FVPL in				
Property industry	<b>₱1,802,814</b>	<b>(₱1,802,814)</b>	₱3,730,498	(₱3,730,498)
Food and beverage industry	<b>5,483,753</b>	<b>(5,483,753)</b>	3,472,008	(3,472,008)
Financial assets at FVOCI in				
Holding firms industry	<b>₱23,791,055</b>	<b>(₱23,791,055)</b>	₱10,248,733	(₱10,248,733)

*Interest Rate Risk.* The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's interest-bearing loans payable to local financial institutions with fixed interest rates; however, exposure of the Group to changes in the interest rates is not significant.

#### Credit Risk

The Group's exposure to credit risk arises from the failure of its counterparty to fulfill its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables and other financial assets at amortized cost.

The carrying amounts of financial assets at amortized costs represent its maximum credit exposure.

#### Trade Receivables

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management.

The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. The Group provides credit limits to all its accredited customers to manage credit risk concentrations. Further, as a policy, the Group revenue transactions are significantly entered into on a cash basis to manage its credit risk exposure. The Group's cash sales account for an average of 81% of the total revenues for the past three years. Historically, trade receivables are substantially collected within one (1) year and the Group has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. In monitoring customer credit risk, the Group classifies its receivables as major term customers, related parties, and other regular term customers.

At December 31, 2020 and 2019, the exposure to credit risk for trade receivables by type of counterparty are as follows:

	2020		
	Neither Past due nor Impaired	Past Due but not Impaired	Total
Major term customers	<b>₱174,239,058</b>	<b>₱131,032,400</b>	<b>₱305,271,458</b>
Related parties	–	<b>4,395,639</b>	<b>4,395,639</b>
Others	<b>42,488,672</b>	<b>8,673,472</b>	<b>51,162,144</b>
	<b>₱216,727,730</b>	<b>₱144,101,511</b>	<b>₱360,829,241</b>
	2019		
	Neither Past due nor Impaired	Past Due but not Impaired	Total
Major term customers	₱181,482,717	₱213,801,733	₱395,284,450
Related parties	–	1,776,754	1,776,754
Others	23,684,212	7,855,468	31,539,680
	<b>₱205,166,929</b>	<b>₱223,433,955</b>	<b>₱428,600,884</b>

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments analyzed by customer type, credit terms, and offsetting arrangements. The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment (i.e., gross national income from real estate and construction industry). At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

#### Aging Analysis of Trade Receivables that are Past Due but not Impaired

Days Past Due	2020	2019
1 to 30 Days	<b>₱82,074,104</b>	₱150,009,064
31 to 90 Days	<b>52,117,016</b>	64,985,457
91 to 365 Days	<b>9,799,828</b>	7,347,936
366 days or more	<b>110,563</b>	1,091,498
Total	<b>₱144,101,511</b>	₱223,433,955

Trade receivables that are past due for over 30 days were not considered in default since it was demonstrated that the non-payment was due to administrative oversight rather than resulting from financial difficulty of the borrower.

### Other Financial Assets at Amortized Cost

The Group's other financial assets at amortized cost are mostly composed of cash and placements in various banks such as DSRA, deposit in escrow, restricted cash, and long-term placements. The Group limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For finance lease receivables, credit risk is reduced by the net settling arrangements embodied in the contract. For refundable deposits, credit risk is low since the Group only transacts with reputable companies.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arises from administrative oversight rather than resulting from financial difficulty of the borrower.

### Financial Assets at FVPL

The entity is also exposed to credit risk in relation to debt securities that are measured at FVPL. Debt securities measured at FVPL are entered into with counterparties that have high credit ratings. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	2020				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL	Lifetime ECL	Financial Assets at FVPL	Total
		- Not Credit Impaired	- Credit Impaired		
Cash in banks and cash equivalents	₱11,465,131,641	₱-	₱-	₱-	₱11,465,131,641
Finance lease receivables	-	8,046,261	-	-	8,046,261
Long-term placements	650,000,000	-	-	-	650,000,000
DSRA	347,425,003	-	-	-	347,425,003
Other receivables*	88,602,974	22,165,263	-	-	110,768,237
Refundable deposits	55,912,004	-	-	-	55,912,004
Deposit in escrow	42,083,752	-	-	-	42,083,752
Restricted cash	28,232,093	-	-	-	28,232,093
Debt securities at FVPL	-	-	-	644,079,707	644,079,707
	₱12,677,387,467	₱30,211,524	₱-	₱644,079,707	₱13,351,678,698

\*Includes interest receivable, receivable from contractors, advances to related parties, dividends receivable and other receivables

	2019				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL	Lifetime ECL	Financial Assets at FVPL	Total
		- Not Credit Impaired	- Credit Impaired		
Cash in banks and cash equivalents	₱16,937,743,033	₱-	₱-	₱-	₱16,937,743,033
Finance lease receivables	-	22,709,613	-	-	22,709,613
Long-term placements	650,000,000	-	-	-	650,000,000
DSRA	362,765,125	-	-	-	362,765,125
Refundable deposits	65,162,604	-	-	-	65,162,604
Deposit in escrow	44,708,495	-	-	-	44,708,495
Restricted cash	27,428,594	-	-	-	27,428,594
Other receivables*	84,049,200	25,764,868	-	-	109,814,068
Debt securities at FVPL	-	-	-	623,525,747	623,525,747
	₱18,171,857,051	₱48,474,481	₱-	₱623,525,747	₱18,843,857,279

\*Includes interest receivable, receivable from contractors, advances to related parties, dividends receivable and other receivables

### Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising adequate funds to meet its financial commitments at a reasonable cost. The Group's objectives in effectively managing its liquidity are: (a) to ensure that adequate funding is available at all times; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

The tables below present the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted obligations or on the estimated timing of net cash flows as at December 31, 2020 and 2019:

	2020					Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Trade and other payables*	₱1,132,569,760	₱696,517,730	₱1,075,567,160	₱-	₱-	₱2,904,654,650
Lease liabilities	-	2,719,603	8,158,808	36,652,074	6,947,358	54,477,843
Loans payable	-	359,558,214	1,056,147,604	5,635,396,243	316,078,693	7,367,180,754
	₱1,132,569,760	₱1,058,795,547	₱2,139,873,572	₱5,672,048,317	₱323,026,051	₱10,326,313,247

\*Excluding nonfinancial and statutory liabilities amounting to ₱379.2 million as at December 31, 2020.

	2019					Total
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	
Trade and other payables*	₱1,196,794,131	₱298,124,529	₱1,492,206,717	₱-	₱-	₱2,987,125,377
Lease liabilities	-	2,978,158	8,591,122	39,512,165	14,965,678	66,047,123
Loans payable	-	376,310,623	1,103,044,439	5,740,981,187	1,626,199,567	8,846,535,816
	₱1,196,794,131	₱677,413,310	₱2,603,842,278	₱5,780,493,352	₱1,641,165,245	₱11,899,708,316

\*Excluding nonfinancial and statutory liabilities amounting to ₱383.5 million as at December 31, 2019.

### Capital Management

The primary objective of the Group's capital management is to secure ongoing financial needs of the Group to continue as a going concern as well as to maintain a strong credit standing and healthy capital ratio in order to support the business and maximize stockholder value.

The Group considers equity contributions from stockholders and retained earnings as its capital totaling ₱36,368.7 million and ₱36,023.8 million as at December 31, 2020 and 2019, respectively. The Group manages the capital structure and makes adjustments when there are changes in economic conditions, business activities, expansion programs, and the risk characteristics of the underlying assets. In order to manage the capital structure, the Group may adjust its borrowings, adjust dividend payment to shareholders, or raise equity.

The Group is not subjected to externally-imposed capital requirements.

No changes were made in the capital management objectives, policies, or processes in 2020 and 2019.

### 30. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Group's assets measured at fair value and asset and liability for which fair value is disclosed and the corresponding fair value hierarchy:

	Note	2020			
		Carrying Amount	Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets Measured at Fair Value:</b>					
Land	10	₱4,104,370,220	₱-	₱-	₱4,104,370,220
Investment properties (excluding construction in progress)	11	1,565,404,431	-	-	1,565,404,431
Quoted financial assets at FVPL	5	703,019,162	703,019,162	-	-
Financial assets at FVOCI	9	103,079,550	103,079,550	-	-
<b>Asset for which Fair Value is Disclosed -</b>					
Finance lease receivables	25	8,046,261	-	10,829,596	-
		<b>₱6,483,919,624</b>	<b>₱806,098,712</b>	<b>₱10,829,596</b>	<b>₱5,669,774,651</b>
<b>Liability for which Fair Value is Disclosed</b>					
Financial liabilities at amortized cost -					
Loans payable	16	₱6,295,636,282	₱-	₱6,895,854,154	₱-
<b>2019</b>					
	Note	Carrying Amount	Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets Measured at Fair Value:</b>					
Quoted financial assets at FVPL	5	₱717,831,517	₱717,831,517	₱-	₱-
Financial assets at FVOCI	9	101,079,300	101,079,300	-	-
Land	10	2,683,828,281	-	-	2,683,828,281
Investment properties	11	1,299,237,000	-	-	1,299,237,000
<b>Asset for which Fair Value is Disclosed -</b>					
Finance lease receivables	25	22,709,613	-	23,853,965	-
		<b>₱4,824,685,711</b>	<b>₱818,910,817</b>	<b>₱23,853,965</b>	<b>₱3,983,065,281</b>
<b>Liability for which Fair Value is Disclosed</b>					
Financial liabilities at amortized cost -					
Loans payable	16	₱7,354,299,391	₱-	₱7,780,786,865	₱-

The Group used the following techniques to determine fair value measurements:

- *Quoted Financial Assets at FVPL and Financial Assets at FVOCI.* The Group's quoted financial assets at FVPL and financial assets at FVOCI as at December 31, 2020 and 2019 are carried at fair values based on quoted market prices from active markets classified under the Level 1 category.

- *Land.* The fair value of land was estimated based on appraisals performed by an independent, professionally-qualified property appraiser and was determined with reference to the latest transacted prices for identical or similar properties. The fair valuation is classified under Level 3 category.

The significant unobservable inputs used in the fair value measurement of the Group's land (included under "Property, plant and equipment" account) are the estimated net price per square meter and various factors such as size, location, and utility, among others. Significant increases (decreases) in the estimated net price per square meter in isolation would result in a significantly higher (lower) fair value measurement. Further, choosing comparables with different inputs would result in a significantly different fair value measurement.

The Group has determined that the current use of the land classified as property, plant and equipment as at December 31, 2020 is its highest and best use.

- *Investment Properties (excluding construction in progress).* The fair value of investment properties was estimated based on appraisals performed by an independent, professionally-qualified property appraiser and was determined with reference to the latest transacted prices for identical or similar properties. The fair valuation is classified under Level 3 category.

The significant unobservable inputs used in the fair value measurement of the Group's land (included under "Investment properties" account) are the estimated net price per square meter and various factors such as size, location, and utility, among others. Significant increases (decreases) in the estimated net price per square meter in isolation would result in a significantly higher (lower) fair value measurement. Further, choosing comparables with different inputs would result in a significantly different fair value measurement.

The highest and best use of the land classified as investment properties as at December 31, 2020 would be to use it for construction of building to be held for rental. As at December 31, 2020, the Group has not yet started any development in the property.

- *Finance Lease Receivable.* The fair value of the finance lease receivables was determined as the sum of all the future cash flows discounted using the prevailing market rates of instruments with similar maturities. The discount rates used are ranging from 3.49% to 3.86% in 2020 and 2019. The fair valuation is classified under Level 2 category.
- *Loans Payable.* The fair value of loans payable is estimated as the sum of all the future cash flows, discounted using the prevailing market rates of interest for instruments with similar maturities. The discount rate used is 4.20% as at December 31, 2020 and 2019. The fair valuation is classified under Level 2 category.

There were no transfers between Level 1, Level 2, and Level 3 fair value measurements in 2020 and 2019.

The table below presents the financial assets and liability whose carrying amounts approximate their fair values as at December 31, 2020 and 2019:

	2020	2019
Financial assets at amortized cost:		
Cash and cash equivalents	<b>₱11,466,255,207</b>	₱16,938,492,092
Long-term placements	<b>650,000,000</b>	650,000,000
Trade and other receivables*	<b>471,597,478</b>	538,414,952
DSRA	<b>347,425,003</b>	362,765,125
Refundable deposits	<b>55,912,004</b>	65,162,604
Deposit in escrow	<b>42,083,752</b>	44,708,495
Restricted cash	<b>28,232,093</b>	27,428,594
Financial asset at FVPL -		
Unquoted redeemable perpetual security	<b>4,000,000,000</b>	-
	<b>₱17,061,505,537</b>	₱18,626,971,862

Financial liability at amortized cost -		
Trade and other payables**	<b>₱2,904,654,650</b>	₱2,987,125,377

\*Excluding nonfinancial assets and current portion of finance lease receivables aggregating ₱9.9 million and ₱7.2 million as at December 31, 2020 and ₱7.7 million and ₱15.0 million as at December 31, 2019.

\*\*Excluding nonfinancial liabilities amounting to ₱379.2 million and ₱383.5 million as at December 31, 2020 and 2019, respectively.

**Current Financial Assets and Liability.** The carrying amounts of cash and cash equivalents, trade and other receivables, DSRA and trade and other payables approximate their fair values due to the short-term nature of these financial instruments.

**Other Noncurrent Assets.** The carrying amount of long-term placements, deposit in escrow, restricted cash, and refundable deposits approximate fair value. Management believes that the effect of discounting the future receipts from these financial instruments using the prevailing market rates is insignificant.

**Unquoted Financial Asset at FVPL.** The unquoted redeemable perpetual security is carried at cost as this represents the approximate estimate of fair value as at December 31, 2020.

### 31. Commitments and Contingencies

#### **MPSA**

The Group has the following key commitments under its MPSA:

- Payment to the Philippine Government of 4% excise tax of the market value of the minerals or mineral products extracted from the area and annual occupation fee based on the rate provided in the existing rules and regulations.

Excise taxes paid to the Philippine Government amounted to ₱13.1 million, ₱20.2 million and ₱22.8 million in 2020, 2019 and 2018, respectively.

- Allotment of a minimum of 1% of the direct drilling and milling costs necessary to implement the activities for community development.

Pursuant to Administrative Order No. 2010-21: "Revised Implementing Rules and Regulations of RA No. 7942, otherwise known as the Philippine Mining Act of 1995," the allotment for community development activities was revised to 1.5% of the operating costs.

As at December 31, 2020, 2019 and 2018, the Group is compliant with the foregoing commitments and obligations.

#### **Finance Lease Commitments - Group as a Lessor**

The Group entered into various lease agreements with its haulers covering certain items of transportation equipment. The lease term is five (5) years and the annual effective interest rates range from 4.26% to 5.29%.

As at December 31, 2020 and 2019, the gross amount of the future minimum rental receivables under the lease contracts is as follows:

	2020	2019
Within one year	<b>₱7,728,389</b>	₱15,687,472
After one year but not more than five years	<b>553,571</b>	7,844,494
	<b>₱8,281,960</b>	₱23,531,966

#### **Operating Lease Commitments - Group as a Lessee**

The Group has various operating lease agreements primarily for its office space, warehouse and heavy equipment with periods ranging from one (1) year to 10 years. Future minimum lease commitments under noncancellable operating leases as at December 31, 2020 and 2019 are as follows:

	2020	2019
Within one year	<b>₱10,878,411</b>	₱11,929,281
After one year but not more than five years	<b>36,552,074</b>	39,512,165
More than five years	<b>6,947,358</b>	14,965,678
	<b>₱54,377,843</b>	₱66,407,124

#### **Legal Claims**

The Group is either a defendant or plaintiff in several civil cases primarily involving claims for damages. The outcomes of the legal proceedings for various cases are not presently determinable. Accordingly, no provision for any liability has been made in the consolidated financial statements.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's consolidated financial position and results of operations.

### 32. EPS

Basic and diluted EPS are calculated as follows:

	2020	2019	2018
Net income	<b>₱3,391,392,558</b>	₱6,014,901,093	₱4,798,343,056
Less dividends for cumulative preferred stock required for the year, net of tax	-	174,342,857	174,342,857
Net income attributable to common stockholders of the Parent Company	<b>₱3,391,392,558</b>	₱5,840,558,236	₱4,624,000,199
Weighted average number of common shares outstanding	<b>5,000,000,005</b>	5,000,000,005	5,000,000,005
Per share amounts: Basic and diluted EPS	<b>₱0.68</b>	₱1.17	₱0.92

Diluted earnings per share is equal to the basic earnings per share since the Group does not have potential dilutive shares.

### 33. Segment Reporting

The Group is organized into one reportable segment which is the quarrying, manufacturing and sale and distribution of cement products. KSHI, the Parent Company's wholly-owned subsidiary that will be engaged in property leasing has not yet started its commercial operations. The Group also has one geographical segment and derives all its revenues from domestic operations. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the consolidated financial statements of the Group.

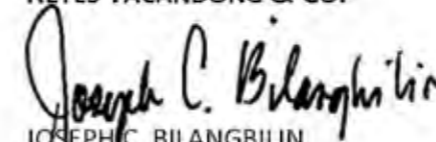
## REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors  
Eagle Cement Corporation and Subsidiaries  
2/F SMITS Corporate Center  
155 EDSA Barangay Wack-Wack  
Mandaluyong City

We have audited the accompanying consolidated financial statements of Eagle Cement Corporation (the Company) and Subsidiaries as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, on which we have rendered our report dated April 7, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 30 stockholders owning at least 100 or more shares each.

REYES TACANDONG & Co.



JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1778-A

Valid until September 23, 2022

BIR Accreditation No. 08-005144-011-2020

Valid until January 1, 2023

PTR No. 8534278

Issued January 5, 2021, Makati City

April 7, 2021

Makati City, Metro Manila



**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES**

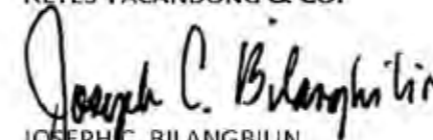
The Stockholders and the Board of Directors  
Eagle Cement Corporation and Subsidiaries  
2/F SMITS Corporate Center  
155 EDSA Barangay Wack-Wack  
Mandaluyong City

We have audited in accordance with the Philippine Standards on Auditing, the consolidated financial statements of Eagle Cement Corporation and Subsidiaries (the Group) as at and for the years ended December 31, 2020 and 2019 and have issued our report dated April 7, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Financial Assets
- Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders
- Amounts Receivable from Related Parties which are Eliminated during Consolidation of Financial Statements
- Intangible Assets - Other Assets
- Long-term Debt
- Indebtedness to Related Parties
- Guarantees of Securities and Other Issuers
- Capital Stock
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Use of IPO Proceeds
- Map of the Conglomerate

The supplementary schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**



JOSEPH C. BILANGBILIN

Partner

CPA Certificate No. 102884

Tax Identification No. 210-181-965-000

BOA Accreditation No. 4782, Valid until August 15, 2021

SEC Accreditation No. 1778-A

Valid until September 23, 2022

BIR Accreditation No. 08-005144-011-2020

Valid until January 1, 2023

PTR No. 8534278

Issued January 5, 2021, Makati City

April 7, 2021

Makati City, Metro Manila

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**

**SCHEDULE A  
FINANCIAL ASSETS  
DECEMBER 31, 2020**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
<b>Cash equivalents:</b>			
Philippine National Bank	-	₱6,962,317,527	₱41,311,372
United Coconut Planters Bank	-	2,056,000,000	71,363,916
East West Banking corporation	-	362,341,915	2,680,275
China Banking Corporation	-	-	68,994,175
Rizal Commercial Banking Corporation	-	-	59,968,476
Sterling Bank of Asia	-	-	15,807,053
Bank of Commerce	-	-	3,087,479
Union Bank of the Philippines	-	-	1,172,248
		<b>₱9,380,659,442</b>	<b>₱264,384,994</b>
<b>Cash in banks:</b>			
Bank of Commerce	-	₱509,891,847	₱296,706
Banco de Oro	-	399,999,884	415,136
United Coconut Planters Bank	-	377,450,817	932,314
Metro Bank Trust Corporation	-	256,019,600	530,320
Rizal Commercial Banking Corporation	-	152,892,092	188,729
Philippine National Bank	-	124,305,745	55,783
China Banking Corporation	-	76,025,296	40,682
East West Bank	-	71,503,214	35,530
Security Bank Corporation	-	54,253,966	122,282
Philippine Bank of Communications	-	27,166,689	54,750
Union Bank of the Philippines	-	16,851,495	35,530
Asia United Bank	-	8,627,078	367,588
Sterling Bank of Asia	-	8,333,798	14,051
Standard Chartered Bank	-	1,029,366	9,406
Development Bank of the Philippines	-	121,312	98
		<b>₱2,084,472,199</b>	<b>₱3,098,905</b>
<b>DSRA</b>			
Asia United Bank	-	₱347,425,003	₱5,564,112
<b>Deposit in escrow</b>			
Bank of Commerce	-	₱42,083,752	₱-
<b>Restricted cash</b>			
Landbank of the Philippines	-	28,232,093	₱-
<b>Long-term placements</b>			
United Coconut Planters Bank	-	₱500,000,000	23,547,173
Rizal Commercial Banking Corporation	-	150,000,000	8,250,000
		<b>₱650,000,000</b>	<b>₱31,797,173</b>
<b>Financial assets at fair value through profit or loss (FVPL)</b>			
Redeemable Perpetual Securities	4,000,000,000	₱4,000,000,000	₱100,000,000
RTB 5-12	500,000,000	566,813,124	25,000,000
SM Prime Holdings, Inc.	75,000,000	77,266,583	3,100,980
Cebu Landmaster, Inc.	2,159,100	10,903,455	2,244,269
Preferred Shares-Del Monte Pacific Ltd.	100,000	48,036,000	3,201,642
		<b>₱4,703,019,162</b>	<b>₱133,546,891</b>
<b>Financial assets at fair value through other comprehensive income (FVOCI)</b>			
Preferred Shares-San Miguel Corporation	1,333,500	₱103,079,550	₱6,808,051

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**

**SCHEDULE B  
AMOUNTS RECEIVABLE FROM  
DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES  
AND PRINCIPAL STOCKHOLDERS  
DECEMBER 31, 2020**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non current	Balance at end of period
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

\*Total aggregate receivables from directors, officers, employees, related parties and principal stockholders does not exceed 1% of Total Assets or ₱1.0 million as shown in the Consolidated Statements of Financial Position as at December 31, 2020.

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**

**SCHEDULE C  
AMOUNTS RECEIVABLE FROM  
RELATED PARTIES WHICH ARE ELIMINATED DURING  
CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written off	Current	Non current	Balance at end of period
KB Space Holdings, Inc.	₱-	₱3,860,075	₱-	₱-	₱3,860,075	₱-	₱3,860,075

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**

**SCHEDULE D  
INTANGIBLE ASSETS - OTHER ASSETS  
DECEMBER 31, 2020**

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes, additions (deductions)	Ending balance
Mining rights	₱188,242,014	₱-	₱719,116	₱-	₱-	₱187,522,898
Computer software	-	132,059,137	-	-	-	132,059,137
Goodwill	3,806,518	-	-	-	-	3,806,518
<b>Total</b>	<b>₱192,048,532</b>	<b>₱132,059,137</b>	<b>₱719,116</b>	<b>₱-</b>	<b>₱-</b>	<b>₱323,388,553</b>

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**

**SCHEDULE E  
LONG-TERM DEBT  
DECEMBER 31, 2020**

<b>Title of issue and type of obligation</b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption "Current portion of loans payable" in related balance sheet</b>	<b>Amount shown under caption "Loans Payable - net of current portion" in related balance sheet</b>	<b>Interest rate</b>	<b>Maturity dates</b>
Term Loan Facility and Security Agreement (TLFSA), Face amount	P4,260,000,000	P720,000,000	P3,540,000,000	5.68% Nominal interest	Payable in 32 quarterly installments commencing on the 9 <sup>th</sup> quarter of availment
Less: Unamortized debt issuance costs	(14,927,500)	(4,632,347)	(10,295,153)		
TLFSA, Face amount	1,526,500,000	258,000,000	1,268,500,000	6.21% Nominal interest	Payable in 32 quarterly installments commencing on the 9 <sup>th</sup> quarter of availment
Less: Unamortized debt issuance costs	(6,185,440)	(2,541,869)	(3,643,571)		
TLFSA, Face amount	532,500,000	90,000,000	442,500,000	5.74% Nominal interest	Payable in 32 quarterly installments commencing on the 9 <sup>th</sup> quarter of availment
Less: Unamortized debt issuance costs	(2,250,778)	(698,338)	(1,552,440)		
	<b>P6,295,636,282</b>	<b>P1,060,127,446</b>	<b>P5,235,508,836</b>		

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**

**SCHEDULE F  
INDEBTEDNESS TO RELATED PARTIES  
DECEMBER 31, 2020**

<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
Not Applicable	Not Applicable	Not Applicable

\*Total indebtedness to related parties does not exceed 5% of Total Assets as shown in the Consolidated Statements of Financial Position as at December 31, 2020 or as at December 31, 2020.

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**

**SCHEDULE G  
GUARANTEES OF SECURITIES AND OTHER ISSUERS  
DECEMBER 31, 2020**

<b>Name of issuing entity of securities guaranteed by the company for which this statement is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding</b>	<b>Amount owned by person for which statement is filed</b>	<b>Nature of guarantee</b>
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**

**SCHEDULE H  
CAPITAL STOCK  
DECEMBER 31, 2020**

<b>Title of issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under related balance sheet caption</b>	<b>Number of shares reserved for options, warrants, conversion and other rights</b>	<b>Number of shares held by related parties</b>	<b>Directors, officers and employees</b>	<b>Others</b>
Common stock	5,500,000,005	5,000,000,005	-	3,010,714,288	1,414,285,717	575,000,000

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**

**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION OF THE PARENT COMPANY  
DECEMBER 31, 2020**

Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning	P13,335,042,525
Add: Net income actually earned/realized during the year	
Net income based on the face of audited separate financial statements	3,137,257,198
Less: Fair value adjustment of financial asset at FVPL	(18,320,962)
Add: Movement of deferred tax asset	3,232,266
Realization of foreign exchange gains	2,673,866
Unappropriated retained earnings available for dividend declaration, ending	16,459,884,893
Adjustments:	
Appropriation during the year	8,500,000,000
Declaration of cash dividends	46,500,000
Unappropriated retained earnings available for dividend declaration, ending	<b>P7,913,384,893</b>

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF FINANCIAL**  
**SOUNDNESS INDICATORS UNDER THE**  
**REVISED SECURITIES AND REGULATIONS CODE RULE 68**  
**DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>Current/liquidity ratio</b>	<b>4.14</b>	<b>4.40</b>
Current assets	₱18,914,078,356	₱20,659,162,999
Current liabilities	4,563,471,736	4,698,577,915
<b>Solvency ratio</b>	<b>0.41</b>	<b>0.59</b>
Net income before depreciation and amortization	₱4,438,476,525	₱6,967,599,515
Total liabilities	10,944,577,551	11,724,476,203
<b>Debt-to-equity ratio</b>	<b>0.28</b>	<b>0.31</b>
Total liabilities	₱10,944,577,551	₱11,724,476,203
Total equity	38,714,574,589	37,330,963,026
<b>Asset-to-equity ratio</b>	<b>1.28</b>	<b>1.31</b>
Total assets	₱49,659,152,140	₱49,055,439,229
Total equity	38,714,574,589	37,330,963,026
<b>Interest Rate Coverage Ratio</b>	<b>11.28</b>	<b>15.62</b>
Net income before interest expense and taxes	₱4,857,799,843	₱7,743,201,049
Interest expense	430,696,047	495,685,474
<b>Return on asset ratio</b>	<b>0.08</b>	<b>0.14</b>
Net income before interest expense after-tax	₱3,822,088,605	₱6,510,586,567
Average total assets	49,357,295,685	47,259,510,693
<b>Return on equity ratio</b>	<b>0.09</b>	<b>0.17</b>
Net income	₱3,391,392,558	₱6,014,901,093
Average total equity	38,022,768,808	35,075,707,845

**EAGLE CEMENT CORPORATION AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE ON USE OF IPO PROCEEDS UNDER**  
**THE REVISED SECURITIES REGULATION CODE RULE 68**  
**DECEMBER 31, 2020**

	Prospectus	Actual
Gross proceeds (₱15 per share)	₱7,500,000,000	₱7,500,000,000
IPO expenses:		
IPO tax	320,000,000	300,000,000
Gross underwriting fees	215,053,763	178,706,671
PSE listing fee	53,200,000	45,052,525
SEC registration	3,968,750	3,968,750
Documentary stamp taxes paid	2,500,000	2,500,000
Legal and other professional fee	8,000,000	1,295,294
Other expenses	12,278,088	122,417
	615,000,601	531,645,657
Construction of fourth manufacturing plant in Cebu	6,884,999,399	58,977,400
	7,500,000,000	590,623,057
Net proceeds	₱-	₱6,909,376,943

**REPORT OF INDEPENDENT AUDITORS  
ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Eagle Cement Corporation and Subsidiaries  
2/F SMITS Corporate Center  
155 EDSA Barangay Wack-Wack  
Mandaluyong City

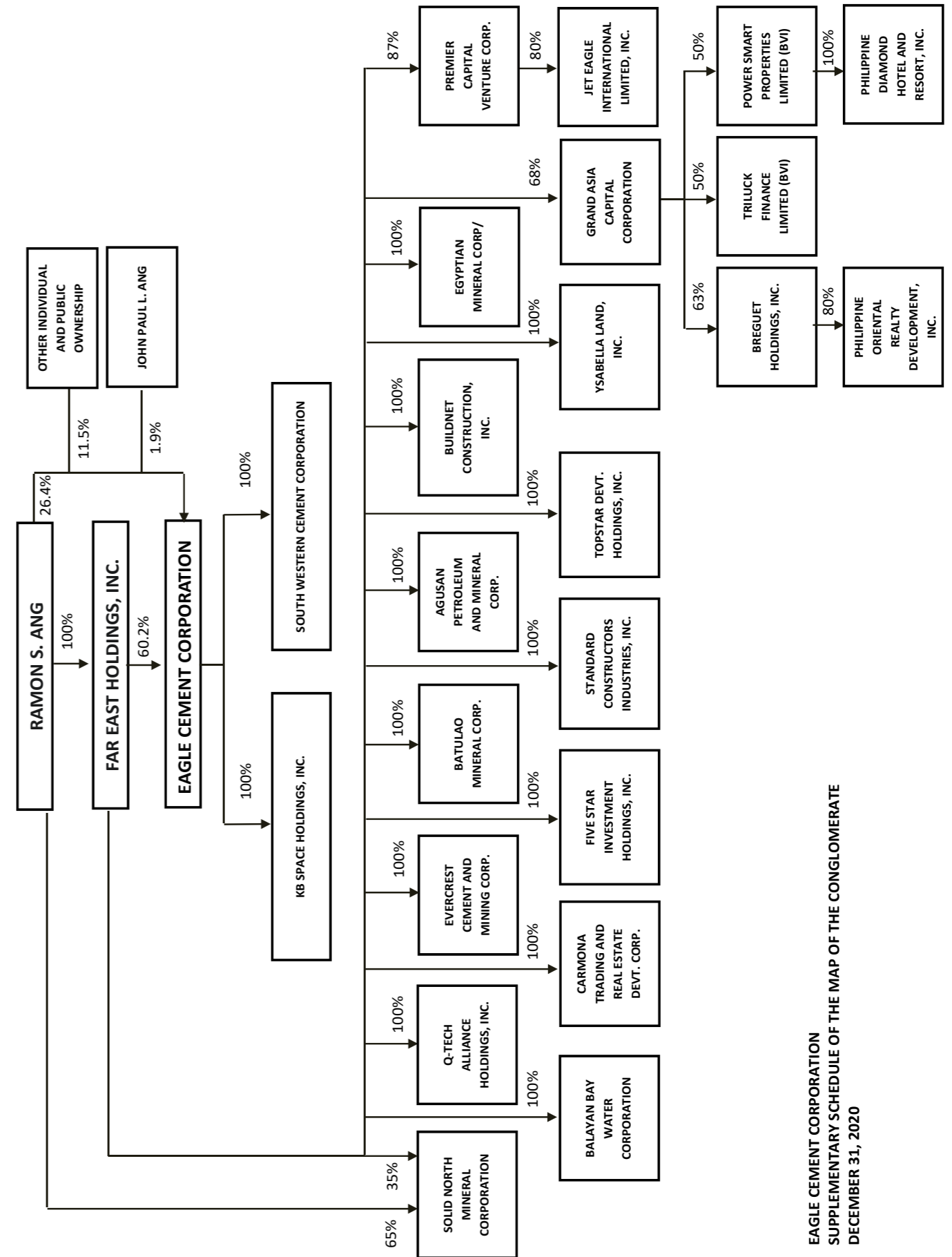
We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Eagle Cement Corporation and Subsidiaries (the Group) as at and for the years ended December 31, 2020 and 2019, and have issued our report thereon dated April 7, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole.

The supplementary schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. Except for the average total assets in 2019, the components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2020 and 2019 and no material exceptions were noted.

**REYES TACANDONG & Co.**

JOSEPH C. BILANGBILIN  
Partner  
CPA Certificate No. 102884  
Tax Identification No. 210-181-965-000  
BOA Accreditation No. 4782; Valid until August 15, 2021  
SEC Accreditation No. 1778-A  
Valid until September 23, 2022  
BIR Accreditation No. 08-005144-011-2020  
Valid until January 1, 2023  
PTR No. 8534278  
Issued January 5, 2021, Makati City

April 7, 2021  
Makati City, Metro Manila



**EAGLE CEMENT CORPORATION  
SUPPLEMENTARY SCHEDULE OF THE MAP OF THE CONGLOMERATE  
DECEMBER 31, 2020**

## Corporate Information

### EAGLE CEMENT CORPORATION GRI 102-3, GRI 102-4, GRI 102-53

#### Head Office:

2nd Floor, SMITS Corporate Center, 155 EDSA,  
Brgy. Wack-Wack, Mandaluyong City

#### Bulacan Plant:

Brgy. Akle, San Ildefonso, Bulacan

#### Corporate Website

[www.eaglecement.com.ph](http://www.eaglecement.com.ph)

**Tel:** +63 2 5301-3453

#### Common Stock

The Company's common stock is listed and traded  
on the Philippine Stock Exchange under the ticker "EAGLE."

#### Stakeholder Inquiries

For inquiries or concerns from analysts, institutional investors,  
the financial community and media, please contact:

**Investor Relations:** [ir@eagle-cement.com.ph](mailto:ir@eagle-cement.com.ph)

For inquiries from customers and general public, please  
contact:

[info@eagle-cement.com.ph](mailto:info@eagle-cement.com.ph)

#### Shareholder Services and Assistance

For inquiries regarding dividend payments, change of address  
and account status, lost or damaged stock certificates,  
please contact our stock transfer agent:

RCBC Stock Transfer  
G/F Grepalife Bldg  
221 Sen Gil Puyat Avenue  
Makati City Metro Manila 1200  
Philippines

**Tel:** +632 8894-9000  
local 3690 to 3694



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Investor Relations

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