

SEC Registration Number

| | | | | | | | | | |
|--|--|--|--|--|---|---|---|---|---|
| | | | | | 1 | 4 | 8 | 1 | 2 |
|--|--|--|--|--|---|---|---|---|---|

Company Name

| | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|
| C | H | E | M | I | C | A | L | I | N | D | U | S | T | R | I | E | S | O | F | T | H | E | |
| P | H | I | L | I | P | P | I | N | E | S | , | I | N | C | . | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | |

Principal Office (No./Street/Barangay/City/Town/Province)

| | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|
| 8 | 5 | A | . | A | R | N | A | I | Z | A | V | E | N | U | E | , | L | E | G | A | S | P | I | |
| V | I | L | L | A | G | E | , | M | A | K | A | T | I | C | I | T | Y | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | |

MATERIAL RELATED PARTY TRANSACTIONS POLICY

Form Type

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

Department requiring the report

| | | |
|---|---|---|
| C | H | O |
|---|---|---|

Secondary License Type, If Applicable

| | |
|---|---|
| N | A |
|---|---|

COMPANY INFORMATION

Company's Email Address

chemphilgroup@gmail.com

Company's Telephone Number/s

818-5206

Mobile Number

N/A

No. of Stockholders

27

Annual Meeting
Month/Day3rd Thursday of Sept.Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

ALEXANDRA G. GARCIA

Email Address

aggv21@gmail.com

Telephone Number/s

8818-5206

Mobile Number

09175264738

Contact Person's Address

851 A. Arnaiz Avenue, Legaspi Village, Makati City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

Chemical Industries of the Philippines, Inc.

Material Related Party Transactions Policy

1. INTRODUCTION

This policy on Material Related Party Transactions is adopted by Chemical Industries of the Philippines, Inc. (CIP) and its subsidiaries ("The Chemphil Group") in compliance with the Securities and Exchange Commission (SEC) Memorandum Circular No. 10, Series of 2019, re: Rules on Material Related Party Transactions for Publicly-Listed Companies (PLCs) pursuant to the Revised Corporation Code of the Philippines.

SEC's Rules on Material Related Party Transactions ("Rules") recognize that transactions between and among related parties may create financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong.

Related party transactions (RPT) are generally allowed provided, that when the RPTs amount to ten percent (10%) or higher of a company's total assets, it shall be considered as material related party transactions subject to SEC's Rules.

The Rules focuses and regulates only material RPTs or RPTs amounting to ten percent (10%) or higher of a company's total assets.

2. POLICY

The Chemphil Group shall conduct any transaction with a Related Party on an arm's length basis and in compliance with applicable laws and regulations to protect the interest of the company's shareholders and other stakeholders.

3. OBJECTIVES

The aim of this policy is to determine related party relationships and transactions and establish the guidelines that will regulate the proper review, approval, and reporting of related party transactions which may be entered into by CIP or any of its subsidiaries, affiliates, officers, and directors.

4. COVERAGE

This Material Related Party Transactions Policy ("MRPTP") covers all transactions meeting the materiality threshold of transactions amounting to ten percent (10%) or higher of CIP's total assets. The total assets shall pertain to its consolidated total assets based on the consolidated audited financial statements. This MRPTP applies to all subsidiaries within The Chemphil Group.

Transactions amounting to ten percent (10%) or more of the total assets that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in this policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the material RPT to the requirements of the Material RPT Rules. The prospective treatment should, however, be without prejudice to regulatory actions that may be enforced for transactions noted to not had been conducted on an arm's length basis.

5. DEFINITION OF TERMS

For purposes of The Chemphil Group's MRPTP, the following definitions shall apply:

5.1 Related Parties cover the following:

- a. Directors,
- b. Officers
- c. Substantial Shareholders, and
- d. their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law of SMPC's Directors, Officers and Substantial Shareholders, if these persons have control, joint control or significant influence over CIP.

Officers – include but not limited to the President, Executive officers, Corporate Secretary, and all other officers provided in CIP's By-Laws.

Substantial Shareholder - any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of CIP shares.⁵

5.2 Related Parties shall also cover the following:

- a. Subsidiaries
- b. Associate
- c. Affiliate
- d. Joint Venture, or
- e. An Entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

Subsidiaries – entities that are controlled, directly or indirectly, by CIP.

Associate refers to:

- An entity over which CIP has significant influence, or
- Where CIP holds twenty percent (20%) or more of the voting power of an entity

Affiliate is an entity linked directly or indirectly to CIP through any one or a combination of any of the following:

- Ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by a company of at least ten percent (10%) or more of the outstanding voting stock of CIP, or vice-versa;
- Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
- Common stockholders owning at least ten percent (10%) of the outstanding voting stock of CIP and the entity; or
- Management contract or any arrangement granting power to CIP to direct or cause the direction of management and policies of the entity, or vice-versa.

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

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

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

5.3 Related Party Transactions cover the following:

- a. A transfer of resources, services or obligations between CIP & a related party, regardless of whether a price is charged.
- b. Outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

5.4 Material Related Party Transactions

Any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of CIP's consolidated total assets based on its latest audited financial statements.

5.5 Materiality Threshold

Ten percent (10%) of CIP's consolidated total assets, based on its latest audited consolidated financial statements.

5.6 Related Party Registry

A record of the organizational and structural composition, including any change thereon, of CIP and its related parties.

6. DUTIES AND RESPONSIBILITIES

6.1 Board of Directors

The Board of Directors shall carry out the following:

- a. Institutionalize an overarching policy on the management of material RPTs to ensure effective compliance with existing laws, rules and regulations at all times and that material RPTs are conducted on an arms-length basis, and that no shareholder or stakeholder is unduly disadvantaged.
- b. Approve all material RPTs that cross the materiality threshold and write-off of material exposures to related parties as well as any renewal or material changes in the terms and conditions of material RPTs previously approved in accordance with Section 3(f) of the SEC Rules.

Material changes in the terms and conditions of the material RPT include, but are not limited to, changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral requirement of the material RPT.

- c. To establish an effective audit, risk and compliance system to: Determine, identify and monitor related parties and material RPTs
 - Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - Identify, measure, monitor and control risks arising from material RPTs

The system shall be able to define the related parties' extent of relationship with the company, assess situations in which a non-related party (with whom a company has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the nature and amount of exposures of the company to a particular related party.

The said system will facilitate submission of accurate report to the regulators/supervisors.

The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance officers, and shall be updated regularly for their sound implementation.

The overarching policy and the system shall be made available to the SEC and audit functions for review.

Any change in the policy and procedure shall be approved by majority of the board of directors and majority of the stockholders constituting a quorum.

- d. To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The board should ensure that senior management addresses legitimate issues on material RPTs that are raised. The board should take responsibility for ensuring that stakeholders who raise concerns are protected from detrimental treatment or reprisals.

6.2 Senior Management

The senior management shall:

- a. Implement appropriate controls to effectively manage and monitor material RPTs on a per transaction and aggregate basis
- b. Monitor on an ongoing basis the exposures to related parties to ensure compliance with the company's policy and SEC's regulations.

7. POTENTIAL OR ACTUAL CONFLICT OF INTEREST

The identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with material RPTs shall include the following:

- a. Directors and officers with personal interest in the transaction shall fully and timely disclose any and all material information, including their respective interests in the material RPT;
- b. Abstain from the discussion, approval and management of such transaction or matter affecting the company; and
- c. In case of refusal to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining majority approval.

8. ARM'S LENGTH TERMS

To ensure that no preferential treatment shall be given to related parties that are not extended to non-related parties under similar circumstances the following guidelines should be followed:

- a. Before the execution of the material RPT, the board of directors shall appoint an external independent party to evaluate the fairness of the terms of the material RPTs.

An external independent party may include, but is not limited to, auditing/accounting firms and third party consultants and appraisers. The independent evaluation of the fairness of the transparent price ensures the protection of the rights of shareholders and other stakeholders.

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

9. APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS

- a. All individual material RPTs shall be approved by at least two-thirds (2/3) vote of the board of directors with at least a majority of the independent directors voting to approve the material RPT.

- b. In case that a majority of the independent directors' vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.
- c. For aggregate RPT transactions within a twelve (12)-month period that breaches the materiality threshold of ten percent (10%) of the company's total assets, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.
- d. Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

10. SELF-ASSESSMENT AND PERIODIC REVIEW OF POLICY

- a. The CIP's internal audit shall conduct a periodic review of the effectiveness of the company's system and internal controls governing material RPTs to assess consistency with the board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee.
- b. The compliance officer shall ensure that:
 - CIP complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties.
 - he aids in the review of the CIP's transactions and identify any potential material RPT that would require review by the Board.
 - CIP's Material RPT Policy is kept updated and is properly implemented throughout the company.
 - a Summary of Material RPTs entered into during the reporting year is included in the Integrated Annual Corporate Governance Report (I-ACGR) to be submitted to SEC annually.

11. DISCLOSURE REQUIREMENT OF MATERIAL RPTs

- a. The members of the board, substantial shareholders, and officers shall fully disclose to the Board of Directors all material facts related to material RPTs as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the company
- b. Such disclosure shall be made at the board meeting where the material RPTs will be presented for approval and before the completion or execution of the material RPT.

12. WHISTLE BLOWING MECHANISMS

- a. All stakeholders are encouraged to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable material RPTs.
- b. Legitimate material concerns shall be reported, investigated and addressed by an objective independent internal or external body, senior management and/or the Board itself.

13. REMEDIES FOR ABUSIVE MATERIAL RPTs

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

The following disciplinary measures shall be adopted in order to cut losses and allow recovery of such losses or opportunity costs incurred by the company arising out of or in connection with the abusive material RPTs:

- a. Personnel, officers, or directors, who have been remiss in their duties in handling material RPTs in accordance with this Policy will be investigated following due process at all times.
- b. The administrative investigation for acts or omissions provided for under The Chemphil Group's "Code of Conduct, Organizational Discipline and Ethics" shall be conducted in the proceedings.
- c. The initiation of administrative cases and the imposition of penalty as provided for in the "Code of Conduct, Organizational Discipline and Ethics", shall be without prejudice to the right of the company or such other party to initiate the proper criminal or civil action against the personnel, officers, or directors concerned.

14. DISCLOSURE AND REGULATORY REPORTING

The following are required to be submitted to the SEC:


- a. A summary of material related party transactions entered into during the reporting year which shall be disclosed in CIP's Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually every May 30.
- b. Advisement Report (attached as Annex "A") of any material RPT filed within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by the corporate secretary or authorized representative.

At a minimum, the disclosures in both (a) and (b) above shall include the following information:

1. complete name of the related party;
2. relationship of the parties;
3. execution date of the material RPT;
4. financial or non-financial interest of the related parties;

5. type and nature of transaction as well as description of the assets involved;
6. consolidated total assets;
7. amount or contract price;
8. percentage of the contract price to the consolidated total assets;
9. carrying amount of collateral, if any;
10. terms and conditions;
11. rationale for entering into the transaction; and
12. the approval obtained (i.e., names of directors present, names of directors who approved the material RPT and the corresponding voting percentage obtained).

SIGNATURES:


for
ANTONIO M. GARCIA
Chairman of the Board


ALEXANDRA G. GARCIA
Compliance Officer