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## Crown Asia Chemicals Corporation CROWN

### PSE Disclosure Form 17-18 - Other SEC Forms/Reports/Requirements

<b>Form/Report Type</b>	Policy on Material Related Party Transactions
<b>Report Period/Report Date</b>	Oct 22, 2019

#### Description of the Disclosure

In compliance with SEC Memorandum Circular No. 10 Series of 2019 or the "Rules on Material Related Party Transactions for Publicly-Listed Companies", CROWN ASIA CHEMICALS CORPORATION, hereby submits its Policy on Material Related Party Transactions.

#### Filed on behalf by:

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<b>Designation</b>	Manager



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**SECURITIES AND EXCHANGE COMMISSION**

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C R O W N A S I A C H E M I C A L S

C O R P O R A T I O N .

(Company's Full Name)

K M 3 3 M C A R T H U R H I G H W A Y

B O T U K T U K A N G U I G U I N T O B U L A C A N

TITA P. VILLANUEVA

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Contact Person

Company Telephone Number

1 2

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Policy on Material Related Party Transactions

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0 9

Month Day

FORM TYPE

Month Day

Fiscal Year

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

4 0

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

**CROWN ASIA CHEMICALS CORPORATION**  
**MATERIAL RELATED PARTY TRANSACTIONS (RPT) POLICY**

**SECTION 1 – PURPOSE**

The purpose of this policy is to provide guidelines that would ensure the integrity and transparency of Material Related Party Transactions (RPTs) and ensure that all transactions are made at terms equivalent to prevailing market standards and at arm's length basis, to the interest of Crown Asia Chemicals Corporation (the "Corporation") and, in particular, its minority shareholders and other stakeholders.

**SECTION 2 – DEFINITION OF TERMS**

For purposes of this Policy, as used herein, the following definitions shall apply:

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

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

**Associate** is an entity that the Corporation owns, controls, or holds the power to vote 20% or more of a class of voting securities in the company. It also includes an entity over which the Corporation has significant influence.

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

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

**Material Related Party Transaction** is 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 the Corporation's total assets based on its latest audited financial statements.

**Materiality Threshold** - Ten percent (10%) of the Corporation's total assets based on its latest audited financial statements.

**Related Party** shall mean any of the Corporation's directors, officers, substantial shareholders, and their respective spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control, joint

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control or significant influence over the Corporation. It also covers, as may be applicable, the Corporation's parent, subsidiary, affiliate, associate, joint venture or an entity that is controlled, jointly controlled, or significantly influenced or managed by a related party.

**Related Party Registry** is the record of the organizational and structural composition, including any change thereon, of the Corporation and its related parties.

The Board of Directors shall review and update the Related Party Registry on a quarterly basis to capture organizational and structural changes in the Corporation and its related parties.

**Related Party Transaction** is any transfer of resources, services, or obligations between the Corporation and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

**Significant Influence** is the power to participate in the financial and operating policy decisions of the Corporation but has no control or joint control of those policies.

**Substantial Shareholder** is any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the Corporation's equity security.

### **SECTION 3 – DUTIES AND RESPONSIBILITIES**

#### **A. Board of Directors**

The Board of Directors shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of the Corporation's shareholders and other stakeholders. The Board of Directors shall carry out the following duties and responsibilities:

1. To 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 arm's length basis, and that no shareholder or stakeholder is unduly disadvantaged.
2. To approve all material RPTs that cross the materiality threshold and write-off 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 4 of this policy.

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

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

#### **B. Senior Management**

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Senior management shall implement appropriate controls to effectively manage and monitor material RPTs on a per transaction and aggregate basis.

## **SECTION 4 – COVERAGE OF MATERIAL RPT POLICY**

### **4.1. Identification of Related Parties**

Every director, officer, and/or substantial shareholder of the Corporation is obliged to disclose any person or entity that may be regarded as Related Party of the Corporation, in accordance with this policy, on account of his being a director, officer or substantial shareholder. Such declaration shall be submitted to the Board of Directors, through the Audit Committee ("the Committee"), at the end of every quarter. The Committee may also require such declaration pending review of a potential material RPT.

### **4.2. Identification and Prevention or Management of Potential or Actual Conflicts of Interest which may arise out of or in connection with Material RPTs**

The Corporation's Revised Manual on Corporate Governance provides that a director shall have the duty to conduct fair business transactions with the Corporation and to ensure that personal interest does not conflict with the interests of the Corporation. It is provided further that the basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict may arise on the part of the director, he should fully and immediately disclose it and should not participate in the decision making process. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation.

The duty to avoid and disclose actual and potential conflict of interest as outlined above is also expected from other officers and employees. Directors and officers with personal interest in the transaction shall abstain from discussion, approval and management of such transaction or matter affecting the Corporation. 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 meeting the required votes for approval.

The Corporation shall adhere to the requirements of Section 4.4 of this Policy in approving contracts with one or more of its directors or officers or with another corporation in which one or more of the Corporation's director/s is/are interlocking directors therein.

### **4.3. Guidelines in Ensuring Arm's Length Terms**

Transactions with related parties shall be at arm's length prices or at terms similar to those offered to non-related entities in an economically comparable market. The Corporation shall consider the substance of the relationship, and not merely the legal form, in evaluating possible related party transactions.

The Audit Committee shall appoint an external independent party to evaluate the fairness of the terms of the material RPT, before the execution of the material RPT, for the best interest of the Corporation and to ensure the protection of the rights of shareholders and other stakeholder



by the Corporation's Corporate Secretary or authorized representative and the related party or authorized representative.

The disclosures, at a minimum, in both 5.1 and 5.2 above shall include the following information:

- a. complete name of the related party;
- b. relationship of the parties;
- c. execution date of the material RPT;
- d. financial or non-financial interest of the related parties;
- e. type and nature of transaction as well as a description of the assets involved;
- f. total assets;
- g. amount or contract price;
- h. percentage of the contract price to the total assets of the Corporation;
- i. carrying amount of collateral, if any;
- j. terms and conditions;
- k. rationale for entering into the transaction; and
- l. the approval obtained (e.g. names of directors present, names of directors who approved the material RPT and the corresponding voting percentage obtained)

#### **APPROVAL AND EFFECTIVITY**

This Material Related Party Transactions Policy shall take effect immediately.

Amendments to comply with the regulatory issuances of the Securities and Exchange Commission (SEC) shall be deemed adopted and effective upon the effectivity of the regulatory issuance.

Signed:

  
**WALTER H. VILLANUEVA**  
Chairman of the Board

  
**HANS JOSEPH T. PEREZ**  
Compliance Officer