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SECURITIES AND EXCHANGE COMMISSION

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

JANNETTE VIRATA SEVILLA
Contact Person

849-3600
Company Telephone Number

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Policy on Material Related Party Transactions

FORM TYPE

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Total Amount of Borrowings

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11 September 2019

SECURITIES AND EXCHANGE COMMISSION

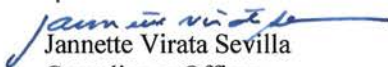
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

Attention: Rachel Esther J. Gumtang-Remalante
Officer-In-Charge, Corporate Governance and Finance Department

Dear Atty. Gumtang-Remalante:

In connection with SEC Memorandum Circular No. 10, Series of 2019, we submit the *Policy on Material Related Party Transactions* of CEMEX HOLDINGS PHILIPPINES, INC. (CHP) which was approved by the Board of Directors of CHP during its meeting held on 3 September 2019. The enclosed policy document is signed by CHP's Chairman of the Board and the Compliance Officer.

Very truly yours,


Jannette Virata Sevilla
Compliance Officer

**POLICY ON MATERIAL RELATED PARTY TRANSACTIONS
OF
CEMEX HOLDINGS PHILIPPINES, INC.**

Under the Revised Manual of Corporate Governance of the Corporation, the Board of Directors of CEMEX HOLDINGS PHILIPPINES, INC. is tasked, among others, to formulate and implement policies and procedures that would ensure the integrity and transparency of transactions between and among Related Parties (as defined in this Policy).

Section 1. OBJECTIVE

The purpose of this Policy is to:

- (a) Define the framework for the procedures and processes for the review, approval or ratification, monitoring and recording of Related Party Transactions (as defined in this Policy) of the Corporation;
- (b) Provide guidance to management and employees on the governance guidelines for Related Party Transactions and disclosure requirements; and
- (c) Supplement the *CEMEX Policy and Procedures with Respect to Related Person Transactions*, which is the general policy promulgated by the Board of Directors of CEMEX, S.A.B. de C.V. and applicable to the international group of companies of which the Corporation is a member.

Section 2. DEFINITION OF TERMS

For purposes of this Policy, the following terms shall have the following definitions:

Audit Committee refers to the Audit Committee of the Corporation.

CEMEX refers to CEMEX, S.A.B. de C.V. and its subsidiaries or affiliates (excluding the Corporation and the Corporation's subsidiaries and affiliates).

Control means the power to govern and dictate the financial and operating policy decisions and actions of another party; provided that in respect of the Corporation, a person or entity shall be deemed to control the Corporation if and only if such person or entity has all of the following:

- (1) the power to govern and dictate the financial and operating policy decisions and actions of the Corporation;
- (2) Exposure, or rights, to variable returns from its involvement with the Corporation; and
- (3) The ability to use its power over the Corporation to affect the amount of the Corporation's returns.

Corporation means CEMEX HOLDINGS PHILIPPINES, INC.

Director/s refers to the members of the Board of Directors of the Corporation

Internal Audit refers to the independent internal audit function of the Corporation headed by the Internal Auditor.

Internal Auditor refers to the Internal Auditor of the Corporation appointed by its Board of Directors.

Material RPT means any Related Party Transaction individually, or set of Related Party Transactions in aggregate over a twelve (12)-month period with the same Related Party, which meets the Materiality Threshold;

Materiality Threshold means at least ten percent (10%) of the Corporation's total consolidated assets, based on its latest audited financial statement, as provided for in the rules on material related party transactions for publicly listed companies set forth by SEC MC No. 10-2019.

Officer/s refers to the key executives or officers of the Corporation as disclosed in its By-Laws, General Information Sheet, Annual Reports (17-A), Information Statement to stockholders (20-IS), and company disclosures with the Philippine Stock Exchange (PSE).

Related Party /ies covers:

- (a) any of the Directors of the Corporation (and his/her spouse and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if any of these persons have control, joint control or exercise significant influence over the Corporation);
- (b) any of the Officers of the Corporation (and his/her spouse and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if any of these persons have control, joint control or exercise significant influence over the Corporation);
- (c) any of the Substantial Shareholders of the Corporation (and in the case of a natural person, his/her spouse and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law), if any of these persons have control, joint control or exercise significant influence over the Corporation;
- (d) a subsidiary of the Corporation, which for purposes of this Policy is an entity over which the Corporation holds, directly or indirectly, at least a majority of the shares of stock entitled to vote or the voting power and over which the Corporation exercises Control;
- (e) an associate of the Corporation, which for purposes of this Policy per SEC MC No. 10-2019 is an entity (i) over which the Corporation holds, directly or indirectly, at least twenty percent (20%) of the shares of stock entitled to vote or the voting power, or (ii) over which the Corporation exercises Significant Influence;
- (f) an affiliate of the Corporation, which for purposes of this Policy per SEC MC No. 10-2019 is an entity linked directly or indirectly to the Corporation through any one or a combination of any of the following:
 - (i) Ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by an entity of at least ten percent (10%) or more of the outstanding voting shares of stock of the Corporation, or vice-versa;
 - (ii) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
 - (iii) Common stockholders owning, directly or indirectly, at least ten percent (10%) of the outstanding voting shares of stock of Corporation and of such entity; or
 - (iv) Management contract or any arrangement granting the power to the Corporation to direct or cause the direction of management and policies of the entity, or vice-versa; or
- (g) a joint venture or an entity that is controlled or jointly controlled or is significantly influenced or managed by a person who is a Related Party.

Related Party Transaction/s means a transfer of resources, services or obligations between the Corporation and a *Related Party*, regardless of whether a price is charged. It also includes outstanding transactions that are entered into with an unrelated party that subsequently becomes a Related Party.

Related Party Registry means a record of the organizational and structural composition, including any change thereon, of the Corporation and its Related Parties.

SEC MC No. 10-2019 refers to the Rules on Material Related Party Transactions for Publicly-Listed Companies issued by the Philippines Securities and Exchange Commission under SEC Memorandum Circular No. 10, series of 2019.

Senior Management refers to the President & Chief Executive Officer, Treasurer & Chief Financial Officer, the Director for Business Services Organization, and the Director for Tax.

Significant Influence means the power to participate, in a decisive manner, in the formulation of financial and operating policy decisions of an entity, but without the power to control or jointly control (i) the implementation of those policy decisions or (ii) the management of said entity.

Substantial Shareholder covers any entity or person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the shares of the Corporation.

Section 3. GUIDELINES TO DETERMINE AND EVALUATE ARM'S-LENGTH NATURE OF A RELATED PARTY TRANSACTION

The principle of arm's length requires that the terms of a transaction are fair and reasonable to the Corporation, made within an objective range of feasible terms that parties who are not related would reasonably arrive under similar or comparable circumstances or conditions.

In the event that such comparison cannot be obtained from transactions between non-Related Parties, a review shall be conducted of market information available, sourcing strategy applied and expected unquantifiable benefits to determine whether an arms-length approach has been used to select the Related Party vendor or service-provider to ensure that the Related Party Transaction is fair and reasonable to the Corporation. The selection of the most appropriate method should be based on the results of a thorough functional analysis of the entities and transactions under review – considering all the facts and circumstances of that transaction.

For instance, the primary methods generally used to determine and evaluate the arm's length nature of an amount charged in transactions between Related Parties can be summarized as follows:

- Comparable uncontrolled price: Compares price of goods or services with a comparable transaction.
- Resale price method: Subtracts an appropriate margin from the sale price to an independent company to estimate the intercompany price.
- Cost plus method: A mark-up is added to the cost incurred by the supplier to make an appropriate profit and calculate arm's length price.
- Profit split method: Combines the operating profit of two related parties and split it based on relative value of contribution to the operating profit.
- Transactional net margin: Compares relative intra-group profitability indicators with those of comparable companies.

When market prices and/or market conditions under comparable circumstances are not readily available, the Corporation may obtain transfer pricing studies, engage the services of an independent advisor, consultant or appraiser or external expert, open the transaction to a bidding process, conduct a tender, or resort to a publication/ public posting of the proposed transaction, or pursue other effective price discovery mechanisms.

Before the implementation of a Material RPT, the Board of Directors should appoint an external independent party to evaluate the fairness of the terms of the Material RPT. An external independent party may include, but is not limited to, auditing/accounting firms and third-party consultants and appraisers.

Section 4. GOVERNANCE

4.1 Board of Directors

The Corporation's 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 as a whole. Towards this end, the Board of Directors shall carry out the following duties and responsibilities:

- (a) To formulate and implement policies and procedures that would ensure the integrity and transparency of Related Party Transactions
- (b) To 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
- (c) With the recommendation of the Audit Committee, to establish an effective audit, risk and compliance system to:
 - Determine, identify and monitor Related Parties, Related Party Transactions 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.

4.2 Audit Committee

The Audit Committee shall assist the Board of Directors in reviewing the procedures and processes related to the monitoring, tracking and identification of Related Party Transactions and determining their sufficiency to ensure compliance with the relevant requirements under this Policy and other applicable policies of the Corporation, law or regulations.

The procedures and processes shall be reviewed by the Audit Committee on an ad-hoc basis, based on the recommendations from the Internal Audit or Senior Management.

The Audit Committee shall evaluate Material RPTs to ensure compliance with relevant procedures and processes under this Policy and other applicable policies of the Corporation, law and regulations. The review of Material RPTs must take the following into consideration:

- the nature of the parties' interest in the transaction;
- the essential terms of the transactions, including the amount involved and the type of transactions;
- the importance of the transaction for the Corporation and the Related Party;
- whether the transaction could affect the impartiality of any of the Corporation's directors with respect to the interest of the Corporation and any of its shareholders;
- fair treatment of shareholders; and
- any other circumstance deemed relevant by the Audit Committee

4.3 Senior Management

Senior Management shall implement appropriate controls to effectively manage and monitor Material RPTs on a per transaction and aggregate basis. Exposures to Related Parties shall also be monitored on an ongoing basis to ensure compliance with this Policy (including and without prejudice to other applicable policies of the Corporation, law or regulations).

Senior Management, with the assistance of the Corporate Secretary, shall conduct a quarterly review of and update, where necessary, the list of the Corporation's Related Parties, and shall accordingly submit any updates to the Audit Committee and the Board of Directors for their information.

The Compliance Officer shall advise and provide assistance to the Treasurer & Chief Financial Officer in ensuring that Material RPTs are reviewed and approved in accordance with this Policy.

Section 5. APPROVAL PROCESS

5.1 All individual Material RPTs shall be subject to approval under the following procedure:

- (a) the Audit Committee shall review and evaluate the Material RPT, and endorse the same to the Board of Directors for approval; and
- (b) the Material RPT shall require the approval of at least two-thirds (2/3) vote of the members of the Board of Directors, with at least a majority of the independent directors voting to approve the Material RPT.

For aggregate Related Party Transactions within a twelve (12)- month period with the same Related Party that breaches the Materiality Threshold, the review and approval requirement above described is required for the Related Party Transaction/s that meets and exceeds the Materiality Threshold.

5.2 Material changes in the terms and conditions of a Material RPT shall likewise require the review and approvals in Section 5.1. Material changes shall 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.

Transactions meeting the Materiality Threshold that were entered into with an unrelated party that subsequently

becomes a Related Party are excluded from the review and approval process in Section 5.1; 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 require the review and approvals in Section 5.1.

5.3 All Material RPTs may only be approved if the Audit Committee determines that the transactions are, under the circumstances, (i) fair and reasonable to the Corporation and (ii) on terms consistent with the arm's length principle or can be justified on a legitimate business case basis. The Audit Committee may require Senior Management and/or representative of the area concerned to provide additional information and documents and to attend such meeting/s of the Audit Committee where the review of the Related Party Transaction will be undertaken.

5.4 In the event that the vote of a majority of the independent directors under Section 5.1(b) 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 of the Corporation.

5.5 Directors or Officers who are parties to any Related Party Transaction (regardless of whether or not the Materiality Threshold is met) or has a personal interest in any Related Party Transaction should abstain from participating in discussions and approval of the same. In case they refuse to abstain, or the Board of Directors requests for their presence during the meeting, their attendance shall not be counted for the purpose of assessing the presence of a quorum and their votes shall not be counted for purposes of determining approval.

5.6 The approval of a Material RPT may be conditioned upon the Corporation and the Related Party taking any additional actions that the Audit Committee or the Board of Directors deems appropriate, such as but not limited to, requiring the Related Party to resign from or change position within the Corporation or the Related Party, decreasing the duration or limiting the magnitude of the Material RPT, or requiring that information about the Material RPT be documented and that reports reflecting the nature and amount of the Related Party Transaction be delivered to the Audit Committee or the Board of Directors, on a regular basis, or requiring that either the Corporation or the Related Party has the right to terminate the Related Party Transaction by giving a specified period of advance notice, or appointing the Corporation's representative to monitor various aspects of the Related Party Transaction.

5.7 It shall be incumbent upon the concerned Director, Officer or Substantial Shareholder, as the case may be, to fully and accurately disclose to the Audit Committee and 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 Corporation. Such disclosure shall be made at the respective meetings of the Audit Committee and the Board of Directors where the Material RPT will be presented for approval and before the completion or implementation of the Material RPT.

5.8 The Board of Directors or the Audit Committee may, in its discretion, review any Related Party Transaction, regardless of whether or not the transaction meets the Materiality Threshold, for the purpose of determining whether or not the Related Party Transaction is, under the circumstances, fair and reasonable to the Corporation and is on terms consistent with the arm's length principle, or can be justified on a legitimate business case basis.

Any of the Senior Management and/or representative of the affected functional area (including the Director, Officer or Substantial Shareholder concerned) may be requested to provide additional information and documents and to attend such meeting/s of the Board of Directors or Audit Committee, as the case may be, where the review of the Related Party Transaction will be undertaken.

5.9 Except when the particular transaction meets the Materiality Threshold, the employment or service arrangements and corresponding compensation packages involving any of the Directors or Officers for the performance of the duties or functions of their respective offices are excluded from the coverage of this Policy.

Section 6. SPECIFIC PROVISIONS FOR CERTAIN TRANSACTIONS

6.1 In respect of any of the License Agreements with CEMEX (as defined in Section 6.2) or the Service Agreements with CEMEX (as defined in Section 6.2), any amendment, revision, extension or supplement to any of these agreements which pertain to the:

- (i) royalty/license fee or service fee, as applicable, payable to CEMEX under the agreement; or
- (ii) the period or duration of the agreement,

shall be subject to approval under the following procedure:

- (a) the Audit Committee shall review and evaluate the transaction, and endorse the same to the Board of Directors for approval; and
- (b) the transaction shall require the approval of at least a majority of the members of the Board of Directors, with at least two (2) independent directors voting to approve the same.

6.2 “License Agreements with CEMEX” refer to (i) the Trademark License Agreement between CEMEX, S.A.B. de C.V. and CEMEX Asia Research AG (a subsidiary of the Corporation) which became effective on January 1, 2016 and pursuant to which CEMEX, S.A.B. de C.V. granted a non-exclusive use of the various CEMEX trademarks in the Philippines, and (ii) the Non Exclusive Use, Exploitation and Enjoyment of Assets License Agreement between CEMEX Research Group AG and CEMEX Asia Research AG which also became effective on January 1, 2016 and pursuant to which CEMEX Research Group AG granted a non-exclusive license to use different trademarks, names and intellectual property assets, such as the brands “APO”, “Island” and “Rizal”, and other related names and trademarks, processes and information technology, software, industrial models.

“Service Agreements with CEMEX” refer to the Business Support Services Agreements entered into on January 1, 2017 by the principal operating subsidiaries of the Corporation, i.e., APO Cement Corporation (“APO Cement”) and Solid Cement Corporation (“SOLID Cement”), respectively, with CEMEX Central, S.A. de C.V. (“CEMEX Central”). Pursuant to these services agreements, CEMEX Central provides each of the subsidiaries, whether performed directly by CEMEX Central or indirectly through its sub-contractor, with various services necessary for the operation of the subsidiaries. These foregoing services were previously performed by CEMEX Central as sub-contractor through and pursuant to Service Agreements that were entered into on June 1, 2009 by each of the subsidiaries with CEMEX Asia Pte. Ltd. (through its regional headquarters in the Philippines).

6.3 If the transaction subject of Section 6.1 meets the Materiality Threshold, the approval procedure defined under Section 5.1 shall apply instead.

Section 7. SELF-ASSESSMENT AND PERIODIC REVIEW OF POLICY.

The 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.

The Corporation’s Compliance Officer shall ensure that the Corporation complies with relevant rules and regulations and is informed of regulatory developments in areas affecting Related Parties. The Compliance Officer shall aid in the review of the Corporation’s transactions and identify any potential Material RPT that would require review by the Audit Committee and the Board of Directors. The Compliance Officer shall ensure that this Policy is kept updated and is properly implemented throughout the Corporation.

Section 8. DISCLOSURE AND REPORTING REQUIREMENTS.

8.1 Each of the Directors and Officers shall be responsible for providing in writing to the Treasurer & CFO through the Office of the Corporate Secretary and Compliance Officer, the following information:

- (a) the names of his/her spouse and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, and
- (b) any potential Related Party Transaction involving him/her or his/her spouse and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, or any entity that is Controlled or jointly Controlled by, or Significantly Influenced by him/her or foregoing relatives.

8.2 The Treasurer & CFO shall be primarily responsible for keeping a Related Party Registry with records of all Related Party Transactions, including Material RPTs.

8.3 The Treasurer & CFO shall submit, on a quarterly basis, to the Audit Committee and the Board of Directors the nature, amount of transactions and outstanding balances concerning all Related Party Transactions including Material RPTs, and such other information as may be requested by the Audit Committee or the Board of Directors, as the case may be.

8.4 The Treasurer & CFO and the BSO Director, in coordination with Investor Relations Director and the

Compliance Officer, shall include the requisite information relating to Related Party Transactions in the relevant quarterly and annual financial statements of the Corporation, and they shall ensure to provide the necessary details to comply with any other disclosure requirements applicable to the Corporation, such as but not limited to the reports required under SEC MC No. 10-2019 and other issuances of the Securities and Exchange Commission.

Section 9. WHISTLE BLOWING MECHANISMS AND REMEDIES

The Corporation has different communication channels to report legitimate concerns about illegal, unethical or questionable Material RPTs and submit evidence of violations of this Policy to various persons, departments or bodies, including their immediate supervisor, the Legal Department, the Corporation's Ethics Committee, Chairman of the Audit Committee, Internal Auditor, Compliance Officer, or the ETHOS Line.

Managed by an autonomous third party, the ETHOS Line is a secure, confidential and independent online portal and phone line and is accessible through the Corporation's website.

Any reported or alleged non-compliance by any Director, Officer or employee of the Corporation with this Policy shall be the subject of an investigation and, if appropriate, disciplinary proceedings. The Corporation shall avail of remedies including restitution of losses and other remedies for illegal, unethical or other Related Party Transactions that have been executed in violation of this Policy.

This Policy on Material Related Party Transactions is approved by the members of the Board of Directors on 3 September 2019, and takes effect immediately.

[signed]

Joaquin Miguel Estrada Suarez
Chairman of the Board

[signed]

Jannette Virata Sevilla
Compliance Officer