


# **FUTURE FORWARD**

The 2021 Annual and Sustainability Report







Eagle Cement significantly increased its annual cement output with a plant expansion in 2021—thus expanding its capacity to create positive and lasting change.

Built on the solid foundation of its sustainability framework, Eagle Cement continues to soar into a bright future, creating value for its stakeholders.

Future Forward. The 2021 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 primarily engaged in the business of manufacturing, developing, processing, marketing, sale and distribution of cement, cement products, minerals and other by-products. It is now the third largest player in the Philippine cement industry in terms of revenue in 2021, with the fastest growing market share amongst all competitors in the industry since 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. It has the newest, state-of-the-art, and single largest fully-integrated cement production facility in the Philippines located in Barangay Akle, San Ildefonso, Bulacan (the "Bulacan Cement Plant").

The Bulacan Cement Plant consists of three integrated production lines with a combined annual cement production capacity of approximately eight million six hundred thousand (8,600,000) metric tonnes ("MT") or two hundred fifteen million (215,000,000) bags per annum. This is inclusive of the twelve million (12,000,000) bags of cement per annum produced by its grinding and packaging

facility in Limay, Bataan. It is strategically located near demand-centric areas and in close proximity to rich limestone and shale reserves covered by the exclusive mineral rights of Eagle Cement.

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 three wholly-owned subsidiaries, namely, South Western Cement Corporation (SWCC), KB Space Holdings, Inc. (KSHI) and Solid North Mineral Corporation (SNMC). 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. SNMC is engaged in mining and quarrying activities and operates a Limestone Pulverizing Plant in San Ildefonso, Bulacan with an annual capacity of one million (1,000,000) MT. Bulk of its production are used as input in the Company's cement production and are supplied to power companies.

## 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



### 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.



### 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.



### 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.



### 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.



### Customer Focus

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



### 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.



Table of Contents

6	Eagle Cement by the Numbers
7	Performance Highlights
10	Milestones
12	Chairman's Message
16	President's Report
20	Sustainability Report <i>A future for everyone</i>
82	Corporate Governance <i>The way forward</i>
102	Financial Review <i>Future proof</i>





## EAGLE CEMENT BY THE NUMBERS



**3rd Largest Cement Player in the Philippines**  
(based on 2021 revenues)



**4.2 Million Metric Tonnes**  
Total Annual Clinker Capacity



**8.6 Million Metric Tonnes**  
Total Annual Cement Capacity  
(215 million cement bags)

\* including grinding plant in Limay, Bataan  
\*\* Finish Mill ongoing commissioning as of end 2021



**3 Integrated Production Lines in a single plant**



**1.0 Million Metric Tonnes**  
Limestone Pulverizing plant (SNMC)



**P 53.2 Bn**  
Total Assets

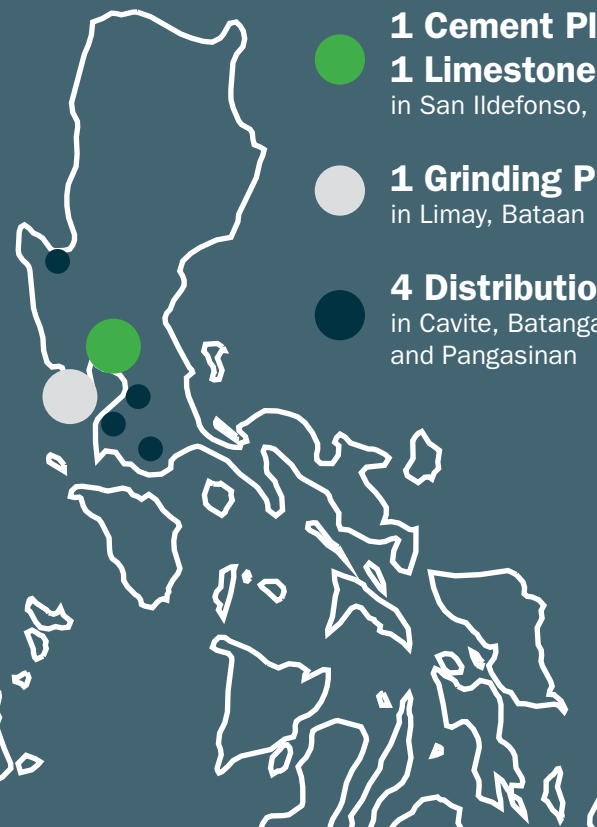
**P 11.0 Bn**  
Total Liabilities

**P 42.2 Bn**  
Total Stockholders' Equity

**P 21.4 Bn**  
Net Sales

**P 8.1 Bn**  
EBITDA

**P 6.0 Bn**  
Net Income



**1 Cement Plant and 1 Limestone Pulverizing Plant**  
in San Ildefonso, Bulacan

**1 Grinding Plant**  
in Limay, Bataan

**4 Distribution Centers**  
in Cavite, Batangas, Parañaque, and Pangasinan

### 5 Regions Served

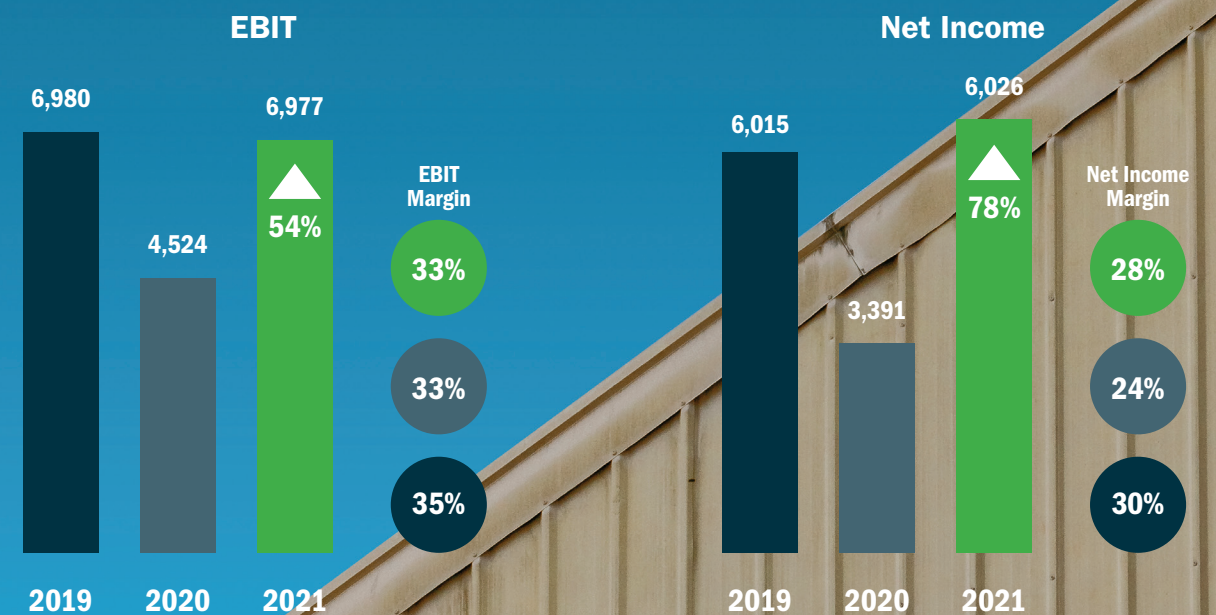
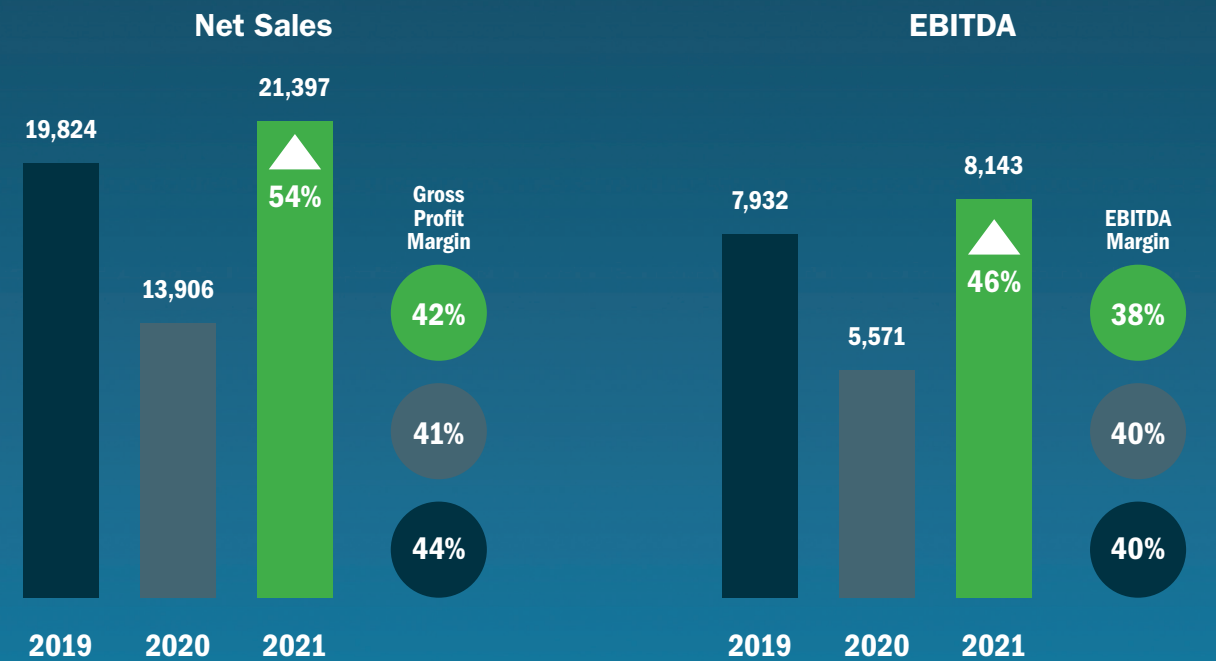
NCR and Regions I, II, III, and IV-A

### 18 Areas of Distribution

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

## PERFORMANCE HIGHLIGHTS

### Financial Highlights (in million PhP)





Financial Highlights

(in million PhP, except as indicated)

	2021	2020	2019
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Statement of Cash Flow			
Net cash provided by operating activities	8,783	4,919	7,152
Net cash used in investing activities	(3,886)	(5,773)	(3,435)
Net cash provided by (used in) financing activities	(4,719)	(4,602)	(2,953)
Net increase (decrease) in cash and cash equivalents	179	* (5,472)	* 761
Capital Expenditure	1,230	1,599	2,395

Financial Ratios			
Current Ratio	3.61	4.14	4.40
Debt to Equity *	0.12	0.16	0.20
Net Debt to Equity	(0.27)	(0.26)	(0.27)
Return on Equity	0.15	0.09	0.17
Return on Assets	0.12	0.08	0.14
Return on Invested Capital	17%	10%	21%
* Total interest bearing loans/equity			

Stock Information			
Stock Price (Php/share)	14.60	14.48	14.86
52-week high	15.70	16.10	16.38
52-week low	10.44	5.90	14.00
Market Capitalization	73,000	72,400	74,300
Earnings per share (Php/share)	1.21	0.68	1.17
Book value per share (Php/share)	8.44	7.74	6.87

Operating Highlights			
Annual Cement Capacity (in MMT)	* 8.6	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
* Finish Mill 5 – ongoing commissioning as of end-2021			



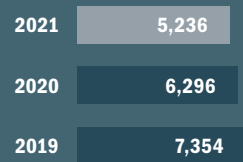
Cash and other Financial Assets



Total Assets



Total Interest Bearing Loans



Total Liabilities



Stockholder's Equity



Sustainability Highlights

	2021	2020	2019
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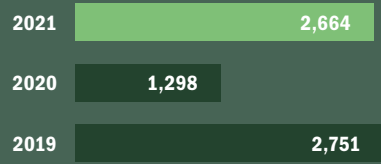
Social Indicators			
Employees	2,664	1,298	2,751
Direct	534	516	517
Through contractors	2,130	782	2,234
Fatalities	-	-	-
Social Development and Management Program spending (in PhP)	6,082,012	4,984,099	8,511,419
Corporate Social Responsibility spending (in PhP)	55,067,470	37,981,702	19,306,250

Economic Value Distribution (in million PhP)			
Direct economic value distributed	20,721	12,019	17,345
Operating costs	12,454	7,654	11,206
Employee wages and benefits	779	658	621
Dividends given to stockholders (in M PhP)	3,300	* 91	* 1,480
Principal and interest payments to loan providers	1,420	1,489	1,461
Taxes given to government	2,713	2,083	2,547
Investments to community	55	43	30
* Restatement of information			

Environmental Indicators			
Water consumption (in cu.m.)	186,233	138,401	289,550
Fuel consumption (in liters)	6,298,401	* 3,872,150	5,361,853
Diesel	6,276,454	3,856,669	* 5,328,830
Gasoline	21,947	15,482	33,023
Reduction in GHG Emission (in TCO <sub>2</sub> e)	1,600,204	904,929	996,345
Clinker replacement (in TCO <sub>2</sub> e)	1,585,637	895,824	979,000
Solid waste (in kg)	547,258	459,670	281,929
Rehabilitated/planted area (in hectares)	153	137	130
Recycled input materials	5.83%	7.03%	7.17%
* Restatement of information			

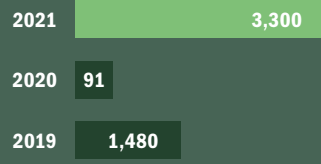


Employees

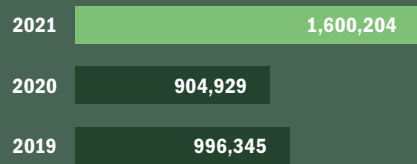


Dividends Given to Stockholders

(in million PhP)



Reduction in GHG Emission (in TCO<sub>2</sub>e)





# 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 the 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.



**2010**

The Eagle Cement Advance brand was launched in the market in July 2010 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 Bulacan Cement Plant in December.



**2011**

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

**2012**

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



**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.



**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. In the same year, Eagle Cement acquired Limay Grinding Plant in Bataan.

**2015**

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

**2016**

In July 2016, Eagle Cement commenced its Line 2 commercial operations. During the same year, the Company started building its third integrated production line (Line 3) in Bulacan.

In November, it 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.

The Company acquired South Western Cement Corporation in December.



**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 Bulacan plant's total annual cement capacity to 7.1 MMT by end-2018.

**2019**

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



**2021**

Eagle Cement acquired Solid North Mineral Corporation.

The Company completed its Bulacan plant expansion, bringing the total annual cement output to 8.6 MMT.



**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 ₱3.4 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.







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**We are committed to returning value to our shareholders and making a positive impact on our communities, the environment, and society at large.**

GRI 102-14

## Chairman's Message

# Creating value to create positive change

**Dear fellow Shareholders,**

Mirroring the recovery of the Philippine economy, demand for our products was strong across all our regional markets.

Improvements in the economic backdrop and increase in construction activity, combined with our management team's focus on execution enabled Eagle Cement to finish 2021 in a healthy financial position. Our strong financial results will allow us to invest in areas needed to grow or improve our assets and continue exploring strategic opportunities that will further extend our geographic and product portfolio.

Our expansion in Bulacan in 2021 gives us an additional annual cement capacity of 1.5 million metric tonnes and accelerates our growth strategy. We expect to continue growing the business as our key differentiating factors of integrated operations and sustainability efforts gain further relevance and reinforce our market leadership position.

We have established and remain committed to Eagle Cement's sustainability framework with strong links to our purpose and values.

We are fully aware that as we move into the post-pandemic recovery, corporations will be evaluated not only on financial results but also on how they live out their values, manage supply chains and environmental impact, and engage with employees, customers, and local communities. As a significant consumer of energy and natural resources, we embrace our responsibility to lead by example and we have already embedded practices that promote water management, recycling and other circular economy practices.





Our larger Economic, Social, and Governance strategy focuses on product quality and excellence, efficiency, and environmental accountability, and social responsibility. Among this year's highlights, we have completed the initial phase of the rainwater harvesting project in the plant. We likewise installed a hot gas duct to recover the waste heat from our clinker cooler going to finish mills which enables us to reduce diesel consumption for drying requirements in cement production.

With these sustainability pillars in mind, we are committed to returning value to our shareholders and making a positive impact on our communities, the environment, and society at large.

I would like to thank my fellow directors and our outstanding management who navigated the impact of the pandemic while keeping our colleagues safe and well.

I am proud of our employees whose culture of improvement drives efficiency and allowed us to respond decisively to supply chain disruptions ensuring we continue to deliver results well ahead of our expectations last year.

Finally, thanks to our loyal customers, business partners, and to you, our shareholders, who share our aspirations and achievements. Your trust in us allows us to remain ambitious and on the lookout for further value-enhancing opportunities. With your support, the future will see Eagle Cement ever stronger and better.



**Ramon S. Ang**  
Chairman



## President's Report

# The sustainability of business success

2021 has been an exceptional year in many respects for Eagle Cement, as we concluded yet another year with high marks. By making the safety and welfare of our people on top of our priority, we have strengthened the foundation on which these results are built.

The Company reached net sales of ₱21.4 billion, 54% better against the previous year. Bagged cement remains the largest cement sales contributor, accounting for 83% of our total sales while bulk cement represents the remaining 17%. Gross profit improved to 42%. EBITDA went up by 46% to ₱8.1 billion. Eagle Cement showed an impressive net income growth of 78% to ₱6.0 billion. Meanwhile, current ratio stood at 3.61x and return on invested capital ended the year at 17%.

We continue to maintain an optimal balance between stability and growth. Our track record of continuing earnings growth together with a comfortable gearing position is a testament to that. We continue to see our assets increased in value to ₱53.2 billion from ₱49.7 billion at the prior year-end. Total liabilities rose slightly by 1% to ₱11.0 billion from end-2021 level. Shareholder equity improved by 9% to ₱42.2 billion. Our strong cash flow generation and well-capitalized balance sheet helped us maintain a very healthy debt profile and enables us to be opportunistic in strategically reinvesting and expanding our business operations.

While we continue our prudent capital management, we remain highly focused on further building the business, as we recently did with the acquisition of Solid North Mineral Corporation. This strategic acquisition allows us to secure a more sustainable supply of raw materials coming from its mining rights which are adjacent to our existing operations.

In 2021, Eagle Cement deployed ₱1.2 billion in capital outlays, with major investments spent on the completion of our Bulacan plant expansion which is expected to further fuel our growth in the coming years.

**We believe doing business in a sustainable way leads to greater success.**





**P 1.2 Bn**  
**Capital Expenditure**



**P 3.3 Bn**  
**Dividends Paid**



**17%**  
**Return on Invested Capital**

This capacity augmentation added 1.5 million metric tonnes (MMT) to bring our total annual cement capacity to 8.6 MMT, strengthening our position as the single largest cement plant in the country. The coming onstream of new facilities in February this year, which includes our fifth finish mill, fifth cement silo, third packhouse, and other auxiliary facilities, will help support the Company's growth and partially offset the impact of higher input costs and lower selling price of cement.

I am pleased that we recommenced the payment of dividends this year and returned ₱3.3 billion to shareholders through distribution of cash dividends.

Eagle Cement expanded partnership with the Philippine Eagle Foundation to continue supporting Viggo, our adopted male Philippine eagle since 2017, by providing him with food, shelter maintenance, and keeper and veterinary care until 2025.

We believe doing business in a sustainable way leads to greater success. Thus, we will advance our efforts to contribute to the United Nations Sustainable Development Goals by defining our ESG targets aligned with the country's sustainable development while continuously making substantial impact in the communities where we operate.

In closing, let me thank my fellow directors for their guidance, the management team and employees of Eagle Cement for your resiliency and immense commitment and to our customers, business partners, and all our stakeholders for your invaluable support.

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



An aerial photograph of a terraced hillside. The hillside is covered in green vegetation and brown soil. There are several rows of agricultural plants, possibly corn, planted in straight lines across the terraces. A single, dark green tree stands prominently on the left side of the hill. The overall scene suggests a sustainable agricultural landscape.

# ***A future for everyone***

Sustainability Report





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

## Report Boundary

This is Eagle Cement Corporation's ("Eagle Cement" or "the Company") fourth year of reporting on the Economic, Social, and Governance (ESG) performance of its Bulacan Plant and Head Office. This report covers operations of the Company from January 1 to December 31, 2021, and tracks its progress from 2019 onwards. This document is aligned with the Global Reporting Initiative (GRI) Standards: Core Option and the Securities and Exchange Commission Memorandum Circular No. 4 Series of 2019. An overview of the relevant GRI indicators we have reported on can be found in the GRI index on pages 76 to 81.

## Sustainability at Eagle Cement

Eagle Cement's vision and commitment to sustainability became clearer and stronger throughout the years. We continuously do what we can to protect our environment and contribute to social development, understanding that profit is a means for us to make a positive impact.

We have always been guided by our mission to improve Filipinos' quality of life by creating products that last for generations. We define excellence by embedding every aspect of sustainability into our business. For eight consecutive years, the 2021 Presidential Mineral Industry and Environmental Award Selection Committee (PMIEASC) recognized our exemplary performance on safety and health, environmental management, reforestation, and social development and management. The PMIEASC bestowed Eagle Cement the Titanium Achievement Award for four successive years since 2014 and a Platinum Achievement Award from 2018 to 2020. In 2021, Eagle Cement was declared a Titanium Achievement Awardee.



The Company reaped several awards and recognitions during the Mines and Geosciences Bureau (MGB) Regional Mining Summit held from April 6 to 8, 2022 in San Fernando, Pampanga. Among these recognitions, Eagle Cement garnered the 2020 Highest Tenement, Safety and Health, Environment and Social (TSHES) with a score of 98.56% under the non-metallic mines category in Region 3. We also earned a recognition for our 2M Manhours Non-Lost Time for the year 2021. Eagle Cement was commended for donating a cloud-based report automation program called Project CREST, a paperless tool will be used by mining companies in the region for an efficient online submission of compliance reports to MGB Region 3.



Our pandemic-response efforts did not go unnoticed as we have been acclaimed for the highest COVID-19 assistance, contributing more than ₱21.0 million in various initiatives.



In addition, Solid North Mineral Corporation (SNMC), a wholly-owned subsidiary of Eagle Cement, has been named as the 2020 Highest Tax Contributor under non-metallic category in the region.

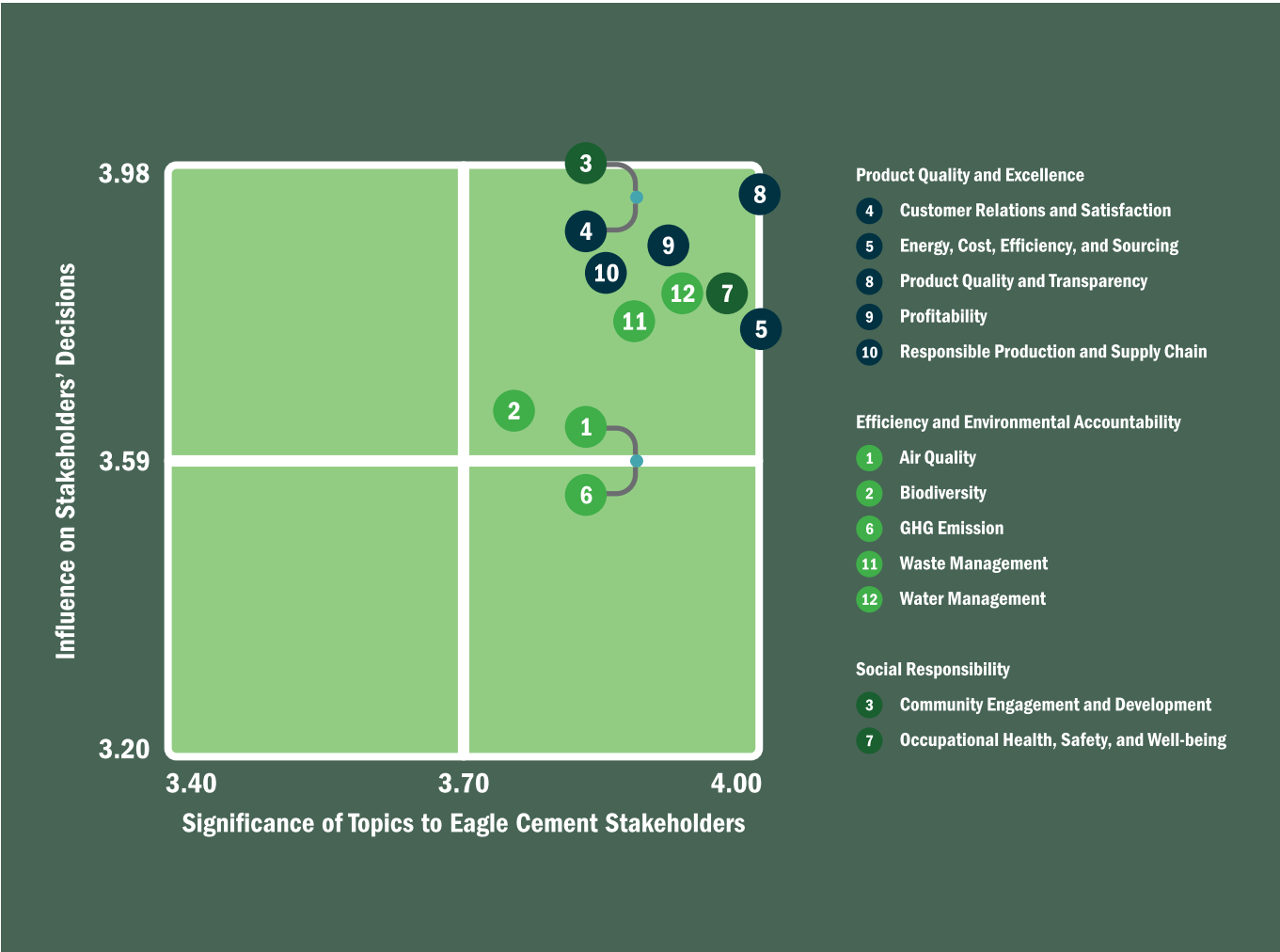
Our awards, past reports, values, and overall performance attest to our strong commitment to sustainability, even when operating in a highly-regulated industry with significant social and environmental impacts. In the coming years, we will keep moving forward in our sustainability journey. We continue to encourage our employees, business partners, and other stakeholders to be more sustainable within and outside of the organization.



Our Sustainability Framework:  
Blueprint for the Future

We established our sustainability framework to effectively guide our efforts in contributing to the country's sustainable development. Eagle Cement's framework is comprised of three pillars: 1) Product Quality and Excellence, 2) Efficiency and Environmental Accountability, and 3) Social Responsibility. We aligned these with the United Nations Sustainable Development

Goals (UN SDGs) and anchored them on our core corporate values of discipline, integrity, respect for people, excellence, customer focus, and teamwork. With this framework, we intend to future-proof our business while creating shared value for our customers, stakeholders, community, and environment.



GRI 102-46, GRI 102-47  
**Materiality: What Matters Most  
to Our Stakeholders**

Materiality assessment and review of material topics were conducted for this year's report. The materiality principle streamlines our sustainability journey. While Eagle Cement's approach is holistic, it can make the most valuable impact by focusing on key areas.

The list of material topics and materiality matrix were generated by launching a survey where key department managers, section heads, and select staff determined which topics were most relevant to the Company. The survey was based on subject matter specific to the cement industry and our past material topics. This initial list was evaluated and finalized by the senior management.

Our sustainability framework is reflected in our material topics, emphasizing Efficiency and Environmental Accountability. Thus, prioritizing our environmental impacts has become an even more urgent matter considering the potential impacts of climate change on all businesses.

Aside from natural resources, Eagle Cement's resilience depends on an efficient supply chain (Energy, Cost, Efficiency, and Sourcing, Product Quality and Transparency, and Profitability) and our stakeholders' welfare (Community Engagement and Development, Customer Relations and Satisfaction, and Occupational Health and Safety, and Well-being).



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

Stakeholder Engagement

People-centricity is among our values – we believe that fostering good relationships is at the core of a sustainable company. As Eagle Cement operates in a highly regulated industry, we embody this value by engaging meaningfully with a wide range of stakeholders and embrace inclusive approach towards value creation through multiple platforms. This two-way dialogue is vital in understanding our real issues and expectations, allowing us to align our objectives, collaborate on shared challenges, resolve conflicts, meet their needs, and work together to create a more sustainable industry.





STAKEHOLDERS	KEY CONCERNS	ENGAGEMENT METHOD	COMPANY’S RESPONSE
Communities, Local Barangays, NGOs, Landowners (for raw material resource) and Charities	<ul style="list-style-type: none"><li>Health and safety concerns on COVID-19 infections and surge in cases</li><li>Plant bubble set-up</li><li>Relief operations for the victims of Typhoon Odette</li><li>Heavy equipment and truck crossing</li><li>Quarry operations boundaries</li><li>Relocation of informal settlers</li><li>Run-off water and truck oil spill</li><li>Absence of path walk at Talbak Elementary School</li><li>Pinnacle removal for the safety of residents at Sitio Hulo and Narra</li><li>Damaged road at M. Valte, Brgy. Gabihan</li><li>Lack of school supplies and equipment</li><li>Pandemic and varying stages of community quarantine protocols</li></ul>	<ul style="list-style-type: none"><li>Employee values formation and community building</li><li>Clean-up drive and medical care program</li><li>Assessment of community concerns through ocular inspection by Dona Remedios Trinidad (DRT)-Local Government Unit (LGU) and dialogue with the stakeholders (LGU, barangay council, contractor and community representatives and IATF)</li><li>Communication with the Multipartite Monitoring Team (MMT)</li><li>Virtual meetings through online platforms</li><li>Mobile communication</li></ul>	<ul style="list-style-type: none"><li>Provision of quarantine and isolation facilities and COVID-19 essentials</li><li>Provision of financial assistance and relief goods</li><li>Orientation on safety protocols for truck drivers within areas of operations</li><li>Provision of traffic signages and barriers within the area of operations</li><li>Formation of an expert team to head the assessment and monitoring of findings from the DRT-LGU ocular visit</li><li>Demonstrations and awareness programs on safe pinnacle removal for barangay officials and committee</li><li>Discussion of concerns during MMT</li><li>Provision of laptops, printers, and school supplies to local schools</li><li>Construction of a path walk at Talbak Elementary School</li><li>Virtual and physical meetings when possible</li></ul>
Contractors	<ul style="list-style-type: none"><li>COVID-19 and other workplace hazards</li><li>Salary and benefits</li><li>Plant bubble set-up for contractors and haulers</li></ul>	<ul style="list-style-type: none"><li>Meetings with Human Resources and Organizational Development Department (HRODD)/Procurement, Central Safety Committee, and contractors on safety alerts and awareness programs</li><li>Bulletin boards and email communication</li></ul>	<ul style="list-style-type: none"><li>Regular Reverse Transcription Polymerase Chain Reaction (RT-PCR) testing and Total Productive Maintenance (TPM) Tagging</li><li>COVID-19 vaccination roll-out in coordination with Department of Health (DOH) and Local Government Units (LGU)</li><li>Frequent site inspections and regular Occupational Health and Safety (OHS) training</li><li>Evaluation of safety performances after the safety walkthrough permit system</li><li>Replacement of manpower provider and assigned security guard on contractors’ accommodations</li><li>Provision of transportation and meal allowances for isolated and quarantined contractors</li></ul>
Customers	<ul style="list-style-type: none"><li>WFH set-up for Head Office (HO) employees during COVID-19 surge and skeletal workforce for Bulacan plant employees</li><li>Timely issuance of invoices and reconciliation of accounts</li><li>High-quality and on-time product delivery</li><li>Delivery protocols and requirements for COVID-19 prevention</li><li>Quality of service of third-party haulers</li><li>Availability of materials and contractors</li><li>Annual and monthly releasing of rebates</li></ul>	<ul style="list-style-type: none"><li>Customer Satisfaction Survey (CSAT) Survey 2021</li><li>Virtual meetings through online platforms</li></ul>	<ul style="list-style-type: none"><li>Continuous collaboration to attend to critical issues</li><li>Provision of timely customer service for complaints received through the Technical Sales Manager (TSM)</li><li>Establishment of weekly timelines with process owners</li><li>Implementation of Audit-recommended action plans</li><li>Launch of Customer Portal</li><li>Automated Sales Order (SO) tagging and releasing</li><li>Compliance with IATF protocols on workplace safety and operations</li><li>Regular antigen testing for contractors</li><li>Conducted online seminars and orientations for new haulers and drivers</li><li>Continuous engagement on the strict implementation of COVID-19 protocols with existing third-party logistics haulers</li><li>Engagement in consignment contracts for fast-moving items</li></ul>

STAKEHOLDERS	KEY CONCERNS	ENGAGEMENT METHOD	COMPANY’S RESPONSE
Employees	<ul style="list-style-type: none"><li>COVID-19 risks and responses and other workplace hazards</li><li>Adapting to full month stay, mental health, and general well-being</li><li>Food price variance, quality, and safety in the plant</li><li>Employee reimbursement (revolving funds)</li><li>Internet allowance</li><li>Work-from-home set-up (head office)</li><li>Learning and growth development</li><li>Operations’ manpower needs amid the pandemic (COVID-19 response)</li></ul>	<ul style="list-style-type: none"><li>Hybrid meetings and virtual communication platforms</li><li>Administration Department’s Quarterly Customer Satisfaction (CSAT) Survey</li><li>Bulletins and published policies</li></ul>	<ul style="list-style-type: none"><li>Adaption of a plant bubble set-up</li><li>COVID-19 awareness, health protocols, updates and seminars</li><li>Provision of in-house accommodation for the Faculty of Trainers</li><li>Health status monitoring and adherence to policies in the Company</li><li>Formation of Task Force Reditus as the decision-making team for COVID-19 concerns</li><li>Expansion of medical benefits (additional leaves, critical medicine for infected employees, consultations, vaccination, and preventive measures)</li><li>Implementation of monthly and bi-monthly rest day for plant-based employees</li><li>Provision of assistance to unvaccinated individuals from their barangay to be fully-vaccinated</li><li>Equipped isolation facilities with complete medical-grade apparatus equipment and services</li><li>Provision of PPEs, disinfection equipment, and RT-PCR testing</li><li>Scheduled manpower and shuttle service</li><li>Programs on mental health, OHS, recreational activities (IATF-compliant), stress management programs, and engagement activities</li><li>Provision of psychological services in partnership with RMT CEFAM Ateneo and PVPI</li><li>E-wellness Meter Analytics survey</li><li>Formation of TPM Tagging Team and corrective actions Visibility Felt Leadership (VFL)</li><li>Conducted monitoring and on-site inspections for OHS</li><li>Adaption of flexible and skeletal work arrangements</li><li>Provision of facial recognition device for time capturing</li><li>Installation of Time Doctor to track productivity of employees working remotely</li><li>Served nutritious food, scheduled weekly groceries, and observed food safety and sanitation standards</li><li>Provision of meal allowances</li><li>Provision of laptops and mobile devices</li><li>Provision of monthly internet allowance and an upgraded internet connection</li><li>Construction of operators’ housing (1:1 ratio) to avoid COVID-19 transmission</li><li>Construction of remote/satellite Central Control Room (CCR)</li></ul>
Investors	<ul style="list-style-type: none"><li>Shareholder return</li><li>Higher input costs</li><li>Entry of new competitors</li><li>Threats of imported cement</li><li>Market liquidity</li></ul>	<ul style="list-style-type: none"><li>Annual Stockholders’ Meeting (virtual)</li><li>Virtual meetings with investors and analysts</li><li>SEC/PSE disclosures</li><li>Press releases</li><li>Plant visits</li><li>Quarterly Analysts’ briefing</li><li>Company website</li></ul>	<ul style="list-style-type: none"><li>Dividend payments</li><li>Capacity expansion in Bulacan plant and continuous process improvement</li><li>Timely disclosure of material information and Company updates</li><li>Timely update of the Company website</li><li>Increasing market share</li><li>Availability of products</li></ul>
Regulatory Bodies	<ul style="list-style-type: none"><li>Compliance with PSE and SEC requirements</li><li>Online audit – DENR, Mines and Geosciences Bureau (MGB), MMT, Mine Rehabilitation Fund Committee (MRFC)</li><li>Preparation for real-time emission monitoring</li></ul>	<ul style="list-style-type: none"><li>Submission of reports in compliance with SEC regulations</li><li>Submission of all structured and unstructured reports in compliance with the Disclosure Rules of PSE</li><li>Virtual meetings through online communication platforms</li><li>Bulletins and published policies</li></ul>	<ul style="list-style-type: none"><li>Ensuring compliance with PSE, SEC, MGB and other regulatory requirements</li><li>Monitoring notices, memorandums and deadlines</li><li>Benchmarking with other PLCs’ disclosures</li><li>Keeping concerned departments and top management informed on concerns</li><li>Maximized online resources and platforms (ex. publishing approved disclosures on Company website; online submission of various reports)</li><li>Regular submission of relevant COVID-19 data to concerned government office/s.</li></ul>
Vendors/Suppliers	<ul style="list-style-type: none"><li>Reconciliation of accounts</li><li>Timely payment to suppliers</li></ul>	<ul style="list-style-type: none"><li>Virtual meetings and various communication platforms</li></ul>	<ul style="list-style-type: none"><li>Regular account reconciliation</li><li>Availability of various payment methods</li></ul>



Value Chain

Our framework and material topics enable us to adapt sustainability practices across our value chain. These contextualize our social, environmental, and economic impacts on our immediate communities and national economy. We create value through the following phases of our operations: Mining, Processing, Packaging and Distribution, and after sales service.

			
MINING	PROCESSING	PACKAGING AND DISTRIBUTION	COMPANY'S RESPONSE
Key Stakeholders			
<ul style="list-style-type: none"><li>Employees</li><li>Contractors</li><li>Regulatory bodies</li><li>Communities</li></ul>	<ul style="list-style-type: none"><li>Employees</li><li>Contractors</li><li>Suppliers</li><li>Communities</li><li>Customers</li><li>Investors</li><li>Regulatory bodies</li></ul>	<ul style="list-style-type: none"><li>Employees</li><li>Customers</li><li>Communities</li><li>Regulatory Bodies</li><li>Suppliers</li><li>Third-party haulers</li></ul>	<ul style="list-style-type: none"><li>Employees</li><li>Customers</li><li>Communities</li><li>Investors</li><li>Regulatory bodies</li></ul>
Product Quality and Excellence			
	<ul style="list-style-type: none"><li>76% increase in research and development expenditure</li></ul>	<ul style="list-style-type: none"><li>Record-breaking dispatches in 1H21</li></ul>	<ul style="list-style-type: none"><li>3.3 out of 4 Customer Satisfaction Score</li><li>24-hour response time and seven-day resolution to customer complaints</li></ul>
Efficiency and Environmental Accountability			
<ul style="list-style-type: none"><li>153 hectares of land plantation</li><li>15 hectares of reforested land</li><li>137 hectares of reforested land through National Greening Program</li><li>654 tree species planted at the quarry progressive rehabilitation site</li></ul>	<ul style="list-style-type: none"><li>5.83% of input materials recycled</li><li>77% or 1,600,204 TCO<sub>2</sub>e GHG reduced</li><li>44% increase or 31,707 cu.m water recycled and reused</li></ul>		
Social Responsibility			
<ul style="list-style-type: none"><li>9 trainings on Health and Safety</li><li>₱6.1 million spent on Social Development and Management Programs</li><li>₱55.1 million spent on Corporate Social Responsibility Programs</li><li>RT-PCR tests for third-party contractors and selected residents of the communities</li></ul>	<ul style="list-style-type: none"><li>Zero fatalities</li><li>4,670,303 safe man-hours</li><li>Monthly RT-PCR tests for employees and third-party contractors</li></ul>	<ul style="list-style-type: none"><li>Monthly antigen tests for haulers and monthly RT-PCR tests for employees and third-party contractors</li></ul>	<ul style="list-style-type: none"><li>Monthly RT-PCR tests for employees and customers</li></ul>

United Nations Sustainable Development Goals (UN SDGs) Alignment

We ensure that our efforts contribute to the UN SDGs and its corresponding targets. Similar to the principle of materiality, the Company prioritizes and takes concrete steps in working towards specific SDGs and their targets.



MATERIAL TOPICS	UN SDG TARGETS	2021 PROGRAMS	OUTCOME
Product Quality and Excellence			
Customer Relations and Satisfaction (SDGs 9, 12)	8.1 9.1	<ul style="list-style-type: none"><li>Marketing and brand awareness programs</li><li>87% spending on local suppliers</li></ul>	<ul style="list-style-type: none"><li>Brand awareness, visibility, and preference</li><li>Strengthening the local economy by supporting local enterprises</li></ul>
Energy, Cost, Efficiency, and Sourcing (SDGs 8, 12)	8.1 8.2	<ul style="list-style-type: none"><li>Manufacturing reports and audits</li></ul>	<ul style="list-style-type: none"><li>Equipment reliability and uptime, product availability, and reduced variable operation costs</li></ul>
Product Quality and Transparency (SDGs 9, 12)	9.1	<ul style="list-style-type: none"><li>Bureau Research Standards (BRS) Department of Public Works and Highways (DPWH) accreditation to use Eagle Cement products in NCR, South Luzon, and North Luzon areas</li></ul>	<ul style="list-style-type: none"><li>Use of Eagle Cement products for select government projects</li></ul>
Profitability (SDG 8)			
Responsible Production and Supply Chain (SDGs 8, 12)	9.5 9.b	<ul style="list-style-type: none"><li>Conducting trial mixes at in-house concrete laboratory facility</li></ul>	<ul style="list-style-type: none"><li>Competitor product benchmarking and increased customers' confidence in product quality</li></ul>
	9.b	<ul style="list-style-type: none"><li>Adherence to PNS and International Standards</li></ul>	<ul style="list-style-type: none"><li>Creating quality products based on industry standards</li></ul>
	8.1 9.b 11.6 12.4	<ul style="list-style-type: none"><li>Production and reformulation of own grinding aid to improve clinker to cement ratio</li></ul>	<ul style="list-style-type: none"><li>Reduced variable cost, improved mill throughput and cement compressive strength, and reduced CO<sub>2</sub> emissions</li></ul>
	12.7	<ul style="list-style-type: none"><li>Supplier Portal (Phase 2)</li><li>Internal customer performance rating</li></ul>	<ul style="list-style-type: none"><li>More convenient, efficient, and transparent interaction with suppliers</li><li>Recognized reliable contractors and more efficient supplier evaluation</li></ul>
Efficiency and Environmental Accountability			
Air Quality (SDGs 8, 11, 15)	6.4 7.3	<ul style="list-style-type: none"><li>Cleanliness and sanitation programs</li><li>Waste management campaigns</li></ul>	<ul style="list-style-type: none"><li>Employees' environmental awareness and improved waste management in Brgys. Akle and Gabihan</li></ul>
Biodiversity (SDG 17)	8.4 11.6 12.2	<ul style="list-style-type: none"><li>Utilizing available thermal energy (Waste Heat Recovery Facility and hot gas duct from FM3 booster fan to FM4)</li></ul>	<ul style="list-style-type: none"><li>Cost efficiency</li><li>Preservation of groundwater quality</li></ul>
GHG Emission (SDGs 7, 8, 11, 13, 15)	12.5 12.8	<ul style="list-style-type: none"><li>Managing freight cost amid fuel hikes</li><li>Online reports submission to MGB Region 3</li><li>Rainwater Harvesting Facility</li></ul>	<ul style="list-style-type: none"><li>Maintenance and care for 15 hectares of reforested land in partnership with Pinagtapikan Upland Farmers Association Inc.</li></ul>
Waste Management (SDGs 8, 11, 12)	13.2 15.5 17.17	<ul style="list-style-type: none"><li>Adoption of public forest land under the National Greening Program (NGP)</li><li>Renewal of partnership with Philippine Eagle Foundation (PEF)</li></ul>	<ul style="list-style-type: none"><li>137.05 hectares covered by NGP</li><li>153 hectares rehabilitated/planted area</li><li>Lower carbon footprint and improved resource management</li><li>31,707 cu.m. water reused and recycled</li><li>81,496 kg hazardous waste treated</li><li>547,258 kg waste disposed through sanitary landfill</li><li>1,600,204 TCO<sub>2</sub>e GHG emissions reduced</li><li>Continuous support to its adopted Philippine eagle until 2025</li></ul>
Water Management (SDGs 6, 8, 11, 12)			



UN SDG Alignment of Material Topics and 2021 Major Programs

MATERIAL TOPICS	UN SDG TARGETS	2021 PROGRAMS	OUTCOME
Social Responsibility			
Community Engagement and Development (SDGs 2, 4, 5, 11)	2.1	<b>FLIGHT (SDMP &amp; CSR Programs)</b> <b>F</b> - Family and Community: programs on values formation, community building, environmental programs, community outreach. <ul style="list-style-type: none"><li>120 and 60-day Feeding Programs</li><li>6th <i>Krismasaya</i> Outreach Program</li><li>Emergency relief operations for Typhoon Odette</li><li>Provision of garbage truck compactors</li><li>Pick-A-Litter Drive Campaign</li><li>Weekly mass sponsorships</li></ul> <b>L</b> - Livelihood: programs that empower community members to enhance their earning capabilities <ul style="list-style-type: none"><li>Seed capital, soap-making, candle-making, and baking workshop</li></ul> <b>I</b> - Infrastructure: construction initiatives such as road paving, classroom building, water system development, and other projects that benefit communities <ul style="list-style-type: none"><li>Cement donations</li><li>Classroom donations</li><li>Community building</li><li>Road concreting</li></ul> <b>G</b> - Growth and development: programs that encompass youth development, capacity-building, and improvement of community facilities <ul style="list-style-type: none"><li><i>Tatlong Gulong Tungo Sa Edukasyon</i> Program</li></ul> <b>H</b> - Health and emergency response: initiatives that bring medical care to communities and enable them to handle emergency situations <ul style="list-style-type: none"><li>Weekly community clinics</li><li>Flu vaccination drive</li><li>Buntis Congress program</li><li>COVID-19 response (donation of PPEs, alcohols, face masks, and other essentials)</li><li>Information, Education, and Communication (IEC) campaigns</li><li>Basic fire-fighting and emergency response training</li></ul> <b>T</b> - Technology and Education: programs that support and promote quality education such as Scholarship Programs <ul style="list-style-type: none"><li>Scholarship program</li><li>Adopt-A-School Program</li><li>Provision of equipment and COVID-19 essentials to schools</li></ul>	Improved quality of life for the residents of the host community and its neighboring barangays. Specific beneficiaries: <ul style="list-style-type: none"><li>Senior citizens and children</li><li>Parishioners</li><li>Various churches, schools, barangays, military, and jail</li><li>Schools and students in Brgys. Akle and Talbak</li><li>Women's Group</li><li>School teachers</li></ul>
	3.1		
Occupational Health, Safety, and Well-being (SDGs 3, 8)	3.2		
	3.7		
	4.6		
	4.b		
	5.5		
	8.2		
	8.5		
	8.6		
	11.c		

UN SDG Alignment of Material Topics and 2021 Major Programs

MATERIAL TOPICS	UN SDG TARGETS	2021 PROGRAMS	OUTCOME
Social Responsibility			
Community Engagement and Development (SDGs 5, 16)	3.3	Plant Bubble Set-up and other COVID-19 prevention and response programs: <ul style="list-style-type: none"><li>Vaccinations</li><li>RT-PCR testing</li><li>Mental health programs</li><li>Provision of additional leave privileges</li><li>Isolation and quarantine facilities</li><li>Free PPEs, masks, and alcohol</li><li>Daily disinfections</li><li>Provision of relief goods</li><li>Work from home set-up</li></ul>	<ul style="list-style-type: none"><li>Prevention and containment of COVID-19</li><li>Inoculated 2,170 individuals with Sinovac and AstraZeneca vaccines</li><li>All COVID-19 symptomatic to severe cases were managed and all cases have recovered</li><li>Continuous operations despite the pandemic</li></ul>
	3.4		
Occupational Health, Safety, and Well-being (SDGs 3, 8)	3.8		
	3.4	Quarterly Blood Donation Campaign	Donated extracted blood from 237 donors to Philippine Red Cross
	5.5	Employing women for managerial positions	25% of managerial positions are held by women
	16.7		
	8.2	<ul style="list-style-type: none"><li>Transition of Human Capital Management (HCM) to new ERP system</li><li>Installation of facial recognition device</li><li>Conducted an online orientation</li><li>Launched quick reference guides</li></ul>	<ul style="list-style-type: none"><li>Improvement of talent and performance management</li><li>Improved time management</li><li>GoLive of new ERP system</li><li>Recruitment management module</li></ul>
	8.2	<ul style="list-style-type: none"><li>Providing decent employment</li></ul>	<ul style="list-style-type: none"><li>Provision of direct livelihood to 534 direct employees</li><li>Provision of livelihood to 2,130 contractors</li><li>4,670,303 total safe man-hours</li></ul>
	8.8		
	8.8	<ul style="list-style-type: none"><li>Total Productive Maintenance (TPM) Tagging</li></ul>	<ul style="list-style-type: none"><li>Safer workplace and improved OHS practices and workers' performance on safety</li><li>Decreased incidence rate of injuries and accidents to 7.01 from 7.37 in 2020</li><li>Corrected TPM issues</li></ul>
		<ul style="list-style-type: none"><li>HIRADC (Hazard Identification Risk Assessment and Determining Control) register and control plan</li></ul>	<ul style="list-style-type: none"><li>Identification of the hazards across the organization and assessment of probability of an accident for the safety of employees or financial losses</li></ul>



Product Quality and Excellence

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

Making Our Profits Count

Eagle Cement’s success ripples beyond our employees and neighboring communities, benefitting even the national economy. Ensuring that we are profitable means that we can continue to generate employment, help fund public services and government projects, contribute to building sustainable communities through social programs, and deliver quality products and services.

This year has been our strongest year thus far in terms of financial and operating performance. We achieved the highest historical sales volume since we started our commercial operations in 2010. Our net sales posted 54% year-on-year growth in 2021 and registered an 8% growth versus 2019 figure. This allowed us to improve the economic value that goes back to society, disbursing ₱20.7 billion for the year. We reinvested most of the economic value we retained to sustain our growth.

GRI 201-1, GRI 102-48

Economic Performance (in million Php)

INDICATORS	2021	2020	2019
Direct economic value generated	21,397	13,906	19,824
Direct economic value distributed	20,721	12,019	17,345
Operating costs	12,454	7,654	11,206
Employee wages and benefits	779	658	621
Dividends given to stockholders	3,300	* 91	* 1,480
Principal and interest payments to loan providers	1,420	1,489	1,461
Taxes given to government	2,713	2,083	2,547
Investments to community (e.g., donations, CSR)	55	43	30
Direct economic value retained	676	1,887	2,479

\* Restatement of information

Eagle Cement’s success and development are borne from prudently reinvesting in our business, risk management and assessment, and maintaining rapport with our stakeholders. Thus, we recently completed our Bulacan Plant expansion which increased our cement production capacity by 1.5 MMT, bringing our total annual cement output to 8.6 MMT.



We also acquired SNMC in November to complement our current operations. These expansions do not only scale up our production capacity, but also create more job opportunities, which are equally important to help address the increasing demand for cement and help alleviate widespread unemployment due to the pandemic.



In pursuing growth, we conduct a risk assessment of internal and external issues to identify risks and determine the course of action. These risks are classified as low, medium, or high based on the likelihood and severity of the risks occurring. A low level of risk is acceptable; however, it should be regularly monitored. Medium or moderate risk level is also acceptable, but should be monitored regularly to determine if we need to implement certain measures. On the other hand, high-risk issues are treated or mitigated immediately.

Establishing a risk management system ensures the Company’s sustainability, considering all our internal concerns are at a medium risk level. These are from staff turnovers and internal transferring of employees, manufacturing and inventory issues, Occupational Health and Safety (OHS), and other concerns related to outsourced workers and contractors.

While transfers and turnovers may be unavoidable, we ensure work and system continuity by conducting recruitment activities and developing succession plans. We offer competitive benefit packages to retain employees and attract highly qualified applicants. We also invest in our existing pool of technical employees through cadetship and career progression tracks to assist upward mobility.

The Company encounters manufacturing concerns such as issues in inventory, product quality, and frequent and major repairs for main equipment. Thus, we regularly improve our processes and explore opportunities amid these risks. In doing so, we aim to continuously enhance the quality of our products and offer these to customers at affordable prices.

Considering the nature of our operations, our on-site employees and contractors may be exposed to health risks in the workplace. Our workers form part of the Eagle Cement’s backbone and we ensure their health and safety by launching campaigns, providing trainings, and frequent monitoring of potential OHS issues.

Our external concerns consist of the availability of raw materials, regulatory compliance, natural calamities, service providers, community relations, oversupply, and imported cement – the latter two are identified as high-risk concerns while the rest are medium-risks.

Aside from affecting the systems around us, these impacts can feed back into our operations as well. Since there is a potential depletion of quarry materials, we continuously explore alternatives and look for other suppliers in order to conserve our mineral reserves. We have also fostered a culture of integrity that prioritizes compliance and due diligence, adhering to regulations and continuously communicating with relevant government agencies to ensure efficient resource management.

The most prominent external risks for Eagle Cement are fluctuations and changes in the domestic and global market and events that can disrupt operations. In particular, we assessed that presence of imported cement and the oversupply of cement in the market that may affect the Company’s profitability and marketability. To combat this, we have been improving our marketing and sales strategic planning to take advantage of opportunities such as looking for new markets, attracting more dealers, and increasing our brand visibility.



Risk Management Approach

RISKS	MANAGMENT APPROACH
<b>INTERNAL</b> <ul style="list-style-type: none"><li>Non-compliance to regulatory requirements</li><li>Lack of qualified technical personnel for plant operations</li></ul>	<ul style="list-style-type: none"><li>Constant consultation with relevant government agencies and other regulatory bodies to ensure that all requirements, permits, and approvals are anticipated and obtained in a timely manner. In addition, the Company maintains a strong compliance culture and has processes in place to manage adherence to laws and regulations.</li><li>Partnership with major power distributors to ensure the best price for electricity needs and installment of Waste Heat Recovery (WHR) Facility to minimize dependency on external electricity providers</li><li>Maintaining good relationships and constant dialogues with regulators to provide feedback on the proposed laws and regulations and to ensure that understanding and interpretation of the laws are aligned with those of the regulators'</li><li>Provision of competitive benefits packages to attract highly qualified applicants and retain competent employees</li><li>Implementation of cadetship program to develop a pool of competent technical employees</li></ul>
<b>EXTERNAL</b> <ul style="list-style-type: none"><li>Major and prolonged operational disruptions</li><li>Market sustainability dependent on the growth of the economy and the industries considered as its key customers</li><li>Significant decrease in selling price due to uncurtailed cement importation and market competition</li><li>Foreign exchange (forex) volatility</li><li>Adverse effect of the price increases on sources of energy such as fuel, coal, and electricity on the Company's profitability and sustainability</li><li>Lack of support from the neighboring community</li><li>Availability of supply and long lead time of imported materials</li></ul>	<ul style="list-style-type: none"><li>Establishment of disaster recovery and business continuity plan (BCP)</li><li>Regular monitoring of news, trends, events, and forecasts related to the industry</li><li>Strategic cost structure and efficient allocation of resources to ensure price flexibility</li><li>Forex hedging strategy</li><li>SDMP and CSR projects for the community</li><li>Explore other alternative sources of raw materials</li></ul>

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

Responsible Procurement Practices

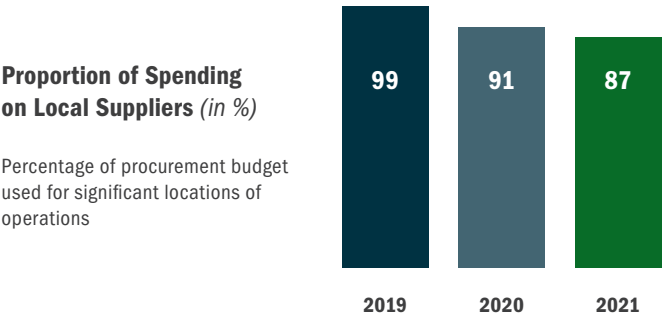
We are cognizant of our responsibility to ensure sustainable business practices throughout our value chain, from sourcing raw materials to product distribution and our post-sales services. We do this through supplier accreditation, maintaining good vendor-supplier relationships, and continuous business transaction with local suppliers.

Adherence to responsible procurement entails working with local suppliers. Thus, we locally sourced 87% of the service, consumable, and material requirements of our business operations in 2021. This is slightly lower compared to local procurement in 2020 since some spare parts needed were purchased from foreign vendors. Through sourcing mostly from local suppliers, we help stimulate the country's economic growth and generate livelihood for the Filipino people.

Our Procurement Department handles the supplier accreditation process, as well as the annual re-assessment to examine and determine continuity of our business dealings with them.

Proportion of Spending on Local Suppliers (in %)

Percentage of procurement budget used for significant locations of operations



We establish long-term relationships with suppliers and business partners who share similar values, goals, and objectives. Our supplier rating process involves evaluation, assessment, and accreditation of suppliers or contractors who consistently meet or exceed expectations and requirements of the Company. This ensures transparency and fair-trading practices to sustain our performance in delivering the highest quality of products and services.

Regardless of nationality, we evaluate all our suppliers based on their good corporate standing, expertise, reliability, and compliance with all government Environmental, Social, and Governance (ESG)

regulations, quality of products and/or services, technical competence, competitive pricing, and customer service. Consequently, we heavily consider suppliers' environmental performance, guaranteeing that they have been issued an Environmental Compliance Certificate (ECC). This is vital, particularly for suppliers with significant environmental impacts, such as third-party providers of raw material, mining and technical services, haulers, and shipping vessels.

A quarterly procurement customer satisfaction survey is provided to internal customers, wherein we achieved an average rating of 3.48 out of 4.00 in 2021. This demonstrates our internal customers' satisfaction with our proactiveness, responsiveness to concerns, and the quality of our goods and services. It is also an avenue for them to provide suggestions on how we can further improve our services, as such, we have a list of action plans in place for each situation.

Sustainability is a collaborative journey, thus, we encourage our suppliers and business partners to apply sustainable and ethical practices in their own business operations. Beyond compliance with laws and standards, we strive to promote a culture of integrity across our value chain. We constantly communicate the relevant policies and practices to all our suppliers, which urges them to improve in every aspect of ESG, such as environment, quality, labor safety, and human rights, and refraining from biased business dealings, among others.

GRI 102-2, GRI 102-6, GRI 103-1, GRI 103-2, GRI 103-3

Delivering the Highest Quality and Standards

We have made improvements not just in economic performance, but also in resource efficiency and social responsibility. Holistically, this has been our best-performing year. The Company achieved this through effective teamwork; as a result, we exceeded customers' needs amid supply issues, managed freight cost despite fuel hikes, and efficiently operated with reduced workforce.

Eagle Cement remains a trusted brand as a result of our consistency in delivering high-quality products, exceptional customer service, and strong marketing and branding.

Our Products

Eagle Cement Strongcem (Type 1)

Eagle Cement Strongcem is a high-performance Type 1 portland cement that exceeds the level of compressive strength required by the Philippine National Standards (PNS 07) and American Society for Testing Materials (ASTM C150). It is composed of a high-quality clinker and gypsum designed to suit the requirements of ready-mix concrete and concrete product producers to achieve desirable strength.



This product offers flexibility for engineers to modify concrete properties based on their strength and workability requirements. It has high compressive strength versus PNS 07 and ASTM C150 standards which aids for early and high strength concrete. Strongcem is also compatible with admixtures and supplementary cementitious materials (SCM) available in the market.

It has a variety of applications in heavy-duty construction such as roads and bridges, industrial facilities, high-rise buildings, precast concrete product manufacturing, poles, and spun concrete piles. As a testament to product quality, Eagle Cement Strongcem is used in concrete designs of up to a high of 12,000 PSI. This type of cement is available in bulk and one-tonner bags.



Eagle Cement Advance (Type 1P)

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 a hardened state.

This product is available in 40-kg cement bags, which offers the right mixture of quality and value—used by individual home builders, masons, contractors, architects, engineers, concrete product producers and concrete hollow block makers for general concrete construction.



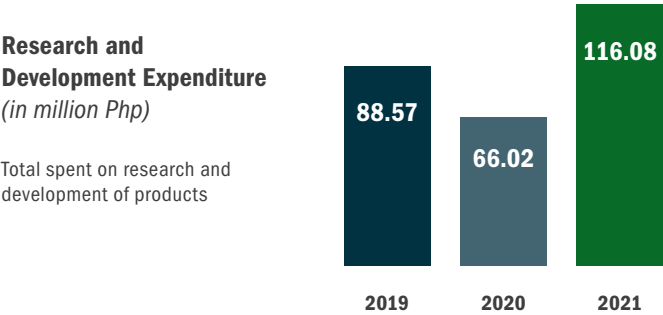
Consistent Product and Quality Control

Cement is comprised of many and diverse components, manufactured through a process that involves several stages and equipment. Quality testing is essential to ensure that we meet specifications for key parameters at each stage of production.

This is regularly conducted by the Quality Department through daily periodic line sampling and performing various laboratory tests and site checks to verify compliance to established quality parameters from the quarry to the cement dispatching operations. The results are shared with the Sales and Marketing Department. A calibration and maintenance schedule for all laboratory equipment is also followed while mill certificates are provided to customers through haulers prior to cement products dispatch and delivery.



We follow proper labelling of our products with sufficient information along with customer orientation. We likewise provide a Material Safety Data Sheet (MSDS), which details the product hazards and risks if instructions are not followed, procedures in case of emergency, and remedies if such incidents occur. In 2021, we increased our research and development expenditure by around 76%. We also purchased additional laboratory equipment and apparatus to enhance testing adequacy.



We have an in-house concrete laboratory in Parañaque City to provide parallel and faster testing of cement samples and design mixes closer to the customers. We investigate the effects of chemical and environmental

exposure on concrete in this facility, and its capabilities for assessing a number of distress mechanisms such as chemical reactions and other climactic effects.



While we value the importance of research and development, we also improve product quality by enhancing our systems and investing in our employees' skillsets. We continue to streamline our standard operating procedures, implement Laboratory Information Management System, assist customers with trial mixes and provide technical training for Advanced Cement Technology.

Quality control and assurance is a collaborative and ongoing process; hence, we consider every feedback as an opportunity to continuously improve our products and services. The Sales and Marketing Department monitors customer complaints and informs the concerned departments of the issues raised. If there are product quality-related complaints, the Quality Department conducts site visits to collect samples for laboratory testing to verify and validate complaints and prepare corrective and preventive actions as needed. A laboratory test certificate, report, and results are provided and presented to customers whether or not the complaint

was validated. In doing so, we guarantee that our products consistently meet our customers' expectations.

Providing Exceptional Customer Experience

Apart from producing high-quality products, Eagle Cement is built on good relationships with its stakeholders. Our customers trust our products and service, which is evident since most of our customers source exclusively from our brand. This stems from the exceptional customer experience we provide, and results in long-lasting partnerships that contribute to our business' sustainability.

We have various channels of communication with our customers such as emails, group chats, phone calls, and virtual meetings to immediately address their needs. There are also other means for customers to raise concerns, by helping us identify areas for improvement simultaneously.

First, we offer a Customer Complaints Helpdesk that is open 24/7, wherein we provide resolutions within seven days upon receipt. Of the total complaints received this year, around 14% were valid or substantiated. These mostly consisted of quality issues and short deliveries, which we resolved through checking and developing product quality and employing a systematic protocol for handling orders. There were no complaints regarding data privacy, nor were there detected information leaks and data breaches. This is, in part, due to our Data Privacy Policy which complies with the Data Privacy Act of 2012.

Second, our cross-functional team reviews the concerns regarding our services to determine root causes, implement corrective actions, and prevent issues from recurring. We also encourage customers to raise concerns through our Regional and Area Sales Managers (RSM/ASM) and Technical Sales Managers (TSM) who conduct weekly site visits and actively gather customer feedback and study market dynamics. We also closely monitor our customers' satisfaction through our Annual Customer Satisfaction (CSAT) survey, which we have been conducting for eight consecutive years. This assesses customers' perceptions towards our products and services in both head office and plant, and after-sales services.



We obtained a CSAT score of 3.3 out of 4.0 – attesting to our consistent and exceptional service despite the aforementioned logistical issues. In 2021, we had record-breaking dispatches in the first half of the year. This was made possible by the early preparations we made such as debottlenecking transport processes, trials on reducing clinker consumption, studies of introducing grinding aid on mills, improving coal mix (LVM and HVM), increasing use of cheaper coal, and incorporating alternative raw materials on cement and raw mixes. We also have a systematic protocol that enhances the capacity of the plant to accommodate numerous orders.



Sustainable Logistics Operations

In order to make our bagged cement products readily available in other regions, Eagle Cement operates four distribution centers in Parañaque City, Cavite, Batangas and Pangasinan, serving our valued clients in NCR and Regions I and IV-A. Our Cavite and Batangas centers operate 24 hours daily from Monday to Saturday to capture strong demands from these markets.

We manage a fleet network of 135 cargo trucks, 355 trailers, and 55 bulk carriers operated by over 40 third-party service providers which move approximately 50% of the daily plant production output to warehouses, hardware stores, construction sites, and concrete manufacturing facilities of our clients.

In collaboration with the Sales and Production Departments, continuous debottlenecking efforts are in place to guarantee timely dispatch and delivery of products. Eagle Cement continuously elevates customer satisfaction through key improvements which include analytics provided by our new ERP system, streamlining of distribution processes, optimization of warehouse

storage capacities, constant engagements with our stakeholders and third-party providers, upskilling of personnel, and overall change in management to name a few. Eagle Cement upholds its commitment of next-day deliveries to our dealers and their customers, and swift processing time for our plant pick-up clients.

We remain committed in directly distributing economic value to our communities, thus, 83% of our haulers are Bulacan-based companies where 89% of our freight costs are remunerated.

Establishing and refining the Company's haulers KPI system uses firm metrics to measure and improve the delivery service provided by our third-party haulers.



Eagle Cement also employs a Global Positioning System (GPS) fleet tracking technology that monitors real-time status of deliveries to ensure timely delivery to our customers, safeguard the integrity of our delivered cement products, provide optimal delivery routes and journey planning to our haulers, and generate a wealth of vital data that will improve delivery and customer service.

Through the GPS tracking system, we were able to determine optimal delivery routes that have reduced the distance travelled by our haulers to reach key delivery destinations. From fuel consumption factor as high as 1.59 liters per 10 bags delivered in 2019, we have effectively reduced this by 6% to 1.5 liters per 10 bags delivered in 2021.

In the third quarter of 2021, the Company has undertaken a study to migrate to a newer tracking technology, Global Navigation Satellite System (GLONASS), utilizing satellite systems instead of the

currently used SIM-based telecommunications. This is expected to be rolled out in early 2022.

With the acquisition of SNMC in November 2021, Eagle Cement has integrated SNMC processes to create synergies with the cement and fly ash operations which we concurrently managed.

We maintain our communication lines open 24/7 where our dealers through various medium of communication where they can make logistics-related queries such as delivery location and estimated time of arrival, pick-up truck status, queuing among others. Furthermore, the Company is able to immediately respond to and resolve client issues or concerns anytime of the day.

Marketing and Branding

Eagle Cement has built an identity of excellence over the past years. This has become an essential corporate asset that sets our products and services apart from our competitors domestically. Our brand has become synonymous with strength, durability, reliability, and world-class quality cement products because of our marketing and branding. We have established a strong brand equity since our inception in 2010 and, since then, we continued to gain the market's trust by integrating sustainability in our core operations.

In fact, we have been the trusted partner of leading construction companies to supply the cement requirements of their ongoing major public infrastructure projects such as the MRT-7 (NCR-Bulacan), the Skyway Stage 3 (NCR), and the Alabang/Sucut Skyway.



Maintaining brand visibility







We also revamped our company website in 2021 to better engage with stakeholders, disclose our sustainability efforts, and showcase our products and portfolio of projects in partnership with big infrastructure players in the country.

We have diverse strategies in maintaining brand visibility such as promotional materials on LED billboards, column banners, and standard billboards along main thoroughfares and expressways. Our small billboards can also be found on establishments such as CW Home Depot, small retail stores, and others. We launched 2,000 store signages and 5,000 retail tarpaulins this year to heighten brand awareness.

Through the years, we have built a reputable brand that customers have been loyal to. This remains the same for 2021, as our customers retained with our brand with no reported complaints on product marketing and labelling.

Our thrust in sustaining a good relationship with our stakeholders has always been the essence to our success. We continue to build brand awareness and strength through partnerships and investments by rewarding our customers’ brand loyalty. We offer a 36-month Truck Loyalty Program wherein pre-selected sub-dealers are entitled to avail of reimbursement when the target monthly volume of deliveries is reached.

Meanwhile, 2021 “*Tibay Buong Taon*” entitles our sub-dealers and retailers to earn points when they directly purchase Eagle Cement Advance from accredited dealers. These points can then be converted to cash via bank transfer or Sodexo gift certificate.

Efficiency and Environmental Performance

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

Protecting Our Natural Wealth

Eagle Cement goes above and beyond in adopting sustainable practices by using resources responsibly, managing waste, and rehabilitating forestland. Since we primarily produce and deliver cement, we depend on the continued availability of natural resources.

We take full responsibility for our direct socio-environmental impacts by protecting the environment and communities in our operation sites. In 2016, we established an Environmental Management System (EMS) to enhance our environmental performance and consequently obtained an International Organization for Standardization (ISO) 14001:2015 certification.

Aside from having a more efficient system, vertical integration has given us more control over our value chain. We can better manage our environmental impacts throughout our value chain by localizing our processes. As part of the Company’s sustainable practices, we now generate power through a Waste Heat Recovery (WHR) facility and source water through Rainwater Harvesting (RWH) facility—both of which are more sustainable alternatives. Our efforts do not stop there, as we remain committed to conserving our natural resources and expanding our operational capacity.

Our material topics have progressed over the past few years and attest to our dedication in environmental stewardship. We have been recognized by other institutions for our efforts, such as the PMIEA. We were also among the top nine performing companies of the Philippine Extractive Industries Transparency Initiative



(PH EITI), a government-led, multi-stakeholder initiative implementing EITI, the global standard that promotes the open, accountable management, and good governance of oil, gas, and mineral resources.

These recognitions show exemplary efforts, viewed in the context of the cement and mining industry. Our true impact lies on how we manage our resources, conserve our ecosystems, generate livelihoods, and empower our communities. As we work hard to grow our business, we will continue to protect biodiversity and practice responsible production.

Responsible Materials Consumption and Waste Management

We manufacture our products responsibly and mitigate environmental impacts wherever possible. Portland cement mainly comprises of limestone and shale, which we source from local reserves in compliance with the Philippine Mining Act of 1995 (RA 7942) and its Implementing Rules and Regulations (IRR). Coming from the constant lockdowns in 2020, raw materials consumption substantially grew by 54.9% relative to the increase in production due to higher demand. In contrast, our raw materials consumption increased by only 5.76% compared to our consumption in 2019 – indicating that the scale of our operations is closer to pre-pandemic levels.

While our current limestone reserves are sufficient, we are aware that it is a finite resource. Thus, we continue to research ways to use our materials more efficiently to conserve our mineral reserves, such as utilizing alternatives and investing in more sustainable technologies.

By-products of other industries serve as alternatives to help alleviate our reliance on virgin minerals. We have since been using synthetic gypsum and recycled materials namely low and high carbon fly ash, coarse limestone, and pulverized limestone in place of natural resources. Of our total raw materials consumed, 5.83% of input materials was recycled. The decrease in the percentage of usage of recycled input materials was attributable to lower supplies of fly ash, as power plants only started to ramp up their production on the latter half of 2021. In 2022, we are optimistic that we will improve our usage since we have the capacity to accommodate more of these material as the supply becomes stable and more sufficient.

In addition, a flowmeter was installed at the high carbon fly ash dosing facility in raw mill line 2. This will help improve the control of material flow in order to maximize the addition rate of the said material. However, the impact of this initiative is expected to be realized by 2022.

GRI 301-1, GRI 301-2

Raw Materials Consumption (in metric tonnes)

MATERIALS	2021	2020	2019
Non-renewables	8,376,536	5,407,709	7,920,676
Renewables	—	—	—
TOTAL	8,376,536	5,407,709	7,920,676
TOTAL RECYCLED	488,738	380,138	567,600
% Recycled input materials*	5.83%	7.03%	7.17%

\* Low carbon flyash, high carbon flyash, coarse limestone, synthetic gypsum, and pulverized limestone





Achieving zero waste is a long-term and ambitious target, as it involves reframing waste as by-products that can be reintroduced into the supply chain. Eagle Cement understands that proper waste management involves responsible production. We take critical steps to minimize this and contribute to responsible consumption and production within the cement industry. Wherein, waste management is extensively covered in our EMS and is embedded in the Company culture.

The increase in wastes generated this year stems from the increasing operational capacity. In particular, the increase in pathological and infectious waste was attributed to the use of PPEs such as surgical masks and in-house RT-PCR testing. We handle waste properly, in compliance with the Ecological Solid Waste Management Act of 2000 (RA 9003) and the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 (RA 6969).

Waste is regularly and thoroughly segregated at the time of discharge in our Materials Recovery Facility (MRF). This allows us to reclaim materials that can be recycled and reused before disposal in the landfill. Likewise, hazardous waste is handled systematically. We segregate, label, store, transport, treat, then dispose of hazardous wastes in accordance with our Hazardous Waste Policy. A DENR-accredited Treatment, Storage, and Disposal (TSD) facilities vendor processes and transports these wastes pursuant to RA 6969.

Since eliminating excessive waste significantly eases up our waste management system, we follow the hierarchy of reducing, reusing, and recycling. In support of paperless reporting, we submitted our reports to the Mines and Geosciences Bureau Region 3 (MGB R3) through an online platform in 2021. This has



reduced our fuel consumption and GHG emissions and aligns with our Annual Environmental Protection and Enhancement Program (AEPEP) and Corporate Social Responsibility (CSR).



Aside from using recycled input in producing cement, we also retrieve solid waste from our own operations. We place dedicated bins for for polyethylene terephthalate (PET) bottles bottles in visible areas to encourage proper segregation, materials recovery, and to create more value from these wastes. For instance, scrap woods are segregated and repurposed into tables and chairs, and are then donated to schools.

GRI 306-2, GRI 306-3, GRI 306-4

Total Weight of Waste by Type and Disposal Method (in kg, except as indicated)

WASTE TYPE		MATERIAL	2021	2020	2019	DISPOSAL METHOD*
Hazardous Wastes	Acid waste		1,170	102	—	Chemical Fixation/Immobilization
	Alkali waste		18,275	3,342	—	Chemical Fixation/Immobilization
	Busted fluorescent lamp		—	—	342 (pcs.)	Mercury Recovery Technology
	Contaminated containers		8,200	8,680	335	Decontamination
	Electronic waste		7,685	—	563	Stabilization/Encapsulation
	Oil-contaminated materials		9,500	—	4,937	Chemical Immobilization
	Other mixed resins		1,390	—	2,389	Chemical Immobilization
	Pathological waste and infectious clinic waste		3,000	126	8	Encapsulation
	Pharmaceutical drugs		806	—	—	Physicochemical and thermal treatment
	Used lead acid batteries		—	—	1,260	Chemical Fixation/Immobilization
	Used oil		31,470	57,148	27,614	Recycling Constituting Disposal
Total Hazardous Wastes			81,496	69,428	37,106	
Solid Wastes (Residuals)			547,258	459,670	281,929	Sanitary Landfill
Recyclable wastes			3,237	200		Recycling

\* Disposal method all via third-party treater accredited by the regulatory body

In 2020, we launched the Ban on Single-use Plastic program that prohibits the use of plastic bags in our plant’s canteen and grocery store. We were able to make this part of our norm to reduce our plastic waste generation substantially. Another campaign is the Clean-up Drive conducted at the Eagle Cement compound, which further instilled the value of environmental stewardship in the Company.

Energy and Fuel Efficiency

Energy efficiency is crucial to our sustainability journey. It allows us to make the most of resources in delivering quality products and creating value for all. Thus, Eagle Cement employs several strategies and implement programs to manage fuel and energy consumption. In doing so, we also contribute to the reduction of GHG emissions.

Manufacturing cement is an energy-intensive industry, as it consists of several stages and requires extreme heat. Operations tend to depend on fuel, therefore price and supply fluctuations in the domestic and international markets greatly impact our Company. On one hand, the scarcity or uncertain supply of coal can adversely affect our operations, opportunities, and financial position. Also, the use of fuel and other non-renewable energy sources may impact our communities and environment due to our air emissions.

We use the dry process which is more energy efficient when coupled with a Waste Heat Recovery (WHR) facility. Our WHR facility further reduces energy consumption and minimizes our reliance on the grid, as it recovers waste heat energy discharged from production process, then converts it to electricity for the cement plant. In 2021, we installed a new condenser and boiler steam generator in our WHR facility which resulted in an increase in power production by up to 800 kW.



Eagle Cement continuously improves processes at each level of production. We endeavor to make incremental and key improvements that aim for zero-waste to landfill in our operations.





We also maintain a clinker exit temperature of 120°C for the hot gas generation to reduce diesel consumption. We extended the supply of hot gas from the existing cooler line 2 to Finish Mills 3 and 4 by installing a split duct. This has reduced our diesel consumption for drying requirements in cement production. In addition, the initiative to install hot gas duct from cooler line 3 to Finish Mill 5 is already in the pipeline and is expected to be completed by 2022.



While upgrading technology is imperative, encouraging systemic change is key to resource efficiency. The Logistics Department, in coordination with the Security Department, implements a “No Engine Idling” policy. With this, Eagle Cement provides a driver’s lounge to prevent unnecessary fuel consumption. This in turn contributes to the improvement of air quality in the main parking area and the surrounding communities since trucks stay at the plant for up to a maximum of 16 hours from arrival to dispatch. The lounge also allows drivers to rest from long driving hours, eliminating fatigue and ensuring their safety as well as safeguarding their physical and mental well-being. For head office and plant-based employees, we provided a shuttle service with a policy of having a minimum of two employees per trip.

This maximizes the energy used for transportation and reduces our carbon footprint. Eagle Cement also maintains a database on vehicle mileages, ensuring optimal level of fleet operations.

Similar to raw materials consumption, our fuel consumption increased considerably due to our expanding production scale. Thus, we utilized around 42% and 63% more gasoline and diesel, respectively, versus last year. Compared to pre-pandemic level in 2019, our gasoline utilization decreased by 34%, while our diesel consumption increased by only 18%. This shows that, as we expand our business, we are still able to consume fuel efficiently.

We increased the use of local coal this year by lowering consumption of low-volatile matter (LVM) coal, which has higher carbon footprint and cost, and shifted to using more high-volatile matter (HVM) coal.

GRI 302-1, GRI 302-2, GRI 102-48

Fuel Consumption (in liters)

ITEMS	2021	2020	2019
DIESEL			
Crusher Lines 1 & 2	2,258,986	1,512,000	1,943,740
Finish Mill 3	570,499	359,734	602,787
Finish Mill 4	2,328,467	1,174,609	1,489,854
Finish Mill 5 *	146,508	—	—
Fleet (gas station outside)	157,176	128,812	174,791
Fleet (plant diesel tank)	57,164	83,247	210,034
Generator Sets	50,456	73,236	66,081
Pyro Line 1	113,194	109,606	127,874
Pyro Line 2	245,009	176,533	247,612
Pyro Line 3	348,995	238,891	466,057
Third-party haulers	** 9,405,183	5,855,455	9,042,746
GASOLINE			
Fleet	21,947	15,482	33,023
TOTAL			
Diesel and gasoline	16,625,571	9,727,605	14,404,599
Diesel	6,276,454	3,856,669	5,328,830
Net of third-party haulers	6,298,401	3,872,150	5,361,853

\* Started operations in 2021 (hot commissioning)  
\*\* Restatement of information from SEC Form 17-A

The Operations Committee (OPCOM) tracks daily and monthly energy usage to assess deviations. A root cause analysis (RCA) is also performed to identify and prevent complex and recurring issues and allows the Company to determine issues in its operations and make informed decisions for the efficient allocation of energy resources.

GRI 102-48, GRI 302-1, GRI 302-2, GRI 302-3, GRI 302-4

Electricity Consumption (in MWh)

ITEMS	2021	2020	2019
Bulacan Plant Site	490,486	314,183	469,681
Head Office	130	47	173
Total	490,617	314,230	469,854
Energy Intensity (kWh/tonne of cement)	85.57	87.41	99.38

Electricity consumption rose by 56% and 177%, respectively. However, it would also be justifiable to gauge our progress by comparing our 2021 and 2019 energy usage, given that our current operational capacity is closer to pre-pandemic levels. Using 2019 as a benchmark, our electricity consumption increased by only 4% at our plant and reduced by 25% at the head office (HO). The lower consumption in HO can be attributed to the WFH set-up implemented during the peak of COVID-19 cases in the first few months of 2021. We further improved our energy efficiency and lowered our energy intensity by 2.11%.

GRI 305-1, GRI 305-2, GRI 305-4

GHG Emissions (in TCO<sub>2</sub>e)

FACILITY	2021	2020	2019
SCOPE 1			
Bulacan Plant Site	3,253,906	2,092,636	3,057,437
Head Office	471	380	543
SCOPE 2			
Bulacan Plant Site	349,324	223,761	334,413
Head Office	93	34	123
Total	3,603,794	2,316,811	3,392,516
GHG Intensity (in TCO <sub>2</sub> e per tonne of cement produced)	0.63	0.64	0.72

Our efforts towards resource efficiency ultimately contribute to lowering our GHG and other air emissions. We use alternative and local raw materials and implement programs to minimize energy consumption. Aside from these, we offset carbon emissions by investing in energy-saving technology that utilizes readily available thermal energy and practices carbon sequestration. Eagle Cement mainly contributes to carbon sequestration through its quarry rehabilitation program, along with other forestation programs and the bamboo and mahogany plantation projects.

Our total GHG emissions in 2021 were only slightly higher compared to pre-pandemic emissions.

We reduced our GHG emissions by 77%, or 1,600,204 TCO<sub>2</sub>e and lessened our GHG intensity by around 2%, indicating that our GHG emissions do not increase at the same rate as our operational capacity’s growth.

GRI 305-5

GHG Reduction (in TCO<sub>2</sub>e)

FACILITY	2021	2020	2019
Waste heat recovery	9,114	6,460	13,312
Reforestation	876	220	347
Clinker replacement	1,585,637	895,824	979,000
Hot gas duct (from Cooler Line 2) supplied to Finish Mill 3	4,577	2,425	3,686
Total	1,600,204	904,929	996,345

Air Quality

Maintaining good air quality is among our material topics. Our Company ensures that air emissions such as nitrogen oxide (NOx), sulphur dioxide (SOx), and particulate matter (PM) or dust, are efficiently managed in accordance with DENR regulatory limits. The Company oversees its emission through a management system in compliance with the Clean Air Act (RA 8749) and DENR’s ambient air quality standards and discharge limits.

These air pollutants, if present in excess, may affect the health of our people and residents of our neighboring communities; therefore, we implement measures to minimize this by establishing a comprehensive air quality management program encompassing areas in and around the plant.



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

EQUIPMENT	NITROGEN OXIDE (NOx)			SULFUR OXIDE (SOx)			PARTICULATE MATTER (PM)		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Cement Mill 3	82	28	28	< 4	9	7	68	28	50
Cement Mill 4	84	52	33	7	3	9	33	85	108
Clinker Cooler 1	29	24	24	112	< 2	< 2	2	4	4
Clinker Cooler 2	85	46	52	298	23	14	11	7	8
Clinker Cooler 3 **	85	59	149	< 4	19	4	9	3	4
Coal Mill 1	27	50	50	< 3	< 2	21	1	17	17
Coal Mill 2	85	62	59	224	12	17	4	80	4
Coal Mill 3 **	113	85	85	46	16	43	7	4	5
Raw Mill 1	24	55	55	205	362	362	17	9	9
Raw Mill 2	109	60	60	329	330	276	11	8	8
Raw Mill 3 **	85	109	104	364	309	85	9	6	8
DENR Regulatory Limit	500			700			150		

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

The focus is primarily on monitoring parameters; we have been operating our Continuous Emission Monitoring System (CEMS), acquiring and handling data, and utilizing a closed-circuit television system that transmits real-time images and tracks data in our integrated production lines.



PM mainly comes from extracting and hauling limestone through the trucks' activity on unpaved roads. To manage this, we enclosed crushing areas and conveyors, water roads, installed water spraying systems, and implemented a speed limit of 20 kph. We commissioned mechanical street sweepers to reduce road dust, which have proven to be successful

in improving air quality in the plant. Consequently, we monitor ambient air quality on a quarterly basis to ensure regulatory compliance.



Our emissions for the year showed that we are compliant with the DENR regulatory limits for NOx, SOx, and PM. We closely track our GHG and other air emissions to ensure our communities' safety and further reduce our negative environmental impact.

GRI 303-1  
Water Consumption

Eagle Cement advocates for the responsible consumption of water and discharging wastewater. Throughout the years, we implement measures to utilize water more sustainably and employ methods that minimize our impacts on nearby water bodies.

Cement production necessitates water consumption for cooling heavy equipment and exhaust gases and controlling emission systems such as PM. Given the accelerating demand for cement in the past years, managing water consumption has become more important to the industry.

Since we withdraw most of our water from deep wells, water depletion and land subsidence are potential long-term and drastic risks. We found it necessary to look for other water sources, such as rainwater. In order to utilize the rainwater collected in the quarry pit, the Company started to develop a rainwater harvesting (RWH) facility.



The RWH facility completed the initial phase with eight out of ten water tanks installed. This allows us to utilize rainwater stored in the quarry pit due to our mining activities. The project involves two phases: 1) the Temporary Water Extraction using the mobile pump and 2) the Permanent Water Extraction using our pumping station.

Our total year-on-year water consumption, along with our water reusing and recycling grew by 35% and 44%, respectively. However, we reduced total water consumption by 36% compared to 2019 level. These figures present promising results in our quest to consume water more efficiently.

With the on-going construction of the RWH facility, we can expect even greater increases in reused and recycled water consumption by up to 40%.

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

FACILITY	2021	2020	2019
Bulacan Plant Site	184,761	137,262	288,228
Head Office	1,472	1,139	1,322
Total	186,233	138,401	289,550
Water recycled and reused	31,707	21,985	29,216

We acknowledge that effluents and other materials from our operations may impact the quality of local freshwater and tributaries. Soil erosion at our quarry sites increases the accumulation of sediments that enter the nearby bodies of water. Effluents from quarry operations, earthmoving, and ground clearing may also carry PM and other contaminants into the water. Eagle Cement ensures that the water quality at its site passes the regulatory standard for effluent by regularly maintaining its settling ponds and drainage systems to prevent contamination of nearby freshwater. Around 17% of the total water consumed is either recycled or reused.



Our dry process in cement production results in minimal discharge. A DENR-accredited third-party service provider periodically monitors our site's water quality to certify that parameters are within the standards set in DAO 2016-08 or the Water Quality Guidelines and General Effluent Standards of 2016.

We test relevant parameters such as total suspended solids (TSS), oil and grease, temperature, and pH level, then validate these results during our Multi-partite Monitoring Team (MMT) meeting. This is included in



the compliance monitoring and verification report. We continuously improve our water resource efficiency and ensure that we protect the water quality in and around our site.

GRI 304-2, GRI 304-3, GRI 304-4

Land Rehabilitation and Biodiversity

Eagle Cement recognizes that it is a custodian of the land where it operates and is committed to reduce the potential impacts of our assets on the land, and comply with all relevant regulations. Given the impact of our operations on the environment, we take full responsibility by conducting programs that contribute to the health of our ecosystem. In compliance with RA 7942, we have been gradually enriching buffer zones of quarry sites and unproductive areas.

Eagle Cement has partnered with the Akle Farmers Producers Cooperative for the Mine Forest Program and is currently in the third year of our partnership with them. Thus far, we have been continuing our forestation efforts and maintaining previous planting sites. This fruitful collaboration with the cooperative has been extended until 2024. A former motor pool has also been converted to a plantation site, wherein 200 bamboo seeds were planted three years ago. Now it has developed into a lush young bamboo forest. In order to further develop this initiative and create sustainable impact for our stakeholders, we will soon create a Bambusetum and mini forest trail for hiking.



Aside from this, Eagle Cement joined the celebration of the 2021 World Bamboo Day with the theme “Alay ng Bayan sa Inang Kalikasan, Kawayan!” through a tree planting activity organized by DENR-Community Environment and Natural Resources Office (CENRO)

Baliwag at Brgy. Kalawakan, Doña Remedios Trinidad, Bulacan on September 17, 2021.

A total of 400 bamboo seeds were planted covering one hectare of land. The event was participated in by 80 individuals from several mining companies in the region, Department of Trade and Industry (DTI), Highway Patrol Group and Bureau of Jail Management and Penology. The Company also donated 200 Bamboo propagules (Bayog spp.) to the organizer.

Additionally, our 500 sq.m plant nursery was completed in May 2021. This houses endemic plant species used for our land management programs.



Under the National Greening Program, we adopted the public forest land that DENR identified as suitable for tree planting. Eagle Cement will be reforesting and maintaining these areas with Pinagtapikan Upland Farmers Association Inc. until 2025. To date, we have reforested around 15 hectares of land.

Area Distribution (in hectares)

ITEMS	2021	2020	2019
Tenements (MPSA 181)	169.37	169.37	169.37
Disturbed (active mining site, industrial site, admin, access roads)	70.58	70.58	70.58
Unused (idle land within MPSA 181)	98.79	98.79	98.79
Rehabilitated/Planted Area (including the area outside MPSA 181)	152.83	137.36	129.79
National Greening Program Area (apart from the planted area)	137.05	123.05	123.05

\* MPSA - Mineral Production Sharing Agreement

Our plantations help rehabilitate the land, sequester CO<sub>2</sub> emissions, and benefit the local community. For instance, we helped generate livelihood for 25 farmers through our Mine Forest Program. Beyond this, we have launched programs to spread awareness regarding the importance of environmental protection.

We have also hosted an educational campaign at Akle and Talbak Elementary Schools in March 2021 with the theme “Forest Restoration: A Path to Recovery and Well-being.” Eagle Cement donated 80 seedlings and conducted a ceremonial tree planting to commemorate the event.



In celebration of the Philippine Environment Month and Arbor Day, we launched our Information, Education and Communication (IEC) campaign in June to promote consciousness of climate issues among the youth in Brgys. Akle and Talbak. Educational talks and tree-planting activities were also conducted for students and conducted with 51 volunteers composed of our own employees and contractors. We planted a total of 654 tree species at the quarry progressive rehabilitation site, including, but not limited to, banaba, bamboo, molave, alibangbang, narra, tan-ag, and guyabano.

As part of our environmental stewardship efforts, we previously commissioned environmental experts to assess the biodiversity of terrestrial flora and fauna in our quarry sites in San Ildefonso, Bulacan. We aim to prevent the loss of any identified species included in the International Union for Conservation of Nature (IUCN) Red List of 2016 and the National Conservation List such as is-is (Ficus ulmifolia), malak-malak (Palaquium philippinense), malasaging (Aglaia edulis), and narra (Pterocarpus indicus).

Committed to reforestation and rehabilitation programs





In order to conserve these species, we allocated buffer zones to minimize disturbances in these areas, particularly during blasting activities. In the future, the Company is also considering breeding these species to be used for future rehabilitation activities.

Eagle Cement also strengthened its partnership with the Philippine Eagle Foundation (PEF) until May 2025 and pledged to continue supporting Viggo, the Company's adopted male Philippine Eagle under PEF's conservation program. This initiative is woven into our sustainability to reflect our efforts to protect biodiversity and conserve natural resources.



Climate-related Risks and Opportunities

Multiple sources assert that the Philippines is among the countries most vulnerable to climate change. Its impacts on the country consist of rising sea levels, extreme weather events, annual GDP loss, food insecurity and endangerment of vulnerable groups, among others. Like most industries and enterprises, Eagle Cement will undoubtedly be affected. These pressing issues signaled the need for us to better understand and manage climate risks. As a response, we created a system that allows us to take action regarding these concerns.

The Company realizes the impacts of climate change in multiple ways. Intensified natural disasters such as floods, earthquakes, typhoons, and extreme droughts can cause facility damage, road blockages, and prolonged power interruption. These climate-related risks can significantly disrupt our supply chain by failing to produce and dispatch the products, resulting in non-attainment of annual targets. Global temperature

rise may also interfere with the supply chain due to a potential scarcity in water and energy supply.

Our strategy in managing climate risks mainly involves creating systemic change and investing in technology and programs that can boost resilience and reduce our impacts. In particular, we installed WHR Facility in the Bulacan plant and completed the initial phase of the RWH facility which reduces dependence on current energy and water resources, respectively. We work closely with industry and national agencies to increase efforts in reforestation and rehabilitation programs. The Company also aims to help build its communities' climate change resilience by building flood-control structures and launching awareness programs on climate change.

Eagle Cement has an Enterprise-wide Risk Management (ERM) System implemented across the organization and monitored by the management. The Board of Directors is kept informed, as necessary, of the developments and updates on potential climate risks.

The Company is able to accomplish this by utilizing a strong risk management process, creating awareness, and building team member capabilities while maximizing available resources and technologies. Our assets and operations also have insurance coverage, enabling us to recover swiftly in case of any operational disruptions. This is also usually carried by companies engaged in similar businesses and using similar properties in the same geographical areas where they operate.

Part of an effective risk management is also ensuring that the Company is constantly updated with developments in the industry. Eagle Cement harnesses its thought leadership and research insights to enable timely decision-making on climate-related issues and risks as they arise. Reflecting our commitment to driving sustainable progress, we also maintain an open communication with various government agencies and closely monitor regulatory developments in connection with climate change and sustainability and contribute to selected initiatives as necessary.

We regularly monitor operational hazards and climate-related risks that may result in catastrophic impacts in major and prolonged operational disruptions. Metrics used to assess climate-related risks and opportunities complement our operational resiliency in terms of systems, process dependencies, and redundancies—



speeding up recovery to shorten downtimes. These metrics include environmental indicators such as rainfall and temperature, as well as awareness and knowledge of employees on the potential risks and protocols.

To establish accountability and minimize any operational disruptions, the Company sets various key performance metrics per department. We keep track of this through scorecards tied to the Company's rewards and recognition program to help keep the organization in a state of alertness and emergency preparedness. We recognize climate change as a significant and persistent issue and, as such, find that we must continuously find ways to respond better to its risks and opportunities.

Social Responsibility

Creating Value for Our Society

Eagle Cement recognizes that we must respect human rights across our value chain, make opportunities more equally accessible to all, support sustainable supply chain practices, and give back to communities. Our efforts strike a balance between preserving the environment, respecting human rights, and helping local communities while complying with laws, regulations and social and ethical standards. To promote sustainable development, the Company empowers and creates values for its people and communities—ensuring that its impacts go beyond economic benefits.

A year into the pandemic, Eagle Cement continues to look after the welfare of its people and the community surrounding its business operations by carrying on with its programs and unwavering support to all its stakeholders.

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

Caring for Our People

Our employees are invaluable to us and our policies, programs, and other initiatives reflect this. Eagle Cement promotes inclusivity, diversity, and equality by respecting and accepting people regardless of their age, gender, race, ethnicity, nationality, religion, beliefs, disability, birthplace, sexual orientation, values, and work styles. Each of its employees is provided with a safe working environment that fosters their growth and development. The Company's Code of Ethics details its non-discrimination and diversity practices and states that all aspiring and current employees are provided with equal employment opportunities. This is communicated to all employees and management, and made it accessible for all on our website to ensure that everyone at Eagle Cement practices ethical behavior in the workplace.

A working environment that promotes diversity and supports Eagle Cement's corporate values will keep its employees motivated and committed, making it a more competitive company.

At the end of 2021, Eagle Cement's workforce was composed of 534 employees. The average age of the Company's employees is 36 years old, while the average length of service is 3.89 years. Most of the Company's employees are male, and comprised 75.47% of the workforce.



GRI 102-7, GRI 102-8, GRI 102-48

Employee Breakdown by Contract Type

CONTRACT TYPE	2021		2020		2019	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
Regular	363	127	371	115	318	95
Probationary	25	3	7	11	29	12
Project-based	15	1	9	3	50	13
Total	403	131	387	129	397	120
Grand Total	534		516		517	

Employees of Contractors by Place of Origin

PLACE OF ORIGIN	MALE			FEMALE		
	2021	2020	2019	2021	2020	2019
Host Community (Brgy. Akle)	785	150	497	30	7	27
Other Areas in Bulacan	579	446	1,004	20	23	48
Areas Outside Bulacan	689	148	634	27	8	24
Total	2,053	744	2,135	77	38	99

GRI 401-1

New Hires

FACILITY	2021		2020		2019	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
Bulacan Plant	54	—	8	4	14	19
Head Office	18	15	14	13	88	16
Total	72	15	22	17	102	35
Grand Total	87		39		137	
Ratio of lowest paid employee against minimum wage	134%		134%		119%	

GRI 401-1

Employee Turnover

FACILITY	2021		2020		2019	
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
Bulacan Plant	59	1	29	2	10	14
Head Office	16	12	11	9	56	9
Total	75	13	40	11	66	23
Attrition Rate *	16.00%		3.14%		10.00%	

\* Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

In 2021, majority of the Company’s workforce are regular employees, while 5.24% are probationary employees and about 3.00% are project-based personnel.

Out of all the Company’s employees, 42.88% are aged below 30 years old, 43.82% are aged 30 to 50 years old, and the remaining 13.30% are more than 50 years of age.

Compared to the previous year, 2021 saw a significant increase in the number of contractors’ employees. The Company’s operations were supported by as many as 2,053 employees through its contractors due to the resumption of the construction of its Bulacan expansion, which was put on hold due to the pandemic. Local hiring remains a priority at Eagle Cement. Thus, 38.24% of our contractors’ employees are from Brgy. Akle in Bulacan, our host community, while 28.20% reside in other areas in the province.

While Eagle Cement does not currently employ people from indigenous communities or vulnerable sectors in 2021, it provides equal opportunities to all prospective employees. Its Code of Ethics, particularly its section about non-discrimination and diversity practices, confirms that the Company provides equal opportunities for hiring.

GRI 401-1

Employee Hiring and Turnover

With 87 new hires in 2021, the Company increased its workforce at a faster rate compared to 2020. This is mainly due to the widespread economic impacts of the initial wave of COVID-19 infections. The starting monthly salary is still at a 134% higher rate than Metro Manila’s minimum wage.

GRI 412-2

Upholding Labor Rights

To ensure that the Company upholds human rights, it has policies in place to protect employees and avoid practices such as forced labor and child labor.

The Eagle Cement Code of Ethics’ section on “Respect for Government and the Law and Corporate Governance” mentions that it is against forced labor. Meanwhile, the Code of Ethics has a section on “Harassment-free Workplace” that prohibits any form of harassment in the Company. Moreover, the Code of

Ethics has sections that tackle employee protection, non-discrimination and diversity, workplace violence, and procedures on administrative due process.

There were no cases of forced labor or child labor in the Company in 2021.

Rewards and Compensation

Eagle Cement adheres to lawful labor practices to ensure that we provide our people all mandated benefits prescribed under the Labor Code. We value having an excellent team of employees; thus, we provide other benefits and privileges on top of the government-mandated benefits such as ECC Cares Program, health and insurance benefits as health and wellness is our utmost priority, additional leave benefits and retirement program among others.

We also have an integrated Performance Management System (PMS) designed to be a holistic program that tracks the progress of the Company on both macro and micro perspectives. Using the Balanced Score Card as a tool to measure the success of Eagle Cement and its employees, the system has helped manage its performance since its implementation, producing desired business results.



Our rewards and recognition program aligns with industry standards and is designed to attract, retain and develop the right talent. We implement balanced scorecards and annual forced rankings to manage employee performance. Benefits and salaries are reviewed regularly; adjustments are then made to attract potential employees and to incentivize current employees to remain in the Company. Aside from government-mandated benefits, the Company also provides the following perks: additional leaves, healthcare, retirement benefits, survivor security, death benefits, and various forms of loans and financial assistance.



GRI 102-8, GRI 405-1, GRI 102-48

Employee Breakdown by Position and Age Group

	MALE			FEMALE			TOTAL
	< 30 YRS.	30-50 YRS.	> 50 YRS.	< 30 YRS.	30-50 YRS.	> 50 YRS.	
2021							
Top Management	—	6	5	—	2	2	15
Senior Management	—	2	7	—	—	2	11
Middle Management	—	18	15	1	7	4	45
Specialist/Supervisors	132	124	28	41	31	4	360
Rank and File	36	27	3	19	17	1	103
TOTAL	168	177	58	61	57	13	534
2020							
Top Management	—	6	5	—	2	2	15
Senior Management	—	2	7	—	—	2	11
Middle Management	—	18	15	1	7	4	45
Specialist/Supervisors	132	124	28	41	14	3	126
Rank and File	36	27	3	19	20	2	319
TOTAL	168	177	58	61	43	13	516
2019							
Top Management	—	2	2	—	1	—	5
Senior Management	—	8	7	—	2	3	20
Middle Management	1	12	22	—	4	5	55
Specialist/Supervisors	19	56	32	12	13	2	132
Rank and File	153	74	9	50	26	2	314
TOTAL	173	152	72	62	46	12	517

GRI 401-3

Parental Leaves

INDICATORS	MALE			FEMALE		
	2021	2020	2019	2021	2020	2019
Total number of employees that were entitled to parental leave	403	387	397	131	129	120
Total number of employees that took parental leave	12	14	6	4	7	17
Total number of employees that returned to work in the reporting period after parental leave ended	12	14	6	4	7	17
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	12	15	6	4	8	17
Return to work rate	100%	100%	100%	100%	100%	100%
Retention rate	100%	100%	100%	100%	100%	100%

GRI 401-2

Availment of Benefits

BENEFITS	% OF EMPLOYEES WHO AVAILED IN 2021	
	MALE	FEMALE
SSS	33.42	43.94
Philhealth	4.46	4.55
Pag-IBIG	11.63	15.91
Parental leaves	2.97	3.03
Vacation leaves	82.18	88.64
Sick leaves	46.29	64.39
Medical benefits (aside from Philhealth)	0.50	—

High-potential employees or qualified technical personnel are also given a cadetship program. We also hold trainings and seminars to boost employee performance and develop industry knowledge.



Employee Engagement

The Company continually strives to attract new talent and inspire its current workforce. An emotionally and mentally engaged workforce will encourage employee retention, boost involvement, and raise performance. Thus, we develop excellent employee relations to ensure continued growth for Eagle Cement and all its personnel.

We have open communication lines for employees to raise concerns and feedback to the management. The Company holds monthly meetings, quarterly updates, team building activities, performance reviews, talks from the CEO, Discussion time (D-Time), annual strategic planning, organizational climate surveys, and mechanisms for raising grievances.



To encourage holistic development and well-being, we provide employees with spaces for recreational activities. Employees may use the gyms located at the plant and head office as long as they pick a schedule before they visit. Both gyms follow health and safety standards and are disinfected each day or after every use.

Maintaining Excellent Employee–Management Relations

While the Company does not currently have any employee unions, it offers various communication channels between employees and management. We recognize that communication fosters a work environment that is honest, trustworthy, and harmonious.

When a new policy is formed, it is cascaded through various communication channels, such as huddles, meetings, official memoranda, and emails. Employees are informed of new policies and are then given time to familiarize themselves with the new policies before these are implemented. In 2021, the Company held its annual Brush-up program to refresh all employees on its Vision, Mission, and Values; benefits and rewards; and Company policies, among others.



To respond to the needs of the Company’s workforce, Eagle Cement also crafted policies, guidelines, and programs to promote improved mental health and well-being. It implemented an E-wellness Meter, which used analytics to measure factors such as employee engagement, job satisfaction, intention to stay, and mental health. In response to the results of the survey, the Company undertook the following initiatives:

- Conducted a Stress Management in Crisis Situation Workshop for all employees
- Introduced a mental health policy so that the workplace complies with the Department of Labor and Employment Order No. 208 series of 2020
- Partnered with Ruben M. Tanseco, S.J. Center for Family Ministries (RMT-CEFAM) to provide free online counseling by licensed psychologists and counselors
- Conducted e-wellness webinars hosted by mental health advocates on topics related to mental health, such as mental health in the workplace and maintaining a work-life balance in the new normal

In addition, employees who are in a work-from-home set-up during the pandemic were provided with laptops, monthly internet allowance or data through company phones.

Employee Training and Development

We continuously promote the inclusive development of our employees so that we can align the Company’s vision for sustained growth with the aspirational needs of our employees. All employees are given training and development opportunities, regardless of their rank, gender, or tenure. Each employee has an Individual Development Plan (IDP) mapped according to their training needs or job duties. The IDP is finalized at the start of each year.



GRI 205-2, GRI 404-2

Summary of 2021 Key Trainings

TRAINING	TOTAL TRAINING HOURS
Project Management	20
Pollution Control Officer (PCO) Training	40
Grinding and Milling System	40
Advanced Supervisory Training	32
How to be an Effective Auditor-In-Charge	8
Communication and Presentation Skills for Internal Audit	32
Root Cause Analysis (RCA) Performing Preliminary Survey	16
Tax Update on TRAIN Law 2	8
Fundamentals of Employee Discipline	8
Fundamentals of Organization Design and Structure	28
ISO 45001:2018 Internal Auditing Course	16
ISO 9001:2015 Internal Auditing Course	16
Materials Management and Inventory Control	16
Datamine Training	160
IT Project Management Training	16
Thermography Level 1	40
Vibration Level 1	40
Basic Maintenance Planning	40
Strategic Negotiation Skill	40
Category Management and Supplier Relationship Management	40
Advanced Excel	16
Stress Management	48
Essential of Leadership and Management (ELM) Program	56
Business Model Innovation	4
Brand Management	4
Effective Presentations	4
2021 In-House Corporate Governance Seminar	4
Anti-Corruption Training	1

Meanwhile, new hires must first go through an on-boarding process to better understand the Company and its industry. As part of the process, they visit the Bulacan plant to gain an extensive understanding of Eagle Cement’s activities, processes, and its role in promoting sustainable development to its host community and neighboring barangays. Additionally,

GRI 404-1

Training Hours by Gender

INDICATORS	MALE			FEMALE		
	2021	2020	2019	2021	2020	2019
Average training hours	33	4	16	30	3	11
Total training hours	3,536	890	896	3,092	718	516

GRI 404-1

Training Hours by Position

POSITION	AVERAGE			TOTAL		
	2021	2020	2019	2021	2020	2019
Top management	4	4	2	4	66	12
Senior management	4	2	9	4	34	56
Middle management	19	4	20	692	106	160
Supervisors	44	3	14	2,736	129	272
Rank and file	30	3	14	3,200	667	912
TOTAL	92	16	59	6,628	1,002	1,41

Eagle Cement provides new hires with cement technology training to have an in-depth understanding of the cement manufacturing process.

Employees are also given other opportunities to hone their skills and competencies. These include but are not limited to: coaching and mentoring, job shadowing, on-the-job training, and job rotations.

The Company provides employees with key training on problem-solving, process optimization, and testing and calibration for quality assurance. Some of its key training modules include the following:

- 8-Discipline of Problem Solving. Through this module, employees are taught how to identify, correct, and eliminate persistent problems so that products and processes can improve.
- DMAIC. This module teaches participants how to improve processes and make them more stable.
- ISO 17025:2017 Foundation Course. This sets a standard for test and calibration services.

Geologists are also given an advanced level course called Resource Modelling and Geostatic Training. In this course, participants are taught how to improve their resource estimation and classification approach

to more accurately measure reserves and ensure sustainable operations.

To enhance corporate governance, the Board of Directors and key members of the management were given an in-house corporate governance training conducted by a SEC-accredited training provider. The first session of the 2021 training focused on building an effective working board, while the second tackled an overview of Philippine law on public integrity.

Compared to 2020, total training hours in 2021 increased by more than 300% due to the adaption of web-based learning, providing flexibility in conducting seminars through various online platforms.

The Company also complies with the SEC’s requirement on anti-corruption training. The training proved successful since there were no instances of corruption in the Company in 2021.





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

**Safety is Our Priority**

Providing a safe and secure workplace in the larger interest of our people can raise health and safety management standards not only in the Company but also in the industry. Eagle Cement shows its commitment to Occupational Health and Safety (OHS) through its activities and communications. Our employees uphold a strong health and safety culture since they are encouraged to protect their operational health and safety as well as their colleagues and the Company’s assets. Everyone is expected to comply with the Company’s safety requirements upon entering our sites.

**Preventing and Managing COVID-19**

As the COVID-19 pandemic persists, so do our efforts to protect our employees and communities. Eagle Cement has a medical team and a task force who are at the forefront of making decisions regarding any COVID-19 related matters and ensure that both employees and third-party contractors are supported. With the strict implementation of COVID-19 protocols in 2021, the Company was able to operate continuously, achieve its targets, and meet expectations on product excellence and deliveries.

Eagle Cement implemented various programs to mitigate and cope with the impacts of COVID-19. This includes the plant bubble set up to contain the spread of the virus while keeping the plant operational amidst the pandemic. Prior to return to work, employees undergo RT-PCR testing. During the COVID-19 surge in April 2021, we coordinated with Hi-Precision Diagnostics and the San Miguel Foundation Laboratory to improve RT-PCR testing capacity. We also converted 40 convans into modular

smart houses to provide additional accommodations for essential male operators.

To prevent office employees from contracting the virus, Eagle Cement implements various COVID-19 protocols as follows:

- Installation of acrylic barriers in offices and common areas
- Daily disinfection of all office furniture and shuttle services
- Provision of free face masks and alcohol in strategic areas
- Mandatory thermal scanning
- Provision of facial recognition device for time capturing to avoid direct contact
- Placement of office signages to ensure compliance with minimum health protocols such as hand washing, physical distancing, fixed seating arrangements, wearing face masks, etc.
- Conversion of conference room to satellite offices at Central Control Room (CCR) and Crusher to prevent COVID-19 transmission
- Installation of IndoorCare to improve indoor air quality

To further reduce the risk of infection, flexible work arrangements were implemented during COVID-19 lockdowns in January, for employees working at the Bulacan Plant. Additionally, manpower schedules were planned carefully. Employees were also given one box of face masks per month, an additional meal allowance during community quarantine, and extended financial assistance for those who reached their HMO limits. Employees with family members who contracted the virus may themselves also avail of healthcare assistance.

To contain the spread of COVID-19 and protect the health of persons under monitoring (PUMs) or persons under investigation (PUIs) for COVID-19, Eagle Cement provided them with isolation and quarantine facilities with 34 and 40 rooms, respectively, which are regularly disinfected.



In addition, leave privileges were given in April 2021 during the COVID-19 surge, with maximum leaves of up to 22 days. They were given food, and those with symptoms were provided with emergency medical equipment and medicines. These benefits of being provided with quarantine and isolation facilities, transportation, vaccination, meals and meal allowances, and housing and transportation subsidy were also extended to contractors – reducing infections while ensuring business continuity.

These efforts were successful since the Company ended the year with zero COVID-19-related fatalities. All symptomatic cases were safely managed, and all employees who contracted the virus have recovered.



In its drive towards protecting its people and contribute to the country’s goal of achieving herd immunity, the Company rolled out its own COVID-19 vaccination program called “Get that Jab Done!” in partnership with LGUs. Through the program, 2,170 individuals were inoculated with two doses of Sinovac and AstraZeneca vaccines. Prior to this, the Company had conducted series of COVID-19 vaccine orientation in order to promote awareness in the effectiveness and safety of the vaccine.

**Occupational Health and Safety System**

Eagle Cement’s Health and Safety Committee is comprised of a wide variety of members, showcasing how it is dedicated to implementing OHS standards across the entire Company. Its members include employee representatives, representatives of our contractors, security and medical personnel, safety personnel, and manufacturing and non-manufacturing. The Committee also has a production, maintenance, and environment, health, and safety managers.

Aside from ensuring the Company’s safety performance, the committee also works hand in hand with the production and maintenance management to deal with everyday health and safety concerns. Our safety management system is implemented across the plant to preserve our processes and protective systems, equipment, structures, and our monitoring and review of critical controls.

As part of its OHS system, the plant offers the following emergency services:

- 24/7 clinic that is manned by a full-time physician and three full-time nurses
- Two units of ambulance
- First-aid kits located in strategic areas
- Automated external defibrillator
- Two units of 6,000 liters-capacity fire trucks
- Fire hydrant system
- Fire Detection & Alarm System
- Emergency medicines, supplies & equipment
- Modification and provision of Emergency Fire Exits at CCR and Admin Building
- Installation of Dry Pipe System in three packhouses



The OHS system also handles the following activities:

- Installation of safety and hazard signages
- Distribution of PPEs and safety devices, including railings, platforms, machine guards, emergency pull cords, emergency stop buttons, fire alarm systems, fire extinguishers, and others
- Creation and circulation of Incident Flash Report with recommendations to avoid recurrences
- Provision of awards that promote safe work practices
- Regular safety audits
- Regular conduct of emergency drills
- Inspections of working at heights and lifting equipment
- Conduct health and safety lectures and emergency response training
- Creation and circulation of daily toolbox topic

GRI 403-9, GRI 403-10

Injuries and Accidents

SAFETY PARAMETERS	2021	2020	2019
Number of employees in the Health and Safety committee	22	10	43
Total man-hours	13,524,627	5,566,282	8,486,302
Safe man-hours	4,670,303	659,364	3,951,123
Lost time accidents	5	2	7
Number of occupational injuries	39	41	47
Number of occupational ill-health	—	3	208
Incidence Rate	7.01	7.37	5.54
Severity Rate	19.00*	32.52	20.74
Lost days	257*	181	176
Fatalities	—	—	—
Work-related fatalities	—	—	—

\* Restatement of information from SEC Form 17-A

We aim to eliminate fatalities and serious injuries through the continuous improvement of our safety measures. In 2021, Eagle Cement recorded zero fatalities and achieved 4,670,303 safe man-hours. We endeavor to make good progress towards lessening cases of occupational ill-health and injuries. In-line with its goal of bettering its safety conditions, the Company will continue promoting measures that support independent health management for employees, especially as we embrace the new normal.

Occupational Health and Safety Programs

In 2021, the Company was awarded a certification that proved how the organization had improved its implementation of OHS. Our Occupational Health and Safety Management System was recommended for an International Organization for Standardization (ISO) 45001:2018 Certification—showing that our OHS implementation has been improving as we attempt to meet the new international standard.

We also continued our commitment to donate blood to those in need through our quarterly Blood Letting Activity in partnership with the Philippine Red Cross. It was conducted in compliance with COVID-19 protocols, including RT-PCR testing for the Philippine Red Cross Team. In 2021, we extracted blood from 237 donors.



To ensure that employees, contractors, and members of the local community understand the importance of health and safety procedures, Eagle Cement provides training sessions on these topics every year. We conducted nine health and safety training sessions in 2021 participated in by employees, third-party contractors, and local community residents.



GRI 403-5

Attendance on Health and Safety Training 2021

TRAINING PROGRAM	EMPLOYEES	CONTRACTORS	COMMUNITY	DATE CONDUCTED
Basic Fire Fighting Training	—	11	—	February 20
COVID-19 Vaccine Awareness	80	—	—	March 5
Mine Safety Standard Seminar	6	10	—	March 11
IEC - Fire Fighting Training	2	—	26	March 10 and 12
Familiarization of Fire Truck Tools & Equipment & Fire Suit Donning	1	22	—	March 9, 22, and 29
COVID-19 & Teenage Pregnancy	3	—	79	June 10
Basic Fire Fighting Training - BHERT	6	—	23	July 23
Basic Firefighting Training - Basuit	2	—	13	August 31
Lock Out, Tag Out, Try Out Training	1	24	—	November 13
TOTAL	101	67	141	
GRAND TOTAL	309			

GRI 403-5

Number of Participants in Safety Drills Conducted

DRILLS	FREQUENCY			NUMBER OF ATTENDEES		
	2021	2020	2019	2021	2020	2019
Cave-in, Landslide and Medical Emergency	2	2	2	45	33	30
Earthquake with Medical Emergency Drill	4	2	2	1,009	444	284
Earthquake and Oil Spill	—	2	1	—	444	346
Fire	8	3	2	73	31	58
Oil Spill	—	3	1	—	455	10
Oil Spill and Fire	2	2	1	30	25	15
TOTAL	16	14	9	1,157	1,432	743

The Company held specialized training sessions and lectures that aim to improve health and safety procedures. On top of that, we conducted Safety Orientation, Emergency Response Training (ERT), and the mandatory eight-hour Occupational Health and Safety Seminar for all employees and contractors.

In an effort to constantly improve its performance, Eagle Cement’s Health and Safety Department spearheads the discussion on risks, possible improvements, and updates on health and safety through regular shift turn-over, huddle, and toolbox meetings.

In 2021, we conducted 16 safety drills which were participated by employees, third-party contractors and select residents of our community.





GRI 403-8

**Workers Covered by Occupational Health and Safety System**

FACILITY	2021	2020	2019
Regular	524	430	474
Outsourced	734	493	465
Third-Party	1,076	751	1,573
<b>Total</b>	<b>2,334</b>	<b>1,674 *</b>	<b>2,512 *</b>

\* Restatement of information

There was a 72% increase in the number of workers covered by our OHS system due to several adjustments made for returning to, or even exceeding, the scope of work responsibility pre-pandemic. For instance, hiring new employees returned to our usual recruitment rate. We have also been outsourcing more contractors to meet manpower requirements for regular operations and for the completion of major works on plant Scheduled Plant Shutdown (SPS). To ensure employee safety, we have workplace policies on electrical safety and accidents. These policies are made available through Electronic Document Management System (EDMS) SharePoint site and Eagle Cement's website.

**Facility Security**

The Company's Security Department delivers round-the-clock protection for its employees, assets, value, operations, and information. This is essential to shield the Company from any threats posed by criminals, local terrorists, and insurgents.

The department also has the support of the Armed Forces of the Philippines, the Philippine National Police, public safety officers of our host barangay, and other stakeholders. Together we form a multi-agency security service that provides proactive and reactive measures against threats to the Company's safety. All involved parties comply with the rule of law and uphold human rights throughout their operations.

For more than a decade, we have prevented and discouraged threats that could lead to major plundering activities or atrocities against the Company and its host community. This has fostered a safe and secure environment that allows the Company to be productive and sustain growth. The department's Security Digest News also furnishes employees with security updates via email.

**Health and Safety measures in place**  
*Quarry cave-in with casualty and rescue drill*







Caring For Our Neighbors: FLIGHT

Aside from maintaining the high standards of our operations, we also have a commitment to make a positive impact as responsible corporate citizens. We constantly work to contribute to the sustainable development of our host community and the barangays close to it with over 6,000 residents.

We have various Social Development and Management Program (SDMP) and Corporate Social Responsibility (CSR) programs to ensure that we maintain the trust of our stakeholders. These programs aim to empower members of the community and help them grow as the Company continues to evolve. Our programs cover a wide range of sectors, such as Family and Community, Livelihood and Employment, Infrastructure Support, Growth and Development, Health and Emergency Response, and Technology and Education (FLIGHT).



Eagle Cement engages our stakeholders by maintaining close linkages and coordination with them. The Company regularly gets insights from the Barangay Technical Working Group, which comprises of LGU officials, medical professionals and barangay health workers, school institutional heads, livelihood cooperatives and

groups, and church leaders. These stakeholders are consulted about their needs and concerns so that the Company can craft programs, projects, and activities that are in line with their feedback.

In 2021, the Company spent nearly ₱6.0 million on SDMP and allocated 75% of the total for the development of host and neighboring communities, 15% was spent for Information, Education and Communication (IEC) campaign, and 10% was disbursed for Development of Mining Technology and Geosciences (DMTG).

Stakeholders in the host community may also report their grievances about community needs, issues, and concerns through the Company’s grievance mechanism, which forms part of our Integrated Management System Procedures. Community members from Sitio Hulo and Sitio Narra raised concerns regarding the pinnacle removal and muddy roads due to truck operations, respectively.

Eagle Cement responded to the complaint from Sitio Hulo by conducting an IEC campaign, supported by the LGU of San Ildefonso and MGB Region 3. This was resolved by educating and engaging with stakeholders to highlight the importance of removing the pinnacle for the safety of residents in Sitio Hulo and Narra. As for the concerns on truck operations, clean-up drives and regular road sweepings were organized in Sitio Narra.

GRI 203-1, GRI 203-2, GRI 413-1

Major SDMP Areas

Area	Key Programs	Impact	2020 Investment Plan (in PhP)	2021 Investment Plan (in PhP)
Health	Community Clinic	Improved health conditions of 6,000 patients in the community clinic	1,146,000	670,682
	Feeding program	Improved nutrition status of 450 undernourished children to normal		—
	Maternal Health Care		—	50,000
	Aid to Senior Citizens		—	200,000
	Garbage truck donation		800,000	—
	Patrol Car for peace and Order			1,350,000
Livelihood	Supported local farmers through the provision of farm implements	Improved yield of farmers	200,000	—
	Capacity building for Womens Livelihood group	Seed capital for the Soap Making		50,000
Education	Scholarship programs and construction of classroom buildings		749,500	675,000
	Installation of CCTV's camera			100,000
	Provision of Tables and Chairs for school canteen			60,000
	Concreting of School Pathwalk			300,000
	Repair of comfort rooms			200,000
	Provision of PPE's			53,330
Infrastructure	Road concreting		—	—
	Road widening			100,000
	Construction of Solar Dryer			100,000
	Provision of water hose			100,000
Human Resource Development	Skills training for women on food processing		150,000	100,000
Socio Cultural Values	Sponsorship to church activities (mass, feast, etc)			56,000
	Renovation of St. Joseph Church			250,000
	Renovation of Narra Grotto Chapel			186,000
Pandemic Assistance	Food packs and house construction materials		1,938,599	—
Grand Total (in PhP)			4,984,099	4,601,012



**Eagle Cement continues to make substantial impacts in its communities by equipping them with skills, resources, and opportunities that will advance their welfare and well-being through FLIGHT, its social development program with a six-pronged strategy.**



### Family and Community

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

- Start-up capital to Rural Improvement Club (Akle Women's Group)
- Provision of one unit Garbage Compactor to Brgys. Akle and Gabihan



### Livelihood and Employment

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

- Seed capital for hand soap and sanitizer making of Brgy. Akle
- Baking and pastry making for Brgys. Akle and Talbak



### Infrastructure Support

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

- Road widening from Sitio Mandala to Kalumpang - Sitio Balaong
- Installation of Solar Dryer to Sitio Balaong
- Covered path walk from court to kindergarten rooms at Talbak Elementary School
- Repair of comfort rooms at Talbak High School
- Renovation of St. Joseph Church
- Renovation of Narra Grotto Chapel
- Concreting of path walk and school grounds at Akle High School
- Construction of Talbak Multipurpose Building
- Road re-blocking from Brgy. Akle to Brgy. Gabihan
- Donations of 9,580 cement bags to the following:
  - John J. Russel Memorial High School
  - 7th Infantry Division Philippine Army
  - Esteban Paulino High School
  - Sacred Heart of Jesus Parish Pinaod
  - Malipampang Elementary School
  - Brgy. Lapnit
  - Seventh Day Adventist Church
  - St. Francis of Assisi Parish
  - GMA Kapuso Foundation



### 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.

- SDMP scholar volunteerism program (*Tatlong Gulong Tungo sa Edukasyon*)



### 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 Brgys. Akle and Talbak
- Provision of powdered milk and flu vaccine to 300 senior citizens
- Maternal health care for pregnant women
- Provision of medical supplies and medicines for the citizens of Brgy. Talbak
- Provision of hose for the water system of Brgy. Talbak
- Provision of Patrol car in maintaining the peace and order at Brgy. Akle
- Provision of COVID-19 essentials and PPEs to Brgys. Akle and Narra Elementary Schools and Akle High School



### Technology and Education

This covers education-related and scholarship programs.

- High School and College Scholarship Program
- Installation of CCTV cameras for Akle Elementary School
- Provision of tables and chairs to Akle and Narra Elementary school canteens

### Employee Volunteer Programs

DRILLS	NUMBER OF EMPLOYEE VOLUNTEERS			VOLUNTEER HOURS		
	2021	2020	2019	2021	2020	2019
<i>Krismasaya</i> : Christmas Outreach Program	12	—	12	288	—	144
Taal Relief Operations	—	28	12	—	1,344	144
Relief Operations - Typhoon Odette	—	291	50	—	2,328	200
120-day Feeding Program	4	4	4	480 *	960	32
60-day Feeding Program *	2	—	—	480 *	—	—
Community First Aid Training	—	4	10	—	32	40
Community Firefighting Training	6	4	7	96	32	21
Calamity Assistance	6	4	58	240	64	119
Tree-planting *	101	—	50	202	—	200
Blood-letting Program *	237	164 *	159	474	328 *	318
<b>TOTAL</b>	<b>368</b>	<b>499</b>	<b>362</b>	<b>2,260 *</b>	<b>5,088</b>	<b>1,218</b>

\* Restatement of information

### Family and Community

To support its host community, the Company spearheads initiatives that bring its families together by promoting value formation, community building, and environmental and community outreach programs.

In 2021, our employees were also involved in various community projects. However, mobility restrictions and health concerns due to the pandemic led to a lower number of employee volunteers. Despite this, our team served communities with dedication—putting in a total of 2,260 volunteer hours.

We held our 6th *Krismasaya* Outreach Program where children from various barangays received bags of Christmas goodies, meals, and toys during the outreach program. During the onslaught of Typhoon Odette, the Company distributed food, canned goods, and mineral water as relief for stakeholders in the same localities.



The 120-day feeding program ran from August 2020 until February 2021, which fed children through a weekly distribution of Nutribun packs along with vitamins and milk packages.

The 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 program, results showed that 80% of the children reached the normal health status from being stunted.

In celebration of the Nutrition Month, with a theme "*Malnutrisyon Patuloy na Labanan, first 1,000 Days Tutukan!*" we have launched another feeding program on July 29, 2021 for 60 days until November 5, 2021. This program aims to help protect children from malnutrition which worsen amid the pandemic, benefitted children of Brgys. Akle and Talbak and Bato Elementary School. At the end of the program, 94% of the children had reached normal health status.





We extend our cleanliness and sanitation initiative to our local communities by providing them with equipment and launched programs for better waste management. In particular, we provided garbage truck compactors to Brgys. Akle and Gabihan and taught truck operators how to separate them. The Company also launched our Pick A-Litter Drive Campaign to promote proper waste management. Community members and our employees both participated in the event.



Eagle Cement also supports values formation and grants three churches at Brgys. Akle and Talbak weekly mass sponsorships.

**Livelihood and Employment**

To improve the quality of life of community members, Eagle Cement also conducts programs that enable them to increase their earning capabilities and seek other means to generate income.

One such program was the hand soap and sanitizer-making activity held for the Rural Improvement Club of Akle, the Kabalingay Women’s Group of Talbak, and teachers in Narra Elementary School. This activity was done in partnership with the Technical Education and Skills Development Authority (TESDA).



The training for hand soap and sanitizing making is timely and crucial for hygiene and preventing diseases from spreading, paving the way for a business opportunity. On August 27, 2021, members of the Rural Improvement Club of Akle were given a seed capital of ₱50,000 to start a soap and hand sanitizer business that they themselves conceptualized. This initiative empowered women from Brgy. Akle who are eager to begin this venture. Eagle Cement will be monitoring its progress for the next three years.



Another activity that honed the skills of the members of the community was a five-day baking activity in cooperation with TESDA held for women of Brgy. Talbak.



**Infrastructure Support**

We endeavor towards uplifting the standard of living of our communities by providing them better infrastructure. Over the years, the Company makes the most of its resources by spearheading and assisting road concreting, classroom building, water system construction, and the improvement and construction of other facilities that will benefit the local community.

In 2021, Eagle Cement donated and delivered 9,580 bags of cement to churches, a non-profit organization, schools, barangays, a correctional facility, and the military. In partnership with GMA Kapuso Foundation, the Company donated 500 cement bags for the rehabilitation of six classrooms in Villa Aurora Elementary School.



To assist local farmers, Eagle Cement constructed a solar dryer at Brgy. Talbak to dry their produce such as rice and raw coffee. The Company also opened up a 100-meter farm-to-market road to ease their mobility and deliver produce more efficiently. We likewise initiated a road widening projects in Sitio Mandala to Kalumpang-Sitio Balaong.

We contributed to the improvement of schools in Brgys. Talbak, Akle, and Gabihan. The Company constructed a path walk to Talbak Elementary School for the safety of the students. The second phase of this project involves the roofing of the pathwalk. Additionally, comfort rooms in Talbak High School were repaired, and safety guard rails were installed near the classrooms that were located above the ground floor.

Another school we assisted was Gabihan High School, which is located in San Ildefonso in Bulacan. Eagle Cement donated an eight-classroom building which was turned over last December 8, 2021. This initiative aims to bring a school facility closer to nearby barangays of Gabihan and lessen students’ expenses on travel and board lodging.





With this new building, Gabihan High School is the first high school to cater to nearby communities. This helps decongest San Ildefonso National High School with over 4,000 students. Aside from this, maintenance and repair of classrooms and construction of path walk, comfort rooms, and roofing were conducted. We also provided assistance to Akle High School by concreting the pathwalk and school grounds.

As a key part of any Filipino community’s sociocultural environment, Eagle Cement provides assistance to churches through the rehabilitation and construction of their buildings. On September 17, 2021, the Company donated ₱3.9 million for the repair and construction of the San Ildefonso Parish church. We also took part in the renovations of the St. Joseph Church at Brgy. Talbak and the Narra Grotto Chapel.

In addition, the Company also turned over a Multipurpose Center in December 2021 to Brgy. Talbak that they can use to hold their barangay activities particularly the livelihood trainings for residents.



Other construction initiatives from the Company that benefited the surrounding communities include the regular maintenance of the road at M. Valte to ensure safety of motorists.

Growth and Development

We also promoted human and community growth and development in 2021 through youth development programs as well as capacity building and improvement of community facilities such as health centers, sports facilities, and recreational facilities.



One notable growth and development program that took place in 2021 was an SDMP scholar volunteerism initiative called “*Tatlong Gulong Tungo Sa Edukasyon.*” Eagle Cement scholars gave back to their community by allocating their allowance to pool money for a tricycle that will help teachers with their Alternative Learning System to reach their students conveniently.

Health and Emergency Response

Providing medical care to communities and equipping them in handling emergencies is also important for the community. We provide various healthcare services, supplies, and equipment to our host community.

We ensure that our community has access to better healthcare services through our community clinic program which is held every Saturday at Brgys. Akle and Talbak Health Centers. Patients from nearby barangays could avail themselves of free medicines as well as medical and pharmaceutical services.

The clinic provided treatment and free medication to 1,089 patients in 2021. We provided the honorarium for the attending physician and six barangay health workers.



GRI 203-1  
2021 Development and Impact of Infrastructure Developments

INFRASTRUCTURE PROJECT	AMOUNT	BENEFICIARIES	IMPACT
Repair and construction of San Ildefonso Parish Church (CSR)	3,900,000.00	Parishioners of San Ildefonso	<ul style="list-style-type: none"><li>Improvement of connection with the communities</li><li>Increase in church attendance</li><li>Create coordination between church and communities</li></ul>
Renovation of St. Joseph Church (SDMP)	250,000.00	Parishioners of San Ildefonso	<ul style="list-style-type: none"><li>Improvement of connection with the communities</li><li>Increase in church attendance</li><li>Create coordination between church and communities</li></ul>
Repair of comfort room at Talbak High School (SDMP)	200,000.00	Talbak High School students	<ul style="list-style-type: none"><li>Good hygiene practices among students</li><li>Improvement of overall health of students</li><li>Improve image of school management</li></ul>
Covered pathwalk from court to kinder at Talbak Elementary School (SDMP)	100,000.00	Talbak High School students	<ul style="list-style-type: none"><li>Safety of school children</li></ul>
Construction of Solar Dryer at Sitio Balaong (SDMP)	100,000.00		<ul style="list-style-type: none"><li>Increase in farmers’ yield</li></ul>
Road widening Mandala to Kalumpang-Sitio Balaong (SDMP)	100,000.00		<ul style="list-style-type: none"><li>Farm-to-market road</li><li>Improve yield and income of farmers</li></ul>
Renovation of Narra Grotto Chapel (SDMP)	186,000.00		<ul style="list-style-type: none"><li>Improvement of connection with the communities</li><li>Improved church facilities to encourage church attendance</li><li>Stronger relationship between church and community</li></ul>
Concreting of pathwalk and school grounds at Akle High School (SDMP)	200,000.00		<ul style="list-style-type: none"><li>Safety of school children</li></ul>
Talbak Multi-Purpose Center (CSR)	1,200,000.00	Women’s Group members	<ul style="list-style-type: none"><li>Provision of a place to conduct community activities in the barangay</li></ul>
Cement Donation (CSR)	2,407,500.00		<ul style="list-style-type: none"><li>Increase in and improvement of building facilities of different organizations</li></ul>
TOTAL (in PhP)	8,643,500.00		



The Brgy. Talbak Health Center also received medicines and medical apparatus from the Company. These apparatus were given to improve immediate aid for the patients, some of which included cabinets and blood pressure apparatus.



Eagle Cement has dedicated programs to provide care to the elderly. A total of 300 senior citizens of Brgy. Akle were provided with assistance through adult milk donations.



Later in the year, 234 senior citizens from Brgys. Akle and Talbak were also given flu vaccines to lessen their chances of developing the illness.



The Company also assisted pregnant women through a program called the “Buntis Congress” which was held in Brgy. Talbak in June 2021. The activity aimed to lessen maternal deaths, reduce infant and under-five mortality, and encourage good nutrition for pregnant women. To support them, the Company provided a Buntis Kit, which contained vitamins, diapers, baby clothes, and other essentials after they gave birth.



In 2021, the Company also donated equipment and protective gear to its nearby communities. To improve access to water, Eagle Cement donated rolls of HDPE water hose for Sitio Luya in Brgy. Talbak.

Additionally, the Company gave Brgy. Akle a patrol car that its barangay security force could use to rove the barangay so that they could maintain peace and order. Akle schools such as Akle High School, Akle Elementary School, and Narra Elementary School were also provided with personal protective equipment (PPE) and other essentials to prevent the spread of COVID-19, such as alcohol and face masks.



Information, Education, and Communication (IEC) campaigns are avenues for the Company to help bolster communities’ local healthcare system. As part of Eagle Cement’s initiatives on Teenage Pregnancy prevention and against COVID-19, we held an IEC event that was attended by SDMP scholars. Our Health and Safety Department also facilitated a Basic Fire Fighting Training for the barangay councils and health workers at Brgys. Gabihan and Basuit.



Technology and Education

Eagle Cement also plays a role in increasing access to education through its scholarship program for underprivileged students in the community. The Company released allowances for 109 SDMP high school and college students from Brgys. Akle and Talbak for two semesters.

We particularly support the education of those in our local communities. Through the Adopt-A-School-Program, the Company provided schools in Brgys. Akle, Talbak, and Gabihan with equipment and materials that would capacitate teachers and benefit students. We distributed computers, printers, bond papers, alcohol, face masks, face shields, PPE suit sets and gloves, and tables and chairs.

In response to a theft incident at Akle Elementary School, Eagle Cement also donated a set of closed-circuit televisions (CCTV).

Underscoring our enduring commitment to sustainability and value creation for all, we will raise the bar with our ESG commitments through our initiatives with defined targets. Eagle Cement sees the years ahead as an opportunity to strengthen its sustainable enterprise, in order to continue creating long-term value for its customers, business partners, shareholders, its people, and the society it serves. ■







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As Eagle Cement operates in a highly regulated industry, we embody this value by engaging meaningfully with a wide range of stakeholders and embrace an inclusive approach towards value creation through multiple platforms.



GRI 102-55

GRI CONTENT INDEX FOR “IN ACCORDANCE” – CORE OPTION

DISCLOSURE		PAGE NUMBERS AND/OR DIRECT ANSWERS	OMISSION
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016			
Organizational Profile			
GRI 102-1	Name of the organization	2	
GRI 102-2	Activities, brands, products, and services	2, 36	
GRI 102-3	Location of headquarters	2, 200	
GRI 102-4	Location of operations	2, 200	
GRI 102-5	Ownership and legal form	97	
GRI 102-6	Markets served	2, 35	
GRI 102-7	Scale of the organization	52	
GRI 102-8	Information on employees and other workers	52, 54	
GRI 102-9	Supply chain	2, 34	
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	
Ethics and Integrity			
GRI 102-16	Values, principles, standards, and norms of behavior	3	
GRI 102-17	Mechanisms for advice and concerns about ethics	101	
Governance			
GRI 102-18	Governance structure	92	
GRI 102-27	Collective knowledge of highest governance body	96	
GRI 102-28	Evaluating the highest governance body's performance	96	
GRI 102-32	Highest governance body's role in sustainability reporting	Chief Executive Officer	
GRI 102-33	Communicating critical concerns	101	
Stakeholder Engagement			
GRI 102-40	List of stakeholder groups	26	
GRI 102-41	Collective bargaining agreements		None
GRI 102-42	Identifying and selecting stakeholders	26	
GRI 102-43	Approach to stakeholder engagement	26	
GRI 102-44	Key topics and concerns raised	26	

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	22, 25		
GRI 102-47	List of material topics	25		
GRI 102-48	Restatements of information	9, 32, 44, 60, 62, 67		
GRI 102-49	Changes in reporting		None	
GRI 102-50	Reporting period	22		
GRI 102-51	Date of most recent report	June 2022		
GRI 102-52	Reporting cycle	Annual		
GRI 102-53	Contact point for questions regarding the report	200		
GRI 102-54	Claims of reporting in accordance with the GRI standards	22		
GRI 102-55	GRI content index	76		
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	32	
	GRI 103-2	The management approach and its components	32	
	GRI 103-3	Evaluation of the management approach	32	
GRI 201: Economic Performance 2016	GRI 201-1	Direct economic value generated and distributed	32	
	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	52	Eagle Cement complies with the government standards on the wages and labor practices in the Philippine mining industry
	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	65, 71	
	GRI 203-2	Significant indirect economic impacts	65	
GRI 204: Procurement Practices 2016	GRI 204-1	Proportion of spending on local suppliers	34	



TOPIC	DISCLOSURE	TOPIC	PAGE NUMBERS AND/OR DIRECT ANSWERS	OMISSION
Compliance				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	100	
	GRI 103-2	The management approach and its components	100	
	GRI 103-3	Evaluation of the management approach	100	
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	56	
	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	
Environment				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	40	
	GRI 103-2	The management approach and its components	40	
	GRI 103-3	Evaluation of the management approach	40	
GRI 301: Materials 2016	GRI 301-1	Materials used by weight or volume	41	
	GRI 301-2	Recycled input materials used	41	
GRI 302: Energy 2016	GRI 302-1	Energy consumption within the organization	45	
	GRI 302-2	Energy consumption outside the organization	45	
	GRI 302-3	Energy Intensity	45	
	GRI 302-4	Reduction of energy consumption	45	
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	
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	None of the operational mining sites are located in, or near any areas of high biodiversity	
	GRI 304-2	Significant impacts of activities, products, and services on biodiversity	48	

TOPIC	DISCLOSURE	TOPIC	PAGE NUMBERS AND/OR DIRECT ANSWERS	OMISSION
	GRI 304-3	Habitats protected or restored	48	
	GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	48	
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	46	
GRI 306: Effluents & Waste 2016	GRI 306-2	Waste by type and disposal method	43	
	GRI 306-3	Waste generated	43	
	GRI 306-4	Waste diverted from disposal	43	
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	
Labor Practices & Employee Relations				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	51	
	GRI 103-2	The management approach and its components	51	
	GRI 103-3	Evaluation of the management approach	51	
GRI 401: Employment 2016	GRI 401-1	New employee hires and employee turnover	52, 53	
	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	54	
GRI 402: Labor/Management Relations 2016	GRI 402-1	Minimum notice periods regarding operational changes	Minimum notice periods regarding operational changes is implemented	
GRI 403: Occupational Health & 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	



TOPIC	DISCLOSURE	TOPIC	PAGE NUMBERS AND/OR DIRECT ANSWERS	OMISSION
	GRI 403-5	Worker training on occupational health and safety	61	
	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	62	
	GRI 403-9	Work-related injuries	60	
	GRI 403-10	Work-related ill health	60	
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	56	
GRI 405: Diversity & Equal Opportunities 2016	GRI 405-1	Diversity of governance bodies and employees	93	
	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	
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	
	GRI 412-2	Employee training on human rights policies and procedures	53	

TOPIC	DISCLOSURE	TOPIC	PAGE NUMBERS AND/OR DIRECT ANSWERS	OMISSION
Community Development				
GRI 103: Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary	51	
	GRI 103-2	The management approach and its components	51	
	GRI 103-3	Evaluation of the management approach	51	
GRI 413: Local Communities 2016	GRI 413-1	Operations with local community engagement, impact assessments, and development programs	65	
Customer Service				
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 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	The Company has not identified any non-compliance with regulations and voluntary codes on the reporting year	
	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	





# ***The way forward***

Corporate Governance



Board of Directors



**Ramon S. Ang**  
*Chairman*  
*Filipino, 68 years old*

Ramon S. Ang has been 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, 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 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 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**  
*President & Chief Executive Officer*  
*Executive Director*  
*Filipino, 42 years old*

John Paul L. Ang 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, Top Frontier Investment Holdings, Inc., Petron Corporation, San Miguel Food and Beverage, Inc., KB Space Holdings, Inc. and Buildnet Construction, Inc. He is the Chairman of Southern Star Aggregates, 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**  
*General Manager & Chief Operating Officer*  
*Executive Director*  
*Filipino, 49 years old*

Manny C. Teng 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 and Corporate Governance Committees. 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**  
*Chief Finance Officer/Treasurer/Executive Vice-President for Business Support Group/Risk Oversight Officer/Executive Director*  
*Filipino, 32 years old*

Monica L. Ang-Mercado 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 Corporate Governance, 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**  
*Vice-President for Operations/Executive Director*  
*Filipino, 75 years old*

Manuel P. Daway 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**  
*Non-Executive Director*  
*Filipino, 75 years old*

Mario K. Surio has been a director of the Corporation since his first election on January 14, 2011. 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.**  
*Non-Executive Director*  
*Filipino, 71 years old*

Luis A. Vera Cruz, Jr. was first elected as director of the Corporation on February 23, 2017. He is currently a member of the Related Party Transactions and Audit Committees 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**  
*Lead Independent Director*  
 Filipino, 70 years old

Melinda Gonzales-Manto 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 Related Party Transactions 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*  
 Filipino, 61 years old

Ricardo C. Marquez 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 and Related Party Transactions Committees. 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*  
 Filipino, 76 years old

Martin S. Villarama, Jr. was first elected as an independent director of the Corporation on February 13, 2017. He is also the Chairman of the Related Party Transactions Committee and a member of the Audit and Corporate Governance Committees. He is 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.





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*

KEY OFFICERS

**Leo Andrei M. Cruz**  
*Procurement Manager*

**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 & Related Party Transaction Officer*

**Ronaldo C. Jimeno**  
*Manufacturing Support Group Senior Manager*

**Mercedes V. Jorquia**  
*Chief Audit Executive*

**Ma. Cristina M. Lleva**  
*Investor Relations Officer*

**Jens Christian Enemark Lund**  
*Manufacturing Transformation Director*

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

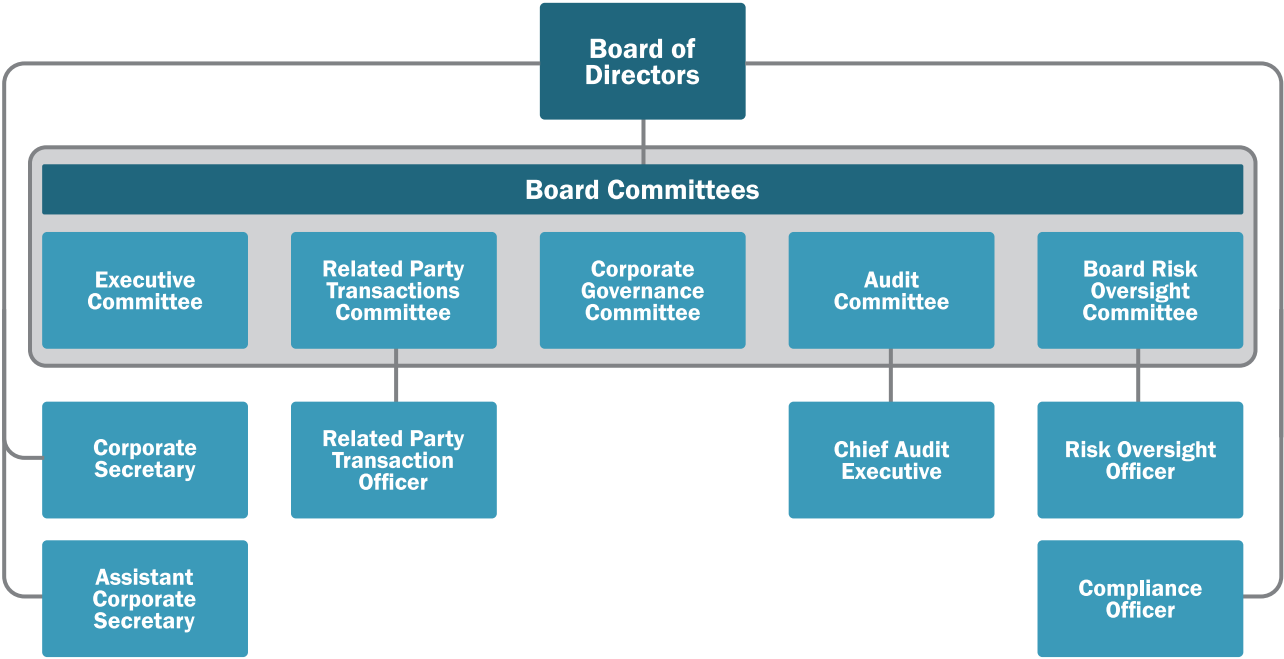
**Fabiola B. Villa**  
*Compliance Officer / Senior Vice-President for  
Legal and Compliance*

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



GRI 102-18

EAGLE CEMENT CORPORATE GOVERNANCE STRUCTURE



Eagle Cement Corporation (Eagle Cement or the Company) adheres to the highest standards of corporate governance in order to serve the best interest of its shareholders and stakeholders. It is guided by the principles of transparency, accountability, fairness and integrity in the conduct and management of its business, in accordance with the Code of Corporate Governance for Publicly-Listed Companies (PLC).

The Company’s corporate governance policies and standards are embodied in its Manual of Corporate Governance (Manual) adopted and approved by the Board of Directors on 13 February 2017, and duly filed with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). The Company regularly adopts and updates its policies and practices to comply with relevant rules and regulations, and to align with the leading principles and practices on good corporate governance.

The Compliance Officer of the Company has certified that Eagle Cement is in material compliance with the Manual and the Code of Corporate Governance for PLCs for the year 2021.

THE BOARD OF DIRECTORS

The Board of Directors is at the helm of the governance structure of the Company. It is the responsibility of the Board to foster the long-term success and to sustain the competitiveness and profitability of the Company, in a manner consistent with its corporate objectives and the best interests of its stockholders and stakeholders.

GRI 405-1

Composition

The Board is currently composed of ten directors, with three independent directors. Majority of the members of the Board are non-executive directors. The profiles, educational backgrounds and other directorships of the members of the Board are disclosed in the Company’s SEC Form 17-A (2021 Annual Report) and the 2021 Integrated Annual Corporate Governance Report, filed with the SEC and PSE on 16 May 2022 and 30 May 2022, respectively.

All members of the Board have 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.

Independent Directors

In 2021, the Company had four independent directors, until the demise of Ret. Justice Jose P. Perez on 12 August 2021. At present, the Company has three independent directors. It is compliant with the requirement of the Revised Corporation Code that the board of a corporation vested with public interest shall have independent directors constituting at least 20% of such board.

The Board appointed Ms. Melinda Gonzales-Manto as Lead Director among the Company’s independent directors in compliance with the Code of Corporate Governance for PLCs.

Each independent director has submitted a certification that he/she possesses all the qualifications and none of the disqualifications of an independent director. The certifications were made part of the Definitive Information Statement filed with the SEC and PSE on 27 May 2021.

Chairman; President and CEO

Mr. Ramon S. Ang is the Chairman of the Board of Directors. Mr. John Paul L. Ang is the President and Chief Executive Officer of the Company. Their respective competencies, qualifications and directorships are disclosed in the 2021 Definitive Information Statement. Their respective roles and responsibilities are defined in the Company’s Manual and By-laws.

Meetings and Attendance

The Board of Directors held six meetings in 2021, on the following dates:

DATE OF MEETING	TYPE OF MEETING
April 7, 2021	Regular Board Meeting
May 11, 2021	Regular Board Meeting
August 6, 2021	Regular Board Meeting
June 24, 2021	Organizational Meeting
September 23, 2021	Special Board Meeting
November 4, 2021	Regular Board Meeting



The following record of attendance shows that the members of the board attended all board meetings and the annual stockholders’ meeting in 2021:

DIRECTOR	BOARD AND ORGANIZATIONAL MEETINGS ATTENDED/HELD	PERCENTAGE	ANNUAL STOCKHOLDERS' MEETING
Ramon S. Ang	6/6	100%	Present
John Paul L. Ang	6/6	100%	Present
Manny C. Teng	6/6	100%	Present
Monica L. Ang-Mercado	6/6	100%	Present
Manuel P. Daway	6/6	100%	Present
Mario K. Surio	6/6	100%	Present
Luis A. Vera Cruz, Jr.	6/6	100%	Present
Melinda Gonzales-Manto	6/6	100%	Present
Ricardo C. Marquez	6/6	100%	Present
Martin S. Villarama, Jr.	6/6	100%	Present
Jose P. Perez	4/4	100%	Present

The Corporate Secretary’s Certification on the record of attendance of directors in the board meetings for the year 2021 was disclosed with PSE and SEC on 17 January 2022.

To ensure that proper checks and balances are in place, the non-executive directors also held a meeting on 4 November 2021, with the external auditors, Compliance Officer and Chief Audit Executive, without the presence of any executive director. The meeting was chaired by the Lead Independent Director, Ms. Melinda Gonzales-Manto.

In view of the COVID-19 pandemic, all meetings in 2021 were held via videoconference.

Board Remuneration

The By-laws of the Company provides that by resolution of the Board, each director shall receive a reasonable per diem allowance for his/her attendance at each meeting of the Board.

Each director receives a per diem of Thirty Thousand Pesos (₱30,000.00) and Ten thousand Pesos (₱10,000.00) per attendance at Board and committee meetings held, respectively.

BOARD COMMITTEES

The Board of Directors has constituted committees that focus on specific board functions to aid in the optimal performance of its duties and responsibilities. Each committee has a charter that defines its composition, procedures and functions. All Committee Charters may be accessed through the Company's website.

Executive Committee

The Executive Committee is composed of three (3) members: the President and Chief Executive Officer, the General Manager and Chief Operating Officer, and the Executive Vice-President and Chief Finance Officer. The executive officers are members of the Board. The Executive Committee acts within the power and authority as delegated by the Board. The Executive Committee is in-charge of the management of day-to-day operations of the Company.

Corporate Governance Committee

The Corporate Governance Committee was constituted for the purpose of assisting the Board in the performance of its corporate governance oversight responsibilities.

The Committee is currently composed of four members, two of whom are independent directors, including the acting chairman, Ret. Justice Martin S. Villarama, Jr. Ret. Justice Jose P. Perez chaired the committee until his demise on 12 August 2021.

On 4 November 2021, the Board approved the amendment of the Committee Charter to incorporate the functions of the Nomination and Remuneration Committee, in accordance with corporate governance principles.

The Committee held one meeting in 2021 attended by all its members.

Audit Committee

The Audit Committee was constituted for the purpose of assisting the Board in the oversight of the Company's financial reporting, internal control system, internal and external audit processes, and compliance with laws and regulations.

The Committee is composed of five members, majority of whom are independent directors, including the chairman, Melinda Gonzales-Manto.

The Committee held four meetings in 2021 attended by all its members.

Related Party Transactions Committee

The Related Party Transactions Committee was established to review all material related party transactions of the Company, and ensure that all such transactions are conducted on an arm’s length basis and in accordance with existing regulations.

The Committee is composed of four non-executive directors, three of whom are independent directors, including the chairman, Ret. Justice Martin S. Villarama, Jr.

On 4 November 2021, the Board approved the adoption of the Related Party Transactions Committee Charter.

The Committee held one meeting in 2021 attended by all its members.

Board Risk Oversight Committee

The Board Risk Oversight Committee was constituted for the purpose of assisting the Board in the oversight of the enterprise risk management system to ensure its functionality and effectiveness.



The Committee was composed of three members, two of whom were independent directors, including the chairman, Ricardo C. Marquez. Ret. Justice Jose P. Perez served as member of the Committee until his demise on August 12, 2021. The Committee did not hold any meeting in 2021 for lack of material matter for consideration and approval.

GRI 102-27, 205-2

ANNUAL CONTINUING TRAINING

To ensure that the Company is headed by a competent working board and management, the Company provides an annual continuing training to its directors and key officers. In 2021, the Directors and key officers attended the Corporate Governance in-house training conducted by the Center for Global Best Practices, a SEC-accredited Corporate Governance training provider:

DIRECTORS AND KEY OFFICERS	PROGRAM	DATE OF TRAINING
Ramon S. Ang	1. Board Primer on Managing the Sustainability Reporting Process 2. Overview of Philippine Law on Public Integrity 3. Orientation on the US Foreign Corrupt Practices Act 4. Designing and Implementing an FCPA-Oriented Integrity Compliance Program	October 21, 2021
John Paul L. Ang	1. How to Build an Effective Working Board 2. Overview of Philippine Law on Public Integrity	August 17, 2021
Manny C. Teng		
Monica L. Ang-Mercado		
Manuel P. Daway		
Mario K. Surio		
Luis A. Vera Cruz, Jr.		
Ricardo C. Marquez		
Melinda Gonzales-Manto		
Martin S. Villarama, Jr.		
Marlon P. Javarro		
Fabiola B. Villa		
Mercedes V. Jorquia		

GRI 102-28

ANNUAL PERFORMANCE EVALUATION

In order to assess and improve performance, the Board of Directors, through the Compliance Officer, conducted the annual self-assessment of the performance and effectiveness of the Board, committees and key officers of the Company, for the year 2021. Overall, the directors, committee members and key officers believe that they have, individually and collectively, performed well and effectively in 2021.

The evaluation form was divided into five sections – (1) Collective Board Assessment, (2) Board Committee Assessment, covering the Audit, Related Party Transaction, Corporate Governance, and Board Risk Oversight Committees, (3) Individual Directors’ Self-Rating, (4) Assessment of Key Officers: Chairman, President and Chief Executive Officer, Board Risk Oversight Officer, Chief Audit Executive, and Compliance Officer; and (5) Overall Comments/Suggestions.

In 2020, the Company conducted the annual self- assessment through an external facilitator, the Good Governance Advocates and Practitioners of the Philippines, a SEC-accredited service provider.

DISCLOSURE AND TRANSPARENCY

The Company adheres to the high standards of corporate disclosure, transparency and integrity in reporting its financial conditions and business operations. Disclosure Policies are in place to ensure that material information is disclosed publicly and in a timely manner as required by rules and regulations.

GRI 102-5

Ownership Structure

Stockholders with at least five percent shareholdings in the Company as of December 31, 2021 are as follows:

The Top 20 shareholders of the Company are disclosed annually in the Definitive Information Statement distributed to stockholders prior to the Annual Stockholders’ Meeting.

TITLE OF CLASS	SHAREHOLDER	BENEFICIAL OWNER	NUMBER OF COMMON SHARES	PERCENTAGE
Common	Ramon S. Ang	Ramon S. Ang	1,317,857,139	26.36%
	Far East Holdings, Inc.	Ramon S. Ang	3,010,714,288	60.21%
	PCD Nominee Corp. (Filipino)	Various Shareholders	523,416,512	10.47%

Financial Reporting

The Company provides the public with its financial and operational information through various disclosures submitted to the SEC and PSE in accordance with relevant regulations. All such disclosures are also posted on the Company’s website.

In 2021, the Quarterly Reports were disclosed through the PSE Edge within forty-five (45) days from the end of the reporting period. The Annual Report for 2021 was filed on 16 May 2021 (Monday), in accordance with SEC Memo Circular No. 2, Series of 2022.

The list of the Company’s current reports (SEC Form 17-C) may be found on pages 30-31 of the SEC Form 17-A (2021 Annual Report).

Securities Dealing

The Company adopts a policy that requires all directors and officers to disclose to the Company any dealings in the Company’s shares within three business days from commencement of such dealings.

Directors and key officers are also required to accomplish the Business Interest Disclosure Forms immediately after their election. The forms are submitted to the Compliance Officer, and may be accessed through the Company’s website.



ACCOUNTABILITY AND AUDIT

The Audit Committee performs oversight functions over the Company’s internal and external auditors.

External Auditor

The external auditor, Reyes Tacandong & Co., has been the Company’s external auditor since 2015. The Audit Committee recommends to the Board the appointment, reappointment, removal and fees of the external auditor. The policy on rotating the lead audit partner every five (5) years is provided in the Company’s Manual on Corporate Governance. In 2021, there was no removal or change of external auditor, nor of its lead audit partner.

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

SERVICES (in PhP)	2021	2020	2019
Audit and other audit related fees	3,850,000	3,700,000	3,500,000
Tax fees	2,104,796	120,000	–
Others	335,000	1,500,000	–

Internal Audit

The Corporate Internal Audit Department provides an independent and objective assurance, and consulting services, to the Company. The department is headed by the Chief Audit Executive who oversees and is responsible for the internal audit activity of the Company.

The Chief Executive Officer and Chief Audit Executive attest that a sound internal audit, control and compliance system is in place and working effectively in the Company. The attestation may be accessed through the Company’s website.

RIGHTS OF SHAREHOLDERS

The Company recognizes the rights of its shareholders. These rights are provided in the Manual of Corporate Governance and disclosed on the Company’s website.

Right to Vote

Shareholders have the right to vote on all matters that require their consent or approval pursuant to the relevant provisions of the Revised Corporation Code.

The common shares of the Company have full voting rights. Each common share entitles the holder to one vote, which may be exercised in person or by proxy at shareholders’ meeting. The directors of the Company are elected by the shareholders at the Annual Stockholders’ Meeting.

Information on the voting procedures for the 2021 Annual Stockholders’ Meeting were provided in the Company’s Definitive Information Statement.

Annual Stockholders’ Meeting

The Annual Stockholders’ Meeting (ASM) serves as an important platform for shareholders to communicate directly with the Board, and for the management to present to the shareholders the highlights of the operating and financial performance of the Company. The Notice of ASM is sent to the shareholders at least twenty-eight days before the meeting. The notice includes the matters and the material details for approval of the stockholders. The notice of the 2021 ASM was first communicated to shareholders through a Notice of Postponement and setting of the 2021 ASM disclosed with the PSE on 07 April 2021, and through publication in two newspapers of general circulation, on 27 and 28 May 2021, twenty-eight days before the ASM. The Definitive Information Statement, including the notice of the ASM, was filed with PSE and SEC, and posted on the Company website.

Since the COVID-19 pandemic still gripped the country in 2021, the ASM was conducted virtually through MS Teams webinar. The information statement explains the voting and vote tabulation procedure. Shareholders cast their vote on all resolutions through the use of ballots, via proxy, or through remote communication.

The results of the votes taken during the 2021 ASM were timely disclosed with the SEC and PSE and posted on the Company website within the same day. Minutes of the ASM may be accessed through the Company website.

Right to Information

The Company discloses with the PSE and SEC all material information and reports concerning the Company’s business. All disclosures are available and downloadable at the Company’s website.

The Company’s website has sections dedicated to Investor Relations, Corporate Disclosures, Corporate Governance, among others, which contain disclosures, reports, policies, projects, contact details and other business information about the Company.

The Company has an Investor Relations Officer, who, together with management, conducts analysts’ briefings and meetings on financial and operating results every quarter to apprise the shareholders of material information and updates about the Company.

Right to Dividends

Shareholders are entitled to receive dividends in accordance with the provisions of the Revised Corporation Code and the Dividend Policy of the Company. The Company shall declare dividends in case its retained earnings shall exceed one hundred percent (100%) of its paid-in capital stock, subject to exceptions allowed under the law.

The Company declared the following cash dividends on common shares in 2021:

DECLARATION DATE	RECORD DATE	PAYMENT DATE	DIVIDEND PER SHARE
May 11, 2021	May 26, 2021	June 3, 2021	₱0.33
September 23, 2021	October 7, 2021	October 22, 2021	₱0.33

At the regular meeting of the Board of Directors held on April 7, 2021, the Board approved the amendment of the existing Dividend Policy increasing the amount of dividend that may be declared by the Board from 50% to up to 100% of the audited net income of the previous year. The Company’s Dividend Policy may be accessed through the Company’s website.



Denial of Pre-Emptive Rights

Under the Company’s Amended Articles of Incorporation as approved by the shareholders on 13 February 2017, the shareholders have no pre-emptive rights with respect to any issuance or disposition of the shares of the Company.

STAKEHOLDER RELATIONS

The Company recognizes and protects the rights of its various stakeholders. Policies and programs are in place to ensure that that they are treated fairly. The Company also strengthens the platforms through which it is able to collaborate with them, both internally and externally, as this is a core approach to its journey towards sustainability.

The Company’s Sustainability Report (SR) attached to the 2021 Annual Report presents the environmental, economic and social impact of its business operations on various stakeholders, including its value chain and stakeholder engagement. The SR also presents the Company’s community involvement and environment-related programs that contribute to the advancement of the communities where it operates.

Investor Relations

The Company’s Investor Relations Officer, Ma. Cristina M. Lleva, ensures constant engagement with the shareholders and stakeholders. She is accessible to address requests, queries and concerns, though the given contact details on the Company’s website:

Trunk Line: (+632) 5 301-3453  
Email address: ir@eagle-cement.com.ph

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

COMPANY POLICIES

Material policies, programs and procedures of the Company are posted on the Company’s website to foster awareness among all concerned.

Code of Ethics and Related Policies

The Code of Ethics provides an outline of the general expectations and sets the standards and rules by which employees are expected to conduct themselves. It also contains policies and programs that encourage employees’ participation in the realization of company goals, including the Company’s rewards and compensation system.

The Company also ensures the health, safety and welfare of its employees through various workplace policies, training and development programs.

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.

Related Party Transactions 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 or shareholders to ensure that the related party relationships are accounted for and disclosed in accordance with applicable laws and regulations. The Policy requires that all related party transactions be made on an arm’s length basis.

GRI 102-17, GRI 102-33

Whistleblowing Policy

The Policy 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

The Policy 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 and officers.

Gifts and Gratuity Policy

The Policy prohibits employees 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.

Personal Data Privacy Policy

The Policy requires all personal data processing within the Company to comply with law and data privacy principles. The policy is cascaded to all employees through orientations and brush up programs to foster awareness among all concerned. The Company has a Data Privacy Officer who ensures compliance with the data privacy regulations.

WEBSITE

The Company maintains a website, [www.eaglecement.com.ph](http://www.eaglecement.com.ph), containing all the relevant information, data and documents about the Company, its businesses and products, financial performance, policies and programs, news and updates, projects, communication channels, career opportunities, among others. Relevant reports and all disclosures made are accessible through the Company’s website. ■



# *Future proof*

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

The Group generates revenue mainly from the sale of cement. It sells majority of its products to dealers and institutional customers.

#### Cost of Goods Sold

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

Expenses related to personnel, equipment and other services involved in the sales, distribution, and warehousing activities of cement and mineral products at points of sales do 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, selling and distribution expenses. Administrative expenses include personnel costs, 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 Facility and Security Agreement (TLFSA) entered into with various banks to finance the construction of the third production line.

#### Interest Income

Interest income largely comprise of interest income earned from short-term and long-term placements of cash deposits.

#### 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 include current and deferred income tax. Current income tax expense pertains to regular corporate income tax of the Company. The statutory income tax rate is 25%, lower than the 30% statutory income tax rate on 2020 due to Republic Act No. 11534 (CREATE Act). The income tax at effective rate was 11.78%, 23.39% and 17.01% in CY 2021, CY 2020, and CY 2019, respectively, after taking into consideration the increase (decrease) in income tax resulting from: income exempt from tax (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 Company as an expanding producer of cement in Bulacan on a non-pioneer status. In May 2018, the Company started commercial operations of its Production Line 3. On October 2, 2020, BOI granted the deferment of the Company’s ITH entitlement for the taxable year 2020 for its registered project due to the adverse effects of the COVID-19 pandemic. The Company resumed the availment of its ITH incentive starting January 1, 2021 until April 30, 2022.

### Results of Operations (2021 VS. 2020)

The Group registered full-year consolidated revenues of ₱21.40 billion, 54% better against the ₱13.91 billion it generated a year earlier and an increase of 8% versus 2019 level. Cement operation reached revenue of ₱21.30 billion, a 53% increase over prior year’s ₱13.91 billion, resulting from higher sales volume despite historically low average selling price of cement. Meanwhile, Mining contributed ₱92.63 million in revenue.

Cost of sales increased by 51% to ₱12.42 billion from ₱8.21 billion last year mainly due to higher volume sold combined with higher prices of power and coal as a result of spike in coal and oil price index in the second half of the year.

Gross profit of the Group went up by 58% to ₱8.97 billion. Consolidated gross profit margin showed a slight improvement from 41% last year to 42%.

Operating expenses (OPEX) increased by 46% to ₱2.32 billion from ₱1.59 billion. Cement segment’s OPEX increased by 45% to ₱2.29 billion from ₱1.58 billion last year largely driven by the increase in freight and trucking, advertising and warehousing expenses relative to the growth in sales volume and surge in oil prices in the latter part of the year. Meanwhile, Mining’s OPEX, comprised mostly of delivery expenses, amounted to ₱12.32 million. Other pre-operating subsidiaries incurred combined OPEX of ₱13.77 million.

Finance costs dropped by 16% to ₱360.33 million from ₱430.70 million a year ago due to continuous repayment of TLFSA. Interest-bearing loans declined by 17% to ₱5.24 billion from ₱6.30 billion last year. Interest income slipped by 36% to ₱213.33 million owing to lower money market placements and yield from short-term investments.

Other income decreased by 22% to ₱320.80 million from ₱412.79 million in the previous year, as a result of lower fair value gain on investment property and financial asset valuation offset by the higher cash dividend income received from investment in perpetual security.



Income before income tax of the Group rose by 54% to ₱6.83 billion from ₱4.43 billion in the corresponding year. The lower tax rates and the resumption of availment of the BOI ITH incentive resulted to the decrease in income tax by 22% to ₱804.31 million from ₱1.04 billion a year earlier. Moreover, recorded income tax includes a downward adjustment of ₱86.00 million from year 2020 due to the retroactive application of the 25% new corporate tax rate. Net income after tax (NIAT) surged by 78% to ₱6.03 billion from ₱3.39 billion last year. This translated to earnings per share (EPS) of ₱1.21, exceeding last year's ₱0.67 by 81%.

For the fourth quarter alone, the Group reported net sales of ₱5.15 billion, 31% ahead relative to the same quarter in the prior year. Gross profit rose by 6% to ₱1.68 billion. EBITDA went up by 9% to ₱1.47 billion. NIAT grew by 35% to ₱947 million.

The table below summarizes the consolidated results of operations of the Group for the years ended December 31, 2021, 2020 and 2019, presented in absolute amounts as a percentage of net sales.

	For the Year Ended December 31				
	2021	2020	2019	% of Change	
	(in Millions of Philippine Pesos, except percentages)			2021 vs 2020	2021 vs 2019
Net Sales	21,397	13,906	19,824	54%	8%
Cost of Goods Sold	12,423	8,209	11,153	51%	11%
Gross Profit	8,974	5,697	8,671	58%	3%
Operating Expenses	2,318	1,586	1,872	46%	24%
Income from Operations	6,656	4,111	6,799	62%	-2%
Finance costs	360	431	496	-16%	-27%
Interest Income	213	334	764	-36%	-72%
Other income - net	321	413	180	-22%	78%
Income Before Income Tax	6,830	4,427	7,248	54%	-6%
Income Tax Expense	804	1,036	1,233	-22%	-35%
Net Income	6,026	3,391	6,015	78%	0%

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

	For the year ended	
	December 31, 2021	December 31, 2020
Net income	₱6,025,794,105	₱3,391,392,558
Add:		
Income tax expense	804,314,676	1,035,711,238
Depreciation and amortization	1,166,056,132	1,047,083,967
Finance costs	360,333,838	430,696,047
Less:		
Interest income	213,327,485	333,746,012
EBITDA	₱8,143,171,267	₱5,571,137,798

Financial Condition

The financial position of the Company for the year ended December 31, 2021 remains solid and stable, with total assets growing by 7% to ₱53.23 billion from ₱49.66 billion as at end of 2020.

Current assets grew by 8% to ₱20.39 billion. Cash and cash equivalents slightly increased by 2% to ₱11.65 billion. Strong income generation beefed up the cash position of the Group.

Non-current assets likewise increased 7% to ₱32.84 billion largely due to additions to PPE and goodwill recognized as a result of the acquisition of SNMC.

Current liabilities surged by 24% to ₱5.65 billion mainly due to increase in trade and other payables.

Non-current liabilities decreased by 16% to ₱5.38 billion primarily due to principal repayment of the long-term debt related to TLFSA.

Total liabilities stood at ₱11.03 billion, slightly increased by 1% from ₱10.95 billion registered last year.

After accounting for net income, cash dividends payments and revaluation of properties and other equity reserves, consolidated stockholders' equity increased by 9% to ₱42.20 billion.

The Company remains compliant with its loan covenants, with debt-to-equity ratio registering at 0.26x while financial debt to equity ratio stood at 0.12x. The current gearing gives the Company more flexibility to support its investment plans. Meanwhile, current ratio stood at 3.61x while return on equity ended at 15%.

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31		Increase/(Decrease)	Percentage of Change
	2021	2020		
(in Millions of Philippine Pesos, except percentages)				
Current Assets	20,394	18,914	1,480	8%
Noncurrent Assets	32,840	30,745	2,095	7%
<b>Total Assets</b>	<b>53,234</b>	<b>49,659</b>	<b>3,575</b>	<b>7%</b>
Current Liabilities	5,655	4,563	1,091	24%
Noncurrent Liabilities	5,375	6,381	-1,006	-16%
<b>Total Liabilities</b>	<b>11,030</b>	<b>10,945</b>	<b>86</b>	<b>1%</b>
<b>Equity</b>	<b>42,204</b>	<b>38,714</b>	<b>3,492</b>	<b>9%</b>
Total Liabilities and Equity	53,234	49,659	3,575	10%



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	2021	2020	2019
Current/liquidity ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	3.61	4.14	4.40
Solvency ratio	$\frac{\text{Net income before depreciation}}{\text{Total liabilities}}$	0.65	0.41	0.59
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.26	0.28	0.31
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	1.26	1.28	1.31
Return on asset ratio	$\frac{\text{Net income before interest expense after tax}}{\text{Average total assets}}$	0.12	0.08	0.14
Return on equity ratio	$\frac{\text{Net income}}{\text{Average total equity}}$	0.15	0.09	0.17

Capital Expenditure

The total capital expenditure of the Company in 2021 amounted to ₱1.23 billion. Of that amount, 81% was spent on the construction of Finish Mill 5, Packhouse 3 and Cement Silo 5, 12% was disbursed for plant machinery and equipment, while the remaining 6% was accounted for building and improvement, transportation equipment, furniture, fixtures and office equipment.

MATERIAL CHANGES IN THE FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME (YEAR-END 2021 VS. YEAR-END 2020)

Net Sales – 54% increase

Driven by higher sales volume which partly offset by lower average selling price of cement

Cost of Goods Sold – 51% increase

*Cost of inventories – 61% increase*  
Largely due to the higher consumption of raw materials relative to the increase in sales volume coupled with the increase in prices of coal as a result of spike in coal index.

*Utilities – 67% increase*  
Increase in power usage due to higher production volume and increase in electricity rate in latter part of the year due to surge in coal and price index.

*Depreciation and Amortization – 9% increase*  
Due to additional PPE capitalized during the year a result of completion of various projects mostly related to expansion project of the Company.

*Repairs and Maintenance – 51% increase*  
Relatively due to the maintenance of the three production lines which were postponed in 2020 and carried out on 2021 due to covid-19 restriction.

*Personnel Cost – 22% increase*  
Due to increase in headcount, third-party contractor rates and company-wide salary increases.

*Taxes and Licenses – 15% decrease*  
Due to the reduction of real property taxes caused by the decrease in the net book value of assets due to the depreciation considered in the computation of RPT.

*Fuel and Oil – 106% increase*  
Mainly due to higher consumption of diesel relative to the increase in volume and spike in price of fuel.

Operating Expenses – 46% increase

*Freight, trucking, and handling – 68% increase*  
Mainly driven by higher sales volume.

*Personnel Cost – 12% increase*  
Due to increase in headcount and company-wide salary increases.

*Advertising Expenses – 288% increase*  
Largely due to the new incentive promotions for customers and marketing activities.

*Warehousing fees – 60% increase*  
Mainly due to increase in sales volume from various warehouses.



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (END 2021 vs. END 2020)

Current Assets – 8% increase

Trade and other receivables – 110% increase  
Mainly due to the receivables of the acquired subsidiary.

Inventories – 20% Increase  
Due to higher prices and level of raw materials maintained for its operational requirements.

Other current assets – 37% increase  
Attributable to the increase in advances to suppliers for the supply of raw materials and spareparts.

Noncurrent Assets – 7% increase

Investment Properties – 8% increase  
Due to ₱107.56 million gain on market value of investment property of KSHI

Property, Plant & Equipment – 8% increase  
Mainly from the land revaluation increment as a result of the increase in market value of land and spending for various expansion projects.

Current Liabilities – 24% increase

Trade and other payables – 33% increase  
Mainly due to the increase in the accruals for sales rebates relative to the increase in sales volume and increase in accruals for utilities due to higher production volume.

Income tax payable – 60% decrease  
Attributable to the reduced income tax rate, ITH availment and the prior year adjustment relative to the reduced income tax rate from CREATE Act.

Noncurrent Liabilities – 9% decrease

Loans payable – net of current portion – 16% decrease  
Due to the ₱1.07billion repayment of TLFSA.

Equity – 9% increase

Total retained earnings 31 % increase  
Due to ₱6.03 billion net income generated in 2021 and the ₱736.92 million revaluation surplus offset by the dividend payment amounting to ₱3.30billion for common shareholders.

Liquidity and Capital Resources

Cash Flows

The primary sources and uses of cash of the Group for calendar years 2021, 2020 and 2019 were as follows:

	For the years ended December 31		
	2021	2020	2019
(in Millions of Philippine Pesos, except percentages)			
Cash flows provided by operating activities	8,783	4,919	7,152
Cash flows used in investing activities	(3,886)	(5,773)	(3,435)
Cash flows provided by (used in) financing activities	(4,719)	(4,602)	(2,953)
Net effect of exchange rate changes on cash and cash equivalents		(16)	(3)
Net increase (decrease) in cash and cash equivalents	179	(5,472)	765
Cash and cash equivalents at beginning of year	11,466	16,938	16,177
Cash and cash equivalents at end of year	11,645	11,466	16,938

Cash Flows From Operating Activities

Internal cash generation from operations this year amounted to ₱8.78 billion. This was primarily the result of net income before taxes of ₱6.83 billion, adjusted for non-cash items and changes in working capital, including depreciation and amortization of ₱1.17 billion, finance costs of ₱360.33 million, gain on fair value changes in investment properties of ₱107.56 million, income taxes paid of ₱992.94 million and interest received of ₱210.15 million.

Cash Flow From Investing Activities

Cash utilized for investing activities amounted to ₱3.89 billion. This was mainly spent for the purchase of SNMC shares of ₱3.31 billion, capital expenditures of ₱718.28 million, deposits on asset purchase amounting to ₱623.03 million and ₱200.00 million additional investment in bonds, partially negated by the cash from terminated investment agreement, cash dividends received and proceed from sale of assets amounting to ₱717.00 million, ₱214.51 million and ₱108.15 million respectively.

Cash Flow From Financing Activities

Meanwhile, cash utilized for financing activities totaled ₱4.73 billion. This comprised of cash dividend payment of ₱3.30 billion and TLFSA debt servicing of ₱1.42 billion.

After substantial cash requirement for the purchase of subsidiary of ₱3.31 billion, capex of ₱718.28 million and cash dividend payment of ₱3.30 billion, the company managed to increase cash at ₱178.62 million.

Consolidated ending cash closed at ₱11.65 billion. posting a 2% growth from beginning balance of ₱11.47 billion.





## Financial Statements



### EAGLE CEMENT CORPORATION

Head Office: 155 Brgy. Wack-Wack, Mandaluyong City, Philippines  
 Plant: Brgy. Akle, San Ildefonso, Bulacan, Philippines  
 Tel: +632 5301-3453  
 www.eaglecement.com.ph

#### "STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS"

The management of **Eagle Cement Corporation** (the Company) and **Subsidiaries** (collectively referred to as "the Group") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 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 Company'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 and appointed by the Board of Directors, 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-MERCADO**  
 Chief Financial Officer

Signed this \_\_\_\_ day of \_\_\_\_ 2022





REYES TACANDONG & Co.  
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782  
August 16, 2021, valid until April 13, 2024  
SEC Accreditation No. 0207-FR-3 (Group A)  
August 29, 2019, valid until August 28, 2022

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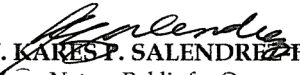
INDEPENDENT AUDITORS’ REPORT

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

SUBSCRIBED AND SWORN to before me on 6 May 2022 at Quezon City, the following affiants exhibited to their competent evidence of identity.

Name	Competent Evidence of Identity	Date/ Place Issued
Ramon S. Ang	TIN-118-247-725	
Monica L. Mercado	TIN- 249-786-240	
John Paul L. Ang	TIN- 212-627-576	

Doc. No. 200;  
Page No. 41;  
Book No. 5;  
Series of 2022.

  
ATTY. KARES P. SALENDREZ PANGILINAN  
Notary Public for Quezon City  
Commission until 31 December 2020  
Adm. Matter No. NP104(2019-2020)  
Extended until 30 June 2022 per B.M. 3795  
Unit 2625 T2 Amaia Skies Cubao, 5<sup>th</sup> Ave., Brgy. Socorro,  
Quezon City  
Roll No. 69872  
MCLE Compliance No. VI-0016081  
PTR No. 2438608/11/2022, QC  
IBP No. 197865 01/10/2022, QC

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, 2021 and 2020, 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, 2021, 2020 and 2019, 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 the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021, 2020 and 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits 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.





- 2 -

#### Implementation of the New Information System

The Group implemented a new information system, that went live on November 1, 2020. The Group's financial accounting and reporting processes are highly dependent on the automated application and controls in this information system. The IT systems and controls, as they impact the financial recording and reporting of transactions, are key audit matters and our audit approach could significantly differ depending on the effective design and operation of the IT controls.

We engaged our internal IT specialists to perform audit procedures to assess the IT systems and controls over financial reporting, which included the following:

- IT general controls' design and operation

We tested a sample of key controls operating over the new system in relation to financial accounting and reporting, including system access and system change management, program development, and computer operations.

- System change management controls operation

Upon implementation, we performed procedures to get assurance that master data and beginning financial balances were migrated to the new system correctly. We also assessed the operating effectiveness of controls over specific changes or enhancements requested by the Group after its implementation.

- User access controls operation

We assessed management's evaluation of access rights granted to employees relevant to financial accounting and reporting systems and tested the resolution of a sample of exceptions. We also assessed the operating effectiveness of controls over granting, removal, and appropriateness of access rights. Further, we tested specific relevant application controls for significant financial reporting processes.

#### Acquisition of Solid North Mineral Corp. (SNMC)

As discussed in Note 4 to the consolidated financial statements, the Group acquired 100% ownership of SNMC, a related party engaged in the mining and processing of limestones, for a total consideration of ₱3,572.0 million in November 2021. We determined that the acquisition of SNMC is a key audit matter due to the significance of the transaction and its impact in the consolidated financial statements, including the recognition of mining rights and goodwill amounting to ₱ 1,015.5 million and ₱327.8 million, respectively.

We reviewed the allocation of the purchase price to the fair value of the identifiable assets and liabilities of SNMC including mining rights, and the computation of goodwill. We reviewed the valuation of mining rights including the reasonableness of projections and assumptions used in the computation. We also reviewed the completeness and appropriateness of relevant disclosures in the consolidated financial statements.



- 3 -

#### Capitalization of Property, Plant and Equipment

As discussed in Note 11 to the consolidated financial statements, the carrying amount of the Group's property, plant and equipment amounted to ₱27,723.6 million as at December 31, 2021. During the year, additions to property, plant and equipment amounted to ₱1,230.1 million which includes amount capitalized as construction in progress of ₱998.8 million and acquired machineries and equipment and other equipment of ₱231.3 million. In 2021, various construction projects amounting to ₱243.3 million were completed and were reclassified to appropriate property, plant and equipment account. We determined that the capitalization of property, plant and equipment account is a key audit matter due to the significance of the transactions and the judgment involved in determining the useful life and the timing in depreciating these assets.

We have assessed the existence of the additions to property, plant and equipment through site inspection and examination of supporting documents. We also tested the completeness of amounts capitalized including the purchase price or construction costs of the assets and its directly attributable cost to bring the asset to the location and condition for its intended use. Further, we have validated the proper classification of major components of property, plant and equipment. We also assessed the reasonability of estimated useful lives and appropriateness of the depreciation method used, including commencement of depreciation. We also tested the reliability of the Group's information system in capturing additions to property, plant and equipment including the application used in the computation of depreciation expense.

#### Revenue Recognition

The Group manufactures, sells and distributes cement products. As discussed in Note 21 to the consolidated financial statements, net sales of the Group amounted to ₱ 21,396.9 million in 2021. 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 and occurrence 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 information system in capturing transactions related to revenue. Further, we have reviewed the arrangement with the customers vis-à-vis its transaction during the year to determine proper revenue recognition. In addition, we have validated against supporting documents the revenue transactions during the year and ascertained proper recording in the Group's consolidated financial statements.

#### 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, 2021, 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, 2021 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.





- 4 -

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, these 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.



- 5 -

- 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.





- 6 -

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  
Partner  
CPA Certificate No. 102884  
Tax Identification No. 210-181-965-000  
BOA Accreditation No. 4782; Valid until April 13, 2024  
SEC Accreditation No. 1778-A  
Valid until September 23, 2022  
BIR Accreditation No. 08-005144-011-2020  
Valid until January 1, 2023  
PTR No. 8851709  
Issued January 3, 2022, Makati City

March 17, 2022  
Makati City, Metro Manila



BOA/PRC Accreditation No. 4782  
August 16, 2021, valid until April 13, 2024  
SEC Accreditation No. 0207-FR-3 (Group A)  
August 29, 2019, valid until August 28, 2022  
BDO Towers Valero (formerly Citibank Tower)  
8741 Paseo de Roxas  
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Phone : +632 8 982 9100  
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Website : www.reyestacandong.com

**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, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, on which we have rendered our report dated March 17, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 37 stockholders owning 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 April 13, 2024  
SEC Accreditation No. 1778-A  
Valid until September 23, 2022  
BIR Accreditation No. 08-005144-011-2020  
Valid until January 1, 2023  
PTR No. 8851709  
Issued January 3, 2022, Makati City

March 17, 2022  
Makati City, Metro Manila



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

December 31			
	Note	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	<b>₱11,645,049,344</b>	₱11,466,255,207
Financial assets at fair value through profit or loss (FVPL)	6	<b>4,868,682,658</b>	4,703,019,162
Trade and other receivables	7	<b>1,028,364,218</b>	488,698,028
Inventories	8	<b>1,690,426,733</b>	1,405,696,412
Other current assets	9	<b>1,161,284,626</b>	850,409,547
Total Current Assets		<b>20,393,807,579</b>	18,914,078,356
<b>Noncurrent Assets</b>			
Investment in an associate	13	<b>75,000,000</b>	75,000,000
Financial assets at fair value through other comprehensive income (FVOCI)	10	<b>105,679,875</b>	103,079,550
Property, plant and equipment	11	<b>27,723,632,795</b>	25,603,963,422
Investment properties	12	<b>1,753,172,245</b>	1,630,650,604
Intangible assets	14	<b>1,707,247,353</b>	323,388,553
Other noncurrent assets	15	<b>1,475,756,704</b>	3,008,991,655
Total Noncurrent Assets		<b>32,840,488,972</b>	30,745,073,784
		<b>₱53,234,296,551</b>	₱49,659,152,140
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	16	<b>₱4,363,019,469</b>	₱3,283,815,937
Current portion of loans payable	17	<b>1,195,127,948</b>	1,060,127,446
Current portion of lease liabilities	26	<b>12,221,931</b>	7,648,720
Income tax payable		<b>84,601,850</b>	211,879,633
Total Current Liabilities		<b>5,654,971,198</b>	4,563,471,736
<b>Noncurrent Liabilities</b>			
Loans payable - net of current portion	17	<b>4,040,380,818</b>	5,235,508,836
Lease liabilities - net of current portion	26	<b>35,500,277</b>	36,557,012
Net retirement benefit liability	27	<b>122,801,864</b>	87,944,993
Provision for mine rehabilitation and decommissioning	18	<b>50,026,848</b>	31,233,753
Net deferred tax liabilities	29	<b>1,126,614,793</b>	989,861,221
Total Noncurrent Liabilities		<b>5,375,324,600</b>	6,381,105,815
Total Liabilities		<b>11,030,295,798</b>	10,944,577,551
<b>Equity</b>			
Capital stock	19	<b>8,000,000,005</b>	8,000,000,005
Additional paid-in capital		<b>6,525,506,098</b>	6,525,506,098
Retained earnings:			
Appropriated		<b>16,000,000,000</b>	16,000,000,000
Unappropriated		<b>11,568,997,758</b>	8,843,203,656
Other equity reserves		<b>3,109,496,892</b>	2,345,864,830
Treasury stock		<b>(3,000,000,000)</b>	(3,000,000,000)
Total Equity		<b>42,204,000,753</b>	38,714,574,589
		<b>₱53,234,296,551</b>	₱49,659,152,140

See accompanying Notes to Consolidated Financial Statements.

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

Years Ended December 31				
	Note	2021	2020	2019
<b>NET SALES</b>	21	<b>₱21,396,891,131</b>	₱13,906,139,382	₱19,824,452,081
<b>COST OF GOODS SOLD</b>	22	<b>12,422,544,346</b>	8,208,930,134	11,153,024,543
<b>GROSS PROFIT</b>		<b>8,974,346,785</b>	5,697,209,248	8,671,427,538
<b>OPERATING EXPENSES</b>	23	<b>2,318,036,461</b>	1,585,941,759	1,871,981,700
<b>INCOME FROM OPERATIONS</b>		<b>6,656,310,324</b>	4,111,267,489	6,799,445,838
<b>FINANCE COSTS</b>	17	<b>(360,333,838)</b>	(430,696,047)	(495,685,474)
<b>INTEREST INCOME</b>	5	<b>213,327,485</b>	333,746,012	763,982,413
<b>OTHER INCOME - Net</b>	24	<b>320,804,810</b>	412,786,342	179,772,798
<b>INCOME BEFORE INCOME TAX</b>		<b>6,830,108,781</b>	4,427,103,796	7,247,515,575
<b>INCOME TAX EXPENSE (BENEFIT)</b>	29			
Current		<b>805,282,609</b>	1,032,478,972	1,224,911,672
Deferred		<b>(967,933)</b>	3,232,266	7,702,810
		<b>804,314,676</b>	1,035,711,238	1,232,614,482
<b>NET INCOME</b>		<b>6,025,794,105</b>	3,391,392,558	6,014,901,093
<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)	11	<b>736,919,989</b>	994,379,358	—
Remeasurement gains (losses) on net retirement benefit liability (net of deferred tax)	27	<b>24,111,748</b>	42,339,397	(25,457,530)
Unrealized gains on financial assets at FVOCI	10	<b>2,600,325</b>	2,000,250	1,066,800
		<b>763,632,062</b>	1,038,719,005	(24,390,730)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱6,789,426,167</b>	₱4,430,111,563	₱5,990,510,363
<b>Basic/Diluted Earnings Per Share (EPS)</b>	33	<b>₱1.21</b>	₱0.67	₱1.17

See accompanying Notes to Consolidated Financial Statements.



EAGLE CEMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Note	Other Equity Reserves									
		Capital Stock - ₱1 par value		Additional		Retained Earnings		Revaluation Surplus (Net of Deferred Tax)		Cumulative	
		Common Stock	Preferred Stock	Paid-in Capital	Appropriated	Unappropriated	Unappropriated	(Net of Deferred Tax)	(Net of Deferred Tax) at FVOCI	Treasury Stock	Total Equity
Balances as at December 31, 2020		₱5,000,000,005	₱3,000,000,000	₱6,525,506,098	₱16,000,000,000	₱8,843,203,656	₱2,319,467,358	₱23,330,422	₱3,067,050	₱38,714,574,589	
Net income		-	-	-	-	6,025,794,105	-	-	-	-	6,025,794,105
Other comprehensive income		-	-	-	-	-	736,919,989	24,111,748	2,600,325	-	763,632,062
Cash dividends declared	19	-	-	-	-	(3,300,000,003)	-	-	-	-	(3,300,000,003)
Balances as at December 31, 2021		₱5,000,000,005	₱3,000,000,000	₱6,525,506,098	₱16,000,000,000	₱11,568,997,758	₱3,056,387,347	₱47,442,170	₱5,667,375	₱3,000,000,000	₱42,204,000,753
Balances as at December 31, 2019		₱5,000,000,005	₱3,000,000,000	₱6,525,506,098	₱7,500,000,000	₱13,998,311,098	₱1,325,088,000	(₱19,008,975)	₱1,066,800	₱-	₱37,330,963,026
Net income		-	-	-	-	3,391,392,558	-	-	-	-	3,391,392,558
Other comprehensive income		-	-	-	-	-	994,379,358	42,339,397	2,000,250	-	1,038,719,005
Appropriations	19	-	-	-	8,500,000,000	(8,500,000,000)	-	-	-	-	-
Redemption of preferred shares	19	-	-	-	-	-	-	-	-	-	-
Cash dividends declared	19	-	-	-	-	(46,500,000)	-	-	-	(3,000,000,000)	(3,000,000,000)
Balances as at December 31, 2020		₱5,000,000,005	₱3,000,000,000	₱6,525,506,098	₱16,000,000,000	₱8,843,203,656	₱2,319,467,358	₱23,330,422	₱3,067,050	₱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	₱7,500,000,000	₱9,463,410,006	₱1,325,088,000	₱6,448,555	₱-	₱-	₱32,820,452,664
Net income		-	-	-	-	6,014,901,093	-	-	-	-	6,014,901,093
Other comprehensive income		-	-	-	-	-	-	(25,457,530)	1,066,800	-	(24,390,730)
Cash dividends declared	19	-	-	-	-	(1,480,000,001)	-	-	-	-	(1,480,000,001)
Balances as at December 31, 2019		₱5,000,000,005	₱3,000,000,000	₱6,525,506,098	₱7,500,000,000	₱13,998,311,098	₱1,325,088,000	(₱19,008,975)	₱1,066,800	₱-	₱37,330,963,026

See accompanying Notes to Consolidated Financial Statements.

EAGLE CEMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31				
	Note	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		₱6,830,108,781	₱4,427,103,796	₱7,247,515,575
Adjustments for:				
Depreciation and amortization	11	1,166,056,132	1,047,083,967	952,698,422
Finance costs	17	360,333,838	430,696,047	495,685,474
Dividend income	6	(214,505,092)	(134,753,962)	(13,065,644)
Interest income	5	(213,327,485)	(333,746,012)	(763,982,413)
Fair value changes in investment properties	12	(107,556,400)	(262,000,000)	(111,216,000)
Retirement benefit costs	27	63,007,502	33,230,449	20,778,962
Trading losses (gains) on financial assets at FVPL	6	23,205,545	(20,077,980)	(63,663,740)
Unrealized foreign exchange losses (gains)		(2,802,203)	18,968,158	4,297,334
Loss (gain) on sale of property, plant and equipment	24	(659,328)	(5,976,932)	4,586,716
Operating income before working capital changes		7,903,861,290	5,200,527,531	7,773,634,686
Decrease (increase) in:				
Trade and other receivables		1,224,895,351	82,614,279	(40,273,278)
Inventories		12,168,412	288,454,859	118,561,883
Other current assets		(224,293,069)	140,396,770	107,058,186
Other noncurrent assets		2,569,917	36,521,591	(266,890,082)
Increase (decrease) in trade and other payables		646,722,119	(130,554,344)	(2,761,533)
Net cash generated from operations		9,565,924,020	5,617,960,686	7,689,329,862
Income taxes paid		(992,942,550)	(1,081,824,664)	(1,279,114,639)
Interest received		210,154,402	383,096,025	742,238,510
Net cash provided by operating activities		8,783,135,872	4,919,232,047	7,152,453,733
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of a new subsidiary, net of cash	4	(3,308,490,741)	-	-
Additions to:				
Property, plant and equipment		(718,278,653)	(1,448,633,399)	(2,265,013,698)
Deposits on asset purchase		(623,026,418)	(94,386,948)	(223,725,693)
Financial assets at FVPL		(200,000,000)	(4,000,000,000)	(499,999,931)
Intangible assets	14	(60,845,680)	(132,059,137)	-
Investment properties	12	(10,597,241)	(4,167,431)	-
Deposit for future investment	15	(4,306,438)	(217,000,000)	(500,000,000)
Collections of deposit for future investment	15	717,000,000	-	-
Dividends received		214,507,871	84,753,962	13,065,644
Proceeds from sale of:				
Property, plant and equipment		97,022,810	3,479,335	13,339,334
Financial assets at FVPL		11,130,959	34,890,335	27,393,089
Net cash used in investing activities		(3,885,883,531)	(5,773,123,283)	(3,434,941,255)

(Forward)



- 2 -

Years Ended December 31				
	Note	2021	2020	2019
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of:				
Dividends		(P3,300,000,003)	(P91,500,000)	(P1,480,000,001)
Loans payable	17	(1,068,000,000)	(1,068,000,000)	(979,000,000)
Interest		(351,533,412)	(420,914,555)	(481,738,877)
Lease liabilities	26	(7,138,880)	(11,569,276)	(11,893,731)
Advances from a related party		—	(10,000,000)	—
Advances from related parties		8,039,826	—	—
Acquisition of treasury stock	19	—	(3,000,000,000)	—
Net cash used in financing activities		(4,718,632,469)	(4,601,983,831)	(2,952,632,609)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>178,619,872</b>	<b>(5,455,875,067)</b>	<b>764,879,869</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>174,265</b>	<b>(16,361,818)</b>	<b>(3,339,418)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>11,466,255,207</b>	<b>16,938,492,092</b>	<b>16,176,951,641</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>P11,645,049,344</b>	<b>P11,466,255,207</b>	<b>P16,938,492,092</b>

See accompanying Notes to Consolidated Financial Statements.

## EAGLE CEMENT CORPORATION AND SUBSIDIARIES

### 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 20, 1995. The Parent Company is primarily engaged in the business of manufacturing, marketing, sale and distribution of cement products.

The Parent Company is a 60.21%-owned subsidiary of Far East Holdings, Inc. (FEHI or the Ultimate Parent Company), an entity incorporated and domiciled in the Philippines.

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.

##### Subsidiaries

The Parent Company and its subsidiaries are collectively referred to herein as “the Group”. The following subsidiaries are all incorporated in the Philippines and are registered with the SEC:

Name of Subsidiary	Principal Activity	Percentage (%) of Ownership	
		2021	2020
KB Space Holdings, Inc. (KSHI)	Property leasing activities	100	100
South Western Cement Corporation (SWCC)	Manufacturing, marketing, sale and distribution of cement products	100	100
Solid North Mineral Corp. (SNMC)	Mining activities and processing of limestones	100	—

KSHI and SWCC have not started commercial operations as at March 17, 2022.

On November 4, 2021, the Parent Company acquired 100% ownership of SNMC for a total consideration of P3,572.0 million from related parties (see Note 4).



Status of Mining 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/Renewal	Commodity	Status of Operations
<u>Luzon sites:</u>					
ECC	245-2007-III	Dona Remedios Trinidad and San Ildefonso, Bulacan	July 25, 2007	Limestone	Exploration
ECC*	181-2002-III	Akle, San Ildefonso, Bulacan	December 9, 2002	Limestone	Commercial Operations
SNMC**	161-00-III	Akle, San Ildefonso, Bulacan	September 12, 2000	Limestone, shale and pozzolan	Commercial Operations
<u>Cebu sites:</u>					
ECC	100-97-VII	Ginatilan, Cebu	December 29, 1997	Limestone	Exploration
ECC	101-97-VII	Ginatilan and Malabuyoc, Cebu	December 29, 1997	Limestone	Exploration
SWCC	059-96-VII	Lo-oc, Malabuyoc, Cebu	November 18, 2030	Limestone	Development
SWCC	060-96-VII	Lo-oc, Malabuyoc, Cebu	November 18, 2030	Limestone	Development
<u>Mindanao site:</u>					
SNMC	083-97-IX	Siayan, Sindangan and Jose Dalman, Zamboanga del Norte	November 20, 1997	Copper and gold	Exploration

\*Started commercial operations for the production of limestone in 2010.  
\*\*Started commercial operations for the production of shale and pozzolan, and pulverized limestone in January 2016 and April 2019, respectively.

These MPSAs have a term of 25 years from the issuance date and may be renewed thereafter for another term not exceeding 25 years. 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.

As of March 17, 2022, the Group is in the process of applying for the extension of the term of MPSAs 100-97-VII and 101-97-VII from Cebu sites.

Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 were approved and authorized for issuance by the Board of Directors (BOD) of the Parent Company on March 17, 2022, upon endorsement by the Audit Committee on the same date.

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).

The significant accounting policies used in the preparation of the consolidated financial statements are consistently applied to all the years presented, unless otherwise stated.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), the Group’s functional currency. All values are rounded to the nearest Peso, unless otherwise indicated.

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

	Measurement Basis
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” account	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.

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 6 - Financial Assets at FVPL
- Note 10 - Financial Assets at FVOCI
- Note 11 - Property, Plant and Equipment
- Note 12 - Investment Properties
- Note 31 - Fair Value Measurement



- 4 -

**Amended PFRS Issued But Not Yet Effective**

Relevant amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the consolidated 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.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 percent' Test for Derecognition of Financial Liabilities* – The amendments clarify which fees an entity includes when it applies the '10 percent' 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 amendments remove 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.

- 5 -

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.

*Business Combinations under Common Control.* Business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and



- 6 -

for which the control is not transitory, are accounted for using either the pooling of interests method or the acquisition method. The Group adopted the acquisition method for its business combination under common control.

Under the acquisition method, the Group determines if the assets acquired and the liabilities assumed constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. In an acquisition method, the acquirer measures the non-controlling interest in the acquiree at fair value of the entity's net assets. Acquisition-related costs incurred are recognized as expense. If the acquisition is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

If the initial accounting for a business combination is incomplete as at the reporting date in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts and recognizes additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period ends at the date the Group receives the information about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable, but should not exceed one (1) year from the acquisition date.

#### **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.

- 7 -

#### **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, 2021 and 2020, the Group's cash and cash equivalents, trade and other receivables (except advances to officers and employees), Debt Service Reserve Account (DSRA), long-term placements, restricted cash, refundable deposits, and deposit in escrow are classified under this category (see Notes 5, 7, 9 and 15).

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 (3) 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, 2021 and 2020, 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 10).



- 8 -

*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, 2021 and 2020, the Group’s investment in unquoted redeemable perpetual security and investments in various listed debt and equity securities other than those classified as financial assets at FVOCI are classified under this category (see Note 6).

*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.

- 9 -

*Impairment of Financial Assets at Amortized Cost.* 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, which 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.



- 10 -

## 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, 2021 and 2020, 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 subsequently 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, 2021 and 2020, 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 16, 17 and 26).

*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.

- 11 -

## 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, spare parts and supplies comprises all purchase price and other costs incurred in bringing the inventories to its present location and condition. The cost of finished goods and goods in process comprises raw materials, direct labor and other direct costs and related production overheads.

The cost of raw materials is calculated based on moving average method while the cost of goods in process and finished goods is calculated based on standard costing method. Standard cost is adjusted to reflect actual cost which is principally determined using the moving average method. 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 (1) year or if these can be used only in connection with an item of property, plant and equipment.

When the NRV of the inventories is lower than its cost, the Group provides for an allowance for the decline in value of inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of write-down of inventories, arising from an increase in NRV, is recognized in profit or loss in the period in which the reversal occurs.

## Other Nonfinancial Current Assets

Other nonfinancial current assets include advances to suppliers, prepayments, and advances to officers and employees.

*Advances to Suppliers.* Advances to suppliers are amounts paid in advance for the purchase of goods and service contractors. 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 or 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.

*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 Officers and Employees.* Advances to officers and employees are measured at face amount. These pertain to advances made to the Group’s officers and employees in relation to the operations of the Group. These are recognized as expense upon liquidation of said advances.

**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.

**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
- Furniture, fixtures and other office equipment
- Transportation equipment
- Right-of use (ROU) assets

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
Furniture, fixtures and other office equipment	3 to 5
Transportation equipment	5
ROU assets	2 to 8

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.

Fully depreciated assets are retained in the account until they are no longer in use and no further change for depreciation is made in respect of those assets.

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 these 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.

**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.

*Mining Rights and Computer Software.* Mining rights and computer software are stated at cost, which includes purchase price and other direct costs, less accumulated amortization and any impairment in value. Mining rights and computer software are amortized over their useful lives on a straight-line basis and assessed for impairment whenever there is an indication that the mining rights and computer software 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 are as follows:

	Number of Years
Mining rights	25
Computer software	10

When mining rights and computer software 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.

*Goodwill.* Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and 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.



- 16 -

After initial recognition, goodwill 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.

#### **Other Nonfinancial Noncurrent Assets**

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

*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 on asset purchase are applied against acquisition of property, plant and equipment and long-term deposit for inventory acquisition.

*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.

*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. Deposit for future investment is applied against subscription to common shares of stock of a business entity.

- 17 -

#### **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.

#### **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.



- 18 -

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.

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.

#### **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.

#### **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.

- 19 -

*Other Equity Reserves.* Other equity reserves comprise of items of income and expense, net of any deferred tax expense or benefit, 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 or 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.

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.

*Other Income.* Income from other sources is recognized when earned during the period.

#### **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.



- 20 -

**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 of current service cost and 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.

- 21 -

*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 (2) to eight (8) 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 (IBR).

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.

**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.



- 22 -

**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.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

**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 carryforward benefits of 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 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.

- 23 -

**Related Party Relationships and Transactions**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. Related parties may be individual or corporate entities.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

**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.



- 24 -

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 classified as “Restricted cash” 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.

#### **Earnings Per Share (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 consolidated statements of 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.

- 25 -

### **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, accounting estimates and assumptions 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 10) or as financial assets at FVPL. The Group’s investments in quoted equity and debt securities and investment in unquoted redeemable perpetual security were designated as financial assets at FVPL (see Note 6).

Cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), DSRA, long-term placements, restricted cash, refundable deposits, and deposit in escrow 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 5, 7, 9, and 15).

*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.



- 26 -

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 31 to the consolidated financial statements.

*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, 2021 and 2020 (see Note 13).

*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.

Land held for operations and administrative purposes amounting to ₱ 6,091.3 million and ₱4,104.4 million as at December 31, 2021 and 2020, respectively, is classified as property, plant and equipment (see Note 11). Land held for the construction of a building to be held for rental amounting to ₱1,677.3 million and ₱1,565.4 million as at December 31, 2021 and 2020, respectively, is classified as an investment property (see Note 12).

*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.

- 27 -

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, except for the Dona Remedios Trinidad site, started their production and commercial operations in 2010. As at March 17, 2022, 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 ₱44.7 million and ₱36.8 million as at December 31, 2021 and 2020, respectively (see Note 15).

*Determination of Reportable Operating Segments.* The Group has determined that it has reportable segments based on the following thresholds:

- Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.
- The absolute amount of its reported profit or loss is 10% or more, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.
- Its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the consolidated financial statements. The Group assessed that it has a single reportable operating segment based on the criteria above (see Note 34).

#### **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 (1) 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 2021, 2020 and 2019. The carrying amount of trade receivables is ₱412.4 million and ₱383.0 million as at December 31, 2021 and 2020, respectively (see Note 7).

*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 other 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 counterparty.

The Group also considers financial assets that are more than 60 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 counterparty.

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 2021, 2020 and 2019.

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2021	2020
Cash in banks and cash equivalents	5	₱11,644,038,785	₱11,465,131,641
Long-term placements	15	650,000,000	650,000,000
DSRA	9	333,128,296	347,425,003
Restricted cash	15	67,977,321	28,232,093
Refundable deposits	15	64,017,934	55,912,004
Deposit in escrow	15	44,581,295	42,083,752
Other receivables*	7	606,758,716	105,703,524
		₱13,410,502,347	₱12,694,488,017

\*Includes dividends receivable, interest receivable, advances to related parties 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, 2021 and 2020, the cost of inventories is lower than its NRV. The carrying amount of inventories is ₱1,690.4 million and ₱1,405.7 million as at December 31, 2021 and 2020, respectively (see Note 8).

*Estimation of the Useful Lives of Property, Plant and Equipment, Mining Rights and Computer Software.* The Group estimates the useful lives of its property, plant and equipment and computer software 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 and computer software 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 and computer software 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, mining rights and computer software would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

There is no change in the estimated useful lives of property, plant and equipment, mining rights and computer software in 2021, 2020 and 2019.

The carrying amount of property, plant and equipment (excluding land and construction in progress) is ₱18,807.6 million and ₱19,259.2 million as at December 31, 2021 and 2020, respectively (see Note 11). The carrying amounts of mining rights and computer software are ₱1,196.5 million and ₱179.2 million, respectively, as at December 31, 2021 and ₱187.5 million and ₱132.1 million, respectively, as at December 31, 2020 (see Note 14).



- 30 -

*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 with changes in revalued amount recognized as other comprehensive income. 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, 2021 and 2020 is ₱6,091.3 million and ₱4,104.4 million, respectively (see Note 11).

*Determination of the Fair Value of Investment Properties.* The Group measures its investment properties at fair value with changes in fair values recognized in profit or loss. The Group engaged an independent appraiser to assess the fair value of investment properties as at December 31, 2021 and 2020. 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 ₱1,677.3 million and ₱1,565.4 million as at December 31, 2021 and 2020, respectively (see Note 12).

*Accounting for Business Combination under Common Control.* In 2021, the Parent Company acquired 100% ownership in SNMC. As at transaction date, the Group evaluated whether this represents acquisition of a business or of a group of assets. The Group determined that the transaction be accounted as a business combination under common control using acquisition method since the acquisition is a strategic move by the Parent Company to ensure sustainable supply of raw materials for its operations.

Under the acquisition method, the Group accounted for the assets acquired and the liabilities assumed at the date of acquisition based on their respective fair values. This requires certain estimates and assumptions concerning the determination of the fair values of acquired mining rights, land, other property, plant and equipment, as well as liabilities assumed at the acquisition date. The valuation of those assets prepared by the Group are based on information available at the acquisition date.

The carrying amount of goodwill arising from the acquisition of SNMC amounted to ₱327.8 million as at December 31, 2021 (see Note 14).

*Leases – Estimation of the IBR.* The Group uses its 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 IBR ranging from 7.73% to 7.91% for the computation of lease liabilities and ROU assets. Lease liabilities amounted to ₱47.7 million and ₱44.2 million as at December 31, 2021 and 2020, respectively. ROU assets amounted to ₱36.6 million and ₱40.0 million as at December 31, 2021 and 2020, respectively (see Note 26).

- 31 -

*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 2021, 2020 and 2019. The carrying amounts of nonfinancial assets are as follows:

	Note	2021	2020
Property, plant and equipment	11	<b>₱27,723,632,795</b>	₱25,603,963,422
Intangible assets*	14	<b>1,375,663,446</b>	319,582,035
Deposit on asset purchase	15	<b>583,855,838</b>	1,453,042,846
Advances to suppliers	9	<b>418,289,171</b>	124,895,339
Prepayments	9	<b>229,602,106</b>	211,329,558
Deferred input VAT	9,15	<b>138,158,026</b>	151,744,805
Investment in an associate	13	<b>75,000,000</b>	75,000,000
Deferred exploration and evaluation costs	15	<b>44,678,353</b>	36,790,105
Advances to officers and employees	7	<b>9,222,384</b>	9,904,885
Deposit for future investment	15	<b>4,306,438</b>	717,000,000
Others	9,15	<b>58,446,552</b>	40,945,697

\*excluding goodwill amounting to ₱331.6 million and ₱3.8 million in 2021 and 2020, respectively.

*Assessment of Goodwill Impairment.* The Group tests annually whether any impairment in goodwill should be recognized, in accordance with the related accounting policy. The recoverable amounts of CGU have been determined based on value in use calculations which require the use of estimates. No impairment loss was recognized in 2021, 2020 and 2019. The carrying amount of goodwill amounted to ₱331.6 million and ₱3.8 million as at December 31, 2021 and 2020, respectively (see Note 14).

*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.



- 32 -

No impairment loss on deferred exploration and evaluation costs was recognized in 2021, 2020 and 2019.

*Recognition of Provision for Mine Rehabilitation and Decommissioning.* The ultimate 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 ₱50.0 million and ₱31.2 million as at December 31, 2021 and 2020, respectively (see Note 18).

*Determination of Retirement Liability.* 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 27 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 ₱ 122.8 million and ₱ 87.9 million as at December 31, 2021 and 2020, respectively. Cumulative remeasurement gains on net retirement benefit liability (net of deferred tax) amounted to ₱47.4 million and ₱23.3 million as at December 31, 2021 and 2020, respectively (see Note 27).

*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 ₱ 15.1 million and ₱ 21.9 million were not recognized as at December 31, 2021 and 2020, 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 29).

Deferred tax assets recognized amounted to ₱115.9 million and ₱38.7 million as at December 31, 2021 and 2020, respectively (see Note 29).

- 33 -

#### 4. Acquisition of SNMC

On November 4, 2021, the Parent Company acquired 100% ownership in SNMC for a total consideration of ₱3,572.0 million from its related parties.

The acquisition is a strategic move by the Parent Company to ensure sustainable supply of raw materials for its operations. The fair values of the identified assets and liabilities of SNMC at the date of acquisition and the purchase price were allocated as follows:

Cash	₱263.5
Trade and other receivables	214.1
Inventories	92.5
Other current assets	1,554.4
Property, plant and equipment	1,421.8
Acquired mining rights	1,015.5
Other noncurrent assets	52.9
Trade and other payables	363.1
Other current liabilities	835.8
Income tax payable	47.1
Other noncurrent liabilities	17.4
Net deferred tax liabilities	107.1
Total identifiable net assets acquired at fair value	3,244.2
Percentage share of net assets acquired	100%
Net assets acquired	3,244.2
Cash consideration	(3,572.0)
Goodwill	₱327.8
<hr/>	
Total consideration	₱3,572.0
Less cash acquired	263.5
Acquisition of subsidiary, net of cash acquired	₱3,308.5

The excess of consideration over the fair value amounting to ₱327.8 million represents goodwill, which is the fair value of the expected synergies arising from the acquisition of the business (see Note 14). None of the goodwill recognized is expected to be deductible for tax purposes.

The revenue and net income of SNMC from the date the Group obtained control, which is November 4, 2021, up to December 31, 2021, amounted to ₱92.6 million and ₱67.2 million, respectively, which were included in the Group's results of operations in 2021. Had the acquisition taken place at the beginning of 2021, the Group's revenue and net income for the year ended December 31, 2021 would have been ₱21,718.8 million and ₱6,419.3 million, respectively.

The assets and liabilities of SNMC as at December 31, 2021 were included in the Group's 2021 consolidated financial statements.



- 34 -

**Measurement of Fair Values of Identifiable Assets Acquired**

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

*Property, Plant and Equipment.* The fair value was estimated using the Sales Comparison Approach. This approach compares sales of similar or substitute properties and related market data to establish an estimated fair value.

*Acquired Mining Rights.* The fair value was estimated using the Discounted Cash Flow method. This method determines the present value of future cash flows of an investment using a discount rate for each periodic cash flow derived from an entity's cost of capital. At acquisition date, discount rate used is 10.99%.

**5. Cash and Cash Equivalents**

This account consists of:

	2021	2020
Cash on hand	<b>₱1,010,559</b>	₱1,123,566
Cash in banks	<b>688,249,975</b>	2,084,472,199
Short-term placements	<b>10,955,788,810</b>	9,380,659,442
	<b>₱11,645,049,344</b>	₱11,466,255,207

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 (3) months depending on the immediate cash requirements of the Group and earn annual interest at rates ranging from 0.05% to 3.25% in 2021, 0.88% to 5.50% in 2020, and 3.63% to 7.10% in 2019.

Interest income is recognized from the following:

	Note	2021	2020	2019
Cash in banks and cash equivalents*		<b>₱124,812,576</b>	₱273,048,011	₱705,860,018
Long-term placements	15	<b>30,738,423</b>	31,797,173	37,571,500
Deposit for future investments	15	<b>28,879,000</b>	—	—
Financial assets at FVPL	6	<b>28,681,286</b>	28,100,980	20,550,895
Others		<b>216,200</b>	799,848	—
		<b>₱213,327,485</b>	₱333,746,012	₱763,982,413

\*Includes interest income from DSRA, deposit in escrow and restricted cash.

- 35 -

**6. Financial Assets at FVPL**

This account consists of:

	2021	2020
Equity securities	<b>₱4,055,104,101</b>	₱4,058,939,455
Debt securities	<b>813,578,557</b>	644,079,707
	<b>₱4,868,682,658</b>	₱4,703,019,162

Financial assets at FVPL consist of quoted, debt, quoted equity, and unquoted redeemable perpetual securities held by the Group for trading purposes.

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 20).

Dividend income is recognized from the following equity securities (see Note 24):

	Note	2021	2020	2019
Financial asset at FVPL		<b>₱207,660,775</b>	₱127,945,911	₱6,257,593
Financial asset at FVOCI	10	<b>6,844,317</b>	6,808,051	6,808,051
		<b>₱214,505,092</b>	₱134,753,962	₱13,065,644

Trading gains (losses) on financial assets at FVPL are as follows (see Note 24):

	2021	2020	2019
Unrealized gains (losses) on fair value changes	<b>(₱23,433,048)</b>	₱18,320,962	₱59,077,911
Realized gains on sale of securities	<b>227,503</b>	1,757,018	4,585,829
	<b>(₱23,205,545)</b>	₱20,077,980	₱63,663,740

Debt securities are quoted and earn annual interest rate ranging from 5.17% to 6.25% in 2021, 2020 and 2019. Interest income on debt securities amounted to ₱ 28.7 million, ₱ 28.1 million and ₱20.6 million in 2021, 2020 and 2019, respectively (see Note 5).

The Group's quoted financial assets at FVPL as at December 31, 2021 and 2020 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 (see Note 31).

The Group's unquoted financial asset at FVPL as at December 31, 2021 is carried at fair value computed using the discounted cash flow method. This method uses management's assumptions about forecasted cash flows, and discount rate. The fair valuation is classified under Level 2 category (significant observable inputs) (see Note 11).

The following are the key inputs used for the valuation of the investment in unquoted equity security using the discounted cash flow method:

*Forecasted cash flows.* The Group prepared the forecasted cash flows based on the annual distribution expected to be received from the unquoted equity investment.

*Discount rate.* The discount rate is the current rate of return of a similar instrument traded in an active market. The discount rate used is 1.09% in 2021.



- 36 -

## 7. Trade and Other Receivables

This account consists of:

	Note	2021	2020
Trade:			
Third parties		<b>₱259,029,006</b>	₱378,598,865
Related parties	20	<b>153,354,112</b>	4,395,639
Advances to related parties	20	<b>491,372,977</b>	—
Dividends receivable	20	<b>51,702,013</b>	51,702,013
Advances to officers and employees		<b>9,222,384</b>	9,904,885
Interest receivable		<b>8,753,127</b>	5,580,044
Others		<b>54,930,599</b>	38,516,582
		<b>₱1,028,364,218</b>	₱488,698,028

Trade receivables are noninterest-bearing and are generally on a 60-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.

## 8. Inventories

This account consists of:

	2021	2020
Raw materials	<b>₱534,022,193</b>	₱326,940,512
Spare parts	<b>477,897,816</b>	440,416,296
Goods in process	<b>442,460,776</b>	416,690,974
Supplies	<b>203,066,025</b>	188,815,287
Finished goods	<b>32,979,923</b>	32,833,343
	<b>₱1,690,426,733</b>	₱1,405,696,412

Cost of inventories as at December 31, 2021 and 2020 is lower than its NRV. Cost of inventories sold amounted to ₱6,986.2 million, ₱4,332.9 million, and ₱6,371.8 million in 2021, 2020, and 2019, respectively (see Note 22).

- 37 -

## 9. Other Current Assets

This account consists of:

	Note	2021	2020
Advances to suppliers	20	<b>₱418,289,171</b>	₱124,895,339
DSRA	17	<b>333,128,296</b>	347,425,003
Prepayments for:			
Taxes		<b>217,478,303</b>	202,640,975
Insurance		<b>12,123,803</b>	8,688,583
Current portion of deferred input VAT		<b>136,992,613</b>	138,009,998
Others		<b>43,272,440</b>	28,749,649
		<b>₱1,161,284,626</b>	₱850,409,547

Advances to suppliers represent advance payments for purchases of inventories and services that are applied against subsequent deliveries. The amounts have been outstanding for less than one (1) year from initial recognition. These are reversed upon receipt of goods and services from suppliers.

As at December 31, 2021, advances to suppliers amounting to ₱9.9 million have been applied for acquisitions of inventories. This is considered as noncash information in the consolidated statements of cash flows.

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 17). 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.

## 10. Financial Assets at FVOCI

This account consists of quoted equity securities amounting to ₱105.7 million and ₱103.1 million as at December 31, 2021 and 2020, respectively.

Dividend income earned from financial assets at FVOCI amounted to ₱6.8 million in 2021 and 2020 and 2019 (see Note 6).

Rollforward analysis of cumulative unrealized gains on financial assets at FVOCI is shown below:

	2021	2020	2019
Balance at beginning of year	<b>₱3,067,050</b>	₱1,066,800	₱—
Unrealized gains for the year	<b>2,600,325</b>	2,000,250	1,066,800
Balance at end of year	<b>₱5,667,375</b>	₱3,067,050	₱1,066,800

The Group's financial assets at FVOCI as at December 31, 2021 and 2020 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 31).



11. Property, Plant and Equipment

The balances and movements in this account as at and for the years ended December 31, 2021 and 2020 are as follows:

Cost/Revalued Amount	2021						
	At Cost						
	At Revalued Amount	Land	Machinery and Equipment	Building and Improvements	Furniture, Fixtures, and Other Office Equipment	Transportation Equipment	ROU Assets in Progress (CIP)
<b>Cost/Revalued Amount</b>							<b>Total</b>
Balances at beginning of year	₱4,104,370,220	₱21,352,634,998	₱3,600,900,690	₱255,601,215	₱221,749,489	₱59,726,112	₱31,835,422,150
Additions	27,173,549	148,594,508	1,548,684	17,818,518	21,841,832	14,319,072	1,230,097,731
Acquisition of a new subsidiary	1,205,131,000	252,684,255	23,523,133	5,450,503	6,478,740	-	1,493,267,631
Revaluation	761,658,332	-	-	-	-	-	761,658,332
Disposals	-	-	-	(1,749,734)	(2,038,631)	(7,159,536)	(191,833,628)
Price adjustment	(7,038,487)	-	-	-	-	-	(7,038,487)
Settlement of construction in progress	-	204,307,171	38,962,177	-	-	-	-
Balances at end of year	6,091,294,614	21,958,220,932	3,663,184,950	276,831,605	240,414,558	66,885,648	35,121,573,729
<b>Accumulated Depreciation and Amortization</b>							
Balances at beginning of year	-	4,484,752,231	1,403,516,362	174,173,835	149,303,228	19,713,072	6,231,458,728
Depreciation and amortization	-	885,674,893	129,438,980	33,610,797	47,933,267	10,604,347	1,107,262,284
Acquisition of subsidiary	-	58,022,777	5,264,851	4,106,601	4,026,116	-	71,420,345
Disposals	-	-	(532,245)	(2,012,675)	(9,655,503)	-	(12,200,423)
Balances at end of year	-	5,428,449,901	1,537,687,948	209,878,558	191,607,108	30,317,419	7,397,940,934
<b>Carrying Amounts</b>	<b>₱6,091,294,614</b>	<b>₱16,529,771,031</b>	<b>₱2,125,497,002</b>	<b>₱66,953,047</b>	<b>₱48,807,450</b>	<b>₱96,568,229</b>	<b>₱27,723,632,795</b>

Cost/Revalued Amount	2020						
	At Cost						
	At Revalued Amount	Land	Machinery and Equipment	Building and Improvements	Furniture, Fixtures, and Other Office Equipment	Transportation Equipment	ROU Asset CIP
<b>Cost/Revalued Amount</b>							<b>Total</b>
Balances at beginning of year	₱2,683,828,281	₱20,712,637,200	₱3,856,434,116	₱223,026,748	₱211,211,409	₱59,726,112	₱28,898,036,318
Additions	-	254,555,821	52,132,201	35,617,013	26,480,573	-	1,230,483,421
Revaluations	1,420,541,939	-	-	-	-	-	1,599,269,029
Disposals	-	(63,408,847)	(31,250)	(3,042,546)	(15,942,493)	-	(82,425,136)
Reclassifications	-	338,616,408	(338,616,408)	-	-	-	-
Settlement of CIP	-	110,234,416	30,982,031	-	-	-	-
Balances at end of year	4,104,370,220	21,352,634,998	3,600,900,690	255,601,215	221,749,489	59,726,112	31,835,422,150
<b>Accumulated Depreciation and Amortization</b>							
Balances at beginning of year	-	3,518,177,845	1,387,970,587	140,421,449	137,123,417	10,016,520	5,193,709,818
Depreciation and amortization	-	892,372,613	153,160,041	36,794,932	28,003,556	9,696,552	1,120,027,694
Disposals	-	(63,408,847)	(3,646)	(3,042,546)	(15,823,745)	-	(82,278,784)
Reclassifications	-	137,610,620	(137,610,620)	-	-	-	-
Balances at end of year	₱4,104,370,220	₱16,867,882,767	₱2,197,384,328	₱81,427,380	₱72,446,261	₱40,013,040	₱25,603,963,422



- 40 -

**Capitalized Mine Rehabilitation and Decommissioning Costs**

The Group 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:

	2021	2020
<b>Cost</b>		
Balance at beginning year	<b>₱24,984,511</b>	₱24,984,511
Acquisition of new subsidiary	<b>14,863,980</b>	—
Balance at end of year	<b>39,848,491</b>	24,984,511
<b>Accumulated Amortization</b>		
Balance at beginning of year	<b>17,846,080</b>	14,276,864
Amortization	<b>3,693,082</b>	3,569,216
Acquisition of new subsidiary	<b>1,919,931</b>	—
Balance at end of year	<b>23,459,093</b>	17,846,080
<b>Carrying Amount</b>	<b>₱16,389,398</b>	₱7,138,431

**Application of Deposit on Asset Purchase**

As at December 31, 2021 and 2020, deposit on asset purchase amounting to ₱497.5 million and ₱150.6 million, respectively, were reclassified and included as additions to property, plant and equipment (see Note 15). This transaction is considered as a noncash financial information in the consolidated statements of cash flows.

**Disposals**

In 2021, the Group sold various items of property, plant and equipment with carrying amount of ₱179.6 million for ₱180.3 million resulting to gain on sale of property, plant and equipment of ₱0.7 million (see Note 24). The Group has an outstanding receivable from the disposal amounting to ₱76.1 million. This transaction is considered as noncash financial information in the separate statements of cash flows.

**Depreciation and Amortization**

Details of depreciation and amortization are as follows:

	Note	2021	2020	2019
Included in profit or loss:				
Property, plant and equipment		<b>₱1,135,189,060</b>	₱1,036,668,299	₱941,962,786
ROU assets	26	<b>10,604,347</b>	9,696,552	10,016,520
Mining rights and computer software	14	<b>20,262,725</b>	719,116	719,116
		<b>1,166,056,132</b>	1,047,083,967	952,698,422
Recognized as component of inventories		<b>35,131,720</b>	73,662,843	64,263,788
		<b>₱1,201,187,852</b>	₱1,120,746,810	₱1,016,962,210

- 41 -

Depreciation and amortization are distributed in the consolidated statements of comprehensive income as follows:

	Note	2021	2020	2019
Cost of goods sold	22	<b>₱1,026,743,641</b>	₱914,067,157	₱843,584,896
Operating expenses	23	<b>139,312,491</b>	133,016,810	109,113,526
		<b>₱1,166,056,132</b>	₱1,047,083,967	₱952,698,422

**Revaluation of Land**

The Group engaged an independent appraiser to determine the fair value of its land. The latest appraisal valuation report was dated June 2, 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 31).

Considering the foregoing and such factors as property location, desirability, neighborhood, utility, size, terrain, and time element involved, the marker value of the appraised land is estimated to range at ₱400 to ₱6,000 per square meter.

If these parcels of land were measured using the cost model, the carrying amount should have been ₱2,016.1 million and ₱790.8 million as at December 31, 2021 and 2020, respectively.

Rollforward analysis of revaluation surplus is shown below:

	2021		
	Gross of Tax	Deferred Tax Expense	Net of Tax
Balances at beginning of year	<b>₱3,313,524,797</b>	<b>(₱994,057,439)</b>	<b>₱2,319,467,358</b>
Revaluation during the year	<b>761,658,332</b>	<b>(190,414,583)</b>	<b>571,243,749</b>
Change in tax rate*	—	<b>165,676,240</b>	<b>165,676,240</b>
Balances at end of year	<b>₱4,075,183,129</b>	<b>(₱1,018,795,782)</b>	<b>₱3,056,387,347</b>

\*Change in tax rate due to the approval of Corporate Recovery and Tax Incentive for Enterprises Act (CREATE) law.

	2020		
	Gross of Tax	Deferred Tax Expense	Net of Tax
Balances at beginning of year	<b>₱1,892,982,858</b>	<b>(₱567,894,858)</b>	<b>₱1,325,088,000</b>
Revaluation during the year	<b>1,420,541,939</b>	<b>(426,162,581)</b>	<b>994,379,358</b>
Balances at end of year	<b>₱3,313,524,797</b>	<b>(₱994,057,439)</b>	<b>₱2,319,467,358</b>

	2019		
	Gross of Tax	Deferred Tax Expense	Net of Tax
Balances at beginning and end of year	<b>₱1,892,982,858</b>	<b>(₱567,894,858)</b>	<b>₱1,325,088,000</b>

Revaluation surplus on land amounting to ₱761.7 million and ₱1,420.5 million for the years ended December 31, 2021 and 2020, respectively, is a noncash financial information excluded in the consolidated statements of cash flows.



- 42 -

**Construction in Progress**

Construction in progress consists of the cost incurred in the construction of additional facilities and projects of the Company amounting to ₱2,780.9 million.

The remaining contracted capital expenditures for the Group's outstanding construction projects as at December 31, 2021 amounted to ₱180.9 million.

**12. Investment Properties**

The balances and movements in this account are as follows:

	Note	2021		
		Land	Building under Construction	Total
Balances at beginning of year		₱1,565,404,431	₱65,246,173	₱1,630,650,604
Fair value changes	24	107,556,400	–	107,556,400
Acquisition of a new subsidiary	4	4,368,000	–	4,368,000
Additions		–	10,597,241	10,597,241
Balances at end of year		₱1,677,328,831	₱75,843,414	₱1,753,172,245

	Note	2020		
		Land	Building under Construction	Total
Balances at beginning of year		₱1,299,237,000	₱–	₱1,299,237,000
Fair value changes	24	262,000,000	–	262,000,000
Additions		4,167,431	65,246,173	69,413,604
Balances at end of year		₱1,565,404,431	₱65,246,173	₱1,630,650,604

The Group earned rental income from its investment properties amounting to ₱4.5 million in 2021 and nil in 2020 and 2019.

Direct operating expenses arising from these investment properties amounted to ₱0.5 million, ₱0.7 million and ₱0.6 million in 2021, 2020, and 2019, respectively.

The Group engaged an independent appraiser to determine the fair value of the investment properties as at December 31, 2021. The latest appraisal valuation report was dated February 7, 2022 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 31).

Considering the foregoing and such factors as property location, desirability, neighborhood, utility, size, terrain and time element involved, the market value of the appraised land is estimated to range at ₱222,635 to ₱390,000 per square meter and at ₱220,000 to ₱400,000 per square meter as at December 31, 2021 and 2020, respectively.

In 2020, construction in progress amounting to ₱65.2 million is considered as a noncash financial information in the consolidated statements of cash flows since payments made was through an advances from a related party (see Note 20).

- 43 -

**13. Investment in an Associate**

The Group's investment in AFALCI, an associate, amounting to ₱75.0 million as at December 31, 2021 and 2020 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 March 17, 2022, 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, 2021 and 2020 are as follows:

	2021	2020
Current assets	₱131,925,581	₱261,257,940
Noncurrent assets	388,343,991	404,102,632
Current liabilities	108,940,537	491,249,793
Noncurrent liabilities	164,450,602	44,692,679
Net assets	₱246,878,433	₱129,418,100
Revenue	₱500,443,587	₱430,072,338
Net income	112,325,988	91,426,588

**14. Intangible Assets**

The balances and movements in this account as at and for the years ended December 31, 2021 and 2020 are as follows:

	Note	2021			
		Mining Rights	Computer Software	Goodwill	Total
<b>Cost</b>					
Balance at beginning of year		₱194,470,687	₱132,059,137	₱3,806,518	₱330,336,342
Acquisition of a new subsidiary	4	1,015,498,456	–	327,777,389	1,343,275,845
Additions		–	60,845,680	–	60,845,680
Balance at end of year		1,209,969,143	192,904,817	331,583,907	1,734,457,867
<b>Accumulated Amortization</b>					
Balance at beginning of year		6,947,789	–	–	6,947,789
Amortization	11	6,555,315	13,707,410	–	20,262,725
Balance at end of year		13,503,104	13,707,410	–	27,210,514
<b>Carrying Amounts</b>		₱1,196,466,039	₱179,197,407	₱331,583,907	₱1,707,247,353



- 44 -

	Note	2020		
		Mining Rights	Computer Software	Goodwill
<b>Cost</b>				
Balance at beginning of year		₱194,470,687	₱—	₱3,806,518
Additions		—	132,059,137	—
Balance at end of year		194,470,687	132,059,137	3,806,518
<b>Accumulated Amortization</b>				
Balance at beginning of year		6,228,673	—	—
Amortization	11	719,116	—	—
Balance at end of year		6,947,789	—	—
<b>Carrying Amounts</b>		<b>₱187,522,898</b>	<b>₱132,059,137</b>	<b>₱3,806,518</b>

**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 mining rights has a remaining useful life ranging from one (1) to 11 years.

The Group assigns to the lenders under TLFSA its rights and interest under MPSA No. 181-2002-III (see Note 17).

**Computer Software**

This account pertains to enterprise resource planning (ERP) system acquired by the Group in 2020. The ERP system went live on November 1, 2020.

**Goodwill**

Goodwill amounting to ₱327.7 million was recognized as a result of the acquisition by the Parent Company of 100% ownership in SNMC on November 4, 2021. Total net cash outflow of the Parent Company from acquiring SNMC amounted to ₱3,308.5 million (net of cash acquired from SNMC amounting to ₱263.5 million).

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).

Goodwill is tested for impairment annually. The recoverable amount of goodwill has been determined based on a valuation method using cash flow projections. The values assigned to the key assumptions represent management's assessment of future trends in the cement manufacturing industry and considered historical data from both internal and external sources.

In 2021, the key assumptions used in the estimation of value in use were as follows:

Discount rate	<b>10.99%</b>
Growth rate	<b>5.00%</b>

No impairment loss on goodwill was recognized in 2021, 2020, and 2019.

- 45 -

Amortization of mining rights and computed software is distributed in the consolidated statements of comprehensive income as follows:

	2021	2020	2019
Cost of goods sold	<b>₱8,837,265</b>	₱719,116	₱719,116
Operating expenses	<b>11,425,460</b>	—	—
	<b>₱20,262,725</b>	₱719,116	₱719,116

**15. Other Noncurrent Assets**

This account consists of:

	Note	2021	2020
Financial assets:			
Long-term placements		<b>₱650,000,000</b>	₱650,000,000
Restricted cash		<b>67,977,321</b>	28,232,093
Refundable deposits		<b>64,017,934</b>	55,912,004
Deposit in escrow		<b>44,581,295</b>	42,083,752
Nonfinancial assets:			
Deposit on asset purchase	20	<b>583,855,838</b>	1,453,042,846
Deferred exploration and evaluation costs		<b>44,678,353</b>	36,790,105
Deposit for future investment		<b>4,306,438</b>	717,000,000
Deferred input VAT - net of current portion		<b>1,165,413</b>	13,734,807
Others		<b>15,174,112</b>	12,196,048
		<b>₱1,475,756,704</b>	₱3,008,991,655

**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 ₱30.7 million, ₱31.8 million and ₱37.6 million in 2021, 2020 and 2019, respectively (see Note 5).

**Deposit on Asset Purchase**

Deposit on asset purchase represents advance payments for the acquisition of machinery and equipment and long-term deposit for inventory acquisition.

As at December 31, 2021 and 2020, deposit on asset purchase amounting to ₱497.5 million and ₱150.6 million were applied against property, plant and equipment, respectively (see Note 11). Further, deposit on asset purchase amounting to ₱232.2 million and ₱314.2 million in 2021 and 2020, respectively, was applied against deliveries of inventories. These transactions are considered as noncash financial information in the consolidated statements of cash flows.

**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.



- 46 -

**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.

**Deferred Exploration and Evaluation Costs**

Deferred exploration and evaluation costs pertain to costs incurred for the exploration and development in the mining properties of the Group.

The balance and movements in the account are as follows:

	2021	2020
Balance at beginning of year	<b>₱36,790,105</b>	₱29,628,420
Additions	<b>7,888,248</b>	7,161,685
Balance at end of year	<b>₱44,678,353</b>	₱36,790,105

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 2021, 2020, and 2019.

The assets, expenses, and operating and investing cash flows from the deferred exploration and evaluation costs are as follows:

	2021	2020
Total assets	<b>₱44,678,353</b>	₱36,790,105
Total liabilities	<b>388,623,029</b>	382,447,437
Expenses	<b>12,799,008</b>	7,184,304
Net cash used in operating activities	<b>10,930,929</b>	4,770,541
Net cash used in investing activities	<b>7,888,248</b>	2,478,315

**Deposit in Escrow**

Deposit in escrow pertains to cash in escrow account related to a pending legal case.

**Deposit for Future Investment**

Deposit for future investment pertains to deposit made for future subscription to the common shares of stock of a business entity the Group is planning to venture.

In 2021, the Group terminated its investment agreement amounting to ₱717.0 million. Accordingly, deposits for future investment was converted to a receivable bearing an interest of 2.00% per annum. Interest income recognized amounted to ₱28.9 million in 2021 (see Note 5).

- 47 -

**16. Trade and Other Payables**

This account consists of:

	Note	2021	2020
Trade:			
Third parties		<b>₱1,806,013,137</b>	₱1,269,959,145
Related parties	20	<b>461,553,011</b>	765,818,446
Accruals for:			
Utilities	20	<b>570,002,290</b>	201,229,504
Sales rebates		<b>496,350,509</b>	239,462,478
Outside services		<b>142,777,067</b>	3,070,515
Personnel costs		<b>107,309,578</b>	96,389,432
Interests		<b>22,921,560</b>	27,869,348
Advances from customers		<b>425,414,546</b>	292,164,095
Retention payable		<b>120,224,565</b>	186,325,792
Advances from a related party	20	<b>73,285,999</b>	65,246,173
Output VAT payable		<b>58,818,467</b>	61,280,938
Withholding taxes payable		<b>35,873,052</b>	25,716,254
Others		<b>42,475,688</b>	49,283,817
		<b>₱4,363,019,469</b>	₱3,283,815,937

Trade payables are noninterest-bearing, and are generally settled in varying periods, within one (1) 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 (1) year.

Other payables are noninterest-bearing, and are normally settled within one (1) year.

**17. Loans Payable**

This account consists of:

	2021	2020
Principal	<b>₱5,251,000,000</b>	₱6,319,000,000
Less unamortized debt issuance costs	<b>15,491,234</b>	23,363,718
	<b>5,235,508,766</b>	6,295,636,282
Less current portion	<b>1,195,127,948</b>	1,060,127,446
Noncurrent portion	<b>₱4,040,380,818</b>	₱5,235,508,836

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 ₱7.9 million, ₱9.3 million, and ₱10.7 million in 2021, 2020, and 2019, respectively.



- 48 -

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 TLFSA are as follows:

Date	Drawdown	Effective Interest Rates	Nominal Interest Rates
February 3, 2016	₱6,000.0 million	5.92%	5.79%
January 11, 2017	2,150.0 million	5.94%	5.79%
April 5, 2017	750.0 million	5.94%	5.79%

The terms and conditions of the TLFSA are as follows:

*Mortgage Trust Indenture (MTI).* Under the MTI, land with an appraised value of ₱2,987.3 million and building and machinery and equipment with carrying amount of ₱16,123.0 million as at December 31, 2021 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, 2021 and 2020, the DSRA maintained for TLFSA amounted to ₱333.1 million and ₱347.4 million, respectively. The DSRA is presented under “Other current assets” account in the consolidated statements of financial position (see Note 9).

*Assignment of the MPSA.* The Group assigns to the lenders its rights and interest under MPSA No. 181-2002-III (see Note 14).

The schedule of maturities of the loans of the Group as at December 31, 2021 is summarized as follows:

Year	Amount
2022	₱1,201,500,000
2023	1,246,000,000
2024	1,246,000,000
2025	1,246,000,000
2026	311,500,000
	<b>₱5,251,000,000</b>

#### **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, 2021, the Group is in compliance with all the requirements of its debt covenants.

- 49 -

#### **Finance Costs**

Details of finance costs charged to consolidated statements of comprehensive income are as follows:

	Note	2021	2020	2019
Interest expense on loans payable		<b>₱335,869,636</b>	₱416,942,783	₱479,276,268
Bank charges		<b>18,588,472</b>	8,556,904	10,994,754
Interest expense on lease liabilities	26	<b>3,495,814</b>	3,832,489	4,110,138
Accretion of provision for mine rehabilitation and decommissioning	18	<b>2,379,916</b>	1,363,871	1,304,314
		<b>₱360,333,838</b>	₱430,696,047	₱495,685,474

Interest expense on loans payable includes amortization of debt issuance costs.

#### **Reconciliation of Loans Payable**

The table below details changes in the Group’s loans payable, including both cash and noncash changes.

	2021	2020
Balance at beginning of year	<b>₱6,295,636,282</b>	₱7,354,299,391
Payments of principal	<b>(1,068,000,000)</b>	(1,068,000,000)
Amortization of debt issuance cost	<b>7,872,484</b>	9,336,891
Balance at end of year	<b>₱5,235,508,766</b>	₱6,295,636,282

#### **18. 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	2021	2020
Balance at beginning of year		<b>₱31,233,753</b>	₱29,869,882
Acquisition of a new subsidiary	4	<b>16,413,179</b>	—
Accretion	17	<b>2,379,916</b>	1,363,871
Balance at end of year		<b>₱50,026,848</b>	₱31,233,753



- 50 -

**19. Equity****Capital Stock**

The capital stock of the Parent Company as at December 31, 2021 and 2020 is as follows:

Common stock - ₱1 par value	₱5,000,000,005
Preferred stock - ₱1 par value	3,000,000,000
Treasury stock	(3,000,000,000)
	<b>₱5,000,000,005</b>

**Common Stock**

Details of the Parent Company's common stock at ₱1.00 par value are as follows:

	2021		2020		2019	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized</b>						
Balance at beginning and end of year	₱5,500,000,000	₱5,500,000,000	₱5,500,000,000	₱5,500,000,000	5,500,000,000	₱5,500,000,000
<b>Issued</b>						
Balance at end of year	5,000,000,005	₱5,000,000,005	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:

	2021		2020		2019	
	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
Redemption	—	—	(3,000,000,000)	(3,000,000,000)	—	—
Balance at end of year	—	₱—	—	₱—	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, there is no dividend in arrears related to the preferred stock.

- 51 -

On March 13, 2020, the Parent Company's BOD approved the redemption of its preferred stocks amounting to ₱3,000.0 million effective 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. The redemption resulted to a recognition of treasury stock amounting to ₱3,000.0 million.

Section 8 of the SEC Rules Governing Redeemable and Treasury Shares states that redeemable shares may be issued by a corporation when expressly provided by the articles of incorporation. These shares may be redeemed from the holders upon expiration of a fixed period, and upon such other terms and conditions provided by the articles of incorporation and by the certificate of stock, subject to the rules of of the SEC, regardless of the existence of unrestricted retained earnings. Accordingly, no appropriation of retained earnings was made upon redemption of the preferred shares.

**Dividend Declaration**

The Parent Company's BOD authorized the declaration of the following cash dividends in 2021, 2020 and 2019:

**2021**

Type	Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
Common	May 11, 2021	May 26, 2021	June 3, 2021	₱0.33	₱1,650,000,002
Common	September 23, 2021	October 7, 2021	October 22, 2021	0.33	1,650,000,001
					<b>₱3,300,000,003</b>

**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
					<b>₱1,480,000,001</b>

**Appropriation of Retained Earnings**

Details of appropriated retained earnings as at December 31, 2021 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
	<b>₱16,000,000,000</b>	

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	2021	2020
Revaluation surplus (net of deferred tax)	11	₱3,056,387,347	₱2,319,467,358
Cumulative remeasurement gains (losses) on net retirement benefit liability (net of deferred tax)	27	47,442,170	23,330,422
Cumulative unrealized gains on financial assets at FVOCI	10	5,667,375	3,067,050
		₱3,109,496,892	₱2,345,864,830

20. 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, 2021 and 2020 are as follows:

		2021		2020	
Nature of Relationship	Nature of Transactions	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	₱518,587	₱269,679,622	₱3,384,186	₱509,891,847
<b>Unquoted Equity Securities at FVPL</b> (see Note 6)					
Entity under common key management with ECC	Investment in unquoted redeemable perpetual security	₱—	₱4,000,000,000	₱4,000,000,000	₱4,000,000,000
<b>Trade Receivables</b> (see Note 7)					
Subsidiary of Ultimate Parent Company	Sale of inventories	₱892,583,119	₱76,110,187	₱—	₱—
Entities under common key management with ECC	Sale of inventories	129,933,506	75,409,517	27,605,222	4,395,639
Associate	Service income	1,655,208	1,834,408	—	—
			₱153,354,112		₱4,395,639
<b>Advances to Related Parties</b> (see Note 7)					
Entities under common key management	Working capital advances	₱22,695,120	₱128,833,144	₱—	₱—
Stockholder	Working capital advances	—	362,539,833	—	—
			₱491,372,977		₱—
<b>Dividends Receivable</b> (see Note 7)					
Entities under common key management with ECC	Dividends earned	₱235,687,051	₱51,702,013	₱106,808,051	₱51,702,013
<b>Advances to Officers</b>					
Key management personnel	Cash advances	₱12,173	₱146,116	₱396,399	₱189,135
<b>Advances to Suppliers</b> (see Note 9)					
Entities under common key management with ECC	Purchase of services	₱—	₱22,015,648	₱448,869	₱29,472,517
	Purchase of services and equipment	—	—	808,430	5,464,053
Subsidiaries of Ultimate Parent Company			₱22,015,648		₱34,936,570
<b>Deposit on Asset Purchase</b> (see Note 15)					
Subsidiaries of Ultimate Parent Company	Deposit for inventory acquisition and purchase of services	₱—	₱11,317,375	₱—	₱937,369,570
Associate	Deposit for inventory acquisition	—	124,716,705	—	184,496,290
			₱136,034,080		₱1,121,865,860

		2021		2020	
Nature of Relationship	Nature of Transactions	Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
<b>Financial Assets at FVOCI</b> (see Note 10)					
Entities under common key management with ECC	Investments in quoted equity instruments	₱—	₱105,679,875	₱—	₱103,079,550
<b>Refundable Deposits</b>					
Entities under common key management with ECC	Supply of services	₱—	₱54,190,018	₱—	₱54,190,018
<b>Trade Payables</b> (see Note 16)					
Entities under common key management with ECC	Purchase of raw materials and outside services	₱740,963,385	₱274,275,173	₱437,669,566	₱344,368,477
Subsidiaries of Ultimate Parent Company Associate Company	Hauling, rental and other services	619,807,096	157,093,474	966,526,064	332,315,115
	Purchase of goods	558,143,257	30,184,364	427,881,423	89,134,854
			₱461,553,011		₱765,818,446
<b>Accrued Expenses</b> (see Note 16)					
Entity under common key management	Purchase of services	₱2,922,741,442	₱570,002,290	₱1,937,101,529	₱201,229,504
<b>Advances from a Related Party</b> (see Note 16)					
Ultimate Parent Company	Capital expenditure	₱—	₱73,285,999	₱65,246,173	₱65,246,173
<b>Loans Payable</b> (see Note 17)					
Entity under common key management	Borrowings	₱68,989,340	₱1,055,323,356	₱66,463,774	₱1,274,247,309
<b>Retirement Benefit Plan</b>		₱—	₱16,630,064	₱—	₱23,525,414
<b>Personnel Costs</b>					
Key management personnel	Salaries and other employee benefits	₱76,334,455	₱7,509,796	₱70,301,991	₱6,832,682
	Net retirement benefit liability	28,513,645	74,393,113	18,231,928	45,879,468
			₱81,902,909		₱52,712,150

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.

All related party transactions are in compliance with the related party transactions policy of the Group including the required approval process. This includes review of the related party committee and approval of the BOD for transactions exceeding certain thresholds and approval criteria.

Advances to suppliers, including deposits for inventories, are settled upon delivery of the asset purchased.

21. Net Sales

This account consists of:

	2021	2020	2019
Sales	₱22,167,391,182	₱14,345,714,589	₱20,478,373,304
Rebates	(770,500,051)	(439,575,207)	(653,921,223)
	₱21,396,891,131	₱13,906,139,382	₱19,824,452,081



- 54 -

For the years ended December 31, 2021, 2020, and 2019, all sales of the Group pertain to cement products within the 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.

## 22. Cost of Goods Sold

This account consists of:

	Note	2021	2020	2019
Cost of inventories	8	<b>₱6,986,147,946</b>	₱4,332,874,496	₱6,371,790,319
Utilities		<b>2,652,457,404</b>	1,586,689,375	2,439,322,673
Depreciation and amortization	11	<b>1,026,743,641</b>	914,067,157	843,584,896
Repairs and maintenance		<b>703,410,154</b>	464,463,621	610,853,098
Personnel costs	25	<b>527,169,277</b>	432,396,334	365,736,282
Taxes and licenses		<b>248,177,578</b>	290,833,695	197,199,536
Fuel and oil		<b>171,588,977</b>	83,110,343	171,693,465
Rental	26	<b>60,992,721</b>	62,095,485	104,144,154
Insurance		<b>41,135,238</b>	39,782,426	40,395,966
Others		<b>4,721,410</b>	2,617,202	8,304,154
		<b>₱12,422,544,346</b>	₱8,208,930,134	₱11,153,024,543

## 23. Operating Expenses

This account consists of:

	Note	2021	2020	2019
Freight, trucking, and handling		<b>₱1,249,642,891</b>	₱744,213,444	₱1,104,463,869
Personnel costs	25	<b>251,876,826</b>	225,361,571	255,341,914
Advertising		<b>223,754,033</b>	57,583,819	66,351,860
Depreciation and amortization	11	<b>139,312,491</b>	133,016,810	109,113,526
Warehousing fees		<b>100,732,280</b>	63,054,998	81,234,244
Corporate social responsibility		<b>55,067,470</b>	41,284,740	354,546
Professional fees		<b>52,132,751</b>	40,365,686	43,622,715
Outside services		<b>50,549,080</b>	38,286,867	49,545,796
Taxes and licenses		<b>38,513,611</b>	101,491,270	18,000,441
Repairs and maintenance		<b>19,487,663</b>	20,536,341	29,330,474
Communication		<b>17,101,588</b>	14,642,205	6,010,684
Transportation and travel		<b>14,737,335</b>	8,632,194	12,635,103
Rental	26	<b>10,659,277</b>	18,030,821	13,413,060
Utilities		<b>7,008,872</b>	6,026,698	9,252,853
Supplies		<b>3,380,566</b>	8,609,768	10,482,683
Representation		<b>577,489</b>	1,057,289	3,445,204
Others		<b>83,502,238</b>	63,747,238	59,382,728
		<b>₱2,318,036,461</b>	₱1,585,941,759	₱1,871,981,700

## 24. Other Income - Net

- 55 -

This account consists of:

	Note	2021	2020	2019
Fair value changes in investment properties	12	<b>₱107,556,400</b>	₱262,000,000	₱111,216,000
Dividend income	6	<b>214,505,092</b>	134,753,962	13,065,644
Foreign exchange losses - net		<b>(4,433,406)</b>	(20,589,531)	(8,079,105)
Trading gains (losses) on financial assets at FVPL	6	<b>(23,205,545)</b>	20,077,980	63,663,740
Gain (loss) on sale of property, plant and equipment	11	<b>659,328</b>	5,976,932	(4,586,716)
Others		<b>25,722,941</b>	10,566,999	4,493,235
		<b>₱320,804,810</b>	₱412,786,342	₱179,772,798

Other income pertains to rental income and utilities and security services charged to a related party.

## 25. Personnel Costs

This account consists of:

	Note	2021	2020	2019
Salaries and wages		<b>₱532,325,225</b>	₱492,168,921	₱450,525,945
Retirement benefit costs	27	<b>63,747,222</b>	34,239,322	21,510,627
Other short-term employee benefits		<b>201,214,917</b>	165,635,398	176,689,472
		<b>₱797,287,364</b>	₱692,043,641	₱648,726,044

	Note	2021	2020	2019
Included in profit or loss:				
Cost of goods sold	22	<b>₱527,169,277</b>	₱432,396,334	₱365,736,282
Operating expenses	23	<b>251,876,826</b>	225,361,571	255,341,914
		<b>779,046,103</b>	657,757,905	621,078,196
Recognized as component of inventories		<b>18,241,261</b>	34,285,736	27,647,848
		<b>₱797,287,364</b>	₱692,043,641	₱648,726,044

## 26. 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.



- 56 -

The carrying amount of the ROU assets (included as component of property, plant and equipment) is as follows (see Note 11):

	2021	2020
Balance at beginning of year	<b>₱40,013,040</b>	₱49,709,592
Additions	<b>14,319,072</b>	—
Disposals	<b>(7,159,536)</b>	—
Amortization	<b>(10,604,347)</b>	(9,696,552)
Balance at end of year	<b>₱36,568,229</b>	₱40,013,040

The carrying amount of lease liabilities and movements during the year are as follows:

	2021	2020
Balance at beginning of year	<b>₱44,205,732</b>	₱51,942,519
Additions	<b>14,319,078</b>	—
Disposals	<b>(7,159,536)</b>	—
Payments	<b>(7,138,880)</b>	(11,569,276)
Accretion	<b>3,495,814</b>	3,832,489
Balance at end of year	<b>₱47,722,208</b>	₱44,205,732
Current	<b>₱12,221,931</b>	₱7,648,720
Non-current	<b>35,500,277</b>	36,557,012
	<b>₱47,722,208</b>	₱44,205,732

The Group recognized the following lease-related expenses:

	Note	2021	2020	2019
Variable lease payments		<b>₱69,187,468</b>	₱77,830,855	₱118,871,259
Amortization of ROU assets	11	<b>10,604,347</b>	9,696,552	10,016,520
Expense related to short-term leases		<b>7,033,529</b>	7,033,529	6,121,117
Interest expense on lease liabilities	17	<b>3,495,814</b>	3,832,489	4,110,138
		<b>₱90,321,158</b>	₱98,393,425	₱139,119,034

Consequently, the Group's lease-related expenses are distributed as follows:

	Note	2021	2020	2019
Included in profit or loss:				
Cost of goods sold	22	<b>₱60,992,721</b>	₱62,095,485	₱104,144,154
Operating expenses - rental	23	<b>10,659,277</b>	18,030,821	13,413,060
Operating expenses - depreciation	11	<b>10,604,347</b>	9,696,552	10,016,520
Finance costs	17	<b>3,495,814</b>	3,832,489	4,110,138
		<b>85,752,159</b>	93,655,347	131,683,872
Recognized as component of inventories		<b>4,568,999</b>	4,738,078	7,435,162
		<b>₱90,321,158</b>	₱98,393,425	₱139,119,034

The total cash outflows for leases in 2021, 2020 and 2019 amounted to ₱85.8 million, ₱96.4 million and ₱136.8 million, respectively.

- 57 -

## 27. 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, 2021 and 2020.

The components of retirement benefit costs included under "Personnel costs" account (see Note 25) in the consolidated statements of comprehensive income are as follows:

	2021	2020	2019
Current service cost	<b>₱26,463,461</b>	₱28,266,771	₱17,281,596
Past service cost	<b>32,649,528</b>	—	—
Net interest cost	<b>4,634,233</b>	5,972,551	4,229,031
	<b>₱63,747,222</b>	₱34,239,322	₱21,510,627

Retirement benefit costs were distributed as follows:

	2021	2020	2019
Included in profit or loss	<b>₱63,007,502</b>	₱33,230,449	₱20,778,962
Recognized as component of inventories	<b>739,720</b>	1,008,873	731,665
	<b>₱63,747,222</b>	₱34,239,322	₱21,510,627

Movements in net retirement benefit liability recognized in the consolidated statements of financial position are as follows:

	2021	2020
Balance at beginning of year	<b>₱87,944,993</b>	₱114,190,524
Retirement benefit costs	<b>63,747,222</b>	34,239,322
Acquisition of a new subsidiary	<b>1,036,701</b>	—
Remeasurement gains	<b>(29,927,052)</b>	(60,484,853)
Balance at end of year	<b>₱122,801,864</b>	₱87,944,993

The funded status of the retirement plan as at December 31, 2021 and 2020 are as follows:

	2021	2020
Present Value of Defined Benefits Obligation (PVBO)	<b>₱139,431,928</b>	₱111,470,407
Fair Value of Plan Assets (FVPA)	<b>(16,630,064)</b>	(23,525,414)
Net retirement benefit liability	<b>₱122,801,864</b>	₱87,944,993



- 58 -

The following tables present the changes in the PVBO and FVPA:

*PVBO*

	2021	2020
Balance at beginning of year	<b>₱111,470,407</b>	₱138,801,699
Past service cost	<b>32,649,528</b>	—
Current service cost	<b>26,463,461</b>	28,266,771
Interest cost	<b>5,369,434</b>	7,203,808
Benefit paid	<b>(7,629,866)</b>	(1,775,076)
Acquisition of a new subsidiary	<b>1,036,701</b>	—
Remeasurement losses (gains) recognized in OCI:		
Change in financial assumptions	<b>(32,798,019)</b>	(55,204,407)
Experience adjustments	<b>2,870,282</b>	(5,822,388)
Balance at end of year	<b>₱139,431,928</b>	₱111,470,407

*FVPA*

	2021	2020
Balance at beginning of year	<b>₱23,525,414</b>	₱24,611,175
Benefits paid	<b>(7,629,866)</b>	(1,775,076)
Interest income	<b>735,201</b>	1,231,257
Remeasurement losses	<b>(685)</b>	(541,942)
Balance at end of year	<b>₱16,630,064</b>	₱23,525,414
Actual return on plan assets	<b>₱734,516</b>	₱689,315

Plan assets consist of the following:

	2021	2020
Investments in:		
Debt instruments	<b>60.86%</b>	66.52%
Unit investment trust fund	<b>36.65%</b>	29.61%
Cash and cash equivalents	<b>0.53%</b>	0.21%
Others	<b>1.96%</b>	3.66%
	<b>100.00%</b>	100.00%

The principal assumptions used in determining net retirement benefit liability are as follows:

	2021	2020
Discount rate	<b>5.09%</b>	3.73%
Future salary increase	<b>6.00%</b>	6.00%

- 59 -

Sensitivity analyses on net retirement benefit liability as at December 31, 2021 and 2020 are as follows:

	Change in Assumption	Effect on Net Retirement Benefit Liability	
		2021	2020
Discount rate	+1.00%	<b>(₱17,822,488)</b>	(₱15,546,406)
	-1.00%	<b>22,173,368</b>	19,588,371
Salary increase rate	+1.00%	<b>₱21,732,498</b>	₱18,918,562
	-1.00%	<b>(17,836,181)</b>	(15,378,523)

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:

	2021		
	Cumulative Remeasurement Gains (Losses) on Retirement Benefit Liability	Deferred Tax Benefit (Expense)	Net
Balances at beginning of year	<b>₱33,329,174</b>	<b>(₱9,998,752)</b>	<b>₱23,330,422</b>
Remeasurement gains	<b>29,927,052</b>	<b>(7,481,763)</b>	<b>22,445,289</b>
Change in tax rate	—	<b>1,666,459</b>	<b>1,666,459</b>
Balances at end of year	<b>₱63,256,226</b>	<b>(₱15,814,056)</b>	<b>₱47,442,170</b>

	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 losses	<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		
	Cumulative Remeasurement Gains (Losses) on Retirement Benefit Liability	Deferred Tax Benefit (Expense)	Net
Balances at beginning of year	<b>₱9,212,221</b>	<b>(₱2,763,666)</b>	<b>₱6,448,555</b>
Remeasurement losses	<b>(36,367,900)</b>	<b>10,910,370</b>	<b>(25,457,530)</b>
Balances at end of year	<b>(₱27,155,679)</b>	<b>₱8,146,704</b>	<b>(₱19,008,975)</b>



As at December 31, 2021, the maturity analysis of the undiscounted net retirement benefit liability is as follows:

Year	Amount
More than one year to five years	₱44,166,514
More than five years	58,575,926
	₱102,742,440

As at December 31, 2021, the average duration of the net retirement benefit liability is 14.4 years.

28. Registration with the Board of Investments (BOI)

Parent Company

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 entitles it to the following fiscal and nonfiscal incentives available to its registered project, among others:

- 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 2021, the Company availed benefits from ITH amounting to ₱706.0 million.

On November 4, 2020, the BOI granted the deferment of the Parent Company’s ITH availment for 2020 due to the adverse effect of COVID-19 pandemic. Accordingly, the Company’s income tax for the 2020 taxable year is computed based on 30% regular corporate income tax. No ITH incentive was availed in 2020.

SNMC

On March 23, 2018, the BOI approved the application of SNMC as a new producer of good, fine and coarse limestone on a non-pioneer status. SNMC’s registration with the BOI entitles it to the following fiscal and nonfiscal incentives available to its registered project, among others:

- Four-year ITH incentive, starting April 1, 2019, for activities directly attributable in producing good, fine and coarse limestone;
- 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;
- Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of 10 years from date of registration; and
- Additional deduction from taxable income of expenses incurred in the development of necessary and major infrastructure facilities.

In 2021, SNMC availed benefits from ITH amounting to ₱61.1 million.

SWCC

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. SWCC’s 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;



- 62 -

- 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 2021 and 2020.

## 29. Income Taxes

On March 26, 2021, R.A. No. 11534 or the Corporate Recovery and Tax Incentive 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 were effective and applied for tax purposes beginning July 1, 2020. However, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

The provision for current income tax expense pertains to regular corporate income tax in 2021 and 2020.

The effect of the reduction in tax rates in 2020 was recognized as part of the 2021 income tax expense, as required by PAS 12, *Income Taxes*. Details of the adjustments are as follows:

	Current Tax Expense	Deferred Tax Expense (Benefit)	Total
<b>Reported in Profit or Loss</b>			
Income tax expense	₱891,322,523	(₱21,184,701)	₱870,137,822
Effect of change in income tax rate	(86,039,914)	20,216,768	(65,823,146)
Adjusted income tax expense	₱805,282,609	(₱967,933)	₱804,314,676
<b>Reported in OCI</b>			
Income tax expense (benefit)	₱—	(₱197,896,346)	(₱197,896,346)
Effect of change in income tax rate	—	167,342,699	167,342,699
Adjusted income tax expense	₱—	(₱30,553,647)	(₱30,553,647)

The components of the income tax for taxable year 2020 are as follows:

	2020	2019
<b>Reported in Profit or Loss</b>		
Current	₱1,032,478,972	₱1,224,911,672
Deferred	3,232,266	7,702,810
	₱1,035,711,238	₱1,232,614,482
<b>Reported in OCI</b>		
Deferred tax expense (benefit) on:		
Revaluation surplus	₱426,162,581	₱—
Remeasurement gains (losses) on net retirement benefit liability	18,145,456	(10,910,370)
	₱444,308,037	(₱10,910,370)

- 63 -

The components of the Group's net deferred tax liabilities are as follows:

	2021	2020
<b>Deferred tax assets:</b>		
Cumulative balance of proceeds from testing of property, plant and equipment	₱68,958,666	₱—
Net retirement benefit liability	30,700,466	26,383,498
Provision for mine rehabilitation and decommissioning	12,506,712	9,370,126
Lease liabilities	2,791,299	—
Others	924,544	2,933,118
	115,881,687	38,686,742
<b>Deferred tax liabilities:</b>		
Excess of revalued amount or fair value over cost of property, plant and equipment	1,018,795,782	994,057,439
Deferred tax liability arising from business combination	194,643,364	—
Excess of fair value over cost of financial assets at FVPL	9,328,948	20,345,083
Carrying amount of ROU assets	9,142,058	12,003,912
Others	10,586,328	2,141,529
	1,242,496,480	1,028,547,963
<b>Net deferred tax liabilities</b>	<b>₱1,126,614,793</b>	<b>₱989,861,221</b>

The components of the Group's unrecognized deferred tax assets are as follows:

	2021	2020
Lease liabilities	₱9,139,253	₱13,261,720
NOLCO	5,970,524	8,597,998
	₱15,109,777	₱21,859,718

The rollforward analysis of NOLCO as at December 31, 2021 is as follows:

Year Incurred	Amount	Applied/Expired	Balance	Expiry Date
2021	₱8,840,388	₱—	₱8,840,388	2026
2020	7,862,877	—	7,862,877	2025
2019	7,178,833	—	7,178,833	2022
2018	13,618,285	13,618,285	—	2021
	₱37,500,383	₱13,618,285	₱23,882,098	

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.



- 64 -

The reconciliation between the income tax expense based on statutory income tax rate and effective income tax rate is as follows:

	2021	2020	2019
Income tax at statutory tax rate	<b>₱1,711,591,714</b>	₱1,328,131,138	₱2,174,254,612
Increase (decrease) in income tax resulting from:			
Taxable income subject to income tax holiday	<b>(718,710,535)</b>	–	(511,083,968)
Dividend income exempt from income tax	<b>(53,626,273)</b>	(40,426,189)	(3,919,693)
Interest income subjected to final tax	<b>(46,024,806)</b>	(99,883,850)	(228,552,711)
Nontaxable income	<b>(26,889,100)</b>	(78,600,000)	(33,364,800)
Nondeductible expenses	<b>20,428,661</b>	55,320,595	97,508,304
Difference arising from the use of optional standard deduction	<b>(11,462,568)</b>	(144,593,834)	(261,892,230)
Adjustment due to change in tax rate	<b>(65,823,146)</b>	–	–
Others	<b>(5,169,271)</b>	15,768,175	(335,032)
Income tax at effective tax rate	<b>₱804,314,676</b>	₱1,035,716,035	₱1,232,614,482

### 30. 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.

- 65 -

The following table shows the Group's US dollar-denominated financial assets and liability and their Philippine Peso equivalent:

	2021		2020	
	US Dollar	Philippine Peso	US Dollar	Philippine Peso
Financial assets:				
Cash and cash equivalents	<b>\$58,604</b>	<b>₱2,975,325</b>	\$7,588,499	₱368,042,196
Deposit in escrow	<b>874,160</b>	<b>44,581,295</b>	867,706	42,083,752
	<b>932,764</b>	<b>47,556,620</b>	8,456,205	410,125,948
Financial liability -				
Trade and other payables	<b>878,442</b>	<b>44,598,500</b>	120,018	5,820,858
Net US Dollar-denominated financial assets	<b>\$54,322</b>	<b>₱2,958,120</b>	\$8,336,187	₱404,305,090

The following table shows the Group's Euro-denominated monetary financial asset and liability and their Philippine Peso equivalent:

	2021		2020	
	Euro	Philippine Peso	Euro	Philippine Peso
Financial asset -				
Cash in banks	<b>€7,541</b>	<b>₱433,683</b>	€7,674	₱436,727
Financial liability -				
Trade and other payables	<b>593,548</b>	<b>34,134,945</b>	606	34,487
Net Euro-denominated financial asset (liability)	<b>(€586,007)</b>	<b>(₱33,701,262)</b>	€7,068	₱402,240

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 ₱ 50.77 per US \$1 and ₱ 57.51 per €1 as at December 31, 2021 and ₱ 48.50 per US \$1 and ₱ 56.91 per €1 as at December 31, 2020.

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, 2021</b>	<b>+1.08</b>	<b>₱58,668</b>
	<b>-1.08</b>	<b>(58,668)</b>
December 31, 2020	+0.89	₱7,419,207
	-0.89	(7,419,207)



- 66 -

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>+0.79</b>	<b>(P462,946)</b>
	<b>-0.79</b>	<b>462,946</b>
December 31, 2019	+0.99	P6,997
	-0.99	(6,997)

**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 2021 and 2020:

	2021		2020	
Changes in PSEi	<b>18.63%</b>	<b>(18.63%)</b>	33.21%	(33.21%)
Financial assets at FVPL in				
Property industry	<b>P11,918,700</b>	<b>(P11,918,700)</b>	P1,802,814	(P1,802,814)
Food and beverage industry	–	–	5,483,753	(5,483,753)
Financial assets at FVOCI in				
Holding firms industry	<b>P148,846</b>	<b>(P148,846)</b>	P23,791,055	(P23,791,055)

**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 when a counterparty fails 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.

- 67 -

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 (3) 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, 2021 and 2020, the exposure to credit risk for trade receivables by type of counterparty are as follows:

	2021		
	Neither Past due nor Impaired	Past Due but not Impaired	Total
Major term customers	<b>P178,623,928</b>	<b>P53,988,234</b>	<b>P232,612,162</b>
Related parties	–	<b>153,354,112</b>	<b>153,354,112</b>
Others	<b>20,105,840</b>	<b>6,311,004</b>	<b>26,416,844</b>
	<b>P198,729,768</b>	<b>P213,653,350</b>	<b>P412,383,118</b>
	2020		
	Neither Past due nor Impaired	Past Due but not Impaired	Total
Major term customers	<b>P174,239,058</b>	<b>P131,032,400</b>	<b>P305,271,458</b>
Related parties	–	<b>4,395,639</b>	<b>4,395,639</b>
Others	<b>64,653,935</b>	<b>8,673,472</b>	<b>73,327,407</b>
	<b>P238,892,993</b>	<b>P144,101,511</b>	<b>P382,994,504</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	2021	2020
1 to 30 Days	<b>P158,266,486</b>	P82,074,104
31 to 90 Days	<b>43,417,598</b>	52,117,016
91 to 365 Days	<b>5,985,524</b>	9,799,828
366 days or more	<b>5,983,742</b>	110,563
Total	<b>P213,653,350</b>	<b>P144,101,511</b>

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.

	2021				
	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	₱11,644,038,785	₱–	₱–	₱–	₱11,644,038,785
Long-term placements	650,000,000	–	–	–	650,000,000
DSRA	333,128,296	–	–	–	333,128,296
Restricted cash	67,977,321	–	–	–	67,977,321
Refundable deposits	64,017,934	–	–	–	64,017,934
Deposit in escrow	44,581,295	–	–	–	44,581,295
Other receivables*	606,758,716	–	–	–	606,758,716
Debt securities at FVPL	–	–	–	813,578,557	813,578,557
	₱13,410,502,347	₱–	₱–	₱813,578,557	₱14,224,080,904

\*Includes advances to related parties, dividends receivable, interest receivable, and other receivables

	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
Long-term placements	650,000,000	–	–	–	650,000,000
DSRA	347,425,003	–	–	–	347,425,003
Other receivables*	95,798,639	–	–	–	95,798,639
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
	₱12,684,583,132	₱–	₱–	₱644,079,707	₱13,328,662,839

\*Includes dividends receivable, interest receivables, 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, 2021 and 2020:

	2021				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years
Trade and other payables*	₱3,040,331,525	₱597,222,725	₱205,359,154	₱–	₱–
Lease liabilities	–	3,684,247	11,127,467	39,952,915	–
Loans payable	–	343,681,791	1,139,923,663	4,465,223,779	–
	₱3,040,331,525	₱944,588,763	₱1,356,410,284	₱4,505,176,694	₱–

\*Excluding nonfinancial and statutory liabilities amounting to ₱520.1 million as at December 31, 2021.

	2020				
	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	₱–	₱–
Lease liabilities	–	2,719,603	8,158,808	36,652,074	6,947,358
Loans payable	–	359,558,214	1,056,147,604	5,635,396,243	316,078,693
	₱1,132,569,760	₱1,058,795,547	₱2,139,873,572	₱5,672,048,317	₱323,026,051

\*Excluding nonfinancial and statutory liabilities amounting to ₱379.2 million as at December 31, 2020.

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 ₱39,094.5 million and ₱36,368.7 million as at December 31, 2021 and 2020, 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.



- 70 -

The Group is required to maintain a debt-to-equity ratio of not greater than 2.50 with respect to the next reporting period. As at December 31, 2021, the Company is in compliance with the requirement.

No changes were made in the capital management objectives, policies, or processes in 2021 and 2020.

### 31. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Group's assets measured at fair value and assets and liability for which fair value is disclosed and the corresponding fair value hierarchy:

	Note	Carrying Amount	2021		
			Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Financial Assets:</b>					
Unquoted financial asset at FVPL	6	₱4,007,376,541	₱—	₱4,007,376,541	₱—
Quoted financial assets at FVPL	6	861,306,117	861,306,117	—	—
Financial assets at FVOCI	10	105,679,875	105,679,875	—	—
<b>Nonfinancial Assets:</b>					
Land	11	6,091,294,614	—	—	6,091,294,614
Investment properties (excluding construction in progress)	12	1,677,328,831	—	—	1,677,352,270
		₱12,742,985,978	₱966,985,992	₱4,007,376,541	₱7,768,646,884
<b>Financial Liability</b>					
Loans payable	17	₱5,235,508,766	₱—	₱5,487,961,508	₱—
	Note	Carrying Amount	2020		
			Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Financial Assets:</b>					
Quoted financial assets at FVPL	6	₱703,019,162	₱703,019,162	₱—	₱—
Financial assets at FVOCI	10	103,079,550	103,079,550	—	—
<b>Nonfinancial Assets:</b>					
Land	11	4,104,370,220	—	—	4,104,370,220
Investment properties (excluding construction in progress)	12	1,565,404,431	—	—	1,565,404,431
		₱6,475,873,363	₱806,098,712	₱—	₱5,669,774,651
<b>Financial Liability</b>					
Loans payable	17	₱6,295,636,282	₱—	₱6,895,854,154	₱—

- 71 -

The Group used the following techniques to determine fair value measurements:

- *Unquoted Financial Asset at FVPL.* The Group's unquoted financial asset at FVPL as at December 31, 2021 is carried at fair value computed using the discounted cash flow method, which uses a rate of similar instruments quoted in active markets. The discount rate used is 1.09% in 2021. This is classified under the Level 2 category.
- *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, 2021 and 2020 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, 2021 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, 2021 would be to use it for construction of building to be held for rental. As at December 31, 2021, the Group has not yet started any development in the property.

- *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 3.86% and 4.20% as at December 31, 2021 and 2020, respectively. 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 2021 and 2020.



- 72 -

The table below presents the financial assets and liability whose carrying amounts approximate their fair values as at December 31, 2021 and 2020:

	2021	2020
Financial assets at amortized cost:		
Cash and cash equivalents	<b>₱11,645,049,344</b>	₱11,466,255,207
Long-term placements	<b>650,000,000</b>	650,000,000
Trade and other receivables*	<b>1,019,141,834</b>	478,793,143
DSRA	<b>333,128,296</b>	347,425,003
Refundable deposits	<b>64,017,934</b>	55,912,004
Deposit in escrow	<b>44,581,295</b>	42,083,752
Restricted cash	<b>67,977,321</b>	28,232,093
Unquoted redeemable perpetual security	—	4,000,000,000
	<b>₱13,823,896,024</b>	₱17,068,701,202
Financial liability at amortized cost -		
Trade and other payables**	<b>₱3,842,913,404</b>	₱2,904,654,650

\*Excluding nonfinancial assets amounting to ₱9.2 million and ₱9.9 million as at December 31, 2021 and 2020, respectively.

\*\*Excluding nonfinancial liabilities amounting to ₱520.1 million and ₱379.2 million as at December 31, 2021 and 2020, 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.

### 32. 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 ₱17.0 million, ₱13.1 million and ₱20.2 million in 2021, 2020 and 2019, 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, 2021, 2020 and 2019, the Group is compliant with the foregoing commitments and obligations.

- 73 -

#### 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 five (5) years. Future minimum lease commitments under noncancellable operating leases as at December 31, 2021 and 2020 are as follows:

	2021
Within one year	<b>₱11,175,817</b>
After one year but not more than five years	<b>36,287,562</b>
	<b>₱47,463,379</b>

#### 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.

### 33. EPS

Basic and diluted EPS are calculated as follows:

	2021	2020	2019
Net income	<b>₱6,025,794,105</b>	₱3,391,392,558	₱6,014,901,093
Less dividends for cumulative preferred stock required for the year, net of tax	—	45,038,571	174,342,857
Net income attributable to common stockholders of the Parent Company	<b>₱6,025,794,105</b>	₱3,346,353,987	₱5,840,558,236
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>₱1.21</b>	₱0.67	₱1.17

Diluted earnings per share is equal to the basic earnings per share since the Group does not have potential dilutive shares.

### 34. 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.



## Corporate Information

GRI 102-3, GRI 102-4, GRI 102-53

### EAGLE CEMENT CORPORATION

#### Head Office

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Tel: +632 5301-3453

#### Bulacan Plant

Brgy. Akle, San Ildefonso, Bulacan

#### Corporate Website

[www.eaglecement.com.ph](http://www.eaglecement.com.ph)

#### 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:

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