



# CONCRETE AGGREGATES CORPORATION

10 June 2019

**THE PHILIPPINE STOCK EXCHANGE, INC.**

9<sup>th</sup> Floor, PSE Tower  
28<sup>th</sup> Street corner 5<sup>th</sup> Avenue  
Bonifacio Global City, Taguig

Attention: **Mr. Jose Valeriano B. Zuño III**  
OIC- Head, Disclosure Department

Gentlemen:

In compliance with the Disclosure Rules of the Philippine Stock Exchange, we submit herewith the response letter of Concrete Aggregates Corporation to the letter of the Securities and Exchange Commission dated 16 April 2019 regarding the Integrated Annual Corporate Governance Report covering the year 2017.

Thank you and best regards.

Very truly yours,

**Jose Antonio V. Evangelista III**  
Corporate Information Officer

# COVER SHEET

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S.E.C. Registration Number

[illegible][illegible]

(Company's Full Name)

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

JOSE ANTONIO V. EVANGELISTA III

Contact Person

6311231

Company Telephone Number

1	2
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3	1
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Month Fiscal Year

0	5	2	3
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Month Day  
Annual Meeting

[illegible]

FORM TYPE

P	E	R	M	I	T		T	O		O	F	F	E	R		S	E	C	U	R	I	T	I	E	S						
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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

Amended Articles	Number/Section
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550

Total No. of Stockholders

### Total Amount of Borrowings

[illegible]

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

100

LCU

[illegible]

Document I.D.

Cashier

## STAMPS

Remarks = pls. use black ink for scanning purposes



# CONCRETE AGGREGATES CORPORATION

10 June 2019

## SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex  
Roxas Boulevard, Pasay City

Attention: **Rachel Esther J. Guntang-Remalante**  
OIC, Corporate Governance and Finance Department

Gentlemen:

We refer to the letter from the Securities and Exchange Commission ("SEC" or the "Commission") dated 16 April 2019, which we received on 29 May 2019, regarding the Integrated Annual Corporate Governance Report ("I-ACGR") of Concrete Aggregates Corporation ("CAC" or the "Corporation") for the period ended 31 December 2017.

In reply thereto, we respectfully note that, with respect to items under "Recommendations" and "Supplement to Recommendations" cited by the Commission in its 16 April 2019 letter, the Corporation provided its responses/justifications thereto under the Explanation Column instead of reference to a specific document or link. This was because the Corporation deemed an explanation as a better support for its compliance with the said items. Nonetheless, in order to comply with the Commission's instructions, the Corporation hereby submits the attached clarifications to the specific items cited by the Commission. This includes additional information by way of documents and reference links to support its explanations.

We hope that this satisfactorily meets the Commission's requirements.

Thank you and best regards.

Very truly yours,

  
**Isagani Elias A. Elacio**  
Compliance Officer

Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	COMPLIANT	Disclose and provide information or link/reference to a document containing information on the company's succession planning policies and programs and its implementation.	
2. Board adopts a policy on the retirement for directors and key officers.	COMPLIANT	The Board ensures and adopts an effective succession planning program for directors and key officers. It likewise adopts a policy on the retirement for directors and key officers. <a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> > Manual on Corporate Governance of CAC > Page 9	
Recommendation 2.9			
1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	COMPLIANT	Provide information on or link/reference to a document containing the Board's performance management framework for management and personnel.  <a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> > Manual on Corporate Governance of CAC > Page 4	The Corporation shares similar directors with its parent company. Likewise, its key officers are seconded from the parent company by way of a Management Agreement. As such, the Corporation's directors and key officers are covered by the parent company's performance standards and appraisal program.
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	COMPLIANT	Provide information on the assessment process and indicate frequency of assessment of performance.  <i>The Board periodically evaluates and monitors the implementation of policies and strategies, including, among others, the overall performance of Management.</i>  <i>Attached for your reference is a copy of the Appraisal Form that is accomplished annually.</i>	
Recommendation 2.10			
3. Board approves the Internal Audit Charter.	COMPLIANT	Provide reference or link to the company's Internal Audit Charter.  <a href="http://cac.com.ph/corporate.html">http://cac.com.ph/corporate.html</a> > Internal Audit Charter	

Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	COMPLIANT	Provide link to the company's website where the Board Charter is disclosed.	The Corporation shares similar directors with its parent company. While the Corporation does not have a formal Board charter, its Board of Directors are guided by its Manual on Corporate Governance which clearly states the roles, responsibilities and accountabilities of the Board of directors.
2. Board Charter serves as a guide to the directors in the performance of their functions.	COMPLIANT	The Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role and serves as a guide to the directors in the performance of their functions. It is publicly available in the CAC website.	
3. Board Charter is publicly available and posted on the company's website.	COMPLIANT	<a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> > Manual on Corporate Governance of CAC > Pages 7 to 11	
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	COMPLIANT	<p>Provide information or link/reference to a document containing information on the Board Risk Oversight Committee (BROC), including its functions</p> <p>As provided in the Manual on Corporate Governance of CAC, the Audit and Risk Management Committee functions as the Board Risk Oversight Committee of the Company.</p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; Manual on Corporate Governance &gt; Page 20</p> <p><a href="http://www.cac.com.ph/risk.html">http://www.cac.com.ph/risk.html</a></p> <p><a href="http://www.cac.com.ph/2015/CAC%20Highlights%202015%20ASM%20and%20Org%20Meeting%20-%20PSE.pdf">http://www.cac.com.ph/2015/CAC%20Highlights%202015%20ASM%20and%20Org%20Meeting%20-%20PSE.pdf</a>&gt; page 7 of 9</p>	The Corporation shares similar directors with its parent company. Likewise, its key officers are seconded from the parent company by way of a Management Agreement. As such, the Corporation's directors and key officers are covered by the parent company's applicable enterprise risk management policy.

2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	<b>COMPLIANT</b>	<p>Provide information or link/reference to a document containing information on the members of the BROC, including their qualifications and type of directorship.</p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; <i>Manual on Corporate Governance</i> &gt; <i>Page 20</i></p> <p><a href="http://www.cac.com.ph/risk.html">http://www.cac.com.ph/risk.html</a></p> <p><a href="http://www.cac.com.ph/2015/CAC%20Highlights%202015%20ASM%20and%20Orq%20Meeting%20-%20PSE.pdf">http://www.cac.com.ph/2015/CAC%20Highlights%202015%20ASM%20and%20Orq%20Meeting%20-%20PSE.pdf</a> &gt; <i>page 7 of 9</i></p>	<p>The Corporation shares similar directors with its parent company. Likewise, its key officers are seconded from the parent company by way of a Management Agreement. As such, the Corporation’s directors and key officers are guided by the parent company’s performance appraisal program and remuneration policy.</p> <p>Additionally, consistent with the Manual on Corporate Governance of CAC, the Audit Committee performs the functions of the BROC. The Audit Committee is composed of the following:</p> <table><tr><td>Chairman</td><td>Samson C. Lazo</td></tr><tr><td>Member</td><td>Jose Emmanuel H. Jalandoni</td></tr><tr><td>Member</td><td>Jeffrey C. Lim</td></tr><tr><td>Member</td><td>Ma. Asuncion O. Padilla</td></tr></table>	Chairman	Samson C. Lazo	Member	Jose Emmanuel H. Jalandoni	Member	Jeffrey C. Lim	Member	Ma. Asuncion O. Padilla
Chairman	Samson C. Lazo										
Member	Jose Emmanuel H. Jalandoni										
Member	Jeffrey C. Lim										
Member	Ma. Asuncion O. Padilla										



3. The Chairman of the BROCC is not the Chairman of the Board or of any other committee.	<b>COMPLIANT</b>	<p>Provide information or link/reference to a document containing information on the Chairman of the BROCC</p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; Manual on Corporate Governance of CAC &gt; Page 20</p> <p><a href="http://www.cac.com.ph/informationstatements.html">http://www.cac.com.ph/informationstatements.html</a> &gt; CAC Def IS 2017 ASM &gt; Page 9</p>	<p>While the Corporation does not have a BROCC, the Chairman of the Audit Committee performs the functions of the BROCC and is chaired by Mr. Lazo. The details of Mr. Lazo are disclosed in the 2017 Definitive Information Statement and which can be accessed through the following link:</p> <p><a href="http://www.cac.com.ph/informationstatements.html">http://www.cac.com.ph/informationstatements.html</a> &gt; CAC Def IS 2017 ASM &gt; Page 9</p>
4. At least one member of the BROCC has relevant thorough knowledge and experience on risk and risk management.	<b>COMPLIANT</b>	<p>Provide information or link/reference to a document containing information on the background, skills, and/or experience of the members of the BROCC.</p> <p><a href="http://www.cac.com.ph/informationstatements.html">http://www.cac.com.ph/informationstatements.html</a> &gt; CAC Def IS 2018 ASM &gt; Pages 14 and 75</p>	<p>While the Corporation does not have a BROCC, the Chairman of the Audit Committee performs the functions of the BROCC and is chaired by Mr. Lazo. Mr. Lazo is a recognized expert in the industry.</p>
<b>Recommendation 3.5</b>			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	<b>COMPLIANT</b>	<p>Provide information or link/reference to a document containing information on the Related Party Transactions (RPT) Committee, including its functions.</p> <p><a href="http://www.cac.com.ph/boc.html">http://www.cac.com.ph/boc.html</a></p> <p><a href="http://www.cac.com.ph/2015/CAC%20Audit%20Committee%20Charter.pdf">http://www.cac.com.ph/2015/CAC%20Audit%20Committee%20Charter.pdf</a></p>	<p>The Audit Committee functions as the reviewing body with respect to related party transactions.</p>

<p>2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.</p>	<p><b>COMPLIANT</b></p>	<p>Provide information or link/reference to a document containing information on the members of the RPT Committee, including their qualifications and type of directorship.</p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; Manual on Corporate Governance of CAC &gt; Page 20</p> <p><a href="http://www.cac.com.ph/boc.html">http://www.cac.com.ph/boc.html</a></p> <p><a href="http://www.cac.com.ph/2015/CAC%20Audit%20Committee%20Charter.pdf">http://www.cac.com.ph/2015/CAC%20Audit%20Committee%20Charter.pdf</a></p>	<p>While the Corporation does not have a BROCC, the Audit Committee performs the functions of the BROCC. The qualifications of the members of Audit Committee are disclosed in the 2017 Definitive Information Statement and which can be accessed through the following link:</p> <p><a href="http://www.cac.com.ph/informationstatements.html">http://www.cac.com.ph/informationstatements.html</a> &gt; CAC Def IS 2017 ASM &gt; Pages 5 to 9</p> <p>The Audit Committee functions as the reviewing body with respect to related party transactions.</p>
<p><b>Recommendation 4.1</b></p>			
<p>2. The directors review meeting materials for all Board and Committee meetings.</p>	<p><b>COMPLIANT</b></p>	<p><i>CAC's board of directors attend and actively participate in all meetings, in person or through tele/videoconferencing conducted in accordance with the rules and regulations of the SEC.</i></p> <p>http: <a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; Manual on Corporate Governance of CAC &gt; Page 11</p> <p><a href="http://www.cac.com.ph/corporate.html">http://www.cac.com.ph/corporate.html</a> &gt; CAC Amended By-Laws &gt; Page 6</p>	
<p>3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.</p>	<p><b>COMPLIANT</b></p>	<p>Provide information or link/reference to a document containing information on any questions raised or clarification/explanation sought by the directors</p> <p><i>The directors are given the opportunity to freely ask questions and seek clarifications and explanations in order</i></p>	



		<p><i>to add value and contribute their independent view and judgment during Board and Committee meetings.</i></p> <p><i>Please refer to "Annex A" for an excerpt of the Minutes of a Board meeting of CAC.</i></p>	
<b>Recommendation 4.3</b>			
1. The directors notify the company's board before accepting a directorship in another company.	<b>COMPLIANT</b>	<p>Provide copy of written notification to the board or minutes of board meeting wherein the matter was discussed.</p> <p><i>No notifications have been received by the Corporation from any of its directors of their intention to accept a directorship in another company during the past year.</i></p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; Manual on Corporate Governance of CAC &gt; Page 12</p>	While the Corporation does not have a formal policy requiring its directors to notify the company's board before accepting a directorship in another company, the directors, nevertheless, disclose the same consistent with the policy of the corporation on conflict of interest.
<b>Recommendation 5.6</b>			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	<b>COMPLIANT</b>	<p>Provide proof of abstention, if this was the case</p> <p><i>There has been no transaction entered into by the Corporation wherein a director disclosed a material interest therein during the past year.</i></p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; Manual on Corporate Governance of CAC &gt; Page 12</p>	
<b>Recommendation 5.7</b>			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	<b>COMPLIANT</b>	<p>Provide proof and details of said meeting, if any.</p> <p>Provide information on the frequency and attendees of meetings.</p>	The presence of any executive in the meetings of the Head of Internal Audit meets with the Audit

		<p>The Corporation’s Corporate Governance Committee and Audit and Risk Management Committee are chaired by Independent Directors.</p> <p><a href="http://www.cac.com.ph/boc.html">http://www.cac.com.ph/boc.html</a></p>	<p>Committee occur only when such presence is needed.</p> <p>The Audit Committee does not have any executive director as a member.</p>
<b>Recommendation 6.1</b>			
1. Board conducts an annual self-assessment of its performance as a whole.	<b>COMPLIANT</b>	<p>Provide proof of self-assessments conducted for the whole board, the individual members, the Chairman and the Committees</p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; Manual on Corporate Governance of CAC &gt; Pages 14 to 20</p>	<p>The Corporation shares similar directors with its parent company. Likewise, its key officers are seconded from the parent company by way of a Management Agreement. As such, the Corporation’s directors and key officers are covered by the parent company’s performance assessment policy.</p>
2. The Chairman conducts a self-assessment of his performance.	<b>COMPLIANT</b>		
3. The individual members conduct a self-assessment of their performance.	<b>COMPLIANT</b>		
4. Each committee conducts a self-assessment of its performance.	<b>COMPLIANT</b>		
5. Every three years, the assessments are supported by an external facilitator.	<b>NON-COMPLIANT</b>	<p>Identify the external facilitator and provide proof of use of an external facilitator.</p>	
<b>Recommendation 6.2</b>			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	<b>COMPLIANT</b>	<p>Provide information or link/reference to a document containing information on the system of the company to evaluate the performance of the board, individual directors and committees, including a feedback mechanism from shareholders</p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; Manual on Corporate Governance of CAC &gt; Page 9</p>	<p>The Corporation shares similar directors with its parent company. Likewise, its key officers are seconded from the parent company by way of a Management Agreement. As such, the Corporation’s directors and key officers are covered by the parent company’s performance assessment policy.</p>

2. The system allows for a feedback mechanism from the shareholders.	<b>COMPLIANT</b>	<a href="http://www.cac.com.ph/investor.html">http://www.cac.com.ph/investor.html</a>	
<b>Recommendation 7.1</b>			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	<b>COMPLIANT</b>	Provide information on or link/reference to the company's Code of Business Conduct and Ethics.  <a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> > <i>Manual on Corporate Governance of CAC</i>	The Corporation's Manual on Corporate Governance as well as its policies on Related Party Transactions and Conflict of Interest provide sufficient parameters and guidelines on the proper conduct of its internal and external dealings.
2. The Code is properly disseminated to the Board, senior management and employees.	<b>COMPLIANT</b>	Provide information on or discuss how the company disseminated the Code to its Board, senior management and employees.  <i>The Manual on Corporate Governance as well as the Conflict of Interest and Related Transactions Policies were duly posted in the Corporation's website upon approval.</i>  <a href="http://www.cac.com.ph/2015/Revised%20Manual%20on%20Corporate%20Governance%20-%20PSE.pdf">http://www.cac.com.ph/2015/Revised%20Manual%20on%20Corporate%20Governance%20-%20PSE.pdf</a>  <a href="http://www.cac.com.ph/2015/Conflict%20of%20Interest%20Policy%20Draft.Clean.pdf">http://www.cac.com.ph/2015/Conflict%20of%20Interest%20Policy%20Draft.Clean.pdf</a>  <a href="http://www.cac.com.ph/2015/Related%20Party%20Transactions.Policy%20v.2%20rev.pdf">http://www.cac.com.ph/2015/Related%20Party%20Transactions.Policy%20v.2%20rev.pdf</a>	
3. The Code is disclosed and made available to the public through the company website.	<b>COMPLIANT</b>	Provide a link to the company's website where the Code of Business Conduct and Ethics is posted/ disclosed.  <a href="http://www.cac.com.ph/2015/Revised%20Manual%20on%20Corporate%20Governance%20-%20PSE.pdf">http://www.cac.com.ph/2015/Revised%20Manual%20on%20Corporate%20Governance%20-%20PSE.pdf</a>	

		<a href="http://www.cac.com.ph/2015/Conflict%20of%20Interest%20Policy%20Draft.Clean.pdf">http://www.cac.com.ph/2015/Conflict%20of%20Interest%20Policy%20Draft.Clean.pdf</a>  <a href="http://www.cac.com.ph/2015/Related%20Party%20Transactions.Policy%20v.2%20rev.pdf">http://www.cac.com.ph/2015/Related%20Party%20Transactions.Policy%20v.2%20rev.pdf</a>  Copy of the Manual is freely available to all officers and employees of the Company.	
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	COMPLIANT	Provide proof of implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.	The Corporation shares similar directors with its parent company. Likewise, its key officers are seconded from the parent company by way of a Management Agreement and the proper and efficient implementation and monitoring of compliance of such policies are done at the parent company level.
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	COMPLIANT	Indicate who are required to comply with the Code of Business Conduct and Ethics and any findings on non-compliance.  <i>During the past year, no issue or matter relating to matters of ethics and business conduct occurred.</i>	
Recommendation 8.5			
2. Company discloses material or significant RPTs reviewed and approved during the year.	COMPLIANT	Provide information on all RPTs for the previous year or reference to a document containing the following information on all RPTs:  1. name of the related counterparty; 2. relationship with the party; 3. transaction date; 4. type/nature of transaction; 5. amount or contract price; 6. terms of the transaction; 7. rationale for entering into the transaction; 8. the required approval (i.e., names of the board of directors approving, names and percentage of	

		<p>shareholders who approved) based on the company's policy; and</p> <p>9. other terms and conditions</p> <p><i>There have been no material or significant RPTs reviewed and approved during the past year.</i></p> <p><a href="http://www.cac.com.ph/2018/CAC%2017-A%20(2017)%20-%20PSE.pdf">http://www.cac.com.ph/2018/CAC%2017-A%20(2017)%20-%20PSE.pdf</a> &gt; pp. 33-34</p>	
<b>Recommendation 8.6</b>			
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	<b>COMPLIANT</b>	<p>Identify independent party appointed to evaluate the fairness of the transaction price</p> <p>Disclose the rules and procedures for evaluating the fairness of the transaction price, if any.</p> <p><i>There have been no material or significant RPTs reviewed and approved during the past year.</i></p> <p><a href="http://www.cac.com.ph/corporate.html">http://www.cac.com.ph/corporate.html</a> &gt; <i>Related-Party Transaction Policy</i></p>	While the Corporation does not appoint an independent party to evaluate the fairness of the transaction price of the acquisition or disposal of its assets, the Corporation adheres to its Related Party Transactions (RPT) policy which requires the Audit Committee to review all the information reported by Management prior to endorsing the same to the Board for approval.
<b>Recommendation 9.1</b>			
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	<b>COMPLIANT</b>	<p>Provide information on or link/reference to a document containing the company's reason for removal or change of external auditor.</p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; <i>Manual on Corporate Governance of CAC &gt; Pages 21, 22 and 27</i></p> <p><i>The Company has not changed or removed its external auditor in the last five years but shall disclose to the</i></p>	<i>While the Company has not changed or removed its external auditor in the last five years, the Corporation intends to disclose to the regulators and the public the reasons for the removal or change of its external auditor, if applicable.</i>

		<i>regulators and the public the reasons for the removal or change of its external auditor in the event that it does.</i>	
<b>Recommendation 12.1</b>			
1. Company has an adequate and effective internal control system in the conduct of its business.	<b>COMPLIANT</b>	<p>List quality service programs for the internal audit functions.</p> <p>Indicate frequency of review of the internal control system</p> <p><i>The Corporation's Internal Audit Department conducts an annual review of the operations of Operator of its mining quarry to ensure compliance with the parties' agreement.</i></p>	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	<b>COMPLIANT</b>	<p>Identify international framework used for Enterprise Risk Management</p> <p>Provide information or reference to a document containing information on:</p> <ol style="list-style-type: none"> <li>1. Company's risk management procedures and processes</li> <li>2. Key risks the company is currently facing</li> <li>3. How the company manages the key risks</li> </ol> <p>Indicate frequency of review of the enterprise risk management framework.</p> <p>Kindly refer to "Annex B" on the copy of the Enterprise Risk Management Strategy of the parent company of CAC.</p>	<p>The Corporation shares similar directors with its parent company. Likewise, its key officers are seconded from the parent company by way of a Management Agreement. As such, the Corporation's directors and key officers are covered by the parent company's applicable enterprise risk management policy.</p> <p>Additionally, the risk management functions are exercised by the Board in conjunction with the Audit Committee.</p>
<b>Recommendation 12.3</b>			
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	<b>COMPLIANT</b>	<i>The Chief Audit Executive of the Corporation is Mr. Mario S. Evangelista.</i>	

		<a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> > Manual on Corporate Governance of CAC > Page 21	
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	<b>COMPLIANT</b>	<p>Identify qualified independent executive or senior management personnel, if applicable.</p> <p><i>The Chief Audit Executive of the Corporation is Mr. Mario S. Evangelista.</i></p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; Manual on Corporate Governance of CAC &gt; Page 21</p>	This practice shall be applied in the event that such need arises in the future.
<b>Recommendation 12.4</b>			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	<b>COMPLIANT</b>	<p>Provide information on company's risk management function.</p> <p><i>The Corporation shares similar directors with its parent company. Likewise, its key officers are seconded from the parent company by way of a Management Agreement. Pursuant to this, the latter's processes on risk management are likewise implemented on the Corporation.</i></p> <p><i>The Corporation's Chief Risk Officer is Atty. Jose Antonio V. Evangelista III, who exercises risk management functions in coordination with the Board and the Audit Committee.</i></p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; Manual on Corporate Governance of CAC &gt; Page 20</p> <p>Kindly refer to "Annex B" on the copy of the Enterprise Risk Management Strategy of the parent company of CAC.</p>	The Corporation shares similar directors with its parent company. Likewise, its key officers are seconded from the parent company by way of a Management Agreement. Pursuant to this, the latter's processes on risk management are likewise implemented on the Corporation.
<b>Recommendation 15.3</b>			
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the	<b>COMPLIANT</b>	Disclose or provide link/reference to the company whistleblowing policy and procedure for employees.	



Board or a unit created to handle whistleblowing concerns.		<p><a href="http://www.cac.com.ph/corporate.html">http://www.cac.com.ph/corporate.html</a> &gt; Policies &gt; Whistleblower Policy</p> <p>Indicate if the framework includes procedures to protect the employees from retaliation.</p> <p><i>The Whistleblower shall be protected from reprisals, harassment or disciplinary action or victimization as a result of any disclosure or raising of a concern or relaying of information where such disclosure is made in good faith believing the disclosure to be true and is not made maliciously or for personal gain.</i></p> <p>Provide contact details to report any illegal or unethical behavior.</p> <p>Office of the Corporate Secretary 9<sup>th</sup> Floor, Ortigas Building Ortigas Avenue, Pasig City (+63) 02 6311231 (+63) 02 6316517</p>	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	<b>COMPLIANT</b>	<p>Provide information on how the board supervised and ensured enforcement of the whistleblowing framework, including any incident of whistleblowing.</p> <p><i>No incident of whistleblowing occurred in 2017.</i></p>	
<b>Supplement to Recommendations 2.7</b>			
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	<b>COMPLIANT</b>	<p>Provide information on voting system, if any.</p> <p><a href="http://www.cac.com.ph/disclosures.html">http://www.cac.com.ph/disclosures.html</a> &gt; Information Statements (SEC Form 20-IS) &gt; 2018 &gt; CAC Def IS 2018 ASM &gt; Pages 25 to 26</p>	

		<i>There were no related party transactions entered into during the year 2017.</i>	
<b>Supplement to Recommendation 3.2</b>			
1. Audit Committee approves all non-audit services conducted by the external auditor.	<b>COMPLIANT</b>	<p>Provide proof that the Audit Committee approved all non-audit services conducted by the external auditor.</p> <p><a href="http://www.cac.com.ph/annualreports.html">http://www.cac.com.ph/annualreports.html</a> &gt; 2018 Annual Report &gt; Page 54</p> <p><i>No non-audit services in 2017 were conducted by the external auditor.</i></p>	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	<b>COMPLIANT</b>	<p>Provide proof that the Audit Committee conducted regular meetings and dialogues with the external audit team without anyone from management present.</p> <p>There is no member of management who is a member of the Audit Committee.</p>	
<b>Supplement to Recommendation 5.2</b>			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	<b>COMPLIANT</b>	<p>Provide link/reference to a document containing information that directors are not constrained to vote independently.</p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; Manual on Corporate Governance of CAC &gt; Page 12</p>	
<b>Supplement to Recommendation 7.1</b>			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	<b>COMPLIANT</b>	<p>Provide information on or link/reference to a document containing information on the company's policy and procedure on curbing and penalizing bribery</p>	<p>The Corporation's Manual on Corporate Governance as well as its policies on Related Party Transactions and Conflict of Interest provide sufficient parameters and</p>

		<a href="http://www.cac.com.ph/2015/Revised%20Manual%20on%20Corporate%20Governance%20-%20PSE.pdf">http://www.cac.com.ph/2015/Revised%20Manual%20on%20Corporate%20Governance%20-%20PSE.pdf</a>  <a href="http://www.cac.com.ph/2015/Conflict%20of%20Interest%20Policy%20Draft.Clean.pdf">http://www.cac.com.ph/2015/Conflict%20of%20Interest%20Policy%20Draft.Clean.pdf</a>  <a href="http://www.cac.com.ph/2015/Related%20Party%20Transactions.Policy%20v.2%20rev.pdf">http://www.cac.com.ph/2015/Related%20Party%20Transactions.Policy%20v.2%20rev.pdf</a>	guidelines on the proper conduct of its internal and external dealings.
<b>Supplement to Recommendations 8.1</b>			
2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	<b>COMPLIANT</b>	<p>Provide link or reference to the company's annual report where the following are disclosed:</p> <ol style="list-style-type: none"> <li>1. principal risks to minority shareholders associated with the identity of the company's controlling shareholders;</li> <li>2. cross-holdings among company affiliates; and</li> <li>3. any imbalances between the controlling shareholders' voting power and overall equity position in the company.</li> </ol> <p><a href="http://cac.com.ph/annualreports.html">http://cac.com.ph/annualreports.html</a> &gt; 2017 Annual Report</p>	
<b>Supplement to Recommendation 9.1</b>			
1. Company has a policy of rotating the lead audit partner every five years.	<b>COMPLIANT</b>	<p>Provide information on or link/reference to a document containing the policy of rotating the lead audit partner every five years.</p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; Manual on Corporate Governance of CAC &gt; Page 27</p> <p><i>For the years 2012 to 2015, the lead audit partner was Zaldy D. Aguirre. In 2016, the new lead partner assigned was Roderick M. Danao.</i></p>	While the Company does not have a formal policy for the rotation of the lead audit partner every five years, the external auditor or the signing partner of the external auditing firm assigned to the Corporation is, nevertheless, rotated every five (5) years or earlier in accordance with Sec. 2.2.10.4 of the Manual on Corporate Governance of CAC.

			For the years 2012 to 2015, the lead audit partner was Zaldy D. Aguirre. In 2016, the new lead partner assigned was Roderick M. Danao.
<b>Supplement to Recommendations 12.1</b>			
1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	<b>COMPLIANT</b>	<p>Provide information on or link/ reference to a document containing the company's compliance program covering compliance with laws and relevant regulations.</p> <p>Indicate frequency of review.</p> <p><a href="http://www.cac.com.ph/2015/CAC%20Audit%20Committee%20Charter.pdf">http://www.cac.com.ph/2015/CAC%20Audit%20Committee%20Charter.pdf</a></p> <p><i><a href="#">The Corporation's Internal Audit Department conducts an annual review of the operations of the Operator of its mining quarry to ensure compliance with the parties' agreement.</a></i></p>	<p>The Corporation shares similar directors with its parent company. Likewise, its key officers are seconded from the parent company by way of a Management Agreement. As such, the Corporation's directors and key officers are covered by the parent company's applicable enterprise risk management policy.</p> <p>Additionally, the risk management functions are exercised by the Board in conjunction with the Audit Committee.</p>
<b>Supplement to Recommendation 12.4</b>			
1. Company seeks external technical support in risk management when such competence is not available internally.	<b>COMPLIANT</b>	<p>Identify source of external technical support, if any.</p> <p><i>The Corporation, through its parent company, consults with Mr. Maphilindo Tandoc, Chief Risk Officer of Ayala Land, Inc.,</i></p>	

		on various matters relating to risk management and insurance.	
<b>Supplement to Recommendation 13.1</b>			
1. Company's common share has one vote for one share.	<b>COMPLIANT</b>	<a href="http://www.cac.com.ph/2016/CAC%20Amended%20By-Laws%20-%202015.pdf">http://www.cac.com.ph/2016/CAC%20Amended%20By-Laws%20-%202015.pdf</a> > page 5  <a href="http://www.cac.com.ph/informationstatements.html">http://www.cac.com.ph/informationstatements.html</a> > CAC Def IS 2018 ASM > Page 7	
7. Company has a transparent and specific dividend policy.	<b>COMPLIANT</b>	<p>Provide information on or link/reference to the company's dividend Policy.</p> <p>Indicate if company declared dividends. If yes, indicate the number of days within which the dividends were paid after declaration. In case the company has offered scrip-dividends, indicate if the company paid the dividends within 60 days from declaration</p> <p><i>At the meeting of the Board of Directors of the Corporation on 15 March 2018, the Corporation declared a cash dividend in the amount of Php25,543,797.57 to stockholders of record as of 2 April 2018 and authorized its distribution on 6 April 2018.</i></p>	
<b>Supplemental to Recommendation 13.2</b>			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:	<b>COMPLIANT</b>	<p>Provide link or reference to the company's notice of Annual Shareholders' Meeting</p> <p><a href="http://www.cac.com.ph/corporate.html">http://www.cac.com.ph/corporate.html</a> &gt; Notice of Stockholders' Meeting</p>	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment,	<b>COMPLIANT</b>	<a href="http://www.cac.com.ph/2017/Definitive%20IS%20ASM%20CAC%202017%20-%20PSE.pdf">http://www.cac.com.ph/2017/Definitive%20IS%20ASM%20CAC%202017%20-%20PSE.pdf</a> > page 4-9	

experience, and directorships in other listed companies)			
b. Auditors seeking appointment/re-appointment	<b>COMPLIANT</b>	<a href="http://www.cac.com.ph/2017/Definitive%20IS%20ASM%20CAC%202017%20-%20PSE.pdf">http://www.cac.com.ph/2017/Definitive%20IS%20ASM%20CAC%202017%20-%20PSE.pdf</a> > page 17	
c. Proxy documents	<b>COMPLIANT</b>	<a href="http://www.cac.com.ph/2017/Definitive%20IS%20ASM%20CAC%202017%20-%20PSE.pdf">http://www.cac.com.ph/2017/Definitive%20IS%20ASM%20CAC%202017%20-%20PSE.pdf</a> > page 2	
<b>Supplement to Recommendation 15.1</b>			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	<b>COMPLIANT</b>	<p>Disclose if company has in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.</p> <p><i>The Corporation's key officers are seconded from the parent company by way of a Management Agreement. As such, the Corporation's directors and key officers are covered by the parent company's performance appraisal program and remuneration policy.</i></p>	
<b>Recommendation 10.1</b>			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	<b>NON-COMPLIANT</b>	<p>Disclose or provide link on the company's policies and practices on the disclosure of non-financial information, including EESG issues.</p> <p><i>Currently, the Corporation operates its mine site through its Operator by way of an Operating Agreement. As such, EESG issues are dealt by its Operator.</i></p>	

Recommendation 2.11			
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	<b>COMPLIANT</b>	<p>Provide information on or link/reference to a document showing the Board's oversight responsibility on the establishment of a sound enterprise risk management framework and how the board was guided by the framework.</p> <p><a href="http://www.cac.com.ph/currentreports.html">http://www.cac.com.ph/currentreports.html</a> &gt; Manual on Corporate Governance of CAC &gt; Pages 51 to 18</p> <p>Kindly refer to "Annex B" on the copy of the Enterprise Risk Management Strategy of the parent company of CAC.</p> <p>Provide proof of effectiveness of risk management strategies, if any.</p>	
Recommendation 5.3			
1. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	<b>COMPLIANT</b>	<p>Provide reference to the meritorious justification and proof of shareholders' approval during the annual shareholders' meeting.</p> <p><i>The Corporation has not yet had an independent director serve for nine years with its Board of Directors.</i></p>	
Recommendation 13.4			
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	<b>NON-COMPLIANT</b>	<p>Provide link/reference to where it is found in the Manual on Corporate Governance</p> <p>The Company adopted its ADR policy in 2018 and intends to amend its Manual on Corporate Governance to include such policy.</p>	



## KEY RESULT AREAS

Period Covered: Jan to Dec 2018

NAME		SECTION									
POSITION		DEPARTMENT									
LEVEL		DIVISION									
	KRAs	Key Performance Indicators	Weight	Performance Measure	Target	Actual	% Achieved	Weight Average	Overall Score	Equivalent Rating	Remarks
<b>FINANCIAL METRICS (Indicate Assigned Area)</b>			0.0%								
1.1	Revenue										
1.2	EBITDA										
1.3	NIAT										
1.4	NCFO										
<b>GROW THE BUSINESS</b>			0.0%								
2.1	KRA 1	• _____									
		• _____									
		• _____									
		• _____									
		• _____									
<b>INCREASE PROFITABILITY</b>			0.0%								
3.1	KRA 2	• _____	0.0%								
		• _____									
		• _____									
3.2	KRA 3	• _____	0.0%								
		• _____									
		• _____									
<b>MANAGE CAPITAL EFFICIENTLY</b>			0.0%								
4.1	KRA 4	• _____									
		• _____									
		• _____									
<b>EXECUTE WITH A PURPOSE</b>			0.0%								
5.1	KRA 5	• _____									
		• _____									
		• _____									
<b>GRAND TOTAL - KRA</b>			0.0%								
Discussed by:			Agreed and accepted by:				Noted by:				
Immediate Superior			Employee				Department/Division Head				

F. Opening of Time Deposit Account with BDO Unibank, Inc.

Atty. Abundo III presented for the approval of the Board the opening of a time deposit account with BDO Unibank, Inc.

Upon motion duly made and seconded, the Board approved the opening by the Corporation of a time deposit account with BDO Unibank, Inc.

## VI. UPDATES ON LAFARGE OPERATIONS

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Atty. Abundo III proceeded to present slides showing the current state of the quarry site in Angono, Rizal. He informed the Board that a study is being conducted by a third-party to determine the remaining reserves in the quarry, and where it was learned that the life of the quarry will be good for another 12 to 15 years.

Mr. Ysmael commented that the projected life of the mine is still quite long. Atty. Abundo III then pointed out that the agreement between CAC and LRAI will expire in 7 years, and that Management is looking into the possibility of accelerating the process in order to be able to utilize the property for a possible development.

Mr. Ysmael inquired on whether LRAI is open to an acceleration program, to which Atty. Abundo III replied that they are, except that the extraction is limited by the Environmental Compliance Certificate ("ECC") of the mine. Mr. Ysmael then recommended that Management work on obtaining government approval of an increase in the amount that may be extracted.

Atty. Abundo III mentioned that LRAI would also need to invest more on equipment to be able to ramp up their extraction activities, and which is under discussion at the moment.

Mr. Ysmael queried on whether Management is already looking into the future development of the property, and Atty. Abundo III responded that Management is currently finalizing the mine development plan that will later on be shown to the General Manager of the Real Estate Division of OHL, Mr. Thomas F. Mirasol.

Mr. Ysmael said that it would be good to actually visualize what the plan is for the property moving forward and to align the mining strategy with such development plan.

Atty. Abundo III pointed out that Minercon International, Inc. is working on preparing the mine development plan that will showcase the mine from a 3D perspective.



Atty. Abundo III proceeded to present slides on the production volume, sales volume, royalty payments, and 2016 projections of LRAI to the Board. He reported that the production volume has been increasing from 2012 to 2015. The annual production volume in 2012 was at 2.6 million metric tons, while it was at Php4.1 million metric tons in 2015. The extraction limit of the quarry under the ECC is at 5.25 million metric tons, though the equipment of LRAI can only produce a maximum of 4.1 million metric tons.

Atty. Abundo III pointed out that the royalty payments of LRAI in 2015 slightly decreased by around Php1 million, notwithstanding the increase in the sales and the production volumes. The decline is attributed to the absence of export sales in 2015 as compared to that in the first quarter of 2014 and the major plant breakdowns that occurred during the second quarter of 2015.

Atty. Abundo III informed the Board that Management is auditing all of the submissions of LRAI on a monthly basis to ensure the accuracy of what is being reported to the Company. Management has so far not found any indications that LRAI is under-declaring their production or sales volumes. The Internal Audit department of CAC is likewise involved in the said exercise.

Mr. Lim inquired on the feasibility of increasing the production and sales volume of LRAI given the limited capacity of their equipment, to which Atty. Abundo III replied that the merger between Holcim Philippines, Inc. and Lafarge Republic, Inc. may result in the expansion of their operations in the quarry site to increase the production volumes. Atty. Abundo III pointed out that there is nothing final at the moment as LafargeHolcim is still currently evaluating its options as the merger was just recently concluded.

Mr. Ysmael queried on the possibility of requiring LRAI to increase the production volume based on the agreement, to which Atty. Abundo III replied that it is not possible as the volumes were pre-agreed prior to the signing of the agreement.

Mr. Lim opined that CAC should negotiate with LRAI for an increase in their output. He added that LRAI may opt to lease equipment from third parties should they not be willing to invest in additional equipment of their own.

Mr. Jalandoni said that the seven-year period prior to the termination of the agreement is still quite long and recommended that Management work on expediting the matter.

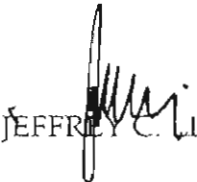
Mr. Ysmael directed Management to set a meeting with LafargeHolcim, which will be attended by Mr. Ysmael as well.

## VII. ADJOURNMENT

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There being no other matters to be discussed, on motion duly made and seconded, the meeting was adjourned.

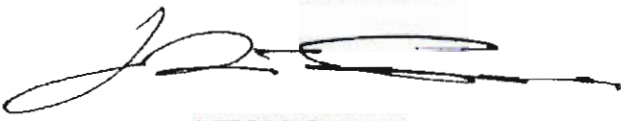
  
JOSE EMMANUEL H. JALANDONI

  
JEFFREY C. LIM

  
MARIA ASUNCION O. PADILLA

JOSE T. SIO

  
JAIME E. YSMAEL

  
JOSE ANTONIO V. EVANGELISTA III  
Corporate Secretary



### Risk Management Strategy / Policy

Enterprise Risk Management (ERM) is an important business driver and part of successful corporate governance. It is a plan-based business strategy that aims to identify, assess, and prepare for any dangers, hazards, and other potentials for disaster that may interfere with an organization's operations and objectives.

Businesses such as ours face a diverse collection of obstacles and potential dangers. There is potential for interruptions in operations and damage to reputation, as well as impacts on finances, legal and human resource management and overall governance.

We work with an ERM mindset and implement it through the identification, analysis, management and monitoring of risks that affect our company's ability to pursue our corporate strategies. We focus on assessing the risks relevant to us, prioritize them, and make informed decisions on how to handle them.

Our EWRM process focuses on four major steps: Identifying Risks, Analyzing Risks, Treating Risks, and Monitoring Risks. These cyclical steps are conducted using facilitated sessions with the Risk Officers of the business units, as well as with the Management Committee. Results are reported to the Board through the Risk Committee. Periodic reviews are conducted, and the Risk Registers are updated accordingly.

