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## SECURITIES AND EXCHANGE COMMISSION

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S T E N I E L M A N U F A C T U R I N G

C O R P O R A T I O N

(Company's Full Name)

G A T E W A Y B U S I N E S S P A R K

B R G Y . J A V A L E R A G E N .

T R I A S C A V I T E

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

PHIL IVAN A. CHAN

Contact Person

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Company Telephone Number

1 2

Month

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MATERIAL RELATED PARTY TRANSACTIONS POLICY

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Last Tuesday of April

Annual Meeting

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Total Amount of Borrowings

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**STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES**  
**MATERIAL RELATED PARTY TRANSACTIONS POLICY**  
**(As approved by the Board of Directors on October 24, 2019)**

**Section 1. Introduction**

Steniel Manufacturing Corporation ("STN") adopts this Policy to ensure that all Material Related Party Transactions between it and any of its Related Parties shall be conducted on an arm's length basis, whereby no preferential treatment shall be given to Related Parties that are not extended to non-related parties under similar circumstances.

To achieve this goal, this Policy provides the principles and procedures to be followed for such transactions which will allow for their proper determination, approval, ratification, and disclosure, in accordance with STN's Articles of Incorporation and By-Laws, the Rules, and related laws and regulations.

**Section 2. Definition of Terms**

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

"Abusive Material Related Party Transactions" - refers to Material RPTs that are not entered at arm's length and unduly favor a Related Party.

"Affiliate" - refers to an entity linked directly or indirectly to STN through any one (1) or a combination of any of the following:

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

"Associate" - an entity over which STN holds twenty percent (20%) or more of the voting power, directly or indirectly, or which STN has significant influence.

"Board of Directors" or "Directors" - the duly elected members of the Board of Directors of STN.

"Control" - A person or an entity which has all of the following:

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

"Integrated Annual Corporate Governance Report (*I-ACGR*)" - refers to the Integrated Annual Corporate Governance Report to be submitted by STN to the SEC on the thirtieth (30<sup>th</sup>) of May every year, pursuant to SEC Memorandum Circular No. 15, Series of 2017.

"Material Related Party Transactions" - Any Related Party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same Related Party, amounting to ten percent (10%) or higher of STN's Total Assets based on its latest audited financial statements.

"Materiality Threshold" - Ten percent (10%) of STN's Total Assets based on its latest audited financial statements.

"Officers" - refers to the STN's corporate officers, namely the President, the Treasurer, the Corporate Secretary and Assistant Corporate Secretary, and the Compliance Officer.

"Policy" - refers to this Material Related Party Transactions Policy.

"Related Party/ies" - covers the STN's Directors, Officers, Substantial Shareholders. This definition includes their spouses and relatives within the fourth (4<sup>th</sup>) civil degree of consanguinity or affinity, legitimate or common-law, if such spouses and relatives have control, joint control or significant influence over STN. It also covers STN's parent, subsidiaries, fellow subsidiaries, associates, affiliates, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

"Related Party Registry" - A record of the organizational and structural composition, including any change thereon, of STN and its Related Parties.

"Rules" - refers to the Rules on Material Related Party Transactions for Publicly-Listed Companies issued by the SEC as Memorandum Circular No. 10, Series of 2019.

"Related Party Transactions (*RPTs*)" - a transfer of resources, services, or obligations between STN and a Related Party, regardless of whether a price is charged. They should be interpreted broadly to include not only transactions that are entered into with Related Parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a Related Party.

"Securities and Exchange Commission (*SEC*)" - refers to the Philippine Securities and Exchange Commission.

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

“Substantial Shareholder” - any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of STN’s equity security.

“Total Assets” - refers to STN’s total consolidated assets, including assets of its subsidiaries.

### **Section 3. Duties and Responsibilities**

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

The Board of Directors shall have the overall responsibility in ensuring that transactions with Related Parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations, to protect the interest of STN’s shareholders and other stakeholders. Towards this end, the Board of Directors shall carry out the following duties and responsibilities:

1. To institutionalize an overarching policy on the management of Material RPTs to ensure effective compliance with existing laws, rules and regulations at all times, and that Material RPTs are conducted on an arm’s length basis, and that no shareholder or stakeholder is unduly disadvantaged.
2. To approve all Material RPTs that cross the Materiality Threshold and write-off of material exposures to Related Parties, as well as any renewal or material changes in the terms and conditions of Material RPTs previously approved in accordance with Section 7 of this Policy.

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

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

The system shall define the Related Parties' extent of relationship with STN; assess situations in which a non-related party (with whom STN has entered into a transaction) subsequently becomes a Related Party and vice-versa; and generate information on the nature and amount of exposures STN to a particular Related Party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system, as well as the overarching policies, shall be subject to periodic assessment by the internal audit and compliance officers and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the SEC and audit functions for review. Any change in the policy and procedure shall be approved by a majority of the Board of Directors and approved by majority of the stockholders constitution a quorum.

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

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

1. Senior management shall implement appropriate controls to effectively manage and monitor Material RPTs on a per transaction and aggregate basis. Exposures to Related Parties shall also be monitored on an ongoing basis to ensure compliance with this Policy and SEC's regulations.
2. Senior management shall assist the Board of Directors in establishing an effective audit, risk and compliance system for purposes of this Policy.

#### **Section 4. Related Party Registry**

Management shall update the Related Party Registry as necessary to reflect organizational and structural changes in STN and its Related Parties. The Board of Directors shall conduct a quarterly review of the Related Party Registry to ensure that the information contained therein is accurate and up to date.

#### **Section 5. Conflict of Interest**

Directors, Substantial Shareholders, and Officers shall fully and timely disclose to the Board of Directors all material facts related to Material RPTs, including their direct and indirect financial interest in any transaction or matter that may affect or is affecting STN.

Such disclosure shall be made at the Board meeting where the Material RPT will be presented for approval and before the completion or execution of the same.

The Directors and Officers mentioned in the immediately preceding paragraph shall abstain from the discussion, approval, and management of Material RPTs or related matters. In case they refuse to abstain, their attendance shall not be counted for purposes of quorum and their votes shall not be counted for purposes of determining majority approval.

#### **Section 6. Guidelines in Ensuring Arm's Length Terms**

In all Material RPTs, no preferential treatment shall be given to Related Parties that are not extended to non-related parties under similar circumstances. To ensure this equal treatment, the Board of Directors shall:

1. Employ effective price discovery mechanisms to ensure that transactions are engaged into at terms that promote the best interest of STN and its shareholders. The price discovery mechanism may include, but is not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale; and
2. Appoint an external independent party to evaluate the fairness of the terms and conditions before the execution of Material RPTs. External independent parties include, but are not limited to, auditing/accounting firms and third-party consultants and appraisers.

#### **Section 7. Approval and Ratification of Material RPTs**

All individual Material RPTs shall be approved by at least two-thirds (2/3) majority vote of the Board of Directors, with at least a majority of the Independent Directors assenting to the transaction. In case that a majority of the Independent Directors' vote is not secured, the Material RPT may be ratified by a vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

In cases of aggregate transactions falling within the definition of Material RPTs, the same Board approval/s, and stockholders' ratification if necessary, as above shall be required for the transaction/s that breach the Materiality Threshold.

Transactions exceeding the Materiality Threshold with unrelated parties that subsequently become Related Parties are not subject to the above requirements. However, any alterations to the terms or conditions, or increase in exposure level, related to these transactions after the non-related party becomes a Related Party shall subject said transactions to the approval and ratification requirements of the Policy. This prospective treatment shall be without prejudice to regulatory actions that may be enforced for transactions not conducted on an arm's length basis.

## **Section 8. Excluded Transactions**

The following transactions shall be excluded from the requirements and procedures provided under Sections 6 and 7 of the Policy:

1. All financial services made in the ordinary course of business, provided that the transaction has no policy deviation and the services are on substantially the same terms as those prevailing at the time for comparable services provided to unrelated parties;
2. Any transaction where the rates or charges involved are determined by competitive bids or fixed by law or regulated by a governmental authority; and
3. Employee benefits which are considered auxiliary services granted with preferential rates or waivers given to all employees as part of employee incentives or benefits.

## **Section 9. Remedies for Abusive Material RPTs**

STN shall avail of remedies including restitution and recovery of losses or opportunity costs incurred arising out of or in connection with Abusive Material RPTs. STN shall furthermore avail of other remedies for illegal, unethical, or other RPTs that have been executed in violation of this policy.

## **Section 10. Penalties for Violation of the Policy**

Directors, Officers, or employees who have willfully violated the Policy or have been remiss in their duties in handling Material RPTs in accordance with this Policy will result in disciplinary action, up to and including the termination of employment or directorship and possible legal action, including referral to law enforcement and regulators.

Alleged negligence and breach of conduct will be investigated. Due process and procedures shall be observed in all cases and at all times. The Board of Directors shall evaluate reports of abusive Material RPTs and determine the sanctions to be imposed on the personnel, officers or directors who have been found to have violated the Policy or have been remiss in their duties in handling Material RPTs in accordance with this Policy, without prejudice to the applicable legal remedies which STN may adopt.

The imposition of such penalties shall be without prejudice to any other penalties that may be imposed under the Rules or under pertinent laws and regulations.

## **Section 11. Whistleblowing Mechanism**



All STN employees are encouraged to confidentially report legitimate concerns regarding any Material RPTs to any member of the Board of Directors or senior management, or to the appropriate regulatory authorities, with an assurance that such genuine concerns in good faith may be raised without fear of reprisal, even if they turn out to be mistaken.

Any reported or alleged non-compliance by any STN Director, Officer, or employee with the Policy shall be subject to objective investigation and, where necessary, the appropriate disciplinary proceedings.

Legitimate material concerns shall be investigated and addressed by an objective independent internal or external body, senior management, and/or the Board of Directors itself.

Concerns may be reported in confidence through its landline (046) 433-0066.

## **Section 12. Disclosures and Regulatory Reporting Requirements**

STN Directors, Officers and Substantial Shareholders shall fully disclose to the Board of Directors all material facts related to material RPTs, as well as the direct and financial interest of such Director, Substantial Shareholder, or Officer in any transaction or matter that may affect or is affecting STN. Such disclosure shall be made at the board meeting where the material RPT will be presented for approval, and before the completion or execution of the material RPT concerned.

STN, in compliance with the Rules, shall submit the following to the SEC:

1. A summary of Material RPTs entered into during the reporting year, which shall be disclosed in its I-ACGR, to be submitted annually every May 30;
2. Advisement Report (**Annex A** of the Rules) of any Material RPT filed within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by STN's Corporate Secretary or authorized representative.

At a minimum, the disclosures under items 1 and 2 above shall include the following information:

- a. Complete name of the Related Party;
- b. Relationship of the parties;
- c. Execution date of the Material RPT;
- d. Financial or non-financial interest of the Related Parties;
- e. Type and nature of the transactions, as well as a description of the assets involved;
- f. Total Assets;
- g. Amount or contract price;
- h. percentage of the contract price to the total assets of STN;
- i. Carrying amount of collateral, if any;
- j. Terms and conditions;
- k. Rationale for entering into the transaction; and
- l. The approval obtained (i.e., names of Directors present, names of Directors who approved the Material RPT, and the corresponding voting percentage obtained).

### Section 13. Review and Amendment of the Policy

The Compliance Officer shall ensure that this Policy is updated and implemented, and shall advise the Board of Directors of any changes or amendments to existing RPT laws and regulations. The Board of Directors shall review this Policy as may be necessary or when changes or amendments are due. Any amendment to this Policy shall be approved by a majority of the Board of Directors.

Internal audit shall conduct a quarterly review of the effectiveness of STN's system and internal controls, including this Policy, governing Material RPTs to assess consistency with board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits, shall be directly communicated to the Board of Directors.

For and on behalf of the Board of Directors:



*Mark O. Vergara*  
Chairman



**Phil Ivan A. Chan**  
Acting Compliance Officer