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## SECURITIES AND EXCHANGE COMMISSION

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## **MATERIAL RELATED PARTY TRANSACTIONS POLICY IMPERIAL RESOURCES INCORPORATED**

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Imperial Resources Incorporated (the “*Company*”) hereby adopts this Material Related Party Transactions Policy (the “*Policy*”) in compliance with *SEC Memorandum Circular No. 10, Series of 2019*.

### **1. PURPOSE.**

This *Policy* on material related party transactions aims to promote good corporate governance and afford additional protection to minority investors by ensuring that transactions between related parties are accounted for at arm’s length prices or on terms similar to those afforded to non-related parties in an economically comparable market.

### **2. RELATED PARTIES.**

For purposes of this *Policy*, the term “*related parties*” shall cover the following:

**2.1.** The *Company*’s directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if they have control, joint control or significant influence over the *Company*.

A *substantial shareholder* is any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the *Company*’s equity security.

**2.2.** The *Company*’s parent, subsidiary, fellow subsidiary, affiliate, associate, joint venture or entity that is controlled, jointly controlled or significantly influenced by a person who is a related party.

An *affiliate* is an entity linked directly or indirectly to the *Company* through any one or a combination of any of the following:

**2.2.1.** Ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by a company of at least ten percent (10%) or more of the outstanding voting stock of the *Company*, or vice-versa;

**2.2.2.** Interlocking directorship or officership, except in cases involving independent directors;

**2.2.3.** Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the *Company* and the entity; or,

**2.2.4.** Management contract or any arrangement granting power to the *Company* to direct or cause the direction of

management and policies of the entity, or vice-versa.

An *associate* is an entity over which the Company holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the Company has significant influence.

- 2.3. The Company shall have a *Related Party Registry*, which is a record of the organizational and structural composition, including any change thereon, of the Company and its related parties. The Board of Directors shall quarterly review and update the Related Party Registry to capture organizational and structural changes in the Company and its related parties.

### **3. COVERAGE.**

- 3.1. This Policy shall cover all of the Company's material related party transactions, either individually, or in aggregate over a twelve (12) month period with the same related party, amounting to ten percent (10%) or higher of the Company's total assets based on the latest audited financial statement.
- 3.2. All other transactions of the Company with related parties that do not meet the ten percent (10%) threshold provided above are excluded from the coverage of this Policy, except as otherwise stated herein.
- 3.3. Transactions amounting to ten percent (10%) or more of the total assets that were entered into with an unrelated party that subsequently becomes a related party are excluded from this Policy. *Provided*, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the material related party transaction to the requirements of this Policy and the Rules on Material Related Party Transactions for Publicly-Listed Companies. *Provided, further*, that the prospective treatment shall be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

### **4. MANAGEMENT OF ACTUAL OR POTENTIAL CONFLICTS OF INTEREST.**

- 4.1. The directors and officers of the Company with actual or potential personal interest in any material related party transaction shall fully and timely disclose to the Board of Directors any and all material facts, including their respective interests therein.
- 4.2. The directors and officers of the Company with actual or potential personal interest in the material related party transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the

Company. In case there is refusal to abstain, their attendance shall not be counted for purposes of assessing the *quorum* and their votes shall not be counted for purposes of determining majority approval.

## **5. GUIDELINES IN ENSURING ARM'S LENGTH TERMS.**

- 5.1.** A material related party transaction shall be deemed at arm's length term if there is no preferential treatment given to related parties that are not extended to non-related parties under similar circumstances.
- 5.2.** All material related party transactions shall be accounted for at fair market prices and terms that are similar to those afforded to non-related parties in an economically comparable market.
- 5.3.** Before the execution of the material related party transaction, the Board of Directors shall appoint an external independent party to evaluate the fairness of the terms of the transaction. Such external independent party may include, but is not limited to, auditing/accounting firms, third party consultants and appraisers.
- 5.4.** The Board of Directors shall always ensure that there is an effective price discovery mechanism to guarantee that material related party transactions are engaged into at terms that promote the best interest of the Company 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 properties for sale.

## **6. APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS.**

- 6.1.** All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Board of Directors, with at least a majority of the independent directors voting to approve the transaction.
- 6.2.** In case the majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.
- 6.3.** The foregoing board approval is also required for aggregate material related party transactions within a twelve (12) month period that breaches the materiality threshold of ten percent (10%) of the Company's total assets.
- 6.4.** The directors with personal interest in the material related party transaction shall abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purpose of assessing the *quorum* and their votes shall not be counted for purposes of determining approval.

## **7. SELF-ASSESSMENT AND PERIODIC REVIEW OF POLICY.**

- 7.1.** The Company's *Internal Audit* shall conduct a periodic review of the effectiveness of the Company's system and internal controls governing material related party transactions to assess consistency with the board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee.
- 7.2.** The Company's Compliance Officer shall ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. He/she shall aid in the review of the Company's transactions and identify any potential material related party transaction that would require review of the Board. He/she shall ensure that the Company's material related party transactions policy is kept updated and is properly implemented throughout the Company.

## **8. DISCLOSURE OF MATERIAL RELATED PARTY TRANSACTIONS.**

- 8.1.** The members of the Board, substantial shareholders, and officers shall fully disclose to the Board of Directors all material facts concerning material related party transactions as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the Company.
- 8.2.** Such disclosure shall be made at the board meeting where the material related party transaction will be presented for approval and before the completion or execution of the transaction.

## **9. WHISTLE BLOWING MECHANISM.**

- 9.1.** As a measure of to avert any artifice, device, scheme, mechanism or fraud, the Company hereby adopts the following whistle blowing mechanism for material related party transactions:
  - 9.1.1.** All stakeholders are encouraged to communicate, confidentially and without risk of reprisal, legitimate complaints or concerns about illegal, unethical or questionable material related party transactions;
  - 9.1.2.** The complaint or concern shall be in writing, addressed to the Audit Committee, and signed by the complaining party. Provided, however, that the Company may entertain anonymous complaints if the Board of Directors finds the same sufficient in form and substance;
  - 9.1.3.** The Audit Committee shall, within five (5) days from receipt of the complaint or concern, inform the Board of Directors and the Compliance Officer of the existence of such complaint or concern;
  - 9.1.4.** The Audit Committee shall, within fifteen (15) days after

giving notice to the Board of Directors, conduct an investigation of the complaint or concern. An additional period of fifteen (15) days may be granted by the Board of Directors upon showing of good cause by the Audit Committee. In the conduct of the investigation, the Audit Committee may seek the assistance of the Compliance Officer;

- 9.1.5.** The Audit Committee shall submit a report of its investigation, including its findings and recommendations, to the Board of Directors, within ten (10) days from the conclusion of its investigation;
- 9.1.6.** The Board of Directors shall review the report within twenty (20) days from receipt thereof, and shall make its decision thereon, including the imposition of the appropriate sanctions, copy furnished the Compliance Officer;
- 9.1.7.** The Compliance Officer shall ensure that the resolution of the complaint or concern is in accordance with the applicable laws, rules, regulations, and policies of the Company;

## **10. REMEDIES FOR ABUSIVE MATERIAL RELATED PARTY TRANSACTIONS.**


- 10.1.** Abusive material related party transactions refer to material related party transactions that are not entered at arm's length and unduly favor a related party.
- 10.2.** In the event that a material related party transactions is found to be abusive by the Board of Directors, the Company shall discontinue with such transaction by serving the corresponding written notice to the related party concerned, which shall include a demand for recovery of the losses or opportunity costs suffered by the Company arising out of or in connection with such abusive material related party transaction.
- 10.3.** The directors, officers or personnel, who have been found to be remised in their duties in handling the material related party transactions in accordance with this Policy shall be imposed the appropriate penalty, which may include suspension or removal from office, depending on the gravity of the offense committed. In addition, such director, officer or personnel shall be solidarily liable for the losses or opportunity costs suffered by the Company arising out of or in connection with such abusive material related party transaction.

## **11. EFFECTIVITY.**

This Policy shall take effect upon approval of the Board of Directors of the Corporation.

Signed:

  
**ATTY. HORACIO M. PASCUAL**  
Chairman of the Board

  
**ATTY. JESUS VICENTE B.  
CAPELLAN**  
Corporate Secretary  
& Compliance Officer