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

<b>Atty. Karen Cas-Caballa</b>
Contact Person

<b>632-3282</b>
Company Telephone Number

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Month	

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<b>AMENDED MANUAL ON CORPORATE GOVERNANCE</b>
FORM TYPE

2<sup>nd</sup> Wednesday of

0	5	-	-
Month	Day		
Annual Meeting			

Secondary License Type, If Applicable

Dept. Requiring this Doc.		

Amended Articles Number/Section

Total No. of Stockholders

<b>Total Amount of Borrowings</b>	
Domestic	Foreign

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To be accomplished by SEC Personnel concerned

File Number										

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**San Miguel Properties, Inc.**  
**MANUAL ON CORPORATE GOVERNANCE**

The Board of Directors, Management, Officers and employees of **San Miguel Properties, Inc.** (the “Corporation”) hereby commit themselves to the principles and best practices contained in this Manual on Corporate Governance (“Manual”), and acknowledge that the same shall guide the attainment of their corporate goals.

**1 OBJECTIVE**

This Manual shall institutionalize the principles, policies, programs and procedures of good corporate governance in the entire organization.

The Board of Directors, Management, Officers, employees and shareholders believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness thereof within the organization as soon as possible.

**2 COMPLIANCE SYSTEM**

**2.1. Compliance Officer**

2.1.1. To insure adherence to corporate principles and best practices, the Board of Directors shall appoint a Compliance Officer (CO) who shall hold the position of an Assistant Vice President or its equivalent. The CO is primarily liable to the Corporation and its shareholder.

2.1.2. CO shall perform the following duties:

2.1.2.1. Monitor, review, evaluate and ensure compliance by the Corporation, its Officers and Directors with the provisions and requirements of the relevant laws, the Code of Corporate Governance issued by the Securities and Exchange Commission (“SEC”), this Manual and the rules and regulations and all governance issuances of the regulatory agencies;

2.1.2.2. Appear before the SEC when summoned in relation to compliance with this Code and other relevant rules and regulations;

2.1.2.3. Report to the Board if violations are found and recommend the imposition of appropriate disciplinary action;

2.1.2.4. Ensure the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;

2.1.2.5. Collaborate with other departments within the company to properly address compliance issues, which may be subject to investigation;

2.1.2.6. Identify, possible areas of compliance issues and work towards the resolution of the same;

2.1.2.7. Ensure the attendance of Board members and key Officers to relevant trainings; and

2.1.2.8. Perform such other duties and responsibilities as may be provided by the Board and SEC.

2.1.3. The appointment of the CO shall be immediately disclosed to the SEC on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to the Compliance Officer.

## **2.2. Plan of Compliance**

### **2.2.1. Board of Directors**

Compliance with the principles of good corporate governance shall start with the Board of Directors. The Corporation shall be headed by a competent, working Board of Directors.

The Corporation shall be guided by a competent, working Board to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability consistent with its corporate objectives and best interests of its shareholder and other stakeholders.

There are seven (7) members of the Board of Directors elected in accordance with the Corporation's by-laws and applicable laws. The Board shall be composed of directors with a collective working knowledge, experience and qualification which would enable them to fulfill their roles and responsibilities and respond to the needs of the organization through a strategic direction and help navigate in the highly evolving business environment.

The membership of the Board of Directors may be a combination of executive and non-executive directors (which shall include Independent Directors). The Board shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and provide a system of proper checks and balances.

#### **2.2.1.1. General Responsibility**

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness and profitability in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Corporation's articles and by-laws, and other legal

pronouncements and guidelines should be clearly made known to all Directors as well as to shareholders and other stakeholders. The Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders and other stakeholders.

The Board should oversee the development of and approve the Corporation's business objectives and strategy, and monitor their implementation, in order to sustain the Corporation's long-term viability and strength.

The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness, and in the best interest of the Corporation. He should exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.

Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

#### **2.2.1.2. Specific Duties and Functions**

To ensure a high standard of best practice for the Corporation and its stakeholders, the Board shall:

- a. Implement a process of hiring/appointment and establishment of qualification standards to ensure a mix of competent Directors and Officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies to;
  - i. Serve as guide in the selection of competent, professional honest and highly-motivated Management officers;
  - ii. adoption of an effective succession planning program for Management and key Officers to ensure growth and continued increase in the shareholders' value; and
  - iii. policy on the retirement age for Directors and Key Officers to promote dynamism in the Corporation;
- b. Provide sound strategic policies and guidelines on major capital expenditures and other programs to sustain the Corporation's long-term viability and strength, and periodically evaluate and monitor the implementation of such policies and strategies;
- c. Ensure that the Corporation complies with all relevant laws, regulations and best business practices;

- d. Identify the stakeholders of the Corporation in the community in which it operates or are directly affected by its operations, and formulate corporate disclosure policies and procedures to ensure comprehensive, accurate, reliable, timely and effective communication to the Corporation's shareholders and other stakeholders, as well as agencies regulating the Corporation, in a manner that gives a fair and complete picture of the Corporation's financial condition, results and business operations;
- e. Monitor the establishment of an effective investor relations program that will keep the Corporation's shareholders and stakeholders informed of important developments in the Corporation. If feasible, the Corporation's Chief Finance Officer shall exercise oversight responsibility over this program;
- f. Ensure the establishment of policies that would ensure good governance:
  - i. System of internal checks and balances in the Corporation;
  - ii. Code of Business Conduct and Ethics, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct of practices in internal and external dealings. The Code should be properly disseminated to the Board, senior management and employees. It should also be disclosed and made available to the public through the Corporation's website; and
  - iii. Policies and procedures that would ensure the integrity and transparency of related party transactions ("RPTs") between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major shareholders, Officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board, and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. Such policies shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions, and encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.
- g. Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- h. Properly discharge Board functions by meeting regularly or at such times and frequency as may be needed. Independent views during Board meetings shall be given due consideration. All such meetings shall be duly minuted;

- i. Appoint a Compliance Officer as provided in section 2.1 of this Manual. In the absence of an appointment by the Board, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

### **2.2.1.3. Internal Control Responsibilities of the Board**

To ensure integrity, transparency and proper governance in the conduct of its affairs, the Corporation shall have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations.

#### **a. Internal Control System**

The Board shall have the following oversight responsibilities for ensuring the presence of appropriate, adequate, strong and effective internal control mechanisms:

- i. Establish organizational and operational controls commensurate with, among others, the nature and complexity of the business of the Corporation and its culture, volume, size and complexity of transactions; degree of risks involved, degree of centralization and delegation of authority; extent and effectiveness of information technology; and extent of regulatory compliance;
- ii. Ensure that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts;
- iii. Select and appoint a Chief Executive Officer/ General Manager who possesses the ability, integrity and expertise essential for the position, and define, with the assistance of the Corporate Governance Committee, the duties and responsibilities of the Chief Executive Officer/General Manager who is ultimately responsible for the Corporation's organizational and operational controls;
- iv. Evaluate proposed senior Management appointments;
- v. Select and appoint qualified and competent Management officers; and
- vi. Review the Corporation's human resources policies, conflict of interest situations, compensation program for employees, and Management succession plan.

b. Enterprise Risk Management

The Board shall oversee that a sound enterprise risk management (“ERM”) framework is in place to effectively identify, monitor, assess and manage key business risks, which will guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The Corporation shall consider establishing a separate ERM function to identify, assess and monitor key risk exposures, corresponding to its size, risk profile and complexity of operations.

i. The ERM function involves the following activities, among others:

- Defining a risk management strategy;
- Identifying and analyzing key risks exposure relating to economic, environmental, social and governance factors and the achievement of the organization’s strategic objectives;
- Evaluating and categorizing each identified risk using the Corporation’s predefined risk categories and parameters;
- Establishing a risk register with clearly defined, prioritized and residual risk;
- Developing a risk mitigation plan for the most important risks to the Corporation, as defined by the risk management strategy;
- Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to Management, Audit Committee and endorsed to the Board, if necessary; ; and
- Monitoring and evaluating the effectiveness of the organization’s risk management processes.

ii. In managing the Corporation’s ERM system, the Corporation shall consider having a Chief Risk Officer (CRO), who will be the ultimate champion of ERM and have adequate authority, stature, resources and support to fulfill his responsibilities. The CRO shall have the following functions, among others:

- Supervise the entire ERM process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
- Communicate the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
- Suggest ERM policies and related guidance, as may be needed; and

Provide insights on the following: (a) risk management processes are performing as intended; (b) risk measures reported are continuously reviewed by risk owners for effectiveness; and (c) established risk policies and procedures are being complied with.

#### **2.2.1.4. Duties and Responsibilities of a Director**

A director shall have the following duties and responsibilities:

- a. To conduct fair business transactions with the Corporation and to ensure that personal interest does not conflict with the interests of the Corporation. A Director with a material interest in any transaction affecting the Corporation should abstain from taking part in the deliberations for the same;
- b. To devote time and attention necessary to properly and effectively discharge his duties and responsibilities, including sufficient time to be familiar with the Corporation's business;
- c. To act judiciously;
- d. To exercise objective and independent judgment on all corporate affairs;
- e. To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its articles of incorporation and by-laws, the rules and regulations of the SEC, and where applicable, the requirements of other regulatory agencies, and keep abreast of industry developments and business trends;
- f. To observe confidentiality of all non-public information which he may acquire or learn by reason of his position as a director;
- g. To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment; and
- h. To attend a seminar on corporate governance, at least once a year which shall be conducted by a duly accredited training provider of the SEC.

##### **2.2.1.4.1. Qualification of Directors**

The Board of Directors shall be composed of members from diverse backgrounds to ensure that optimal decision-making is achieved. In addition to the qualifications for membership in the Board provided for in the Corporation Code, the Securities Regulation Code and other relevant laws, the members of the Board of Directors shall have the following qualifications:

- a. He shall hold at least one (1) share of stock in the Corporation;
- b. He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- c. He shall be at least twenty-one (21) years old;
- d. He shall have proven to possess integrity and probity; and
- e. He shall be assiduous.



#### **2.2.1.4.2. Disqualifications**

Any of the following shall be a ground for permanent disqualification of a director of the Corporation:

- a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, Bangko Sentral ng Pilipinas ("BSP"), or any court or administrative body of competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in both (a) and (b) of this paragraph, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if (a) such person is currently the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP; (b) such person has otherwise been restrained from engaging in any activity involving securities and banking; or (c) such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- c. Any person convicted by final judgment or order of a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts or transgressions;
- d. Any person who has been adjudged by final judgment or order of the SEC, BSP or a competent court or other administrative body to have willfully violated, or willfully aided, abetted, counseled,

induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP;

- e. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
- f. Any person judicially declared to be insolvent;
- g. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; and
- h. Other grounds as the SEC may provide.

#### **2.2.1.4.3. Temporary disqualification of Directors**

- a. Refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- b. Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- c. Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the SEC. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;
- d. If the beneficial equity ownership of an Independent Director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
- e. If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final; and

- f. If any person earlier elected as Independent Director of the Corporation becomes an Officer, employee or consultant of the Corporation.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent, except in the case of temporary disqualification where the Independent Director becomes an Officer, employee or consultant of the Corporation, in which case such disqualified Independent Director shall become eligible for election as Independent Director after the lapse of two (2) years from the termination of his/her officership, employment or consultancy with the Corporation.

#### **2.2.1.5. Independent Directors**

The Board should endeavor to exercise an objective and independent judgment on all corporate affairs.

An Independent Director is a person who, apart from his fees and shareholdings, has no business or relationship with the Corporation, which could, or could reasonably be perceived to, materially interfere with the exercise of his independent judgment in carrying out his responsibilities as a director. The Board should ensure that its Independent Directors possess all the qualifications and none of the disqualifications of an Independent Director to hold the position at the time of his election and/or re-election as an Independent Director. Each nominee for independent Director shall submit a certification to his effect, in such form and substance as may be required by the SEC, before his election.

The Corporation shall have at least two (2) Independent Directors, or such number as to constitute at least one third of the members of the Board, whichever is higher.

#### **a. Qualifications of an Independent Director**

- i. Is not, or has not been a senior officer or employee of the Corporation unless there has been a change in the controlling ownership of the Corporation.
- ii. Is not, and has not been in the two (2) years immediately preceding the election, a director of the corporation; a director, officer, employee of the Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Corporation's shareholders and its related companies.
- iii. Has not been appointed in the Corporation, its subsidiaries, associates, affiliates or related companies as Chairperson "Emeritus",

“Ex-Officio” Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election;

- iv. Is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
- v. Is not a relative of a director, officer, or substantial shareholder of the Corporation or any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- vi. Is not a securities broker-dealer of listed companies and registered issuers of securities. “Securities broker-dealer” refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal shareholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- vii. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Corporation, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;
- viii. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the Corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm’s length and could not materially interfere with or influence the exercise of his independent judgment within the two (2) years immediately preceding the date of his election;
- ix. Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial shareholders; and
- x. Is not employed as an executive officer of another company where any of the Corporation’s executive s serve as directors.

Related companies as used in this section, refer to (a) the Corporation’s holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

- xi. The Board's Independent Directors should serve for a maximum cumulative term of nine (9) years. After which, the Independent Director should be perpetually barred from the re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an Independent Director who has served for nine (9) years, the Board should provide meritorious justifications and seek shareholders' approval during the annual shareholders' meeting.

#### **2.2.1.6. Board Meetings and Quorum Requirements**

The Directors should attend and actively participate in all meetings of the Board, Committees, and shareholders in person or through tele-/video-conferencing conducted in accordance with the rules and regulations of the SEC, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

Independent Directors should always attend Board meetings. Absence of Independent Directors in Board meetings shall not affect the quorum requirement, unless otherwise provided in the by-laws of the Corporation and applicable laws, rules and regulations. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all its meetings.

A sworn certification on the directors' attendance in Board meetings shall be submitted by the Corporation to the SEC on or before January 30 of the following year.

#### **2.2.1.7. Adequate and Timely Information**

Management shall provide the Board with complete, adequate and timely information about the matters to be taken during their meetings.

Upon reasonable request, the directors, individually or as a group, may seek independent professional advice in the discharge of their duties at the expense of the Corporation, which expense must be reasonable.

The members of the Board shall be given independent access to Management and the Corporate Secretary.

#### **2.2.1.8. Policy on Multiple Board Seats**

A director shall exercise due discretion in accepting and holding directorships other than in the Corporation, provided that, in holding such other directorships,

such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Corporation is not compromised.

The non-executive directors of the Board should concurrently serve as directors to a maximum of five (5) publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Corporation.

A director should notify the Board where he is an incumbent director before accepting a directorship in another company.

### **2.2.2. Board Committees**

The Board shall establish committees that focus on specific board functions, particularly with respect to audit, risk management, RPTs, and other key corporate governance concerns such as nomination and remuneration, to aid in the optimal performance of its roles and responsibilities. Each Committee shall report regularly to the Board of Directors.

Each Board Committee shall have a Committee Charter, which shall contain its composition, memberships, purposes, functions, responsibilities, structures, operations, reporting, processes, resources, standards for evaluation of its performance, and such other relevant information. The Committee Charters shall be made publicly available through their full disclosure on the Corporation's official website.

The Board Committees shall regularly report to the Board.

#### **2.2.2.1. Audit and Risk Oversight Committee**

- a. The Board should establish an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee should be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairperson, should be independent directors. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairperson of the Audit Committee should not be the Chairperson of the Board or of any other committees.
- b. Duties and Responsibilities:
  - i. Recommend the approval of the Internal Audit (IA) Charter, which formally defines the responsibilities, powers and authority of the IA Department, the audit plan of the IA Department, as well as oversees the implementation of the IA Charter;

- ii. Through the IA Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to: (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- iii. Oversee the IA Department, and recommends the appointment and removal of an IA head as well as his qualifications, and grounds for appointment and removal. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if applicable;
- iv. Establish and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- v. Monitor the Management's responsiveness to the Internal Auditor's findings and recommendations;
- vi. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts;
- vii. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid and the corporation's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- viii. Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements

- ix. Review the recommendations or observations as presented by the External Auditor in Audit Committee meetings;
- x. Perform oversight functions over the corporation's Internal and External Auditors and ensures their independence and unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions taking into consideration relevant Philippine professional and regulatory requirements;
- xi. Coordinate, monitor and facilitate compliance with laws, rules and regulations; and
- xii. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders.

#### **2.2.2.2. Corporate Governance, Nomination and Compensation Committee**

- a. The Board should establish a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to the Nomination and Hearing Committee and the Executive Compensation Committee. The Corporate Governance, Nomination and Compensation Committee shall have at least three (3) voting directors (majority of whom must be Independent Directors). The Chairman of the Corporate Governance, Nomination and Compensation Committee shall be an Independent Director.
- b. Duties and Responsibilities:
  - i. Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity of operations and business strategy, as well as its business and regulatory environments;
  - ii. Oversee the periodic performance evaluation of the Board and its committees as well as the executive management, and conducts an annual evaluation of the said performance;
  - iii. Ensure that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;



- iv. Recommend the continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- v. Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- vi. Propose and plan relevant trainings for the members of the Board;
- vii. Determine the nomination and election process for the company's directors and defines the general profile of board members that the company may need, and ensures that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and election;
- viii. Establish a formal and transparent procedure for determining the remuneration of directors and officers that is consistent with the corporation's culture and business strategy as well as the business environment in which it operates.
- ix. It shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications as provided in this Manual.
- x. In consultation with the appropriate executive or management committee/s and with the supervision of the Board of Directors, it shall re-define the role, duties and responsibilities of the Chief Executive Officer/General Manager by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.
- xi. It shall consider the following guidelines in the determination of the number of directorships which a member of the Board may hold in accordance with the policy on holding multiple board seats under this Manual:
  - The nature of the business of the corporations which he is a director;
  - Age of the director;
  - Number of directorships/active memberships and officerships in other corporations or organizations; and
  - Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

- xii. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate Officers and directors, and provide oversight over remuneration of senior Management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment;
- xiii. Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and Officers who are needed to run the Corporation successfully;
- xiv. Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming Officers, which among others, compel all Officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;
- xv. Disallow any director to decide his or her own remuneration;\
- xvi. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its directors and senior executive Officers for the previous fiscal year and the ensuing year;
- xvii. Review (if any) of the existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts; and
- xviii. In the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

### **2.2.2.3. Related Party Transaction Committee**

- a. The Related Party Transaction (RPT) Committee shall be composed of at least three (3) members, one of whom shall be an Independent Director.
- b. Duties and Responsibilities:
  - i. Determine any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee takes into account, among others, the following:
    - The related party's relationship to the company and in the transaction;

- The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - The benefits to the corporation of the proposed RPT;
  - The availability of other sources of comparable products or services; and
  - An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
- ii. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;
  - iii. Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
  - iv. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
  - v. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting;
  - vi. Meet internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically meets with the head of the IA;
  - vii. Evaluate on an on-going basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa); and
  - viii. In case of the absence of a Related Party Transactions (RPTs) Committee, it shall be the function of the Audit Committee to evaluate all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar

circumstances and that no corporate or business resources of the company are misappropriated or misapplied.

### **2.2.3. The Chair and The Chief Executive Officer, and the Lead Independent Director**

2.2.3.1. The roles of the Chair and the Chief Executive Officer, who is the President in the case of the Corporation, are separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. The functions of the Chair and the Chief Executive Officer are clearly defined.

2.2.3.2. The Chair shall have, among others, the following functions:

- a. Make certain that the meeting's agenda focuses on strategic matters, including the overall risk appetite of the Corporation, taking into account the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b. Guarantee that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
- c. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e. Assure the conduct of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f. Make sure that performance of the Board is evaluated at least once a year and discussed or followed up on if necessary.
- g. The Chair shall have such other responsibilities as the Board of Directors may assign to him.

2.2.3.3. The Chief Executive Officer/General Manager shall have, among others, the following functions:

- a. Implement the Corporation's strategic plan on the direction of the business;

- b. Communicate and implement the Corporation's vision, mission, values and overall strategy as formulated by the board and promote any organization or stakeholder change in accordance with the same;
- c. Oversee the operations of the Corporation and manage human and financial resources in accordance with strategic plan;
- d. Has a good working knowledge of the Corporation's industry and market and keeps up-to-date with its core business purpose;
- e. Direct, evaluate and guide the work of the key officers of the Corporation;
- f. Manage the Corporation's resources prudently and ensure a proper balance of the same;
- g. Provide the Board with timely information and interface between the Board and the employees;
- h. Build the corporate culture and motivates the employees of the Corporation; and
- i. Serve as the link between internal operations and external stakeholders.
- j. The Chief Executive Officer shall perform such other duties as are incident to his office or are entrusted to him by the Board.

If the positions of Chair and CEO/General Manager are unified, proper check and balances are laid down to ensure that the Board gets the benefit of independent reviews and perspectives.

#### 2.2.3.4. The Lead Independent Director

To ensure that the independent Directors shall be free to express and advocate independent views and perspectives, and that abuse of power and authority and potential conflict of interest are avoided, the Board of Directors shall additionally designate a Lead Independent Director from the Independent Directors, which Lead Independent Director shall have sufficient authority to lead the Board in cases where Management has clear conflicts of interest.

The Lead Independent Director shall have, among others the following functions:

- a. Serve as an intermediary between the Chair and the other directors when necessary;
- b. Convene and chair meetings of the non-executive directors; and
- c. Contribute to the performance evaluation of the Chair, as required.

The Lead Independent Director shall perform such other responsibilities as the Board of Directors may assign to him.

#### **2.2.4. The Corporate Secretary**

2.2.4.1. The Corporate Secretary is an Officer of the Corporation and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the Corporation come with his duties.

2.2.4.2. The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines.

2.2.4.3. Considering his varied functions and duties, he must possess appropriate administrative and interpersonal skills, and if he is not at the same time the general counsel or chief legal officer, then he must have the legal skills of a general counsel or chief legal officer. He must also have some financial and accounting skills.

##### **2.2.4.4. Duties and Responsibilities**

- a. Assist the Board and the Board committees in the conduct of their meetings (i.e. agenda setting, preparation of annual schedule of meetings and board calendar);
- b. Safekeep and preserve the integrity of the minutes of the meetings of the Board, Board Committees and shareholders, as well as other official records of the Corporation;
- c. Keep abreast of relevant laws, regulations, all governance issuances, industry developments and operations of the Corporation, and advises the Board and the chairperson on all relevant issues as they arise;
- d. Work fairly and objectively with the Board, Management and shareholders and contribute to the flow of information between the Board and Management, the Board and its committees, and the Board and its shareholders as well as other stakeholders;
- e. Advise establishment of board committees and their terms of reference;

- f. Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five (5) working days before the date of the meeting, and ensures that the members have them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- g. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- h. Perform all required administrative functions;
- i. Oversee the drafting of the by-laws and ensure that they conform with regulatory requirements;
- j. Submit to the SEC, on or before January 30<sup>th</sup> of the following year through SEC Form 17-C or in a separate filing, a sworn certification as to the attendance of the directors in Board meetings;
- k. If he is also the Compliance Officer, perform all the duties and responsibilities of the said office as provided in this Manual; and
- l. Performs such other duties and responsibilities as may be provided by the Board and the Commission.

#### **2.2.5. External Auditor**

2.2.5.1. An External Auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation, undertake an independent audit of the Corporation and provide objective assurance on the manner by which the financial statements shall be prepared and presented to the shareholders. The External Auditor, which shall be duly accredited by the SEC, shall be selected and appointed by the shareholders upon recommendation of the Board, after consultations with the Audit Committee.

2.2.5.2. The reason/s for the resignation, dismissal or cessation from service of an External Auditor and the date thereof shall be reported in the Corporation's annual and current reports. The said report shall include a discussion of any disagreement with said former External Auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which the External Auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the report shall be given by the Corporation to the External Auditor prior to its submission.

2.2.5.3. The External Auditor of the Corporation shall not at the same time provide the services of an Internal Auditor to the Corporation. If non-audit work is given to the External Auditor, the Corporation shall ensure that other

non-audit work shall not be in conflict with the functions of the External Auditor or pose a threat to its independence.

2.2.5.4. The Corporation's External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the auditing firm engaged by the Corporation shall be changed every five (5) years or earlier.

2.2.5.5. If an External Auditor believes that the statements made in the Corporation's annual report, information statement, proxy statement or any report filed with the SEC or any regulatory body during its engagement is incorrect or incomplete, it shall present its views in said reports.

#### **2.2.6. Internal Auditor Group**

2.2.6.1. The Corporation shall have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the operations of the Corporation and its subsidiaries. This shall be performed by an Internal Audit Group comprised of the Corporation's internal auditors and, where certain internal audit activities are outsourced, the qualified independent service providers, all of whom shall be headed by an Internal Audit Group Manager.

2.2.6.2. The Internal Audit Group of the Corporation shall provide the Board, Management and shareholders with reasonable assurance that the Corporation's key organizational and procedural controls are effective, appropriate, and complied with. It is responsible for identifying and evaluating significant risk exposures and contributes to the improvement of risk management and control systems by assessing the adequacy and effectiveness of controls covering the Corporation's governance, operations and information systems. The scope of the Internal Audit Group's internal auditing responsibility encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Corporation's governance, risk management and internal controls, as well as the quality of performance in carrying out assigned responsibilities to achieve the Corporation's stated goals and objectives. The detailed functions, responsibilities, duties, authority and qualifications of the Internal Audit Group shall be set out in the Internal Audit Charter approved by the Board.

The Internal Audit Group shall govern itself by adhering to The Institute of Internal Auditors' mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. It shall likewise comply with The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers; the Corporation's relevant policies and procedures; and the internal audit activity's standard operating procedures manual.

2.2.6.3. The Internal Audit Group shall perform the following functions, among others:



- a. Provide an independent risk-based assurance service to the Board of Directors, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (i) promoting the right values and ethics, (ii) ensuring effective performance management and accounting in the organization, (iii) communicating risk and control information, and (iv) coordinating the activities and information among the Board, external and internal auditors, and Management;
- b. Perform regular and special audits as contained in the annual audit plan and based on the Corporation's risk assessment;
- c. Perform consulting and advisory services related to governance and control as appropriate for the organization;
- d. Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- e. Review, audit and assess the efficiency and effectiveness of the internal control system in all areas of the organization;
- f. Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- g. Evaluate specific operations at the request of the Board of Directors or management, as appropriate; and
- h. Monitor and evaluate governance processes.

2.2.6.4. The internal auditors of the Internal Audit Group shall report to the Internal Audit Group Manager who, in turn, shall report functionally to the Audit Committee, and administratively (i.e. day-to-day operations) to the Chief Finance Officer and Treasurer. The Internal Audit Group Manager shall oversee and be responsible for the internal audit activity of the Corporation, including that portion that is outsourced to qualified independent service providers. The following are the responsibilities of the Internal Audit Group Manager, among others:

- a. Periodically reviews the Internal Audit Charter and presents the same to Senior Management and the Audit Committee for approval;
- b. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the Corporation's goals;
- c. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as

significant interim changes, to Senior Management and the Audit Committee for review and approval;

- d. Spearheads the performance of the internal audit activity to ensure it adds value to the Corporation;
- e. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- f. Presents findings and recommendations to the Audit Committee and gives advice to Senior Management and the Board on how to improve internal processes.

2.2.6.5. The Internal Audit Group should submit to the Audit Committee and Management an annual report on the Internal Audit Group's activities, responsibilities and performance, relative to the audit plans and strategies approved by the Audit Committee. The annual report shall include significant risk exposures, control issues, and such other matters as may be needed or requested by the Board and Management. The Internal Audit Group should certify that it conducts its activities in accordance with the International Standards on the Professional Practice of Internal Auditing; otherwise, the External Auditor shall disclose to the Board and Management the reasons for its non-compliance.

### **3 COMPREHENSIVE AND COST EFFICIENT ACCESS TO RELEVANT INFORMATION**

- 3.1 The Corporation shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information, which is crucial for informed decision-making by investors, stakeholders and other interested users'
- 3.2 The Corporation shall include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.
- 3.3. This Manual shall be available for inspection by any shareholder of the Corporation at reasonable hours on business days.
- 3.4. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoy compliance in the process.
- 3.5. An adequate number of printed copies of this Manual must be reproduced under the supervision of Human Resources Department, with a minimum of at least one (1) hard copy of the Manual per department.

#### **4 DISCLOSURE AND TRANSPARENCY OF CORPORATION'S CORPORATE GOVERNANCE POLICIES**

- 4.1 The Corporation should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of the Corporation's financial condition results and business operations;
- 4.2. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC by the responsible Committee or Officer through the Corporation's Compliance Officer;
- 4.3. All material information about the Corporation which could adversely affect its viability or the interest of its stockholders and other stakeholders, shall be fully, fairly, accurately and timely disclosed to the public. Such information shall include earnings results, acquisition or disposal of assets, Board changes, related party transactions, shareholdings of directors and changes to ownership. In evaluating the fairness of the transaction price in a proposed acquisition or disposal of assets, and independent party shall be appointed by the Board of the offeree company.
- 4.4. All Directors and Officers shall disclose to the Corporation any material events within three (3) business days.
- 4.5. All relevant and material information on individual Board members and key executives shall be disclosed, to allow the shareholders to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.
- 4.6 The Corporation shall have clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. The Corporation shall also disclose the remuneration as may be required by law, including termination and retirement provisions.
- 4.7. The Corporation shall disclose to the regulators and the public through the Corporation's website and required disclosures, any change, resignation or removal of any Director, member of the Senior Management, Internal Auditor and External Auditor, and the reasons therefor.
- 4.8. The Corporation shall disclose the nature of non-audit services performed by its External Auditor in the Annual Report to deal with the potential conflict of interest.
- 4.9. The Corporation should ensure that the material and reportable non-financial and sustainability issues are disclosed. The Board should have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance issues of its business, which underpin sustainability. The Corporation shall endeavor to adopt a globally recognized standard or framework in reporting sustainability and non-financial issues.

Other information that shall always be disclosed includes corporate strategy, and off balance sheet transactions.

- 4.10. The Corporation shall adopt and implement policies governing RPTs as may be required by the SEC. The material or significant RPTs reviewed and approved during the year should be disclosed in its Annual Corporate Governance Report.
- 4.11. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information through the appropriate exchange mechanisms and submissions to the SEC, which are applicable to the Corporation for the interest of the stockholders and other stakeholders.
- 4.12. The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for management and dominant stockholders to mismanage the corporation or misappropriate its assets.

## **5 SHAREHOLDERS' BENEFIT**

The Corporation shall treat all shareholders and other stakeholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

The Corporation recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Corporation and all its investors.

### **5.1. SHAREHOLDERS' RIGHTS AND PROTECTION**

#### **5.1.1. Commitment to Fair and Equitable Treatment of Shareholders and to Respect Rights of Shareholders/Minority Interests**

The Board is committed to respect the rights of the shareholders and minority interests.

The Corporation shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO shall have a designated investor relations officer, whose email address and telephone number shall be published in the Corporation's Annual Report. The designated investor relations officer shall be present at every shareholders' meeting.

#### **5.1.2. Voting Right**

5.1.2.1. Shareholders shall have the right to nominate, elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

5.1.2.2. The nominations for the election of all directors by the stockholders shall be submitted in writing to the Board of

Directors through the Corporate Secretary, which shall be forwarded to the Governance and Nomination Committee. The Governance and Nomination Committee shall pre-screen the qualifications of the nominees and prepared a final list of nominees eligible for election. No other nominations shall be entertained after the final list of candidates is prepared. In approving the nominations for Independent Directors, the Governance and Nomination Committee shall take into consideration the guidelines and procedures on the nomination of Independent Directors prescribed under Rule 30 of the Securities Regulation Code.

5.1.2.3. Cumulative voting shall be used in the election of directors.

5.1.2.4. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

5.1.2.5. The Board should be transparent and fair in the conduct of the annual and special shareholders' meetings of the Corporation. The shareholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws of the Corporation, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the shareholders' favor.

### **5.1.3. Pre-emptive Right**

All shareholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The articles of incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

### **5.1.4. Power of Inspection**

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

### **5.1.5. Right to Information**

5.1.5.1. The shareholders of the Corporation shall be provided, upon request, with periodic reports which disclose relevant personal and professional information about the directors and Officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among

directors and key Officers, and the aggregate compensation of directors and Officers.

- 5.1.5.2. The Corporation shall endeavor to provide the shareholders with the notices of annual and special shareholders' meeting, at least 15 business days before the meetings. Such notices shall contain sufficient and relevant information, such as the date, location, meeting agenda and its rationale and explanation, and details of issues to be deliberated on and approved or ratified at the meetings.
- 5.1.5.3. The Corporation shall make the result of the votes taken during the most recent annual or special shareholders' meeting publicly available the next working day.
- 5.1.5.4. The minutes of the annual and special shareholders' meeting shall be available on the Corporation's website within five (5) business days from the end of the meeting. The minutes of meeting shall include the following matters: (a) A description of the voting and the vote tabulation procedures used; (b) the opportunity given to shareholders to ask questions, as well as a record of the questions and the answers received; (c) the matters discussed and the resolutions reached; (d) a record of the voting results for each agenda item; (e) a list of the Directors, Officers and shareholders who attended the meeting; and (f) dissenting opinion on any agenda item that is considered significant in the discussion process.
- 5.1.5.5. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice.
- 5.1.5.6. The minority shareholders shall have access to any and all information relating to matters for which the Management is accountable for and to those relating to matters for which the Management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meetings, being within the definition of "legitimate purposes", and in accordance with law, jurisprudence and best practice.
- 5.1.5.7. Accurate and timely information shall be made available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

#### **5.1.6. Right to Dividends**

5.1.6.1. Shareholders shall have the right to receive dividends subject to the discretion of the Board.

5.1.6.2. The Corporation shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board; or b) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

#### **5.1.7. Appraisal Right**

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 81 of the Corporation Code, under any of the following circumstances:

- a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any shareholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- c. In case of merger or consolidation.

#### **5.1.8. Promotion of Shareholders' Rights**

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

## 5.2. Duties to Stakeholders

The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

- 5.2.1. The Board should identify the Corporation's various stakeholders and promote cooperation between them and the Corporation in creating wealth, growth and sustainability. Stakeholders in corporate governance include, but are not limited to the, customers, employees, suppliers, shareholders, members, non-proprietary rights holders, investors, creditors, the community the company operates in, society, government, regulators, competitors, external auditors, among others. In formulating the company's strategic and operational decisions affecting its wealth, growth and sustainability, due consideration is given to those who have an interest in the company and are directly or indirectly affected by its operations.
- 5.2.2. The Corporation's Code of Business Conduct and Ethics shall establish clear policies and programs to provide a mechanism for the fair treatment of Stakeholders and better protection of their rights.
- 5.2.3. The Corporation shall maintain open and easy communication with its stakeholders, through stakeholder engagement touchpoints in the Corporation, such as the IRO, Office of the Corporate Secretary, customer care, and corporate communications group.
- 5.2.4. The Corporation shall develop and maintain mechanisms for active employee participation to create a symbiotic environment, and encourage involvement in corporate governance processes and in the realization of the Corporation's goals.
- 5.2.5. The Corporation shall establish policies and programs for employees covering, among others, the following: (a) health, safety and welfare; (b) training and development; and (c) reward/compensation for employees, to encourage employees to perform better and motivate them to take a more dynamic role in the Corporation.
- 5.2.6. The Corporation does not tolerate corrupt practices, as expressed in its Code of Business Conduct and Ethics and various anti-corruption policies and programs, which are disseminated to employees across the organization to embed them in the Corporation's culture.
- 5.2.7. The Corporation shall establish and maintain a whistleblowing policy that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to a unit tasked to handle whistle blowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.



- 5.2.8. The Corporation shall be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.
- 5.2.9. The Corporation shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Corporation to grow its business, while contributing to the advancement of the society where it operates.

## **6 ORIENTATION, TRAINING AND CONTINUING EDUCATION PROGRAMS**

- 6.1. Before beginning their directorships, first-time directors shall be oriented by the Corporation on the Corporation's business, operations and corporate structure, its vision, mission and corporate strategy, articles of incorporation and by-laws, and this Manual, to ensure that they are appropriately apprised of their duties and responsibilities, as well as provided with the information regarding the Corporation that will enable them to meet the specific needs of the Corporation and effectively perform their functions.
- 6.2. The Board of Directors and key Officers of the Corporation (including the Corporate Secretary, Compliance Officer and Internal Audit Group Manager) shall attend, at least annually, continuing training and education programs to further their knowledge and assist in their development and in the promotion of the effective performance of their duties and responsibilities, as well as to ensure that they are appropriately apprised of developments in the business and regulatory environments, including emerging risks, and corporate governance, risk management, and sustainability issues, relevant to the Corporation.

## **7 ASSESSMENT AND MONITORING OF COMPLIANCE**

The best measure of the Board's effectiveness is through an assessment process. The Board shall regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

- 7.1. The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman of the Board, individual Board members and Board Committees.
- 7.2. The Board's self-assessment system shall provide, at the minimum, the criteria and process to measure and determine the performance of the Board, the individual directors and the Board Committees consistent with the provisions of this Manual, as well as allow for feedback mechanism from the shareholders.
- 7.3. This Manual shall be subject to quarterly review unless otherwise amended by the Board.

- 7.4. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible Officer or employee to the penalty provided under this Manual.
- 7.5. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's Annual Report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.
- 7.6. All business processes and practices being performed within any department or business unit of the Corporation that are not consistent with any portion of this Manual shall be revoked unless upgraded to be compliant with this Manual.

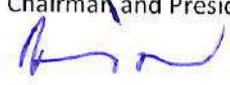
## 8 PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

- 8.1. To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Corporation's directors, Officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provisions of this Manual:
  - a. In case of first violation, the subject person shall be reprimanded.
  - b. Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation. This shall not be applicable to directors.
  - c. For third violation, the maximum penalty of removal from office shall be imposed. With regard to directors, the provision of Section 27 of the Corporation Code shall be observed.
- 8.2. The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

Adopted by the Unanimous Vote of the Board of Directors on August 13, 2002 and amended on March 25, 2010 and August 4, 2020.

Certified correct:

  
**RAMON S. ANG**  
Chairman and President

  
**KAREN V. RAMOS**  
General Manager

 Digitally signed by Karen V. Ramos  
Date: 2023.08.10 17:05:53 +0800