





**MANUAL**

**ON**

**CORPORATE GOVERNANCE**

**March 30, 2017**

**MANUAL ON CORPORATE GOVERNANCE**  
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**MacroAsia Corporation**

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## 1. RATIONALE AND BACKGROUND

Securities and Exchange Commission ("SEC") Memorandum Circular No 19 Series of 2016 states that all publicly listed companies shall establish and implement their corporate governance rules in accordance with the Code of Corporate Governance for Publicly Listed Companies. The rules shall be embodied in a manual that can be used as reference by the members of the Board and Management. The manual shall be made available for inspection by any stockholder at reasonable hours on business days.

MacroAsia Corporation, ("the Corporation"), is one such corporation covered by this SEC Circular. Although the Corporation issued a Revised Manual on Corporate Governance on 15 December 2015, the Revised Manual has to be amended to comply with the Code of Corporate Governance for Publicly-Listed Companies of the SEC.

This Manual on Corporate Governance encapsulates relevant or applicable provisions of the Corporation's current Manual on Corporate Governance of the Corporation, SEC's Code of Corporate Governance for Publicly Listed Companies and the Amended By-laws of the Corporation.

## 2. OBJECTIVES

This Manual on Corporate Governance amends the Revised Manual on Corporate Governance issued by the Corporation on December 15, 2015. This Manual re-affirms MacroAsia Corporation's commitment to good corporate governance, transparency and accountability within the Corporation.

With this, the Board of Directors and Management, employees and stockholders, reiterate their belief that corporate governance is a necessary component of what constitutes sound strategic business management.

Also, the Board of Directors and Management express their commitment to undertake every effort necessary to create awareness and understanding of this Manual, and to implement its provisions effectively for the benefit of the stakeholders and the investing public in general.

## 3. DEFINITION OF TERMS

- 3.1 **Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.
- 3.2 **Corporate Governance** – the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders.

Corporate governance is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with stockholder value – to the benefit of all stakeholders and society.

Its purpose is to maximize the organization’s long-term success, creating sustainable value for its stockholders, stakeholders and the nation.

- 3.3 **Enterprise Risk Management** – a process, effected by an entity’s Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.
- 3.4 **Exchange** – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities. In the case of MacroAsia Corporation, the “Exchange” is currently the Philippine Stock Exchange (“PSE”), considering that the Corporation is listed in the PSE.
- 3.5 **Executive Director** – a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- 3.6 **Independent Director** – a person who is independent of management and controlling stockholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.
- 3.7 **Internal Audit** – an independent and objective assurance activity designed to add value to and improve the Corporation’s operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- 3.8 **Internal Auditor** – the highest position in the Corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.
- 3.9 **Internal Control** – established process designed and effected by the Board of Directors and Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives, through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations and organization’s policies and procedures.

- 3.10 **Internal Control System** - the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Corporation is exposed.
- 3.11 **Management** – a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the Corporation.
- 3.12 **Non-executive Director** – a director who has no executive responsibility and does not perform any work related to the operations of the Corporation.
- 3.13 **Non-audit Work** – the other services offered by an external auditor to the Corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor.
- 3.14 **Related Party** – shall cover the Corporation’s subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the Corporation exerts direct or indirect control over or that exerts direct or indirect control over the Corporation; the Corporation’s directors; officers; stockholders and related interests (“DOSRI”), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Corporation.
- 3.15 **Related Party Transactions** – a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It 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.
- 3.16 **Stakeholders** – any individual, organization or society at large who can either affect and/or be affected by the Corporation’s strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

#### **4. RULES OF INTERPRETATION**

- 4.1 All references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender.
- 4.2 All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favour of promoting transparency, accountability and fairness to the stockholders and investors of the Corporation.

#### **5. COMPLIANCE SYSTEM**

##### **5.1 DECLARATION OF CORPORATE PRINCIPLES**

- A) The Corporation shall put forward mission and vision statements, including statements about its business objectives/philosophy as part of its business planning and annual reporting to stakeholders.
- B) The Board of Directors and Management are committed to respect and protect investor's rights and interests, whether majority or minority, at all times.

Stockholders shall have access to corporate reports and disclosures at reasonable times during business hours. The Corporation shall maintain a corporate website to allow online access to corporate disclosures and reports.

- C) Transparency and fair disclosure of material information that could adversely affect the viability or interests of stakeholders shall be publicly disclosed within the earliest time possible through appropriate Exchange mechanisms and submissions to the SEC.

##### **5.2 BOARD GOVERNANCE**

The Board of Directors (the "Board") is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management.

###### **A) *Composition of the Board***

In accordance with the Amended Articles of Incorporation of the Corporation, the number of directors of the Corporation shall be eleven (11), who shall be elected by the Corporation's stockholders entitled to vote at the Annual Meeting, and shall hold office for one year and until their successors are elected and qualified in accordance with the Amended By-Laws of the Corporation.

The Corporation shall have at least three (3) independent directors. The nomination and election of independent directors shall be in accordance with the Amended By-Laws of the Corporation.

The Corporation shall observe diversity among the members of its board to promote open, fruitful discussions and ensure that optimal-decision-making is achieved.

A majority of the Board shall be comprised of non-executive directors and independent directors, who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

**B) *Policy on Multiple Board Seats***

The Board, through its Corporate Governance Committee will consider guidelines on the number of directorships that its members or nominees can hold in stock and non-stock corporations. In doing so, the capacity of a director or nominee to diligently and efficiently perform his duties and responsibilities shall be considered.

In the process of reviewing the qualifications of nominees to the Board, the Corporation's Corporate Governance Committee shall consider the following guidelines in determining the reasonable number of directorships of a nominee for the Board:

- a. The nature of the business of the corporations of which the nominee is a director;
- b. Age of the director;
- c. Number of directorships/active memberships and officerships in other organizations; and
- d. Possible conflict of interests.

In the course of his service to the Corporation, a Director shall notify the Board before accepting a directorship in another company. Executive Directors may hold any number of directorships outside the Corporation, provided that in the Director's opinion, these other positions do not detract from the Director's capacity to diligently and efficiently perform his duties and responsibilities as a Director of the Corporation.

**C) *Adequate and Timely Information***

To enable the members of the Board to properly fulfill their duties and responsibilities, Management shall provide them with complete, adequate and timely information about the matters to be taken up in their meetings.

Reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may be made by a member of the Board to enable him to properly perform his duties and responsibilities. Hence, the members shall have independent access to Management and the Corporate Secretary.

The information from Management may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

The members, either individually or as a Board, and in furtherance of their duties and responsibilities, may have access to independent professional advice at the Corporation's expense.

Full Minutes of each Board Meeting are kept by the Corporate Secretary and available for inspection by any of the Directors during office hours.

**D) *Qualifications of Directors***

In accordance with the Amended By-Laws of the Corporation, any stockholder having at least one hundred thousand (100,000) shares of stock of the Corporation may be elected director, provided however that no person shall qualify or be eligible for nomination or election as director if such person is connected with or engaged in any business or activity or holds positions or interests which are antagonistic to those of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so connected or engaged:

- a. if he is a director, officer, manager, or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any corporation (other than one in which the Corporation owns at least 30% of the capital stock) or partnership engaged in a business which is antagonistic or hostile to that of the Corporation;
- b. if he is a participant to any enterprise or is holding or pursuing an interest which the Board of Directors determines to be antagonistic or hostile to that of the Corporation; or

- c. if he is an agent, trustee, partner, nominee, director, officer or employee of, or if he is a spouse or a relative within the fourth civil degree, either of consanguinity or affinity of, or a person controlling, controlled by or under common control with, any person set forth above.

The determination of whether a person is disqualified to become a director shall be made by the Corporate Governance Committee which shall have at least three (3) voting Directors (majority of whom are Independent Directors).

In addition to the above, a nominee for director has to possess the following qualifications:

- a. He shall be at least a college graduate or have sufficient knowledge, skills, and experience, (and independence of mind in case of non-executive directors) in managing the business to substitute for such formal education;
- b. He shall be at least twenty-one (21) years old;
- c. He shall have proven to possess integrity and probity;
- d. He shall have the ability to promote smooth interaction between board members;
- e. He shall be assiduous;
- f. He shall have sufficient time to carry out his responsibilities.

Meanwhile, an **Independent Director** refers to a person, who ideally:

- a. 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;
- b. Is not, and has not been in the three 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 substantial stockholders and its related companies, except if he also serves as an independent director of the Corporation's subsidiaries, associates, affiliates or related companies;

- c. Is not an owner of more than two percent (2%) of the outstanding shares of the Corporation, its subsidiaries, associates, affiliates or related companies;
- d. Is not a relative of a director, officer, or substantial stockholder of the Corporation or any of its related companies or of any of its substantial stockholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- e. Is not acting as a nominee or representative of any director of the Corporation or any of its related companies;
- f. 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 stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- g. 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 stockholder, or is otherwise independent of Management and free from any business or other relationship within the three years immediately preceding the date of his election;
- h. 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 stockholder, in any transaction with the Corporation or any of its related companies or substantial stockholders, 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;
- i. Is not affiliated with any non-profit organization that receives significant funding from the Corporation or any of its related companies or substantial stockholders; and
- j. Is not employed as an executive officer of another company where any of the Corporation's executives 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.

Independent Directors are only allowed to serve for a maximum cumulative term of nine (9) years. After which, the independent director is perpetually barred from re-election as such.

An independent director barred from re-election as such may continue to qualify for nomination and election as a non-independent director.

In the event that the Corporation wants to retain the independent director after serving nine (9) years, the Board should provide meritorious justification/s and seek the approval of the stockholders in the Annual Stockholders' Meeting.

## **E) *Disqualification of Directors***

### **a. Permanent Disqualification**

The following shall be grounds for the permanent disqualification of a Director:

- (i) 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;
- (ii) 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 underwriter, broker, dealer, investment adviser, principal distributor,

mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;

- (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 sub-paragraphs (a) and (b) above, or wilfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if 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 Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or such person has otherwise been restrained to engage in any activity involving securities and banking; or 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;

- (iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- (iv) Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have wilfully violated, or wilfully aided, abetted, counselled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the SEC or the BSP;
- (v) Any person judicially declared as insolvent;

- (vi) 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 enumerated in sub-paragraphs (i) to (v) above;
- (vii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment;
- (viii) Other grounds as the SEC may provide.

**b. Temporary Disqualification**

The Board may temporarily disqualify a Director for any of the following reasons:

- (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;
- (ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;
- (iii) 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. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- (iv) 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 from being elected as an independent director shall be lifted if the limit is later complied with; and

- (v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

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.

**F) *Responsibilities, Duties and Functions of the Board***

**General Responsibility**

It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

Compliance with the principles of good corporate governance shall start with the Board of Directors.

**Duties and Functions**

To ensure a high standard of best practice for the Corporation and its stockholders and other stakeholders, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

- a. Install a process of selection to ensure a mix of competent directors and officers;
- b. Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;
- c. Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices;

- d. Identify the Corporation's major and other stakeholders, and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- e. Identify the Corporation's stakeholders in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;
- f. Adopt a system of internal checks and balances;
- g. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability;
- h. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
- i. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
- j. Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and its stockholders, and the Corporation and third parties, including the regulatory authorities;
- k. Meet at such times or frequency as may be needed, in line with the Amended By-laws. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration;
- l. Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-laws, and in accordance with existing laws, rules and regulations;
- m. Appoint a Compliance Officer who shall have the rank of Vice-President or an equivalent position.

**G) Specific Duties and Responsibilities of a Director**

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

A Director shall observe the following norms of conduct:

**a. Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.**

A Director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A Director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the Director's personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation.

**b. Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.**

A Director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanation.

**c. Act judiciously.**

Before deciding on any matter brought before the Board, a Director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.

**d. *Exercise independent judgment.***

A Director should view each problem or situation objectively. If a disagreement with other Directors arises, he should carefully evaluate and explain his position. He should not be afraid to take an unpopular position. Corollary, he should support plans and ideas that he thinks are beneficial to the Corporation.

**e. *Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its Articles of Incorporation and By-laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies.***

A Director should also keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness.

**f. *Observe confidentiality.***

A Director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as Director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

**H) *Orientation and Continuing Training of Directors***

As necessary, funds shall be allocated by the President for the purpose of conducting an orientation program or workshop, and relevant annual four-hour continuing training to enable those concerned to carry out this Manual. The matters to be discussed are:

- a. Developments in the business environment;
- b. Developments in the rules and regulations of concerned regulatory agencies;
- c. Corporate governance matters such as, but not limited to, audit, internal controls, risk management, sustainability, and strategy.

All directors shall be required to attend a four-hour Annual Continuing Training Program on Corporate Governance, which shall be conducted by a duly recognized private or government institution.

All first-time directors shall undergo an eight (8) hour orientation program on the following matters:

- a. Duties and responsibilities of a Director;
- b. Roles of a Director;
- c. Accountabilities of a Director;
- d. Code of Conduct of Directors;
- e. Background on the business and industry of the Corporation;
- f. Articles of Incorporation and By-Laws of the Corporation; and
- g. SEC-mandated topics on corporate governance.

**I) *Internal Control Responsibilities of the Board***

The control environment of the Corporation consists of:

- a. the **Board** which ensures that the Corporation is properly and effectively managed and supervised;
- b. **Management** that actively manages and operates the Corporation in a sound and prudent manner;
- c. the **organizational and procedural controls** supported by an effective management information and risk management reporting systems; and
- d. an **Independent Audit** mechanism 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.

Some internal control mechanisms for the performance of the Board's oversight responsibility include:

- a. Review or definition of the duties and responsibilities of the President who is ultimately accountable for the Corporation's organizational and operational controls;
- b. Selection of the person who possesses the ability, integrity and expertise essential for the position of President;
- c. Evaluation of proposed senior management appointments;
- d. Selection and appointment of qualified and competent management officers; and

- e. Review of the Corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan;

**J) Board Meetings and Quorum Requirement**

The frequency of board meetings and the quorum requirements are embodied in the Amended By-laws of the Corporation.

- a. **First Regular Meeting** – After each meeting of stockholders at which a Board of Directors shall have been elected, the Board of Directors so elected shall meet as soon as practicable for the purpose of organization and the transaction of other business. In the event the Directors are unable to agree as to the day and hour and place of their organization meeting, the said Board of Directors shall meet at such time and place as the majority of the Directors may designate.
- b. **Additional Regular Meeting** – In addition to the first regular meeting, regular meetings of the Board of Directors shall be held on such dates and such places as may be fixed, from time to time, by said Board.
- c. **Special Meeting** – Special Meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, or by the President, or by any three (3) Directors in writing, and such meetings may be held at any place designated in the notice.

The members of the Board shall attend regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the SEC.

Independent Directors shall endeavour to always attend Board meetings. The Corporation's Amended By-Laws does not provide that the absence of independent directors shall affect the quorum requirement. The Board promotes transparency by seeking the presence of at least one Independent Director in all its meetings.

To monitor the Directors' compliance with the attendance requirements, the Corporation shall submit to the SEC, on or before **January 30** of the following year, a sworn certification about the Directors' record of attendance in Board meetings. The certification may be submitted through **SEC Form 17-C** or in a separate filing.

**Notice of Meetings** – No notice of regular meetings of the Board need be given. Notice of place, day and hour of every special

meeting shall be given to each director at least three (3) days before the meeting by delivering the same to him personally or by sending it to him by telegraph, cable, or radiogram, or by leaving the same at his residence or usual place of business, or in the alternative, upon ten (10) days' notice, by mailing it, postage prepaid and addressed to him at his last known mailing address, according to the records of the Corporation.

**Quorum** – A quorum at any meeting of the Board of Directors shall consist of a majority of the Directors and every decision of a majority of such quorum duly assembled as a Board shall be valid as a corporate act.

**K) Remuneration of Directors and Officers**

In accordance with the Amended By-laws, the Board of Directors shall determine a level of remuneration for Directors that shall be sufficient to attract and retain qualified and competent Directors and officers. For every regular or special meeting actually attended, each Director shall be paid per diems in such amount as may be determined by the Board of Directors.

Any additional compensation for the Board of Directors shall be in accordance with an equitable plan approved by the Board of Directors following the cap set by the Corporation's By-laws.

The compensation of officers or executives shall be in accordance with a plan approved by the Board through its Compensation Committee.

The Compensation Committee shall establish formal and transparent procedures for the development of policies on executive remuneration or determination of remuneration levels for individual directors and officers, taking into account the particular needs of the Corporation.

The Corporation's annual report and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly or indirectly, to its Directors and top four (4) management officers during the preceding fiscal year.

**L) Board Committees**

To aid in complying with the principles of good corporate governance, the Board shall constitute committees as may be necessary.

Each committee established shall have its own charter, stating in plain terms their respective purposes, memberships, structures,

operations, rules of conduct, reporting processes, resources, and other relevant information. Such Committee Charters should be fully disclosed in the Corporation's website.

The Committee Charter should provide the standards for evaluating the performance of the committees.

**a. Audit Committee**

The Audit Committee shall consist of at least three (3) non-executive directors, who shall preferably have accounting or finance backgrounds a majority of whom, including the Chairman, shall be Independent Directors. A Director with extensive business management experience and with competence on financial management systems and environment may also be considered.

The Audit Committee shall have the following functions:

- (i) Assist the Board by overseeing the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations;
- (ii) Recommend the approval the Internal Audit Charter ("IA Charter"), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- (iii) Through the Internal Audit ("IA") Department, monitor and evaluates the adequacy and effectiveness of the Corporation's internal control system, integrity of financial reporting, and security of physical and information assets.
- (iv) Develop 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 Corporation's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Corporation's financial data, and (d) ensure compliance with applicable laws and regulations;
- (v) Oversee the Internal Audit Department, and recommend the appointment and/or grounds for approval of an internal audit head. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;

- (vi) Establish and identify 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;
- (vii) Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
- (viii) Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- (ix) Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with their duties as an External Auditor or may pose a threat to their independence. The non-audit work, if allowed, should be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report;
- (x) Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - (a) Any change/s in accounting policies and practices
  - (b) Areas where a significant amount of judgment has been exercised
  - (c) Significant adjustments resulting from the audit
  - (d) Going concern assumptions
  - (e) Compliance with accounting standards
  - (f) Compliance with tax, legal and regulatory requirements
- (xi) Review the disposition of the recommendations in the External Auditor's management letter;
- (xii) Perform oversight functions over the Corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access

to all records, properties and personnel to enable them to perform their respective audit functions;

- (xiii) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- (xiv) Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, 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 stockholders; and

The Audit Committee shall meet with the Board at least every quarter without the presence of the President or other management team members, and shall also periodically meet with the head of the internal audit.

In addition to the functions mentioned above, the Audit Committee shall also perform the following functions regarding Related Party Transactions (“RPTs”):

- (i) Review all material related party transactions of the Corporation;
- (ii) 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, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
- (iii) Evaluate all material 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 Corporation are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:

- (a) The related party's relationship to the Corporation and interest in the transaction ;
  - (b) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - (c) The benefits to the Corporation of the proposed RPT;
  - (d) The availability of other sources of comparable products or services; and
  - (e) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Corporation should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- (iv) Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential 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 Corporation's affiliation or transactions with other related parties;
  - (v) 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;
  - (vi) Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
  - (vii) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

**b. Compensation Committee**

The Board shall also establish a Compensation Committee, which shall be composed of at least three (3) members, one of whom shall be an Independent Director.

The Compensation Committee shall have the following functions:

- (i) 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;
- (ii) Designate the 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;
- (iii) Establish a formal and transparent procedure for developing a policy on executive remuneration packages of individual Directors, if any, and officers;
- (iv) Never allow any Director to decide his or her own remuneration;
- (v) 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 be in conflict with the performance of their duties once hired;
- (vi) Provide in the Corporation's annual reports, information and proxy statements, a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year;
- (vii) Review the existing Human Resources Development or Personnel Handbook, to strengthen the 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.

**c. Investment Committee**

The Board may also form an Investment Committee which shall be composed of at least three (3) members, one of whom shall be an Independent Director.

The Investment Committee shall have the following functions:

- (i) Assist the Board in determining the Corporation's investment goals and objectives based on the culture, strategy and the business environment in which the Corporation operates;
- (ii) Review the Corporation's investment plans and risks, in line with the business plan or medium-term plans of the Corporation;
- (iii) Perform such other functions related to investment decisions as may be designated by the Board from time to time.

**d. Corporate Governance Committee**

The Board may also establish a Corporate Governance Committee which shall be composed of at least three (3) members, the majority of whom should be Independent Directors, including the Chairman. The Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

- (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 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 executive management, and conducts an annual self-evaluation of its performance;

- (iii) Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- (iv) Recommend 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 Corporation's directors and has the special duty of defining the general profile of board members that the Corporation may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board;
- (viii) Install and maintain a process to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and ensure that none of the disqualifications stated above are present;
- (ix) Encourage the selection of a mix of competent Directors, each of whom can add value and create independent judgement as to the formulation of sound corporate strategies and policies;
- (x) 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 set in this Manual;

**e. Risk Management Committee**

The Risk Management Committee is composed of at least three members, the majority of whom shall be independent directors, including the Chairman. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

The Risk Management Committee has the following duties and responsibilities, among others:

- (i) Assist the Board in ensuring that there is an effective and integrated risk management process in place;
- (ii) Develop a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
- (iii) Oversee the implementation of the enterprise risk management plan through a Risk Management Committee. The said committee conducts regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- (iv) Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Risk Management Committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- (v) Advise the Board on its risk appetite levels and risk tolerance limits;
- (vi) Review at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Corporation;
- (vii) Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact

the performance and stability of the Corporation and its stakeholders;

- (viii) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- (ix) Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

### **5.3 OFFICERS**

In accordance with the Amended By-Laws of the Corporation, the roles of the Chairman and CEO, Co-Chairman, and President and COO shall be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board.

#### **A. Chairman**

The Chairman shall be elected by the Board of Directors from their own number. He shall preside at all meetings of the stockholders and of the Board of Directors and shall perform all such other duties as are incident to his office, or are properly required of him by the Board. He shall likewise be the Chief Executive Officer of the Corporation. As such, the following are his powers and functions:

- a. He shall be responsible for the general supervision, administration and management of the business of the Corporation;
- b. He shall provide general guidance to the Corporation;
- c. He shall lead, in conjunction with the Board, the development of the Corporation's strategy;
- d. He shall lead and oversee the implementation of the Corporation's long and short term plans in accordance with its strategy;
- e. He shall sit on committees of the Board where appropriate as determined by the Board; and

- f. He shall exercise such other powers as may be vested in him by the Board.

## **B. Co-Chairman**

The Co-Chairman shall perform the duties and responsibilities of the Chairman whenever the latter is unavailable.

## **C. President/COO**

The President shall be elected by the Board of Directors from their own number. He shall be the Chief Operating Officer of the Corporation and shall have general supervision and direction of the day-to-day business affairs of the Corporation.

In accordance with the Amended By-Laws of the Corporation, the powers and duties of the President shall be:

- a. To prepare the agenda for the meetings of the Board of Directors and to submit for the consideration of the Board the policies and measures which he believes to be necessary to carry out the purposes of the Corporation;
- b. To execute and administer the policies and measures approved by the Board;
- c. To direct and supervise the operations and internal administration of the Corporation. The President may delegate certain of his administrative responsibilities to other officers of the Corporation, subject to the rules and regulations of the Board; and
- d. To exercise such other powers as may be vested in him by the Board.

The **President** shall be the principal representative of the Board and of the Corporation, and in his capacity and in accordance with the instructions of the Board, he shall be empowered:

- a. To represent the Board and the Corporation in all the dealings with other offices, agencies and instrumentalities of the Government and with all other persons or entities, public or private, whether domestic, foreign or international;
- b. To authorize, with his signature, contracts concluded by the Corporation, stock certificates, notes and securities issued by the Corporation, and the annual reports, balance sheets, profit and loss statements, correspondence and other documents of the

Corporation. The signature of the President may be in facsimile whenever appropriate;

- c. To represent the Corporation, either personally or through counsel, in any legal proceedings or action; and
- d. To delegate his power to represent the Corporation as provided in sub-paragraphs (a), (b) and (c) above to other officers of the Corporation upon his own responsibility.

#### **D. Lead Independent Director**

The Board shall designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

The functions of the lead director include, among others, the following:

- a. Serves as an intermediary between the Chairman and the other directors when necessary;
- b. Convenes and chairs meetings of the non-executive directors; and
- c. Contributes to the performance evaluation of the Chairman, as required.

The lead independent director will chair separate periodic meetings with the non-executive directors, external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present, to ensure that proper checks and balances are in place within the Corporation.

#### **E. Chief Risk Officer (“CRO”)**

In managing the Corporation’s Risk Management System, the CRO shall be the champion of Enterprise Risk Management (“ERM”) and has authority, stature, resources and support to fulfil his/her responsibilities, subject to a Corporation’s size, risk profile and complexity of operations.

The CRO has the following functions, among others:

- a. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;

- b. Communicates the top risks and the status of implementation of risk management strategies and action plans to the Risk Management Committee;
- c. Collaborates with the President in updating and making recommendations to the Risk Management Committee;
- d. Suggests ERM policies and related guidance, as may be needed; and
- e. Provides insights on the following:
  - (i) Risk management processes are performing as intended;
  - (ii) Risk measures reported are continuously reviewed by risk owners for effectiveness; and
  - (iii) Established risk policies and procedures are being complied with.

#### **F. Corporate Secretary**

The Corporate Secretary shall be a Filipino citizen and a resident of the Philippines. He is an officer of the Corporation and his loyalty to the mission, vision and specific business objectives of the Corporation comes with his duties. Considering his varied functions and responsibilities, he must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer. He must also have some financial and accounting knowledge.

The Corporate Secretary shall not be elected as Director, nor shall he hold the position of Compliance Officer.

The Corporate Secretary shall have the following functions:

- a. Assist the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- b. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation;
- c. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments

and operations of the Corporation, and advise the Board and the Chairman on all relevant issues as they arise;

- d. Be loyal to the mission, vision and objectives of the Corporation;
- e. Have appropriate administrative and interpersonal skills;
- f. Work fairly and objectively with the Board, Management, stockholders and contribute to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including stockholders;
- g. Advise on the establishment of board committees and their terms of reference;
- h. Have a working knowledge of the operations of the Corporation;
- i. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- j. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- k. Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- l. Perform required administrative functions;
- m. Oversee the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- n. Performs such other duties and responsibilities as may be provided by the SEC.

#### **G. Compliance Officer**

The Board shall appoint a Compliance Officer who shall have the rank of Vice President or an equivalent position with adequate stature and authority in the Corporation. Compliance Officer is a member of the Corporation's management team in charge of the compliance function.

Similar to the Corporate Secretary, he is primarily liable to the Corporation and its stockholders, and not to the Chairman or President of the Corporation.

The Compliance Officer should not hold the position of Corporate Secretary, nor be elected as a Director.

The Compliance Officer shall have the following functions:

- a. Ensure proper onboarding of new directors (i.e., orientation on the Corporation's business, charter, articles of incorporation and by-laws, among others);
- b. Monitor, review, evaluate and ensure the compliance by the Corporation, its directors and officers with the relevant laws, rules and regulations, all governance issuances of the concerned regulatory agencies, and this Manual on Corporate Governance, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- c. Ensure the integrity and accuracy of all documentary submissions to regulators;
- d. Appear before the SEC when summoned in relation to compliance with this Manual on Corporate Governance;
- e. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- f. Determine any violation/s of this Manual and create a system for according due notice, hearing, and due process;
- g. Ensure the attendance of board members and key officers to relevant trainings;
- h. Identify, monitor and control compliance risks;
- i. Issue a certification every January 30th of the year on the extent of the Corporation's compliance with this Manual for the completed year and, if there are any deviations, explain the reason for such deviation; and
- j. Perform such other duties and responsibilities as may be provided by the SEC.

## **H. Investor Relations Officer**

The Board shall appoint an Investor Relations Officer who shall ensure constant engagement with the Corporation's stockholders. He shall have the following functions:

- a. Receive feedback, complaints, and queries from the stockholders regarding the activities and policies of the Corporation; and
- b. Attend every Stockholders' Meeting to assist the needs of the Stockholders.

## **6. ACCOUNTABILITY AND AUDIT**

The Board is primarily accountable to the stockholders. It shall provide them with a balanced and comprehensible assessment of the Corporation's performance, position and prospects on a regular basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Thus, it is essential that Management provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.

Management shall formulate under the supervision of the Audit Committee, the rules and procedures on financial reporting and Internal Control in accordance with the following guidelines:

- a. The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the External Auditor, should be clearly explained;
- b. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders;
- c. On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and, regulations;

- d. The Corporation should consistently comply with the financial reporting requirements of the SEC;
- e. The External Auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency.

#### **6.1 EXTERNAL AUDITOR**

- A) An External Auditor shall enable an environment of good Corporate Governance as reflected in the financial records and reports of the Corporation. An External Auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.
- B) The reason/s for the resignation, dismissal or cessation from service and the date thereof of an External Auditor shall be reported in the Corporation's annual and current reports. 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.
- C) The External Auditor of the Corporation shall not at the same time provide the services of an Internal Auditor to the same client. The Corporation shall ensure that other Non-audit work shall not be in conflict with the functions of the External Auditor.
- D) If an External Auditor believes that the statements made in the Corporation's annual report, information statement or proxy statement filed during his engagement are incorrect or incomplete, he shall present his views in said reports.

#### **6.2. INTERNAL AUDITOR**

- A) The Corporation shall have in place an independent Internal Audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.
- B) The Internal Auditor shall report to the Audit Committee.
- C) The minimum Internal Control mechanisms for management's operational responsibility shall center on the President, being ultimately accountable for the Corporation's organizational and procedural controls.

- D) The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors:
- a. The nature and complexity of business and the business culture;
  - b. The volume, size and complexity of transactions;
  - c. The degree of risk;
  - d. The degree of centralization and delegation of authority;
  - e. The extent and effectiveness of information technology;
  - f. The extent of regulatory compliance.
- E) The following are the functions of the internal audit, among others:
- a. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
  - b. Performs regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;
  - c. Performs consulting and advisory services related to governance and control as appropriate for the organization;
  - d. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
  - e. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Corporation;
  - f. Evaluates 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. Evaluates specific operations at the request of the Board or Management, as appropriate; and
  - h. Monitors and evaluates governance processes.

## 7. STOCKHOLDERS' BENEFIT

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.

### 7.1. INVESTORS' RIGHTS AND PROTECTION

#### A) Rights of Investors/Minority Interests

##### a. Voting Right

- (i) Stockholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- (ii) Cumulative voting shall be used in the election of directors.
- (iii) A director shall not be removed without cause if it will deny minority stockholders' representation in the Board.

##### b. Pre-emptive Right

No stockholder shall, because of his ownership of stock of the Corporation, have any pre-emptive right or other preferential right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into or carrying option or warrants to purchase stock of the Corporation. Any part of any such stock or other securities may at any time be issued, optioned for sale, and sold or disposed of by the Corporation pursuant to a resolution of its Board of Directors, without first offering such stock or securities or any part thereof to existing stockholders of the Corporation.

##### c. Power of Inspection

All stockholders 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.

##### d. Right to Information

- (i) The stockholders shall be provided, upon request, with periodic reports which disclose 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.
- (ii) The minority stockholders 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 corporate business purposes.
- (iii) The minority stockholders shall have access to any and all information relating to matters for which the management is accountable for.
- (iv) The Corporation shall send the Notice of Annual and Special Stockholders' Meeting with sufficient and relevant information at least 28 days before the meeting.
- (v) The result of the votes taken during the most recent Annual or Special Stockholders' Meeting shall be made publicly available the next working day. In addition, the Minutes of the Annual and Special Stockholders' Meeting should be posted on the Corporation's website within five business days from the end of the meeting.

e. Right to dividends

- (i) Stockholders shall have the right to receive dividends subject to the discretion of the Board.
- (ii) The Corporation shall 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.

f. Appraisal Right

The stockholders 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 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- (i) In case any Amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders 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;
- (ii) 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
- (iii) In case of merger or consolidation.

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

7.3. It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

7.4. The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to

the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

- 7.5. Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Corporation.

## **8. MONITORING AND ASSESSMENT**

- 8.1. The Board Committees shall report regularly or as may be necessary to the Board of Directors.
- 8.2. The Compliance Officer shall establish an evaluation system or self-rating system to determine and measure compliance with this Manual.

The establishment of such evaluation system or a self-rating system may be disclosed in the Corporation's annual report or in such form of report that is applicable to the Corporation.

- 8.3. The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in this Manual.
- 8.4. The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment shall be supported by an external facilitator.
- 8.5. The Board Committees shall conduct an annual self-assessment of its performance, including the performance of the Chairman and its individual members.
- 8.6. The Corporation shall periodically review this Manual to ensure its relevance to the business conditions and corporate objectives.
- 8.7. 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 the provisions of this Manual.

## **9. DISCLOSURE AND TRANSPARENCY**

All material information about the Corporation which could adversely affect its viability or the interests of its stockholders and other stakeholders shall be publicly and timely disclosed.

Such information shall include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.

The Board shall therefore commit at all times to make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets. All directors and officers shall disclose or report to the Corporation any dealings in the Corporation's shares within three (3) business days. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the SEC for the interest of its stockholders and other stakeholders.

All such information shall be disclosed through the appropriate Exchange mechanisms and submissions to the SEC;

- A) Other information that shall always be disclosed includes Board changes, related party transactions, shareholdings of Directors and changes in ownership;
- B) All disclosed information shall be released via the approved stock exchange procedure for Corporation announcements as well as through the annual report. The Corporation shall cause the filing of all required information for the interest of the stakeholders.
- C) The Board and Officers shall commit at all times to fully disclose material information dealings. The Corporation shall be compliant with disclosure rules and regulations being issued by competent authorities, specifically, but not limited to Sec 4.2 (Selective Disclosures of Material Information) of the Revised Disclosure Rules of the Philippine Stock Exchange.

## **10. ALTERNATIVE DISPUTE MECHANISM**

The Board shall make available, at the option of a stockholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner. It is important for the stockholders to be well-informed of the Corporation's processes and procedures when seeking to redress the violation of their rights. Putting in place proper safeguards ensures suitable remedies for the infringement of stockholders' rights and prevents excessive litigation. The Corporation shall also establish Alternative Dispute Resolution (ADR) procedures.

## **11. ENCOURAGING EMPLOYEES' PARTICIPATION**

The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance. The establishment of policies and programs covering,

among others, the following: (1) health, safety and welfare; (2) training and development; and (3) reward/compensation for employees, encourages employees to perform better and motivates them to take a more dynamic role in the corporation.

The Corporation shall recognize its employees' specific skills and potential contributions in corporate governance. The Board may develop work councils to consider their viewpoints in certain key decisions.

## **12. BUSINESS CONDUCT AND ETHICS**

The Board shall adopt a Code of Business Conduct and Ethics, which shall set forth the standards for professional and ethical behaviour for all, as well as unacceptable conduct and practices in internal and external dealings. This shall be disclosed and made available to the public through the Corporation's website.

## **13. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY**

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.

## **14. PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL**

14.1. To strictly observe and implement the provisions of the Code on Corporate Governance for Publicly-Listed Companies, the following penalties shall be imposed, after due 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 provision 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.
- c. For the third violation, the maximum penalty of removal from office shall be imposed.

14.2. The commission of a third violation of this Manual by any member of the Board of the Corporation or its subsidiaries and affiliates shall be a sufficient cause for removal from office;

- 14.3. 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 of Directors.

## **15. COMMUNICATION OF THIS MANUAL**

This Manual shall be submitted to the SEC and made available at the Philippine Stock Exchange and Corporation's website. It shall also be available for inspection by any stockholder of the Corporation at its principal office during reasonable hours on business days.

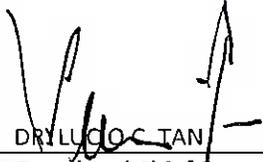
All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

An adequate number of printed copies of this Manual must be reproduced under the supervision of HRD, with a minimum of at least one (1) hard copy of the Manual per department.

## **16. APPROVAL**

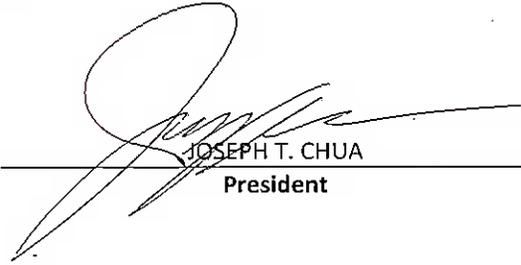
This Amended Manual was approved by the Board of Directors on 30 March 2017.

SIGNATURES



DR. LUCIO C. TAN

Chairman of the Board and Chief Executive Officer



JOSEPH T. CHUA

President



ATTY. MARIVIC T. MOYA

Compliance Officer