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(Company's Full Name)

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

<b>ANNA FRANCESCA C. RESPICIO</b>
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Contact Person

632-0905
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Company Telephone Number

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Month Day  
Fiscal Year

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Month Day  
Annual Meeting


FORM TYPE

N	/	A
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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

To be Accomplished by SEC Personnel concerned

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File Number

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# **First Abacus Financial Holdings Corporation**

**REVISED MANUAL ON CORPORATE GOVERNANCE**

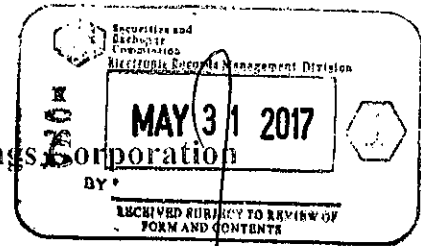
**Effective 31 May 2017**

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## First Abacus Financial Holdings Corporation



### REVISED MANUAL ON CORPORATE GOVERNANCE

The Board of Directors and Management of **FIRST ABACUS FINANCIAL HOLDINGS CORPORATION** (the “Company”) hereby commit themselves to the principles and best practices contained in this Manual to guide the attainment of the corporate goals.

#### DEFINITION OF TERMS

**Corporate Governance** – the framework of rules, systems and processes in the Company that governs the performance by the Board and Management of their respective duties and responsibilities to stockholders and other stakeholders.

**Board of Directors (or the “Board”)** – the governing body elected by the stockholders that exercises the corporate powers of the Company, conducts all its business and controls its properties.

**Management** – the body given the authority by the Board to implement the policies it has laid down in the conduct of the business of the Company.

**Independent Director (“ID”)** – a person who is independent of Management and 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. See also Part II (B) 11.2 of this Manual.

**Executive Director (“ED”)** – a director who is also the head of a department or unit of the Company or performs any work related to its operations (i.e President and Chief Financial Officer).

**Non-Executive Director (“NED”)** – a director who is neither the head of a department or unit of the company nor performs any work related to its operation.

**Internal Control** – the system established by the Board and Management for the accomplishment of the Company’s objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules.

**Internal Audit** – an independent and objective assurance activity designed to add value to and improve the Company’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.

#### RULES OF INTERPRETATION

- I. All references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender.
- II. All doubts or questions that may arise in the interpretation of application of this Code shall be

resolved in favor of promoting transparency, accountability and fairness to the stockholders, and other stakeholders of the Company.

## **PART I**

### **OBJECTIVE**

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors and Management, 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 within the organization

## **PART II**

### **COMPLIANCE SYSTEM**

The Compliance System shall insure that the corporate principles and best practices shall at all times be maintained for the attainment of the corporate goals and objectives. To this end, the corporate governance principles and guidelines contained in this Manual must be adhered to by all concerned, starting with the Board of Directors, to the Board Committees, the Corporate Officers and the Auditors, to be monitored by the Compliance Officer.

#### **A. Compliance Officer**

1. The Chairman of the Board shall designate a Compliance Officer who shall report directly to the Chairman of the Board. He shall have the rank of Senior Vice President or an equivalent position with adequate stature and authority in the Company, and should not be a member of the Board of Directors and should annually attend training on corporate governance.
2. The Compliance Officer shall be primarily responsible for monitoring and insuring adherence to the provisions of this Manual.
3. The Compliance Officer shall perform the following duties:
  - 3.1. Monitor, review, evaluate and ensure compliance by the Company, its officers and directors with the relevant laws this Code, rules and regulations and all governance issuances of regulatory agencies. If any violations are found, 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 repetition of violation;
  - 3.2. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
  - 3.3. Identify possible areas of compliance issues and works towards the resolution of the same;
  - 3.4. Appear before or make representations with the Securities and Exchange Commission (the "Commission" or "SEC") when summoned in relation to compliance with this Code;
  - 3.5. Ensure proper on-boarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);

- 3.6. Ensure integrity and accuracy of all documentary submissions to regulators;
  - 3.7. Collaborate with other departments to properly address compliance issues which may be subject to investigation;
  - 3.8. Ensure the attendance of board members and key officers to relevant trainings;
  - 3.9. Attend training on corporate governance on an annual basis; and
  - 3.10. Perform such other duties and responsibilities as may be provided by the SEC.
4. The Compliance Officer shall have direct reporting responsibilities to the Chairman of the Board.
  5. The appointment of the compliance officer shall be immediately disclosed to the SEC
  6. All correspondence relative to his functions as such shall be addressed to said Officer.

**B. Board of Directors**

1. *Policy.* The Company shall be headed by a competent Board who shall be responsible for fostering the long-term success of the Company 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 Company, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities to ensure a high standard of best practice for the Company and its stockholders and other stakeholders. The Company likewise recognizes the benefits of having a diverse Board, and realizes that a diverse and balanced Board is essential in maintaining a competitive advantage.
2. *Composition.* The number of directors shall that which is indicated in the Articles of Incorporation of the Company. 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 to substantiate proper checks and balances. At least two (2) or twenty percent (20%) of the members of the Board whichever is lesser, but in no case less than two (2), shall be independent directors.
3. *Multiple Board Seats.* The non-executive directors of the Board may concurrently serve as directors of 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 Company
4. *Term.* The members of the Board shall be elected at each annual meeting of the stockholders in accordance with the By-Laws, and shall hold office until the next annual meeting or until the successors shall have been duly elected and qualified. Independent Directors shall serve for a maximum cumulative term of nine (9) years and shall be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Company wishes to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

5. *Nomination and Election of Directors.*

- 5.1 Nomination of directors shall be conducted by the Corporate Governance Committee prior to a stockholders' meeting.
- 5.2 All nominations shall be submitted to the Corporate Governance Committee by any stockholder of record on or before January 30 of each year to allow the Corporate Governance Committee sufficient time to assess and evaluate the qualifications of the nominees.
- 5.3 All recommendations for the nomination of independent Directors shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
- 5.4 After the nomination, the Corporate Governance Committee shall prepare a List of Candidates which shall contain all the information about all the nominees for election as members of the Board of Directors, which list shall be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, or in such other reports as the Company will be required to submit to the SEC.
- 5.5 The name of the person or group of persons who recommend the nomination of the Independent Directors shall be identified in such report including any relationship with the nominee.
- 5.6 Only nominees whose names appear on the List of Candidates shall be eligible for election as directors. No other nominations for election as director shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

6. *Vacancy.* Any vacancy occurring in the Board of Directors, other than by the removal of a director by the stockholders or by the expiration of his term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

The vacancy resulting from the removal of a director by the Stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or special meeting of stockholders called for the purpose, after giving notice as prescribed in these By-Laws.

7. *Meetings.*

- 7.1. In the proper discharge of its functions, the Board shall hold regular meetings to review the operations and financial performance of the Company and to consider matters brought before it for approval. Where required by the SEC or by existing laws and regulations, at least one independent director shall be present in all Board meetings. However, the holding of meetings shall be valid even without the attendance of any one of the independent directors if their failure to attend is for any justifiable cause.
- 7.2. During the meetings, the Board shall assess the Company's performance, position and prospects based on Management's account thereof, which shall be presented in a balanced and understandable manner. Special meetings of the Board may also be called in accordance with the provisions of the By-Laws. Independent views during Board

meetings shall be given due consideration. Minutes of such meetings shall be properly taken and filed.

- 7.3. The Board's non-executive directors (NEDs) shall have separate periodic meetings with the 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 Company. The meetings shall be chaired by the lead independent director
8. *Company Assessment.* The Board is primarily accountable to the stockholders. It shall provide them with a balanced and comprehensive assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.
9. *Duties and Responsibilities of the Board.* The Board shall have the following duties, functions and responsibilities, in addition to those specified in the prevailing laws and regulations and the Company's By-Laws:
  - 9.1. Determine and establish the Company's purpose, mission and vision, objectives, policies and procedures, and the strategies and means to carry out its objectives and attain its goals;
  - 9.2. Establish minimum internal control mechanisms for monitoring and overseeing management performance;
  - 9.3. Implement a process of selection to ensure a mix of competent directors and specify minimum qualifications and disqualifications for these positions who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;
  - 9.4. Provide a policy on the training of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.
  - 9.5. Appoint competent, professional, honest and highly-motivated management officers;
  - 9.6. Ensure and adopt an effective succession planning program for directors, key officers and management to ensure growth and a continued increase in the shareholders' value, which shall include adopting a policy on the retirement age for them as part of management succession and to promote dynamism in the Company;
  - 9.7. Provide sound strategic policies and guidelines to the Company on major capital expenditures and establish programs that can sustain the Company's long-term viability and strength;
  - 9.8. Periodically evaluate and monitor the implementation of its strategic policies and programs, business plans, operating budgets, including the Management's overall performance;
  - 9.9. Ensure that the Company complies with all relevant laws, regulations and codes of best business practices;
  - 9.10. Identify the Company's stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;



- 9.11. Promote cooperation between the stakeholders and the Company in creating wealth, growth and sustainability by establishing clear policies and programs to provide a mechanism on their fair treatment and protection;
- 9.12. Identify the sectors in the community in which the Company operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication with them;
- 9.13. Adopt a transparent framework and process that allow stakeholders to communicate with the Company and to obtain redress for the violation of their rights;
- 9.14. Adopt a system of check and balance within the Board, conduct a regular review of the effectiveness of such system to ensure the integrity of the decision-making and reporting processes at all times and perform a continuing review of the Company's internal control system in order to maintain its adequacy and effectiveness;
- 9.15. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability;
- 9.16. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions and other unusual or infrequently occurring transactions between and among the Company and its parent company, 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;
- 9.17. Constitute the Committees in this manual when necessary or when required by law, and appoint the members thereof in keeping with the principles of good corporate governance and in accordance with the provisions of this Manual;
- 9.18. Provide the stockholder with a balanced and understandable assessment of the Company's performance, position and prospects;
- 9.19. Disclose significant related party and other unusual transactions reviewed and approved during the year in the Annual Corporate Governance Report;
- 9.20. Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities
- 9.21. Meet at such times or frequency as may be needed. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration;
- 9.22. Keep the activities and decisions of the Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation;
- 9.23. Explain its responsibility for preparing the accounts, for which there should be a statement by the auditors about its reporting responsibilities;
- 9.24. Require the chief audit executive to render to the Audit & Risk Committee and senior management an annual report on the internal audit department's activity, purpose,

authority, responsibility and performance relative to the audit plans and strategies approved by the Audit & Risk Committee;

- 9.25. Set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program, which shall be disseminated to employees across the organization through trainings to embed them in the company's culture; and
  - 9.26. Establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation, and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.
  - 9.27. Conduct an annual self-assessment of its performance including the Chairman, individual members, and committees, which should be supported by an external facilitator every three years.
10. Duties and Responsibilities of Each Director. The members of the Board occupy a position of trust and confidence, and as such, shall possess the character, skills and competence suited for the office.

A director shall have the following duties and responsibilities:

- 10.1 Conduct fair business transactions with the Company and ensure that personal interests do not prejudice Board decisions; act in a manner characterized by transparency, accountability and fairness;
  - 10.2 Devote time and attention necessary to properly discharge his duties and responsibilities;
  - 10.3 Act judiciously and exercise independent judgment;
  - 10.4 Any vacancy occurring in the Board of Directors, other than by the removal of a director by the stockholders or by the expiration of his term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.
  - 10.5 Have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies;
  - 10.6 Observe confidentiality;
  - 10.7 Ensure the continuing soundness, effectiveness and adequacy of the Company's control environment; and
  - 10.8 Attend regular and special meetings of the Board in person or by teleconferencing, subject to existing regulations.
11. Qualifications and Disqualifications of the Directors.

11.1 A director shall possess the following qualifications:

- 11.1.1 Holder of at least one (1) share of stock of the Company;
- 11.1.2 At least a college graduate, or in lieu of a formal education, he must have gained sufficient experience in managing the business;
- 11.1.3 At least twenty one (21) years old;
- 11.1.4 Of proven integrity, probity and assiduousness;
- 11.1.5 Must not be an employee, a director, an officer, or an investor holding more than ten percent (10%) of the capital of any enterprise in direct or indirect competition with the business of the Company;
- 11.1.6 Have attended a seminar on corporate governance for the Board conducted by organization accredited by the SEC:
  - 11.1.6.1 *For first-time directors:* an orientation program for at least eight (8) hours.
  - 11.1.6.2 *For incumbent members of the Board:* annually, for at least four (4) hours. and
- 11.1.7 Possessing such other qualifications as shall be prescribed by the Board.
- 11.2 Additional Requirements for Independent Directors. An Independent Director is one person who, apart from his fees and shareholdings, is independent of Management and 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 director of the Company and includes, among others, any person who:
  - 11.2.1 Is not, or has not been a senior officer or employee of the Company unless there has been a change in the controlling ownership of the company;
  - 11.2.2 Is not a director or officer of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
  - 11.2.3 Is not an owner of more than two percent (2%) of the outstanding shares of the Company, its subsidiaries, associates, affiliates or related companies<sup>1</sup>;
  - 11.2.4 Is not a relative of a director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, the word 'relative' shall include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
  - 11.2.5 Is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
  - 11.2.6 Not, and has not been in five (5) years immediately preceding the election, a director of the Company; a director, officer, employee of the Company's

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<sup>1</sup> Related Companies – refers to (a) the covered entity's holding/ parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/ parent company.

subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Company's substantial shareholders and its related companies;

- 11.2.7 Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Company, any of its related companies or substantial shareholder, or otherwise independent of Management and free from any business or other relationship within the five (5) years immediately preceding the date of his election;
  - 11.2.8 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 Company 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;
  - 11.2.9 Has not been appointed in the Company, its subsidiaries, associates, affiliates or related companies as Chairman "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 three years immediately preceding his election;
  - 11.2.10 Is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders;
  - 11.2.11 Is not employed as an executive officer of another company where any of the Company's executives serve as directors;
  - 11.2.12 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 authorized clerk of the broker or dealer; and
  - 11.2.13 Is not otherwise disqualified as independent director by prevailing laws.
- 11.3 A director shall have none of the following disqualifications.
- 11.3.1 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;
  - 11.3.2 Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission 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 willfully violating the laws that govern securities and banking activities;
- 11.3.3 Currently the subject of an order of the Commission or any court or administrative body denying, revoking, suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (“BSP”), or under any rule or regulation issued by the Commission or BSP.
- 11.3.4 Has been restrained to engage in activity involving securities and banking.
- 11.3.5 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 participation of the organization suspending or expelling him from membership, participation or association with a member or participant of the organization.
- 11.3.6 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;
- 11.3.7 Having been finally found by the Commission or a 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 Commission or BSP, or any rule, regulation or order of the Commission or BSP;
- 11.3.8 Having been judicially declared to be insolvent;
- 11.3.9 Having been finally found guilty by 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;
- 11.3.10 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
- 11.3.11 An independent director who becomes an officer or employee of the same Company shall be automatically disqualified from being an independent director.
- 11.4 The Board may, by a resolution, prescribe grounds for the temporary disqualification of a director, which may include, but not limited, to any of the following:
- 11.4.1. 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;

- 11.4.2. Absence or non-participation for whatever reason/s for 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. This disqualification applies for purposes of the succeeding election;
- 11.4.3. Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- 11.4.4. Being under preventive suspension by the Company; and
- 11.4.5. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

### **C. Board Committees**

To aid in complying with the principles of good corporate governance, the Board shall constitute the following Committees: Audit and Risk Oversight Management Committee, and Corporate Governance Committee. The Board may form other committees as it may deem appropriate.

The Board shall appoint the members and chairman (from among the members) of each Board Committee following the annual meeting of stockholders at which the directors are elected. In case of any vacancy in the Board Committee, the Board shall appoint a replacement who will fill the vacancy at any meeting of the Board subject to the provision of its Committee Charters.

Each Board Committee shall have a Charter which shall define and govern, among other matters, its purposes, composition, membership qualifications and disqualifications, duties and responsibilities, conduct of meetings, and procedures for escalation to the Board of decisions of such Board Committee.

#### **1. Executive Committee**

- 1.1 The Executive Committee shall be composed of at least three (3) members to be appointed by the Board. The Board shall have the power to change the members of the Committee at any time, to fill vacancies therein and to discharge or dissolve such committee either with or without cause.
- 1.2 Except as provided in Section 35 of the Corporation Code, the Executive Committee shall have and exercise all such powers as may be delegated to it by the Board.
- 1.3 The Executive Committee shall keep regular minutes of its proceedings and report the same to the Board whenever required.

#### **2. Audit and Risk Oversight Management Committee**

- 2.1. The Audit and Risk Oversight Management Committee (the "Audit & Risk Committee") shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, shall be independent. All its members must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. Its Chairman should not be the chairman of the Board or of any other committees.
- 2.2. The Audit and Risk Committee shall have the following duties and responsibilities:

*General Duties and Responsibilities:*

- 2.2.1. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- 2.2.2. Assist the Board in overseeing the company's practices and processes relating to risk assessment and risk management; maintaining an appropriate risk culture, reporting of financial and business risks and associated internal controls. The AUDIT & RISK Committee will assist the board in providing framework to identify, assess, monitor and manage the risks associated with the company's business. It helps the Board to adopt practices designed to identify significant areas of business and financial risks and to effectively manage those risks in accordance with company's risk profile.
- 2.2.3. Shall meet with the Board at least every quarter without the presence of the Chief Executive Officer or other management team members, and periodically meets with the head of internal audit.
- 2.2.4. Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- 2.2.5. Oversee the implementation of the Enterprise Risk Management framework through Audit & Risk Committee. The Audit & Risk Committee conducts regular discussions on the company'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
- 2.2.6. Set the tone and influence the culture of risk management which includes determining the appropriate risk appetite (risk-taker or risk-averse) or level of exposure as a whole or on any relevant individual issue; determining what types of risk are acceptable and which are not;
- 2.2.7. Coordinate, monitor and facilitate compliance with laws, rules and regulations;

*Internal Audit Oversight:*

- 2.2.8. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal. The Committee shall approve the terms and conditions for outsourcing internal audit services;
- 2.2.9. Recommend approval of the Internal Audit Charter, which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the Internal Audit Charter.

- 2.2.10. Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;
- 2.2.11. Through the Internal Audit Department, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security. 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;
- 2.2.12. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit & Risk Committee.
- 2.2.13. Ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.
- 2.2.14. Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
- 2.2.15. Review the reports submitted by the internal auditors;

*External Audit Oversight:*

- 2.2.16. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- 2.2.17. Recommends 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 Company, and provides an objective assurance in the manner by which the financial statements should be prepared and presented to the stockholders;
- 2.2.18. Oversee the overall relationship of the Company and its Management with the External Auditor;
- 2.2.19. Review and monitor the independence of the External Auditor and, in particular the, provision of additional services to the Company, including the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level;
- 2.2.20. Exercise effective oversight to review, assess and monitor the external auditor's integrity, independence and objectivity, and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements;
- 2.2.21. Oversee the External Audit of the annual and consolidated accounts;



- 2.2.22. Review the quarterly, half-year 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
- 2.2.23. Discuss with the External Auditor key matters arising from the audit, and in particular any identified material weaknesses in internal control in relation to the financial reporting process;
- 2.2.24. Discuss the written representations the External Auditor is requesting from senior management and, where appropriate, those charged with governance;
- 2.2.25. Review the disposition of the recommendations in the External Auditor's management letter;
- 2.2.26. Develop and implement a policy on the engagement of the External Auditor for the supply of non-audit services, taking into account relevant ethical guidelines on the provision of non-audit services by the External Audit firm;
- 2.2.27. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total fees paid to him and to the Company's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The nature of non-audit work, if allowed, should be disclosed in the Company's Annual Report and Annual Corporate Governance Report;
- 2.2.28. Periodically review the proportion of non-audit fees paid to the external auditor in relation to the Company overall consultancy expenses in order for the Committee to disallow the same auditor to perform non-audit services for the company if there is potential conflict between the auditor and the company; and
- 2.2.29. Approve the total fees charged for the audit of the financial statements and for non-audit services provided by the External Auditor to the Company and its components controlled by the Company.

*Risk Management Functions:*

- 2.2.30. Develop a formal enterprise risk management plan in accordance with internationally recognized frameworks 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;

- 2.2.31. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Audit & Risk Committee shall revisit 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;
- 2.2.32. 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 Company and its stakeholders;
- 2.2.33. Review annually the Company'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 Company.
- 2.2.34. Advise the Board on its risk appetite levels and risk tolerance limits;
- 2.2.35. Report to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks and recommends further action or plans, as necessary; and
- 2.2.36. Perform other activities consistent with this charter, the Company's by-laws and governing law as the Audit & Risk Committee or the Board deems necessary or appropriate.

*Related Party Transactions:*

- 2.2.37. Ensure that a Policy for Related Party Transactions ("RPT") includes the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy shall encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.
- 2.2.38. Evaluate on an ongoing basis existing relations between and among business 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;
- 2.2.39. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, 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, 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 Audit & Risk Committee takes into account, among others, the following:
  - The related party's relationship to the Company and interest in the transaction;
  - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - The benefits to the Company of the proposed RPT;

- The availability of other sources of comparable products or services; and
  - 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 Company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
- 2.2.40. 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 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 Company's affiliation or transactions with other related parties;
- 2.2.41. 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;
- 2.2.42. Ensure that transactions with related parties, including write-off of exposures are subject to periodic independent review or audit process; and
- 2.2.43. Oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including a periodic review of RPT policies and procedures.

### 3. Corporate Governance Committee

- 3.1. The Corporate Governance (the "CG Committee") shall be composed of at least three members, majority of whom are independent directors. It is tasked to assist the Board in the performance of its corporate governance responsibilities.
- 3.2. Duties and Responsibilities. The CG Committee shall have the following duties and responsibilities:

*General Duties and Responsibilities:*

- 3.2.1. Oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Company's size, complexity and business strategy, as well as its business and regulatory environments;
- 3.2.2. 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;
- 3.2.3. 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;
- 3.2.4. 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;

- 3.2.5. Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- 3.2.6. Propose and plan relevant trainings for the members of the Board;
- 3.2.7. Determine the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- 3.2.8. Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates.

*Nomination and Election of the Directors:*

- 3.2.9. 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 and by the Board. The identification of the quality of directors must be aligned with the strategic direction of the company.
- 3.2.10. In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance.
- 3.2.11. It shall write a report to assess the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director.

*Compensation and Remuneration:*

- 3.2.12. 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 to ensure that the compensation levels are consistent with the Company's culture, strategy and control environment.
- 3.2.13. Determine and align the amount of remuneration for the Company's directors and officers with the long-term interests of the company by formulating and adopting a policy specifying the relationship between remuneration and performance, which shall be in a sufficient level to attract and retain personnel who are needed to run the company successfully.
- 3.2.14. Ensure that all incoming officers and directors disclose fully their existing business interests or shareholdings that may directly or indirectly conflict with the performance of their intended duties and responsibilities, under the penalty of perjury.
- 3.2.15. Disallow any director to decide his own remuneration.
- 3.2.16. Provide management with a clear, concise and understandable disclosure of the compensation of the Company's executive officers for the previous fiscal

year and the current year, which shall be incorporated in the Company's annual reports, information and proxy statements.

- 3.2.17. Review the existing Human Resources Development or Personnel Handbook or its equivalent, 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. In the absence of such Personnel Handbook or its equivalent, the Committee, in coordination with the Human Resources Department, shall develop such a handbook which shall cover the same parameters of governance stated above.

#### **D. Management**

The Management should formulate, under the supervision of the Audit & Risk Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

1. The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the External Auditor, should be clearly explained;
2. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company should be maintained for the benefit of all stockholders and other stakeholders;
3. 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 Company'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;
4. The Company should consistently comply with the financial reporting requirements of the Commission;
5. 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 Company, should be changed with the same frequency;
6. The Internal Auditor should submit to the Audit & Risk Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit & Risk Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management;
7. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

#### **E. Chief Executive Officer**

1. The Chief Executive Officer (CEO) shall be appointed by the Board to serve as such until his successor shall have been elected and qualified. At the option of the Board, a person other than the President may be designated CEO, at which instance the President may be designated Chief Operating Officer (COO). The President and CEO positions should both be held by Filipino

citizens. Being the principal officers of the Company, the President and CEO shall be a person or persons of outstanding knowledge and integrity. The President and CEO shall work and deal fairly and objectively with all the constituencies of the Company, namely, the Board, management, and stockholders.

2. Subject to the control of the Board of Directors, the CEO shall:
  - 2.1. Supervise and control all the business and affairs of the Company;
  - 2.2. In the absence of the Chairman and the Vice Chairman of the Board, preside at all meetings of the Board of Directors and stockholders. If the President and CEO positions are not held by one individual, then the President shall preside unless absent, in which case the CEO shall preside;
  - 2.3. Together with other officers designated by the Board, sign all checks, drafts, or other orders with respect to any funds of the Company maintained in any bank, certificates of stock of the Company, any deed, mortgage, bond, contract, or other instrument which the Board of Directors has authorized to be executed; and
  - 2.4. Perform all duties incident to the office(s) of the President and CEO, those provided in the existing laws and regulations and the By-Laws, and such other duties as may be prescribed by the Board of Directors from time to time.
3. The positions of Chairman of the Board and CEO, when practicable, may be held by separate individuals and each should have clearly defined responsibilities. In case the President or CEO is also the Chairman of the Board, he shall strictly follow the checks and balances provided by the Board in accordance with this Manual to insure that independent, outside views, perspectives and judgments are given proper hearing in the Board.

#### **F. 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 CEO are held by one person

#### **G. Corporate Secretary**

1. The Corporate Secretary shall be elected by the Board, to serve as such until his successor shall have been duly elected and qualified.
2. The Corporate Secretary shall possess the following qualifications:
  - 2.1. He shall be a Filipino citizen, shall be a separate individual from the Compliance Officer and shall not be a member of the Board of Directors
  - 2.2. He shall demonstrate perfection in performance with no surprises, and maintain loyalty to the mission, vision and specific business objectives of the corporate entity.
  - 2.3. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.
3. The Corporate Secretary shall have the following duties and functions:

- 3.1. 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;
- 3.2. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Company.
- 3.3. Attendance in all Board meetings, except when justifiable causes prevent him from doing so;
- 3.4. Ensure strict compliance with all Board procedures and rules and regulations;
- 3.5. Inform the members of the Board, in accordance with the Company's By-Laws, of the agenda of their meetings 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;
- 3.6. Safekeeping and preservation of the integrity of the minutes of the Board and its committees, as well as the other official records of the Company;
- 3.7. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
- 3.8. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
- 3.9. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advises the Board and the Chairman on all relevant issues as they arise;
- 3.10. Ensure that the members of the Board have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- 3.11. Keep loyal to the mission, vision, strategic objectives, and policies and procedures of the Company;
- 3.12. Work fairly and objectively with the Board, Management, stockholders, other stakeholders;
- 3.13. Have appropriate administrative and interpersonal skills;
- 3.14. Have knowledge of the operations of the Corporation;
- 3.15. Be fair and objective in performing his duties relative to the Board, the Management and the Company's stockholders;
- 3.16. Attend training on corporate governance annually; and
- 3.17. Perform such other duties and responsibilities as may be provided by the SEC;

## **II. External Auditor**

1. The appointment, re-appointment, removal as well as the fees to the External Auditor shall be approved by the Board upon recommendation by the Audit & Risk Committee. This shall be ratified by the shareholders during the annual stockholders' meeting

2. The reason/s for the resignation, dismissal or cessation from service, and the date thereof, of an external auditor shall be reported in the company's annual and current reports. Said report shall include a discussion of any disagreement between him and the Company on accounting principles and practices, financial disclosures or audit procedures which the former auditor and the Company failed to resolve satisfactorily. A preliminary copy of said report shall be given by the Company to the external auditor before his submission.

If the external auditor believes that any statement made in the annual report, information statement or any report filed with the Commission or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matter in the said report.

3. The external auditor of the company shall not at the same time provide the services of an internal auditor to the same client. The Board shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
4. The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Company should be changed with the same frequency.

## **II. Internal Auditor**

1. The Audit & Risk Committee shall establish an independent internal audit function that shall be performed by an Internal Auditor or a group of Internal Auditors, which may be a fully resourced activity, housed within the organization or may be outsourced to qualified independent third party service providers.
2. The independent internal audit function shall provide the Board, senior management, and stockholders with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Internal Auditor shall report to the Audit & Risk Committee.
3. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Company's organizational and procedural controls.
4. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.
5. The Internal Auditor should submit to the Audit & Risk Committee and Management, an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit & Risk Committee. The annual report should include significant key exposures, control issues and such other matters as may be deemed necessary or requested by the Board and Management.
6. Subject to the company's size, risk profile and complexity of operations, the board may appoint a qualified Chief Audit Executive (CAE) who shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel shall be assigned the responsibility for managing it.



### PART III

#### REPORTORIAL OR DISCLOSURE SYSTEM OF CORPORATE GOVERNANCE POLICIES

- A. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Company's Compliance Officer;
- B. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders through the proper procedures adopted by the Philippine Stock Exchange (the "Exchange" or "PSE") and by the SEC for the interest of its stockholders and other stakeholders.
- C. All material information about the Company which could adversely affect its viability or the interests of its stockholders and other stakeholders shall be publicly and timely disclosed to the PSE and the Commission. Such material 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 the management.
- D. All directors and officers shall disclose/report to the Company any dealings in its shares within three (3) business days.
- E. The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.
- F. The Company shall provide a 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. Also, companies should disclose the remuneration on an individual basis, including termination and retirement provisions.
- G. Committee Charters of all established committees stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information, as well as standards for evaluating the performance of the Committee shall be fully disclosed on the company's website.
- H. The Company should 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.

### PART IV

#### SHAREHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

The Board shall be committed to respect the following rights of the stockholders:

##### **A. Right to Active Participation**

- A. The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least twenty-eight (28) days before the meeting.

- B. The Board shall make the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the Company's website within five (5) business days from the end of the meeting.
- C. The Board shall establish an Investor Relations Office ("IRO") who must be present at every shareholders' meeting to ensure constant engagement with its shareholders.

#### **B. Voting Right**

1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. Minority shareholders shall have the right to nominate their candidates in writing in the form and period prescribed by the Company, and sent to the Corporate Secretary.
2. Cumulative voting shall be used in the election of directors.
3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

#### **C. Power of Inspection**

All shareholders shall be allowed to inspect during office hours the 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**

1. The Shareholders shall be provided, upon written 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 company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
2. The minority shareholders shall have 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.
3. 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 stockholders' meeting, being within the definition of "legitimate purposes".

#### **E. Right to Dividends**

1. Shareholders shall have the right to receive dividends subject to the discretion of the Board.
2. The company 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 Company 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 Company, such as when there is a need for special reserve for probable contingencies.

#### **F. Appraisal Right**

1. 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 82 of the Corporation Code of the Philippines, under any of the following circumstances:
  - 1.1. 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;
  - 1.2. 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
  - 1.3. In case of merger or consolidation.
2. 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.

### **PART V**

#### **ADEQUATE AND TIMELY INFORMATION**

- A. Management should provide members of the Board of Directors with complete, adequate and timely information about the matters to be taken in their meeting.
- B. In order for each of the members of the Board to properly perform their function and responsibilities further inquiries will be made and not merely rely on the information volunteered by the Management. Members are given independent access to Management and Corporate Secretary information and documents.
- C. Members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Company's expense.

## PART VI

### MONITORING AND ASSESSMENT PART VI - MONITORING AND ASSESSMENT

- A. Each Committee shall report regularly to the Board of Directors.
- B. The Compliance Officer shall establish an evaluation system to measure the performance of the Board, Board Committees and the President of the Company in terms of governance practices. He shall ensure the proper and efficient implementation and monitoring of compliance with the Manual on Corporate Governance, the Code of Business Conduct and Ethics, Charters, internal policies and applicable laws and regulations. Any violation thereof shall subject the responsible officer or employee to the penalty provided under this Manual.
- C. 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. The self-assessment of its performance shall be done annually and shall include the performance of the Chairman, individual members and board committees. This shall be overseen by the CG Committee, which shall discuss the results thereof at a Board meeting.
- D. The assessment criteria shall be based on the mandates, functions, roles and responsibilities provided in the Board and Committee Charters with attention to the values, principles and skills required for the Company. The criteria, process and collective results of the assessment shall be disclosed to ensure transparency and to allow shareholders and stakeholders to determine if the Board, the individual members, committees are performing their responsibilities to the company and allowing them to give their feedback to the Board.
- E. The adoption of such performance evaluation system must be covered by a Board approval. Such evaluation system shall provide for a Self-Evaluation Form to be distributed to members of the Board of Directors and Board Committees for the purpose of rating each member, the Committees and the Board as a whole based on specific criteria identified by the CG Committee.
- F. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Company's annual report or in such form of report that is applicable to the Company.
- G. Every three (3) years, the assessment shall be supported by an external facilitator. The use of an external facilitator in the assessment process increases the objectivity of the same. The external facilitator can be any independent third party such as, but not limited to, a consulting firm, academic institution or professional organization.
- H. During the evaluation, directors shall be afforded the opportunity to identify areas for improvement in the performance of their duties and responsibilities.

## PART VII

### COMMUNICATION PROCESS

- A. This Manual and Corporate Governance, policies, programs and procedures shall be available for inspection by any stockholder of the Company at the Investor Relations Office during reasonable hours on business days and shall also be available in the Company's website.
- B. The Code of Business Conduct and Ethics and internal policies shall be properly disseminated across the organization and shall be disclosed in the Company's website.
- C. 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.
- D. An adequate number of printed copies of this Manual must be reproduced and distributed to all departments/subsidiaries with a minimum of at least one (1) hard copy of the Manual each.
- E. The Company shall provide timely and up-to-date information relevant to investors' decision-making, as well as to other interested stakeholders. Public, material and relevant information shall be posted in the official website. Relevant information intended to certain users shall be disseminated through official correspondence.

## PART VIII

### TRAINING PROCESS

- A. If necessary, funds shall be allocated by the CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.
- A. A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.
- B. To promote effective Board performance and continuing qualification of the directors in carrying out their duties and responsibilities, an annual continuing training shall be required to be undertaken by each director for at least four (4) hours.
- C. The Company shall assess the training and development needs of the directors, officers and employees in determining the coverage of the continuing training program.

**PART IX**

**COMMITMENT TO GOOD CORPORATE GOVERNANCE**

This Manual shall be made available for inspection by any stockholder at reasonable hours on business days.


**PART X**

**PENALTIES FOR NON-COMPLIANCE**

1. To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the company'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:

<b>OFFENSE</b>	<b>PENALTY</b>
First Violation	Reprimand
Second Violation	Suspension from office <i>Duration of the suspension shall depend on the gravity of the violation.</i>
Third Violation	Removal from office. <i>With regard to directors the provision of Section 28 of the Corporation Code shall be observed.</i>

2. The Compliance Officer shall be responsible for determining violation/s through and reporting the same to the Corporate Governance Committee. The Corporate Governance Committee shall conduct a hearing to determine the imposable penalty of the erring individual and recommend such penalty to the Board for approval.

  
**PAULINO S. SOO**  
*Chairman of the Board*

  
**MELANIO C. DELA CRUZ**  
*Compliance Officer*