



CONCEPCION

INDUSTRIAL CORPORATION

CONCEPCION INDUSTRIAL CORPORATION (CIC)

**CORPORATE GOVERNANCE MANUAL
(AS AMENDED ON FEBRUARY 12, 2020)**

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INTRODUCTION

Concepcion Industrial Corporation (“**CIC**” or the “**Company**”) and the CIC group of companies (the “**Group**”) believe that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the market place. Thus, the business and operations of the Company and the Group will be conducted in accordance with the principles and best practices of good corporate governance.

As a publicly listed company, the Board of Directors has formally adopted this Corporate Governance Manual (the “**Manual**”) that incorporates the established governance policies and practices in accordance with applicable laws, rules and regulations, including the Code of Corporate Governance for Publicly Listed Companies. The amended Manual was approved and adopted by the Board of Directors on February 12, 2020 to incorporate current regulations. Through this Manual, the Board of Directors of the Company (“**Board**”) aims to promote adherence and further strengthen the Group’s commitment to good corporate governance.

The Board, Management and staff hereby acknowledge that this Manual will be their guide to principled actions and responsible conduct. Through a cascade program, the Manual will be implemented for the entire Company, its subsidiary and affiliate companies for compliance.

The Philippine Revised Corporation Code (the “**Corporation Code**”) lays down the basic legal framework for corporate governance of every Philippine corporation. It is supplemented by the Securities Regulation Code or Republic Act No. 8799 (the “**SRC**”), the rules issued by the Securities and Exchange Commission (“**SEC**” or “**Commission**”) to implement Republic Act 8799 and the Code of Corporate Governance for Publicly Listed Companies or SEC Memorandum Circular No. 19, Series of 2016 (the “**CG Code**”), this Manual, and the charters of the Board Committees. All terms defined herein shall have the definitions given in the rules implementing Republic Act 8799.

GOVERNANCE STRUCTURE

The Company supports the principle and regulatory mandate of check and balances across the entire Group by its observance of the segregation of powers, independence of audit, compliance and risk management functions. In the context of good governance, the following roles and responsibilities are defined in this Manual:

1. The Board
2. The Key Management and Officers of the Company

GOVERNANCE PRINCIPLES

Adequate and Timely Information

To enable the members of the Board to properly fulfill their duties and responsibilities, they shall be provided as follows:

1. Management shall provide the directors with complete, adequate and timely information about matters to be taken up during their meetings.
2. The directors shall have independent access to Management and the Corporate Secretary for all information to enable them to properly perform their duties and responsibilities.
3. The information to be provided to the directors may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.
4. The directors, either individually or as a body, shall have access to independent professional advice at the Company's expense.

Accountability and Audit

1. The Board is primarily accountable to the Company's stockholders. It shall provide the stockholders with a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other price sensitive public reports, and reports to regulators as required by law.
2. The Management in turn shall provide the Board with accurate and timely information. With the guidance of the Audit and Risk Oversight Committee, Management shall formulate 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 Company, 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 Company's assets should be maintained for the benefit of all shareholders and 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 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; and
 - d) The Company should consistently comply with the financial reporting requirements of the SEC.
3. The extent of Management's responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the external auditor, shall be clearly explained.
4. Management shall maintain a sound system of internal control to safeguard stakeholders' investment and the Company's assets.
5. On the basis of approved audit plans, internal audit examinations shall cover, at the minimum:

- a. The evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems.
 - b. The reliability and integrity of the Company's financial and operational information.
 - c. Effectiveness and efficiency of operations.
 - d. Protection of assets.
 - e. Compliance with contracts, laws, rules and regulations.
6. The Company shall consistently comply with the financial reporting requirements of the SEC.
7. The Board, upon endorsement of the Audit and Risk Oversight Committee, shall recommend to the stockholders an external auditor duly accredited by the SEC who shall undertake an independent audit and shall provide an objective assurance on the way in which financial statements have been prepared and presented.
- a. The external auditor shall be rotated or changed every five [5] years or the signing partner of the external auditing firm assigned to the Company shall be changed with the same frequency.
 - b. The reason/s for the resignation, dismissal or cessation from service, and the effective date thereof, of an external auditor shall be reported in the Company's annual and current reports.
 - c. If an external auditor believes that the statements made in an annual report or information statement filed during his engagement are incorrect or incomplete, he shall also present his views in said reports.

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THE BOARD OF DIRECTORS

1. ESTABLISHING A COMPETENT BOARD

- 1.2 **Board Composition.** The Board shall be composed of nine (9) directors, or such number provided in the Company's Articles of Incorporation ("**Articles**"). The stockholders of the Company shall elect the members of the Board during their annual meeting in accordance with the Articles and the Company's by-laws ("**By-Laws**"). Immediately after their election, the Board shall elect a Chairman of the Board.

The Board shall be composed of a majority of non-executive directors, including three (3) independent directors or such number that would constitute at least one-third (1/3) of the members of the Board, whichever is the lesser, with diverse professional and personal backgrounds.

- 1.3 **Selection of Board Members.** In evaluating the suitability of individual Board members, the Board, through the Corporate Governance & Nominations Committee, should take into account the relevant qualifications of every candidate nominated for election such as among others, physical/mental fitness, relevant educational and professional background, personal track record, diversity of related experience/training, gender, age, ethnicity, culture, skills, competence and knowledge, commitment to contribute, willingness to serve and interest to remain engaged and involved. For the re-election of incumbent directors, the Board should also consider the results of the most recent self-assessment of the Board and peer evaluation, director's attendance record in meetings, participation in Board activities and overall contribution to the functioning of the Board. Upon acceptance of his or her nomination as director, the nominee shall notify the Corporate Governance & Nominations Committee of incumbent directorships.

- 1.4 **Director Orientation and Continuing Education.** All new directors joining the Board are required to undergo an orientation program within three (3) months from date of election or appointment. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and Board Committees, the Company's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Ethics, Policy on Conflict of Interest, Policy on Whistleblowing, and Policy on Related Party Transactions (collectively the "**Governance Policies**"), Articles and By-Laws, and this Manual.

All directors are also required to participate in relevant annual continuing education programs at the Company's expense to maintain a current and effective Board and continuing qualification of the directors in carrying-out their duties and responsibilities.

- 1.5 **Board Diversity.** Our commitment to a diverse and inclusive workplace begins with setting the tone from the top, starting with the Board. We recognize and embrace the benefits of diversity on the Board, and view diversity at the Board level as an essential element in attaining our strategic objectives and sustainable development. The Board strives to ensure that its membership reflects diversity in its broadest sense. A combination of culture, knowledge, skills, experience, age, gender, educational and professional background are important for providing a range of perspectives to overcome challenges, improve business performance, and support good decision making. Such diversity will be considered in

determining the optimum composition of the Board and when possible should be balanced appropriately.

In reviewing Board composition and succession planning, the Corporate Governance and Nominations Committee will consider the benefits of all aspects of diversity, including but not limited to those described above. In identifying suitable candidates for appointment to the Board, the Corporate Governance and Nominations Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. Diversity is a key criterion in the instructions to external search consultants that may be tapped for assistance.

- 1.6 **Tenure/Term Limits.** Elected members of the Board serve for a one-year term and until their successors are elected except for Independent Directors whose cumulative terms shall be in accordance with the limits as prescribed by the Corporation Code, CG Code and rules and regulations issued by the SEC.

2. **ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD/ FOSTERING COMMITMENT**

- 2.2 **The Responsibilities of the Board.** The Board is collectively responsible for the long-term shareholder value of the Company. Its role is to approve, oversee and review the implementation of the Group's business and strategic objectives, enterprise risk strategy and senior management performance to ensure the success of the Group and sustain its industry leading position. It leads in establishing the tone and practices of good corporate governance at the top. It sets the Group's corporate values and high ethical standards of business conduct for itself and all members of the Group. Through its oversight, monitoring and review functions, the Board ensures that the Group is being run in a sound and prudent manner on a going concern basis in order to fulfil its obligations to all shareholders while upholding and protecting the interests of different constituencies. To this end, the Board exercises the following:

- a. **Oversight and Approval.** It is the duty of the Board to oversee the business affairs of the Company and to exercise sound and objective judgment for its best interest. It relies on the Chief Executive Officer and other senior management officers in the competent and ethical operation of the Company on a day-to-day basis. Thus, it is the responsibility of the Board to monitor and oversee the performance of senior management in implementing the strategies, policies pertaining to major business activities and enterprise risks throughout the Group. The Board shall ensure that major plans of action, risk policy, annual budgets and business plans, and performance objectives and accountabilities are set to monitor implementation, measure corporate performance and take corrective action as needed pursuant to approved strategic objectives.
- b. **High Ethical Standards in Doing Business.** Our corporate governance practice adheres to basic principles of integrity, transparency, fairness, accountability and performance. All Governance Policies shall be properly disseminated throughout the Company and made available to the public through the Company website. It is the responsibility of the Board, senior management, executives and staff to follow at all times the established Governance Policies and governance practices as these are put in place to protect the Company's reputation, assets and businesses. To this end, the Board shall

ensure the proper and efficient implementation and monitoring of compliance with the Governance Policies, and ensure the Company's faithful compliance with all applicable laws, regulations and best business practices including the timely and accurate submission of public disclosures, prudential and supervisory reports to the relevant regulatory bodies.

- c. **Annual Board and Executive Management Performance Evaluation.** The Board, through the Corporate Governance and Nominations Committee, shall undertake the evaluation of its performance as a collective body, its Committees and senior management to determine whether they are functioning effectively, pinpoint areas for improvement and ensure that the President is providing effective leadership to the Group. The Corporate Governance and Nominations Committee shall report the results of the self-assessment to the Board. It shall likewise implement a process for the selection of Board members who can add value and meaningfully contribute independent judgment to the formulation of sound corporate strategies and policies. The assessment process shall be supported by an external facilitator every three (3) years, which can be any independent third party, such as, but not limited to, a consulting firm, academic institution or professional organization.
 - d. **Directors' Peer Evaluation.** This is intended to encourage improved performance and effectiveness of directors by identifying areas that need improvement. Each director is requested to rate their colleagues on the Board using the prescribed rating scale and questions. The Corporate Governance and Nominations Committee shall report also the results of the peer evaluations to the Board.
 - e. **Management Succession Planning.** The Board, in coordination with the Corporate Governance and Nominations Committee, shall ensure that the Company has in place an appropriate and updated succession planning for key executives to address emergency in the event of extraordinary circumstances and ensure continuity of operations.
 - f. **Related Party Transactions.** The Board shall ensure that there is a Group-wide policy and system governing related party transactions ("RPT") and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality.
 - g. **Enterprise Risk Management.** The Board shall ensure that there is a sound Enterprise Risk Management ("ERM") framework in place to effectively identify, monitor, assess and manage key business risks
- 2.3 **Specific Duties and Responsibilities of a Director.** A director shall conduct his business transactions with the Company fairly and ensure that personal interest does not bias Board decisions. The basic principle to be observed is that a director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. In addition to the requirements of law, the Articles and By-Laws, the members of the Board shall have the following specific duties and responsibilities:
- a. To remain fit and proper for the position for the duration of his term.

- b. To act honestly and in good faith, with loyalty and in the best interest of the Company, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as the Company's depositors, investors, borrowers and other clients in the general public.
- c. To devote time and attention necessary to properly discharge his duties and responsibilities. A director shall devote sufficient time to familiarize himself with the Company's business. He should be constantly aware of the Company's condition and be knowledgeable enough to contribute meaningfully to the Board's work.
- d. To act judiciously. Every director shall thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
- e. To contribute significantly to the decision-making process of the Board.
- f. To exercise independent judgment. A director shall view each problem/situation objectively. When a disagreement with others occurs, he shall carefully evaluate the situation and state his position. Corollary, he shall support plans and ideas that he thinks are beneficial to the Company.
- g. To have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles and Bylaws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies.
- h. To observe confidentiality. A director shall observe the confidentiality of non-public information acquired by reason of his position as director.
- i. To ensure the continuing soundness, effectiveness and adequacy of the company's control environment.

2.4 **Nomination and Election.** The Company believes in the importance of having a formal and transparent Board nomination and election process that includes how it accepts nominations from minority shareholders and reviews nominated candidates. Such process should also include an assessment of the effectiveness of the Board's processes and procedures in the nomination, election, or replacement of a director that is aligned with the strategic direction of the Company. The process for nomination and election to the Board shall be overseen by the Corporate Governance and Nominations Committee of the Board. Nominations submitted to the Corporate Governance and Nominations Committee within the deadline provided in the By-Laws shall be screened by the Corporate Governance and Nominations Committee as to the nominees' qualifications or presence of any of the disqualifications for directorship under the Manual, CG Code, Corporation Code and By Laws. For nominees for independent directors, the Corporate Governance and Nominations Committee shall determine whether or not the nominees meet the independence criteria under the Manual, CG Code, Corporation Code and By Laws. Upon acceptance of his or her nomination as director, the nominee shall notify the Corporate Governance and Nominations Committee of incumbent directorships. For independent directors, they shall likewise submit a sworn certification in the form prescribed by the SEC.

2.5 **Qualifications of Directors.** *In addition* to the requirements of the By-Laws and the Corporation Code, the following are the minimum qualifications for directors of the Company:

- a. He shall be at least twenty-five (25) years of age at the time of his election or appointment.
- b. He shall be at least a college graduate or have at least five (5) years experience in business.
- c. He must have attended a special seminar or have equivalent experience on corporate governance for board directors
- d. He must be fit and proper for the position, and in this regard, the following shall be considered: integrity/probity, physical/mental fitness, competence, relevant education/financial literacy training, diligence and knowledge/experience.

2.6 **Disqualifications of Directors.**

a. **Permanent Disqualification.**

In addition to the permanent disqualifications of directors found in the By-Laws, Corporation Code, CG Code, and other applicable laws, the following shall be permanently disqualified to become a director of the Company:

- i. Any person convicted by final judgment or order by a court, or competent administrative body of an offense involving dishonesty or breach of trust, moral turpitude, fraud, estafa, counterfeiting, misappropriation, embezzlement, extortion, forgery, bribery, malversation, theft, perjury of other fraudulent acts.
- ii. Any person who has been convicted by final judgment by a court for violation of any law.
- iii. Any person who has been judicially declared insolvent or incapacitated to contract.
- iv. 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 SRC, [b] arises out of the person's conduct as 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.
- v. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from [1] acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; [2] acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; and [3] engaging in or continuing any conduct or practice in any of the above capacities

mentioned in [1] and [2] above, or willfully violating the laws that govern securities and company activities.

- vi. Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body to have willfully violated, or willfully aided, abetted, counselled, induced or procured the violation of any provision of the Code, SRC or any other law, rule, regulation or order administered by the SEC or other administrative body.
- vii. Any person earlier elected as independent director who becomes an officer, employee, or consultant of the Company.
- viii. Any person who, within five (5) years prior to his election: (1) was convicted by final judgment: (a) of an offense punishable by imprisonment for a period exceeding six (6) years, (b) for violating the Corporation Code, and (c) for violating the SRC; (2) found administratively liable for any offense involving fraudulent acts; and (3) was convicted by final judgment by a foreign court or equivalent foreign regulatory authority for acts, violations or misconducts similar to those enumerated in (1) and (2) hereof.

b. Temporary Disqualification.

In addition to the temporary disqualifications of directors found in the By-Laws, the CG Code, and other applicable laws, the following shall be deemed as grounds for temporary disqualification from holding a director position in the Company:

- i. Refusal to comply with the disclosure requirements of the SEC and its implementing rules and regulations. The disqualification shall be in effect as long as the refusal persists;
- ii. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification applies for purposes of the succeeding election;
- iii. Delinquency in the payment of his financial obligations and those of his related interests. The disqualification shall be in effect as long as the deficiency persists;
- iv. Conviction for offenses that are grounds for permanent disqualification of a director that has not yet become final and executory;
- v. 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 should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- vi. Having been dismissed or terminated from employment with the Company for cause. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity;

- vii. Being under preventive suspension by the Company;
- viii. Any person with derogatory records with law enforcement agencies. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity; and
- ix. If the beneficial equity ownership of an independent director in the Company 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. The temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate actions to remedy or correct the disqualification.

2.7 Board Operations

- a. **Board Meetings – Frequency.** The Board will meet at least six (6) times a year, preferably every third Wednesday of February, April, May, July, August and November, and will hold additional meetings as necessary.
- b. **Board Meetings – Quorum Requirements.** A quorum of directors is required to attend in person for any meeting of the Board. The physical presence of directors in meetings of the Board Committees on which they serve is encouraged. They are expected to prepare diligently for the meetings to evaluate and add value to the items presented, actively participate and contribute meaningfully to the discussions of the Board. For scheduled and special Board meetings, attendance through video or teleconference is allowed. An independent director shall always be in attendance. However, the absence of an independent director may not affect the quorum requirements.
- c. **Board Meetings – Agenda and Materials.** The agenda and information package for each Board and Committee meeting should be sent to each director in writing or electronically at least five (5) days in advance, whenever possible and appropriate.

2.8 **Directors' Access to Senior Officers.** The non-voting members of the Executive Committee will be invited to attend the regular meetings of the Board. Other senior officers of the Company and its subsidiaries and affiliates will be invited to Board meetings to provide input on specific Board agenda items, as the need arises. The directors have free and unrestricted access to senior management and the Corporate Secretary's Office may arrange meetings with senior officers of the Company, at the request of any director. The Company will continue to engage the Board and its sub-Committees to provide independent counsel and resources as necessary.

2.9 **Director Orientation and Continuing Education.** All new directors joining the Board are required to undergo an orientation program within three (3) months from date of election or appointment. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and Committees, the Company's strategic plans, enterprise risks, group structures, business activities, compliance programs, Governance Policies, Articles, By-Laws, and the Manual.

All directors are also required to participate in relevant annual continuing education programs at the Company's expense to maintain a current and effective Board and continuing qualification of the directors in carrying-out their duties and responsibilities.

- 2.10 **Multiple Board Seats.** Directors may concurrently serve in Boards of other corporations provided the provisions of the CG Code on the maximum number of concurrent directorships in publicly listed companies are strictly observed and provided further that the capacity of a director to devote quality time and attention in performing his duties and responsibilities is not compromised. A director should notify the Board before accepting directorship in another corporation.
- 2.11 **Confidentiality.** It is important that directors respect the sensitivity of information received during their service as a director. As such, they are expected to maintain confidentiality of this information at all times.
- 2.12 **Remuneration of Directors and Key Executive Officers.** The levels of remuneration of the Company shall be sufficient to attract and retain experienced and professional directors and officers needed to run the Company successfully. A proportion of executive directors' remuneration may be structured so as to link rewards to corporate and individual performance.

The Company may establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors and officers. However, no director shall be involved in deciding his or her own remuneration.

The Company's annual reports and information statements shall include a clear, concise and understandable disclosure of all plan and non-plan compensation awarded to, earned by, paid to, or estimated to be paid to, directly or indirectly, all individuals serving as the CEO or acting in a similar capacity during the last 5 completed fiscal year, and the Company's four (4) most highly compensated executive officers other than the CEO who were serving as executive officers at the end of the last completed year.

3. ESTABLISHING BOARD COMMITTEES

- 3.2 The Board shall establish three (3) committees to help in discharging its duties and responsibilities. These committees derive their authority from and report directly to the Board. Their mandates and scope of responsibilities are set forth in their respective charters which are subject to review and update annually or when there are significant changes therein. The number and membership composition of committees could be increased or decreased by the Board as it deems appropriate and consistent with applicable laws or regulations specifically on the majority membership and chairmanship of independent directors in various committees.

The standing committees of the Board are as follows:

- a. **Audit and Risk Oversight Committee.** The Audit and Risk Oversight Committee is responsible for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework, and that effective and adequate financial reporting, internal and external audit, monitoring and

compliance systems and processes are established and maintained. The Audit and Risk Oversight Committee shall have the following duties and responsibilities:

Audit Functions

- i. Performs oversight financial management functions, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management;
- ii. Monitors and evaluates the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets;
- iii. Oversees the department performing internal audit functions, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive. The Audit and Risk Oversight Committee also approves the terms and conditions for outsourcing internal audit services.;
- iv. Oversees the financial reporting and internal and external audit functions, and performs direct interface functions with the internal and external auditors of the Company;
- v. Ensures the integrity of the Company's financial reporting processes, its financial reports and other financial information provided by the Company to the public and governmental and/or regulatory bodies;
- vi. Ensures the adequacy and effectiveness of the Company's internal control system, and risk management processes, and reviewing the performance of the Company's internal audit function;
- vii. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication efforts.;
- viii. Reviews and approves the interim and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Areas where a significant amount of judgment has been exercised
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- ix. Performs direct interface functions with the internal and external auditors of the Company to ensure their independence;
- x. 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 on the manner by which the financial statements should be prepared and presented to the stockholders;

- xi. Elevates to international standards the accounting and audit processes, practices and methodologies of the Company;
- xii. Develops a transparent financial management system that will ensure the integrity of internal control activities throughout the Company; and
- xiii. Ensures the Company's compliance with applicable laws and regulations which may represent material legal and financial exposure to the Company.

Risk Oversight Functions

- i. Develops a formal enterprise risk management plan which contains the following elements: (1) common language or register of risks, (2) well-defined risk management goals, objectives and oversight, (3) uniform processes of assessing risks and developing strategies to manage prioritized risks, (4) designing and
- ii. implementing risk management strategies, and (5) continuing assessments to improve risk strategies, processes and measure;
- iii. Oversees the implementation of the risk management plan through a management risk oversight committee. The Audit and Risk Oversight Committee shall conduct 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;
- iv. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. 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. Advises the Board on its risk appetite levels and risk tolerance limits;
- vi. Reviews at least 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;
- vii. Assesses 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; and

- viii. Provides oversight over Management's activities in managing the credit, market, liquidity, operational, legal and other risk exposures of the Company. This function includes regularly receiving information on risk exposures and risk management activities from Management.

Related Party Transaction Review Functions

- i. Evaluates on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions (RPT) are monitored, and subsequent relationships with counterparties are captured;
- ii. Ensures that all transactions with, or for the benefit of a related party, are on terms and conditions that are arm's length and within market rates, with sufficient documentation and coursed through all appropriate levels of authority;
- iii. Ensures 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; and
- iv. Oversees the implementation of the systems for identifying, monitoring, measuring, controlling and reporting RPTs, including a periodic review of RPT policies and procedures.

The Audit and Risk Oversight Committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent directors. Each member of the committee shall have relevant background, knowledge, skills, experience, or adequate understanding of the Company's financial management systems and environment. The Audit and Risk Oversight Committee shall meet at a minimum at least four (4) times a year.

- b. **Compensation and Remuneration Committee.** The Compensation and Remuneration Committee provides oversight on directors' compensation and remuneration of senior management and other key personnel, ensuring that compensation scheme is consistent with the Company's culture and strategy, effectively aligned with prudent risk taking and commensurate with corporate and individual performance. It also ensures consistency of the compensation policies and practices across the Group. The Compensation and Remuneration Committee shall have the following functions:
 - i. Establish a formal and transparent procedure for developing policies 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 of directors and officers, which shall be in a sufficient level to attract and retain directors and officers, who are needed to run the Corporation successfully;
- iii. Develop a form on full business interest disclosure as part of the pre-employment requirements for all incoming officers, which among others, compel all officers to declare, under the penalty of perjury, all their existing business interests or shareholdings that may directly or indirectly conflict in the performance of their duties once hired;
- iv. Disallow any director to decide his or her own remuneration;
- v. Provide in the Corporation's annual reports information and proxy statement, a clear, concise, and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year; and
- vi. Review of the human resources development or personnel handbook, if any, to strengthen provisions dealing with conflict of interest, salaries and benefit policies, promotion and career advancement directives, and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts, or in the absence of such human resources development of personnel handbook, cause the development of such, covering the same parameters of governance as stated above.

The Compensation and Remuneration Committee shall be composed of at least three (3) members including at least one (1) independent director. The Compensation and Remuneration Committee shall meet a minimum of at least two (2) times a year and provide overall direction on the compensation and benefits strategy of the Company.

- c. **Corporate Governance and Nominations Committee.** The Corporate Governance and Nominations Committee shall assist the Board in the performance of its corporate governance responsibilities, ensuring compliance with and proper observance of corporate governance principles and practices. In terms of its nominations functions, it shall (1) formulate screening policies to enable the committee to effectively review the qualification of the nominees for directors and independent directors, and (2) conduct nominations for independent directors prior to the stockholders' meeting in accordance with the procedures set forth in Rule 38 of the Amended Implementing Rules and Regulations of the SRC, as the same may be amended from time to time.

The Corporate Governance and Nominations Committee shall have the following duties and functions:

Governance Functions

- i. Assist the Board in the establishment of the Company's corporate governance framework and oversee its implementation as well as periodically review the same to ensure it remains appropriate and relevant;

- ii. Assist the Board in the establishment and implementation of a periodic performance evaluation/self-assessment process for the Board, the individual directors, the Board committees, and the Management, and ensure that the evaluation/self-assessment results are shared, discussed and concrete plans are developed and implemented to address identified areas of improvement;
- iii. Devise and make recommendations for policies that reflect best practices for overall good governance;
- iv. Evaluate the current Board's composition and identify the current and future needs of the organization to ensure that the Board has the necessary diversity, perspectives, experience, skills, maturity and judgement to effectively pursue its duties in planning and oversight;
- v. Recommend continuing corporate governance education and training programs for the directors, Management and employees of the Company, and propose for the approval of the Board, the assignment of tasks and projects to the Board committees;
- vi. Assist the Board in overseeing compliance by the Company with applicable laws and regulations on corporate governance;
- vii. Conduct or delegate the conduct of investigations of identified violations of the corporate governance rules by a director, and recommend to the Board appropriate remedial, corrective or preventive action; and
- viii. Develop and conduct an orientation program for new directors.

Nominations Functions

- i. Pre-screen all candidates nominated for election to the Board in accordance with the qualifications and disqualifications criteria as provided in the By Laws, Manual, relevant laws, rules and regulations, and such other factors which the Governance and Nominations Committee may deem appropriate such as skill set, experience with other business organizations of a size comparable to that of the Company, range of diversity aspects, including gender, age and ethnicity, integrity of the candidate's experience with the other directors, and possible conflict of interest;
- ii. Determine, identify and prepare a final list of qualified nominees for directors and recommend that the Board approve such final list and recommend to the stockholders the qualified nominees included in the final list for election in the annual meeting of the stockholders;
- iii. Identify and recommend qualified individuals for nomination and election as additional Directors or to fill Board vacancies as and when they arise;
- iv. Assist the Board in the selection of individuals who will comprise the Management led by the President, Heads of the Business Units, and other positions requiring appointment by the Board, through a review and evaluation

of their qualifications, giving due consideration to integrity, technical expertise and experience in the Company's business, either current or planned;

- v. Review succession plans for directors and senior executives (from the President, Heads of Business Units, and other officers appointed by the Board); and
- vi. Review and make recommendations to the Board on the following matters:
 - the composition and size of the Board and Board committees to ensure compliance with applicable laws, rules and regulations; and
 - guidelines setting limits on directorships in other publicly listed corporations for directors and term of office for independent directors, provide such limitations shall in no way restrict or prevail over the stockholders' right to vote for and be voted as a director, which right shall remain inviolable.

The Corporate Governance and Nominations Committee shall be composed of at least five (5) members, three (3) of whom, including the Chairman, should be independent directors. The Corporate Governance and Nominations Committee shall meet a minimum of at least two (2) times a year.

- 3.3 **Committee Charters.** All established committees shall have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees. It shall also be fully disclosed on the Company's website.

4. REINFORCING BOARD INDEPENDENCE

- 4.2 **Independent Directors.** In accordance with Sec. 22 of the Corporation Code and Sec. 38 of the SRC, the Company shall appoint or elect independent directors who are free of material relations with the management, controllers, or others that might reasonably be expected to interfere with the independent exercise of his/her best judgment for the exclusive interest of the Company. By definition, an independent director shall be any 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 a director in the company and includes, among others any person who:

- a. 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;
- b. Is not, and has not been in the past three (3) years immediately preceding the election, a director of the Company; a director, officer, employee of the Company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Company's substantial shareholders and its related companies
- c. Has not been appointed in the Company, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus", "Ex-Officio" Director/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 (3) years immediately preceding his election;

- d. Is not an owner of more than two percent (2%) of the outstanding shares of the Company, its subsidiaries, associates, affiliates or related companies;
- e. Is not a relative of a director, officer, or substantial shareholder of the Company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- f. Is not acting as a nominee or representative of any director of the Company or any of its related companies;
- g. 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;
- h. 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 is otherwise independent of Management and free from any business or other relationship within the three (3) years immediately preceding the date of his election;
- i. 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;
- j. Is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and
- k. Is not employed as an executive officer of another company where any of the Company's executives serve as directors.

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

Independent directors shall serve a maximum cumulative term of nine (9) years, reckoned, in accordance with the pertinent rules of the SEC. However, in the instance that the Company believes it is beneficial that an independent director who has served nine (9) consecutive years, the Board shall provide meritorious justifications and seek shareholders' approval during the annual shareholders meeting.

An independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot

accept membership in committees that perform independent oversight/control functions without prior approval of the Board.

- 4.3 If the Chairman of the Board is not an independent director or if the position of Chairman of the Board and CEO are held by one person, the directors shall designate a Lead Director among the independent directors. The Lead Director shall (a) serve as an intermediary between the Chairman and the other directors when necessary, (b) convene and chair meetings of the non-executive directors, and (c) contribute to the performance evaluation of the Chairman, as required.
- 4.4 A director with a material interest in any transaction affecting the Company should abstain from taking part in the deliberations for the same.
- 4.5 The non-executive directors should 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 should be chaired by the Lead Director.

KEY MANAGEMENT AND OFFICERS OF THE COMPANY

5. CORPORATE OFFICERS

- 5.1 **Chairman of the Board.** The Board shall be headed by a competent and qualified Chairman who shall be elected by the Board immediately after their election at the annual meeting of the stockholders. The roles and responsibilities of the Chairman include the following:
 - a. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
 - b. Ensures that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
 - c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
 - d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
 - e. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors;
 - f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on; and
 - g. Maintain effective lines of communication and information between the Board and senior management of the Company.

- 5.2 **The Chief Executive Officer.** Management shall be headed by a Chief Executive Officer (CEO), who shall have general management, care, and administration of the business operations of the Company. The CEO shall provide leadership for Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board. The roles and responsibilities of the CEO includes the following:
- a. Leads the senior management team in the day-to-day running of the Group's businesses;
 - b. Develops and presents to the Board the strategy of the Group, medium and long-term plans and recommend annual operating and capital expenditure budgets;
 - c. Recommends and/ or approves acquisitions, investments, divestments and major contracts in accordance with the authority levels approved by the Board;
 - d. Reports to the Board the monthly actual operating performance of the Group versus approved plans and directions and to the stockholders the state of affairs of the company for the preceding year at the annual stockholders' meeting;
 - e. In conjunction with the Chairman, represents the Group to customers, regulators, shareholders, financial industry and the general public;
 - f. Receives instructions from the Board and ensures full compliance thereto; and
 - g. Accountability for the performance of the management team.
- 5.3 **Corporate Secretary.** The Board should ensure that it is assisted in its duties by a Corporate Secretary, who should be a separate individual from the Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on corporate governance. The Corporate Secretary is an officer of the Company and shall be a Filipino citizen. He shall work and deal fairly and objectively with all the constituencies of the Company, namely, the Board, management, stockholders and other stakeholders. He must have the legal skills of a chief legal officer, if he is not the general counsel. He should also have adequate administrative skills and the interpersonal skills of a human resources officer. The Corporate Secretary shall have the following duties and responsibilities:
- 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 assisting the chairs of the Board and its committees to set agendas for those meetings;
 - b. Inform the directors , in accordance with the By-Laws, of the schedule and agenda of Board meetings at least five (5) working days in advance, and ensure that Management provides them complete and accurate information that will enable them to make informed decisions on matters requiring their approval, as well as keep the minutes of all meetings of the Board and stockholders of the Company;
 - c. Safekeeps and preserves the integrity of the minutes of the meetings of the Board and its committees as well as the Stock Certificate Book, Stock and Transfer Book, the Corporate Seal, and other records, papers and documents of the Company;

- d. Prepare ballots for the annual election of directors, and keep a complete and up to-date roll of the stockholders and their addresses;
- e. Submit to the SEC at the end of the Company's fiscal year an annual certification on the attendance of the directors during the Board meetings;
- f. Keeps abreast on relevant laws, rules and regulations, all governance issuances, relevant industry developments and operations of the Company to ensure that Board procedures are being followed and the applicable rules and regulations are complied with;
- g. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so; and
- h. Advises on the establishment of Board committees and their terms of reference.

5.4 **Compliance Officer.** The Board should ensure that it is assisted in its duties by a Compliance Officer, who has a senior rank with adequate stature and authority in the Company. The Compliance Officer should not be a member of the Board and should annually attend a training on corporate governance. The Compliance Officer shall be appointed by the Board, and shall report functionally to the Corporate Governance and Nominations Committee, and administratively to the Office of the Chief Finance Officer. The role of the Compliance Officer includes the following:

- a. Monitors, reviews, evaluates and ensures the compliance by the Company, its officers and directors with the relevant laws, the CG Code, rules and regulations and all governance issuances of regulatory agencies thru the implementation of the Company's compliance system and program in accordance with the requirements of the regulatory agencies, including but not limited to the identification and control of compliance risks, prudential reporting obligations as well as compliance training;
- b. Ensures proper onboarding of new directors (ie. orientation on the Company's business, Articles, By-Laws and others);
- c. Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary actions;
- d. Ensures the integrity and accuracy of all documentary submissions to regulators;
- e. Initiate requests for policy pronouncements or revisions to ensure new regulations are made part of the Company's policies and procedures;
- f. Identify possible areas of compliance issues and recommend corrective actions for any deviations from or violations of the provisions and requirements of the CG Code and the Manual; and
- g. Liaise with the regulatory authorities and to appear before these bodies upon summons to clarify matters related to the compliance system as well as compliance with the provisions and requirements of the CG Code and the Manual.

- 5.5 **The Managing Directors and Officers.** The Managing Directors and Officers of the Company and its subsidiaries shall constitute and represent the operating management of the Company who are vested with delegated authorities by the Board, guided by specific business objectives and entrusted to oversee the operations of the Group or unit assigned to them. The role of the Officers includes the following:
- a. Set the tone of corporate governance from the top by promoting good governance practices and ensuring that governance practices and policies are consistently adopted within their respective jurisdictions;
 - b. Oversee the day-to-day management of the company in the Group to which they belong by ensuring alignment of such company's activities and operations with the strategic objectives, risk strategy, corporate values and policies of the Group;
 - c. Ensure that duties are effectively delegated to their respective direct reports thru written job descriptions and oversee the performance of these delegated duties thru the Key Result Areas as basis for measurement; and
 - d. Promote and strengthen checks and balances in the company thru sound internal controls, avoiding activities that compromise and violate them and giving due recognition to the importance of internal audit, compliance and external audit functions.

DISCLOSURE AND TRANSPARENCY

6. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES

- 6.1 The essence of good corporate governance is transparency. All material information, both financial and non-financial, about the Company that may adversely affect its viability or the interests of the stockholders shall be publicly and timely disclosed. All such information shall be disclosed through the appropriate disclosure mechanisms of the Philippine Securities Exchange and submissions to the SEC.
- 6.2 The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a Company's financial condition, results and business operations.
- 6.3 The Company shall have a policy requiring all directors and officers to disclose/report to the Company any dealings in the Company's shares within the period prescribed under the SRC.
- 6.4 The Company 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. This includes their qualifications, ownership in the Company, membership in other boards of directors, and other executive positions.

- 6.5 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.
- 6.6 The Company shall implement a policy on Related Party Transactions, Conflict of Interest, Insider Trading and other unusual or infrequently occurring transactions. The material RPTs reviewed and approved during the year shall be disclosed in the Company's Annual Corporate Governance Report.
- 6.7 The Company shall 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, which could adversely affect the viability or the interest of its shareholders and other stakeholders. The Board shall install measures to ensure that the fairness of the transaction price.
- 6.8 The Company shall make this Manual and other Governance Policies, corporate governance programs and procedures available to the investing public by posting them on the Company's website.

7 STRENGTHENING THE EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY

- 7.1 The Company shall establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.
- 7.2 The Audit and Risk Oversight Committee shall have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor shall be recommended by the Audit and Risk Oversight Committee, approved by the Board and ratified by the shareholders. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the Company website and required disclosures.
- 7.3 The Audit and Risk Oversight Committee Charter shall include its responsibility on assessing the integrity and independence of external auditors and exercising effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Audit and Risk Oversight Committee Charter shall also contain its responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.
- 7.4 The Company shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.
- 7.5 Role of the External Auditor

The external auditor shall be tasked to conduct an independent audit of the Group's financial statements and render an opinion thereof based on the results of the audit. In performing this task, its role includes the following:

- a. Update its understanding of the Group's internal accounting controls and reporting processes.
- b. Perform an overall audit risk assessment process to determine management's areas of concerns and to identify audit risks and focus areas.
- c. Present an audit plan to the Audit and Risk Oversight Committee in relation to the Group's audit requirement.
- d. Review internal audit work and findings to assess their impact on the audit of the financial statements.
- e. Perform tests of transactions of the Group including assessment of the soundness and reasonableness of estimates and assumptions used in the recorded financial information.
- f. Provide updates, advice and assistance on accounting standards and regulatory pronouncements.
- g. Review of the Group's compliance with accounting standards and regulatory requirements.
- h. Report to Management, the Audit and Risk Oversight Committee, the Board and the stockholders on the results of the audit.

7.6 The external auditor or auditor shall examine, verify and report on the statements on the earnings and expenses of the Company and shall certify to the Board and shareholders the annual balance of the books of accounts which shall be prepared at the close of each year under the direction of the Treasurer and/or Chief Finance Officer. No director or officer of the Company, and no firm or corporation of which such officer or director is a member, shall be eligible to discharge the duties of external auditor. The compensation of the external auditor shall be fixed by the Board.

8 INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING

- 8.1 The Company shall ensure that the material and reportable non-financial and sustainability issues are disclosed.
- 8.2 The Board shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.

9 PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

- 9.1 The Company shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

- 9.2 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.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

10 STRENGTHENING THE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK

- 10.1 To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Company should have a strong and effective internal control system and enterprise risk management framework.
- 10.2 The Company shall establish an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations.
- 10.3 The Company shall have in place an independent audit function, through which the Company's Board, senior management, and stockholders may be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Board shall constitute an Internal Audit team to carry out the audit function, and shall require it to report to the Audit and Risk Oversight Committee that will allow the internal audit function to fulfill its responsibilities without impediment.

The role of the Internal Auditor includes the following:

- a. Develop and implement an effective annual internal audit program to be approved by the Audit and Risk Oversight Committee that covers the entire operations of the Company including subsidiaries and affiliates.
- b. Submit to the Audit and Risk Oversight Committee an annual report on the performance of Internal Audit activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Audit and Risk Oversight Committee including significant risk exposures, control issues and such matters as may be needed or requested by Board and senior management.
- c. Conduct independent assessment of the adequacy and effectiveness of management and IT control frameworks, risk management and governance processes of all units of the Company including subsidiaries and affiliates.
- d. Monitor the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening the control environment.
- e. Examine and analyze the organizational structure, checks and balances, methods of operations and use of human and physical resources to reveal defects in order to prevent fraud or irregularities.
- f. Certify that the conduct of auditing activities is in accordance with the International Standards on the Professional Practice of Internal Auditing.

CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

11 PROMOTING SHAREHOLDER RIGHTS

11.1 The Company shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights. The basic shareholders rights shall be disclosed in the Manual and the Company's website, which shall include the following:

a. Voting Rights

- i. Shareholders 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 shareholders representation in the Board.

b. Power of Inspection.

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

c. Right to Information

- i. The shareholders shall be provided, upon request with information about the Company's directors and officers, their holdings of the Company's shares, and dealings with the Company.
- ii. The minority shareholders shall have access to any information relating to matters for which the management is accountable.
- iii. The minority shareholders shall be granted the right to propose items in the agenda of the meeting provided the items is for legitimate business purposes.

d. Right to Dividends

- i. Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- ii. The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital except:
 - When such retention is clearly necessary under special circumstances obtaining in the Company, such as a need for special reserves for possible contingencies; or

- When justified by definite corporate expansion projects or programs approved by the Board.
 - iii. Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board may determine and in accordance with law.
- e. Appraisal Right.

The shareholders shall have appraisal right or the right to dissent and demand payment for the fair value of their shares under any of the following circumstances:

- i. In case any amendment to the Articles has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;
 - ii. In case of the disposition of all or substantially all of the corporate property and assets as provided for in the Corporation Code;
 - iii. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Company's assets;
 - iv. In case of merger or consolidation or the extension or shortening the term of corporate existence; and
 - v. Investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the Company was organized.
- 11.2 The rights of the stockholders shall be promoted and impediments to the exercise of those rights shall be removed. An adequate avenue shall be provided for the stockholders to seek timely redress for breach of such rights. The Company shall observe applicable laws and regulations in resolving intra-corporate disputes with stockholders, including the applicable rules on alternative dispute mechanisms to resolve such disputes in an amicable and effective manner.
- 11.3 Accurate and timely information shall be made available to the stockholders to enable them to make sound judgment on all matters brought to their attention for consideration or approval.
- An Annual Stockholders' Meeting will be held on the every 3rd Wednesday of July every year. If this is a legal holiday, the Annual Stockholders' Meeting will be held on the business day immediately following.
- 11.4 The Board should encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information within the prescribed timeframe of the Corporation Code and/or the CG Code.
- 11.5 The Board shall encourage active shareholder participation by making 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 shall be made available on the Company website within five (5) business days from the end of the meeting.

- 11.6 The Board gives high priority to balanced, clear and transparent communication with shareholders. It shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO shall be responsible for disseminating information and activities of the Company for the benefit of investors, stock analysts, fund managers and government agencies. The IRO shall establish a program to ensure that all information regarding the activities of the Company are properly and timely communicated to the shareholders. The Head of the IRO shall be present at all stockholders' meetings.

12. DUTIES TO OTHER STAKEHOLDERS

- 12.1 The Company shall maintain a communication channel that will allow stakeholders the opportunity to obtain prompt effective redress for the violation of their rights.
- 12.2 The Company shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and in its governance, including policies and programs on (a) health, safety and welfare (b) training and development, and (c) reward/compensation for employees.
- 12.3 The Company shall 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.
- 12.4 The Company shall be mindful of its social responsibility in its dealings with the community in which it operates, and ensure that its interactions serve its environment and stakeholders in a positive and progressive manner.

GOVERNANCE

13. GOVERNANCE SELF-RATING AND SCORECARD

- 13.1 The Board of Directors shall implement a self-rating system that can measure the Performance of the Board and Management in accordance with the criteria provided for in the CG Code.
- 13.2 The Company shall accomplish the annual Corporate Governance Scorecard as may be prescribed and required by the SEC.

14. COMMUNICATION PROCESS

- 14.1 This Manual shall be available for inspection by any stockholder of the Company at all times.
- 14.2 The Board and Management shall ensure the dissemination of this Manual to all employees and related parties, and to likewise enjoin compliance in the process.

15 MONITORING AND ASSESSMENT

- 15.1 The Board of Directors shall direct the Compliance Officer to establish an evaluation system to determine and measure compliance with this Manual.
- 15.2 The developed evaluation system, including the features thereof, shall be disclosed in the Company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Company.
- 15.3 This Manual shall be subject to at least an annual review by the Corporate Governance and Nominations Committee of the Board.

16 PENALTIES FOR NON-COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND THE MANUAL OF CORPORATE GOVERNANCE

- 16.1 The Company shall subject itself to penalties by the SEC should there be violations in the CG Code.
- 16.2 Directors, officers, and staff of the Company who willfully violate the provisions of the CG Code and of this Manual shall, after due notice, hearing, and review, be subject to penalties and/or sanctions as may be imposed by the Board.

THIS CORPORATE GOVERNANCE MANUAL WAS APPROVED AND ADOPTED BY THE BOARD OF DIRECTORS ON 12 FEBRUARY 2020.

Attested by:

RAUL JOSEPH A. CONCEPCION
Chairman and Chief Executive Officer