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## Empire East

### Empire East Land Holdings, Inc.

ELI

#### PSE Disclosure Form 17-18 - Other SEC Forms/Reports/Requirements

<b>Form/Report Type</b>	Revised Manual on Corporate Governance
<b>Report Period/Report Date</b>	May 31, 2017

#### Description of the Disclosure

Attached is the ELI's Revised Manual on Corporate Governance, revised pursuant to SEC Memorandum Circular No.19, Series of 2016.

#### Filed on behalf by:

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<b>Designation</b>	Authorized Representative



**Empire East**

EMPIRE EAST LAND HOLDINGS, INC.  
Manual on Corporate Governance  
*(Revised as of 30 May 2017)*

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# **EMPIRE EAST LAND HOLDINGS, INC.**

## **Manual on Corporate Governance**

### ***(Revised as of 30 May 2017)***

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The Board of Directors of Empire East Land Holdings, Inc. (the “Corporation”) is committed to the principles and best practices contained in this Manual of Corporate Governance, and shall be guided by the same in the pursuit of corporate goals.

The Board of Directors has formally adopted this Manual on Corporate Governance that incorporates the established governance policies and practices in accordance with SEC Memorandum Circular No. 19, Series of 2016, the Code of Corporate Governance for Publicly-Listed Companies.

#### **1. DEFINITION OF TERMS**

- A. **Corporate Governance** - the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stakeholders, which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.

It is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for reconciling long-term customer satisfaction with shareholder value to the benefit of all stakeholders and society. It is intended to maximize the organization’s long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

- B. **Board of Directors** - the governing body elected by the stockholders that exercises the corporate powers of the Corporation, conducts all its business and controls its properties.
- C. **Management** – the group given the authority by the Board of Directors to implement its policies.
- D. **Independent Director** – a person who, apart from his fees and shareholdings, is independent of management and the controlling shareholder and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as director.
- E. **Executive Director** – a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
- F. **Non-executive Director** – a director who has no executive responsibility and does not perform any work related to the operations of the Corporation.

- G. **Non-audit Work** – the other services offered by an external auditor to the Corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor.
- H. **Internal Control** – a process designed and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.
- I. **Internal Control System** – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Corporation is exposed.
- J. **Internal Audit** – an independent and objective assurance activity designed to add value to and improve the Corporation's operations and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- K. **Internal Audit Department** – a department or unit of the Corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the operations.
- L. **Internal Auditor** – the position in the Corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.
- M. **Enterprise Risk Management** – a process that may be applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.
- N. **Related Party** - covers the Corporation's subsidiaries and affiliates (including their subsidiaries, affiliates and special purpose entities) that the Corporation exerts direct or indirect control over or that exerts direct or indirect control over the Corporation; the Corporation's directors; officers; shareholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Corporation.
- O. **Related Party Transactions** - transfer of resources, services or obligations between related parties. It may include outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.
- P. **Stakeholders** – any individual, organization or society at large who can either affect and/or be affected by the Corporation's strategies, policies, business decisions and

operations, in general which includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

## **2. COMMITMENT TO GOOD CORPORATE GOVERNANCE**

The Board of Directors seeks to institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors believes that corporate governance is a necessary component of sound strategic business management and is committed to create awareness of the principles of good corporate governance within the organization.

## **3. COMPLIANCE SYSTEM**

### **3.1 Compliance Officer**

The Board shall appoint a Compliance Officer who shall report directly to the Chairman of the Board. The Compliance Officer shall have the rank of at least a Senior Vice President or an equivalent position with adequate stature and authority in the Corporation. The Compliance Officer shall not be a member of the Board of Directors and should annually attend a training on corporate governance.

The Compliance Officer shall perform the following duties:

- A. Ensure proper onboarding of new directors (i.e., orientation on the Corporation's business, articles of incorporation and by-laws, among others);
- B. Monitor, review, evaluate and ensure the compliance by the Corporation, its officers and directors with the relevant laws, provisions and requirements of this Manual, the rules and regulations and all governance issuances of regulatory agencies and, 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 a repetition of the violation;
- C. Ensure the integrity and accuracy of all documentary submissions to regulators;
- D. Appear, personally or through his representative, before the Securities and Exchange Commission (the "Commission") when summoned in relation to compliance with this Manual and the Code of Corporate Governance for Publicly-Listed Companies;
- E. Collaborate with other departments to properly address compliance issues which may be subject to investigation;
- F. Identify possible areas of compliance issues and risks in consultation/coordination with the Board of Directors, the Management and the committees, and work towards the resolution of the same;
- G. Ensure the attendance of board members and key officers to relevant trainings;

- H. Perform such other duties and functions, as may be prescribed by the Board of Directors, consistent with and in accordance with the objectives of this Manual and as may be provided by the Securities and Exchange Commission.

## **3.2. Board of Directors**

### **3.2.1 Responsibility for Governance**

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

### **3.2.2 Composition of the Board**

The Board shall be composed of such number of directors as may be provided in the Articles of Incorporation and By-Laws, who shall have all the qualifications and none of the disqualifications set forth in the Articles of Incorporation and By-Laws, this Manual, the Corporation Code, the Securities Regulation Code, and such other relevant laws, rules and regulations.

The Board shall be composed of seven (7) members with at least two (2) independent directors, duly elected by the stockholders entitled to vote.

The independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from reelection as such in the Corporation but may continue to qualify for nomination and election as a non-independent director. If the Corporation wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

An Independent Director refers to a person who, ideally:

- A. Is not, or has not been a senior officer or employee of the covered corporation unless there has been a change in the controlling ownership of the corporation;
- B. Is not, and has not been in the three (3) years immediately preceding the election, a director of the covered corporation; a director, officer, employee of the covered corporation's subsidiaries, associates, affiliates or related companies, or of its substantial shareholders and its related companies;
- C. Has not been appointed in the covered Corporation, 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 (3) years immediately preceding his election;

- D. Is not an owner of more than two percent (2%) of the outstanding shares of the covered Corporation, its subsidiaries, associates, affiliates or related companies;
- E. Is not a relative of a director, officer, or substantial shareholder of the covered Corporation 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 covered corporation 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 covered corporation, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the 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 covered corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
- J. Is not affiliated with any non-profit organization that receives significant funding from the covered corporation or any of its related companies or substantial shareholders; and
- K. Is not employed as an executive officer of another corporation where any of the covered corporation's executives serve as directors.

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

The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Corporation's industry. The Board shall ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions, individually and collectively, to enable it to fulfill its roles and responsibilities

and respond to the needs of the organization based on the evolving business environment and strategic direction.

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

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

### **3.2.3 Qualifications of Directors**

The Directors shall have such qualifications prescribed in the Corporation Code, the Securities Regulation Code and other relevant laws, as well as any of the following additional qualifications:

- A. A college degree;
- B. Business experience;
- C. Practical understanding of the business of the Corporation;
- D. Working knowledge, experience or expertise relevant to the Corporation's industry;
- E. Membership in good standing in a relevant industry, business or professional organization; and/or
- F. Record of integrity and good repute

### **3.2.4 Disqualifications of Directors**

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

- A. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust corporation, investment house or as an affiliated person of any of them;
- B. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the 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 corporation, investment house, or investment corporation; or (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.

- C. The disqualification shall also apply if (a) such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;
- D. Any person convicted by final judgment or order by a court of competent jurisdiction of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts or transgression;
- E. Any person who has been adjudged by final judgment or order of the Commission, BSP, or a court or other competent 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;
- F. Any person judicially declared to be insolvent;
- G. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;
- H. 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
- I. Other reasonable grounds as the SEC may provide.

Any of the following shall be a ground for the **temporary disqualification** of a director:

- A. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;

- B. Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- C. Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. This disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- D. If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director shall be lifted if the limit is later complied with; and/or,
- E. Conviction referred to in the grounds for the permanent disqualification of directors has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

### **3.2.5 General Responsibility**

It shall be the Board's responsibility to foster the long-term success of the Corporation, to sustain its competitiveness, profitability and fiduciary responsibility, and to act on a fully-informed basis, in good faith, with due diligence and care and in a manner consistent with its corporate objectives and the long-term best interests of its stockholders and other stakeholders.

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

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

The Board shall also ensure that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds and materiality, which shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions.

The Board shall carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.

The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders

### **3.2.6 Duties and Functions of the Board**

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

- A. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies and to appoint competent, professional, honest and highly-motivated management officers.
- B. Adopt an effective succession planning program for the directors, key officers and management to ensure growth and a continued increase in the shareholders' value.
- C. Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans and operating budgets and monitor and assess the Management's overall performance based on established performance standards that are consistent with the Corporation's strategic objectives. Conduct a regular review of the Corporation's policies with the management team.
- D. Ensure the Corporation's faithful compliance with all applicable laws, regulations and best business practices.
- E. Attend relevant annual continuing training for at least four hours for all directors to promote effective board performance and continuing qualification of the directors in carrying out their duties and responsibilities.
- F. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation.
- G. Identify the Corporation's stakeholders in the community in which the Corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- H. Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times.

There should be a continuing review of the Corporation's internal control system in order to maintain its adequacy and effectiveness.

- I. Oversee that a sound enterprise risk management (ERM) framework is in place to effectively identify, monitor, assess and manage key business risk areas and performance indicators with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability.
- J. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent corporation, 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.
- K. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- L. Establish and maintain an alternative dispute resolution system in the Corporation and oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing and amicably settling potential conflicts of interests or differences between and among the Corporation, Management, board members, stockholders, and third parties, including the regulatory authorities.
- M. 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.
- N. Keep the activities and decisions of the Board within its authority under the Corporation's Articles of Incorporation and By-laws, and in accordance with existing laws, rules and regulations.
- O. Appoint the Compliance Officer referred to in Section 3.1 hereof.

### **3.2.7 Norms of Conduct**

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

A director should observe the following norms of conduct:

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

The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his

related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation.

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

A director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board, committee and shareholders' meetings, in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board and Committee meetings, the director should review meeting materials and, if called for, ask the necessary questions or seek clarifications or explanations.

**C. Act judiciously.**

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

**D. Exercise an objective and independent judgment on all corporate affairs.**

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

**E. Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies.**

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

**F. Observe confidentiality.**

A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should

not reveal confidential information to unauthorized persons without the authority of the Board.

**G. Apply high ethical standards, taking into account the interests of all stakeholders.**

The Board should adopt a Code of Business Conduct and Ethics which would provide standards for professional and ethical behavior as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should be properly disseminated to the Board, senior management and employees and may also be disclosed and made available to the public through the Corporation's website.

The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

**3.2.8 Internal Control and Risk Management Responsibilities of the Board**

The Corporation shall have an adequate and effective internal control system and an enterprise risk management framework in the conduct of its business, taking into account its size, risk profile and complexity of operations.

The control environment of the Corporation consists of (a) the Board which ensures that the Corporation is properly and effectively managed and supervised; (b) a Management that actively manages and operates the Corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

The Board shall adopt internal control mechanisms for the performance of its oversight responsibility.

**3.2.9. Board Meetings and Quorum Requirement**

The members of the Board, including Independent Directors, should attend all its regular and special meetings in person or through teleconferencing if applicable, conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so. The absence of Independent Directors, however, shall not affect the quorum requirement.

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

### **3.2.10. Remuneration of Directors and Officers**

The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance. The Board should align the remuneration of key officers and board members with the long-term interests of the Corporation.

The Corporation may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for individual directors and officers depending on the particular needs of the corporation. No director should participate in deciding on his remuneration.

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

To protect the funds of a corporation, the Commission may, in exceptional cases, e.g., when a corporation is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

### **3.2.11. Board Committees**

The Board shall constitute board committees, as it may deem necessary, that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.

#### **3.2.11.1. Corporate Governance Committee**

The Board shall organize a Corporate Governance Committee that should be tasked to assist the Board in the performance of its corporate governance responsibilities. It shall be composed of at least three (3) members, two of whom should be independent directors, including the Chairman. The members of the Corporate Governance Committee shall serve for a period of one (1) year or until their successor(s) shall have been duly appointed and qualified.

The Corporate Governance Committee shall act by majority vote of all its members on the following matters:

- A. Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains



appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;

- B. 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;
- C. 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;
- D. Recommend continuing relevant 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;
- E. Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- F. Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.
- G. Determine the nomination and election process for the Corporation's directors and the general profile of board members that the Corporation may need to ensure that appropriate knowledge, competencies and expertise that complement the existing skills of the Board;
- H. Review, evaluate, pre-screen and shortlist all candidates nominated to become a member of the Board of Directors and other appointments requiring Board approval to ensure that candidates possess all the required qualifications, including whether candidates: (1) possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the entity's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities; and (4) have the ability to promote a smooth interaction between board members;
- I. Ensure that the following nomination and election policy and procedures are conducted:
  - I. Nomination of independent directors shall be conducted by a committee prior to a stockholders' meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.
  - II. The committee shall pre-screen the nominees and prepare a final list of candidates.



- III. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, which list shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Corporation is required to submit to the Commission. The name of the person or group of persons who recommended the nominees for independent directors shall be identified in such report including any relationship to the nominees.
- IV. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
- V. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Corporation in its By-laws, subject to pertinent laws, rules and regulations of the Commission.
- VI. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure those independent directors are elected during the stockholders' meeting.
- VII. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy

#### **3.2.11.2. Board Risk Oversight Committee**

The Board Risk Oversight Committee shall be composed of at least three (3) members of the Board, the majority of whom should be independent directors, including the Chairman. The Chairman should not be the Chairman of the Board or of any other committee.

The Board Risk Oversight Committee shall be responsible for the oversight of the Corporation's Enterprise Risk Management system to ensure its functionality and effectiveness.

The Board Risk Oversight Committee shall act by majority vote of all its members on the following matters:

- A. Develop a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage

prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;

- B. Oversee the implementation of the enterprise risk management plan and conduct regular discussions on the corporation's prioritized and residual risk exposures based on regular risk management reports and assess how the concerned units or offices are addressing and managing these risks;
- C. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. It shall revisit defined risk management strategies, look for emerging or changing material exposures, and stay abreast of significant developments that seriously impact the likelihood of harm or loss;
- D. Advise the Board on its risk appetite levels and risk tolerance limits;
- E. Review the corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the corporation;
- F. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- G. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- H. Reports to the Board as deemed necessary on the Corporation's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

### **3.2.11.3. Audit Committee**

The Audit Committee shall be composed of at least three (3) members of the Board who shall preferably have accounting, auditing, and finance backgrounds, majority of whom shall be independent directors and another with audit experience. The chair of the Audit Committee shall be an Independent Director.

The Audit Committee shall have oversight capability over the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The Audit Committee should have a 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 should be recommended by the Audit 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 corporation's website and required disclosures.

The Audit Committee Charter should include the Audit Committee's 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 Charter should also contain the Audit Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

The Audit Committee shall have the following functions:

- A. 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;
- B. Perform oversight functions over the Corporation'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;
- C. Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
- D. 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;
- E. Recommend the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversee the implementation of the IA Charter;
- F. Organize and oversee an internal audit department, and recommend and consider, when necessary and desirable, the appointment and/or grounds for approval of an independent internal audit head or Chief Audit Executive and the terms and conditions of its engagement and removal, as well as for outsourcing internal audit services;
- G. Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system including financial reporting control and information technology security;

- H. Review the reports submitted by the internal and external auditors;
- I. Review and approve the interim and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - I. Any change/s in accounting policies and practices;
  - II. Major judgmental areas;
  - III. Significant adjustments resulting from the audit;
  - IV. Going concern assumptions;
  - V. Compliance with accounting standards; and
  - VI. Compliance with tax, legal and regulatory requirements.
- J. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- K. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fee paid to the external auditor in relation to its significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with its duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report and Annual Corporate Governance Report;
- L. When applicable, 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 Committee;
- M. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties; and,
- N. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.

#### **3.2.11.4. Related Party Transaction Committee**

The Related Party Transaction (RPT) Committee shall be composed of at least three directors, two of whom should be independent, including the Chairman.

The RPT Committee shall be tasked with reviewing all material related party transactions of the corporation.

The RPT Committee shall have the following functions:

- A. 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;
- B. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the corporation are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:
  - I. The related party's relationship to the corporation and interest in the transaction;
  - II. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - III. The benefits to the corporation of the proposed RPT;
  - IV. The availability of other sources of comparable products or services; and
  - V. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The corporation should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- C. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the corporation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the corporation's affiliation or transactions with other related parties;
- D. Report to the Board of Directors as needed the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- E. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and

- F. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

### **3.2.12. The Chair and Chief Executive Officer**

The roles of Chair and CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chair and CEO upon their election.

The duties and responsibilities of the Chair in relation to the Board shall include the following:

- A. Make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- B. Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- C. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- D. Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- E. Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors;
- F. Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;
- G. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors;
- H. Maintain qualitative and timely lines of the communication and information between the Board and Management;
- I. Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

The duties and responsibilities of the CEO shall include the following:

- A. Determine the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;

- B. Communicate and implement the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- C. Oversee the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
- D. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
- E. Direct, evaluate and guide the work of the key officers of the corporation;
- F. Manage the corporation's resources prudently and ensures a proper balance of the same;
- G. Provide the Board with timely information and interfaces between the Board and the employees;
- H. Build the corporate culture and motivates the employees of the corporation; and
- I. Serve as the link between internal operations and external stakeholders.

If the positions of Chair and CEO are unified, the proper checks and balances should be laid down to ensure that the Board gets the benefit of independent views and perspectives. The Board should designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

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

- 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.

### **3.2.13. Multiple Board Seats**

A director shall notify the Board where he/she is an incumbent director before accepting a directorship in another company for the Corporation to be able to assess if his/her responsibilities and commitment to the Corporation will be affected.

The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

The Chief Executive Officer (“CEO”) and other executive directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.

### **3.3. The Corporate Secretary**

The Corporate Secretary, who shall be a Filipino citizen and a resident of the Philippines, is an officer of the Corporation, who shall not be a member of the Board of Directors and shall be a separate individual from the Compliance Officer. He should:

- A. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its Committees, as well as the other official records of the Corporation;
- B. Be loyal to the mission, vision and objectives of the Corporation;
- C. Work fairly and objectively with the Board, Management, stockholders and contributed to the flow of information between and among the Board, the management, the board committees, and other stakeholders;
- D. Have appropriate administrative and interpersonal skills;
- E. If he is not at the same time the Corporation's legal counsel, he should be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities and kept abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- F. Have a working knowledge of the operations of the Corporation;
- G. Inform the members of the Board, in accordance with the 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;
- H. Assists 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 chair of the Board and its committees to set agenda for those meetings;
- I. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accident, prevent him from doing so;
- J. Ensure that all Board procedures, rules and regulations are strictly followed by the members;



- K. Advises on the establishment of board committees and their terms of reference;
- L. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- M. Perform such other duties and responsibilities as may be provided by the Board and by the Commission.

#### **3.4. Adequate and Timely Information Support**

To enable the members of the Board to properly fulfill their duties and responsibilities, Management should provide them with complete, adequate and timely information about the matters to be taken in their meetings. The information may include the background or explanation on matters brought before the Board, disclosure, budgets, forecasts and internal financial documents.

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

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

The Corporation shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information for informed decision-making by investors, stakeholders and other interested users. This shall include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.

#### **3.5. Accountability and Audit**

A. The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensible assessment of the Corporation's performance, position and prospects and developments that could adversely affect its business, through reports required by law to be submitted to the Corporation's regulators.

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

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

- I. The extent of its responsibility in the preparation of the financial statements of the Corporation, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained;
- II. An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders;

- III. On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Corporation's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
  - IV. The Corporation should consistently comply with the financial reporting requirements of the Commission;
  - V. The external auditor should be rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Corporation, should be changed with the same frequency. When applicable, the Internal Auditor shall submit to the Audit 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 Committee. The annual reports should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. 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.
- B. The Board, after consultations with the Audit Committee, shall recommend to the stockholders an external auditor duly accredited by the Commission who shall undertake an independent audit of the Corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The shareholders, upon the recommendation of the Board, shall annually appoint an External Auditor in the manner prescribed in the By-Laws.

The external auditor shall not, at the same time, provide internal audit services to the Corporation. Non-audit work may be given to the external auditor, provided it does not conflict with its duties as an independent auditor, or does not pose a threat to its independence.

If the external auditor resigns, is dismissed or ceases to perform its services, the reason/s for and the date of effectivity of such action shall be reported in the Corporation's annual and current reports. The report shall include a discussion of any disagreement between the external auditor and the Corporation on accounting principles or practices, financial disclosures or audit procedures which the former auditor and the Corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the Corporation to the external auditor before its submission.

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

- C. The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or an Internal Auditor Group or a similar office, through which its Board, Management, and the shareholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

The Internal Auditor shall report to the Audit Committee

The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors:

- I. the nature and complexity of business and the business culture;
- II. the volume, size and complexity of transactions;
- III. the degree of risk;
- IV. the degree of centralization and delegation of authority;
- V. the extent and effectiveness of information technology; and,
- VI. the extent of regulatory compliance.

The following are the functions of the internal audit, among others:

- I. Provide an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- II. Perform regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;
- III. Perform consulting and advisory services related to governance and control as appropriate for the organization;
- IV. Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- V. Review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the Corporation;
- VI. Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- VII. Evaluate specific operations at the request of the Board or Management, as appropriate; and

VIII. Monitor and evaluate governance processes.

#### 4. PROMOTION AND PROTECTION OF STOCKHOLDERS' RIGHTS

##### A. Rights of Stockholders

The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

- I. Right to vote on all matters that require their consent or approval;
  - a. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
  - b. Cumulative voting shall be used in the election of directors.
  - c. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
  - d. Shareholders are encouraged to participate when given sufficient information prior to voting on fundamental corporate changes such as:
    - i. amendments to the Articles of Incorporation and By-Laws of the Corporation;
    - ii. the authorization on the increase in authorized capital stock; and;
    - iii. extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the Corporation. In addition, the disclosure and clear explanation of the voting procedures, as well as removal of excessive or unnecessary costs and other administrative impediments, allow for the effective exercise of the shareholders' voting rights.
  - e. Poll voting, as opposed to the show of hands, and Proxy voting are a good practice, including the electronic distribution of proxy materials.
- II. Pre-emptive right to all stock issuances of the corporation - All shareholders shall have pre-emptive rights to subscribe to the capital stock in accordance with the Corporation's Articles of Incorporation, unless the same is denied in the Articles of Incorporation or an amendment thereto.
- III. Right to inspect corporate books and records - All shareholders shall be allowed to inspect corporate books and records in accordance with the Corporation Code and shall be furnished with a copy of annual reports, including financial statements, without cost or restrictions.
- IV. Right to information
  - a. The shareholders shall be provided, upon request, with a copy of periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.

- b. The minority shareholders may propose the holding of a meeting, or propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- c. The minority shareholders shall in accordance with the Corporation Code have access to information relating to matters for which the Management is accountable.

V. Right to dividends

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

VI. Appraisal right - 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:

- a. 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;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and;
- c. In case of merger or consolidation.

VII. Right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholdings' Meeting

- a. The right to propose the holding of meetings and items for inclusion in the agenda is given to all shareholders, including minority and foreign shareholders. However, to prevent the abuse of this right, the Corporation may require that the proposal be made by shareholders holding a specified percentage of shares or voting rights.
- b. To ensure that minority shareholders are not effectively prevented from exercising this right, the degree of ownership concentration is considered in determining the threshold.

VIII. Right to nominate candidates to the Board of Directors

- a. All shareholders are given the opportunity to nominate candidates to the Board of Directors in accordance with the existing laws.
  - b. The Corporation is encouraged to fully and promptly disclose all information regarding the experience and background of the candidates to enable the shareholders to study and conduct their own background check as to the candidates' qualification and credibility.
- B. The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The Board shall encourage active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least fifteen (15) business days before the meeting. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholders' favor.

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

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration and approval.

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

The Board should make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

The Board shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO shall be present at every stockholders' meeting.

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

The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders which include, but not limited to customers, employees, suppliers, shareholders, investors, creditors, the community the Corporation operates in, society, the government, regulators, competitors, external auditors, and maintain open and easy communication through the Investor Relations Office and the Office of the Corporate Secretary.

## 5. **DISCLOSURE AND TRANSPARENCY**

The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Corporation or misappropriate its assets.

It is therefore essential that all material information about the Corporation which could be adversely affect its viability or the interests of the stockholders and other stakeholders should be publicly and timely disclosed. Such information should include among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, and direct and indirect remuneration of members of the Board and Management.

The Board shall therefore commit at all times to full disclosure of material information. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that give a fair and complete picture of a Corporation's financial condition, results and business operations.

The Corporation shall have a policy requiring all directors and officers to disclose/report any dealings in its shares within three (3) business days.

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.

The Corporation shall provide a disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report.

The Corporation shall 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 Corporation should ensure that the material and reportable non-financial and sustainability issues are disclosed.

## **6. EMPLOYEE'S PARTICIPATION**

A mechanism for employee participation shall be developed to create a symbiotic environment, realize the Corporation's goals and participate in its corporate governance processes. The Board should establish policies, programs and procedures that encourage employees to actively participate in the realization of the Corporation's goals and in its governance.

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

The Board should set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board should disseminate the policy and program to employees across the organization through trainings to embed them in the Corporation's culture.

The Board should 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. The Board should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

## **7. SUSTAINABILITY AND SOCIAL RESPONSIBILITY**

The Corporation shall be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

The Corporation shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows to grow its business while contributing to the advancement of the society where it operates.

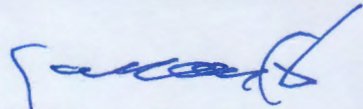
## **8. GOVERNANCE SELF-RATING**

The Board may create an internal self-rating system that can determine and measure the performance of the Board and Management in accordance with the criteria provided for in this Manual.

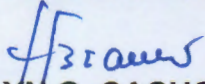
The creation and implementation of such self-rating system, including its salient features, may be disclosed in the Corporation's annual report.



**For the Board of Directors**



**ANDREW L. TAN**  
Chairman of the Board,



**EVELYN G. CACHO**  
Compliance Officer,